

Purdue University Financial Report 2020



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LETTER OF TRANSMITTAL

October 22, 2020

To the Board of Trustees of Purdue University:

We are pleased to submit this, the 98th annual financial report of Purdue University. This report is for the fiscal year that ended June 30, 2020, and sets forth the complete and permanent record of the financial status of the University for the year.

The University Financial Statements have been audited by the Indiana State Board of Accounts, and the Auditors' Report appears herein.

Respectfully submitted,

MITCHELL E. DANIELS, JR.
President

Respectfully submitted,

CHRISTOPHER A. RUHL
Treasurer and Chief Financial Officer

Approved for publication and transmission to the governor of the state.

BOARD OF TRUSTEES

July 1, 2019-June 30, 2020

The responsibility for making rules and regulations to govern the University is vested in a 10-member Board of Trustees appointed by the governor. The selection of these Trustees is prescribed in Indiana Code IC 21-23-3. Three of the Trustees are selected by the Purdue Alumni Association. The remaining seven Trustees are selected by the governor. Two of the Trustees must be involved in agricultural pursuits, and one must be a full-time student of Purdue University. All Trustees serve for a period of three years except for the student member, who serves for two years.

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Chicago, Illinois

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As of June 30, 2020

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Thomas L. Keon, Chancellor, Purdue University Northwest

Stephen R. Turner, Vice Chancellor for Finance and Administration, Purdue University Northwest

David Wesse, Vice Chancellor for Financial and Administrative Affairs, Purdue University Fort Wayne



REPORT OF THE PRESIDENT

On behalf of the students, faculty, staff, Trustees, and other leaders of Purdue University, I respectfully submit Purdue University's financial statements for the 2020 fiscal year. The Indiana State Board of Accounts has audited these financial statements and their report, which is unmodified, follows.

Just over one-hundred fifty years ago, the General Assembly voted to create Purdue University. Five years later, the first 39 Hoosiers arrived for classes. Purdue's international reputation and significant impact on the state of Indiana would be unimaginable to those first students. Even more recent Boilermakers are prone to marvel at the heights the university has reached in modern times, thanks to the support of the state and the work of many, from student success mentors to faculty innovators to hardworking Trustees.

I would like to call your attention to three specific improvements of which we are most proud: our service to Hoosiers, our contributions to the Indiana economy and our gains in becoming a more affordable university.

Purdue now serves close to 45,000 Hoosiers, including about 4,000 at the newly created Purdue Global, the Purdue affiliated university with the fastest Hoosier growth.

This fall in West Lafayette, we enrolled the largest incoming class of Indiana residents since the early 2000s. And because the Hoosier on-time graduation rate is now nearly 22 percentage points higher than it was back then, Purdue sends more Hoosiers into the workforce with a college degree each year than at any point in history. In 2019, some 2,200 Hoosiers from the Fall 2015 incoming cohort graduated, several hundred more than a decade prior. By the time the 2020 incoming class begins graduating in 2024 — based off Purdue's current Hoosier enrollment numbers and graduation rates — at least 1,100 more Indiana residents will graduate from Purdue within four years than did so in the early 2000s. That's a jump of about 75 percent. And as an increasingly STEM focused university, these graduates are entering the Hoosier economy equipped with the skills to innovate and thrive in our modern economy.

Strengthening Indiana's economy is also one of Purdue's main areas of emphasis. Since 2013, Purdue has streamlined our processes and refocused our faculty toward business startups and job creation.

U.S. News and World Report now ranks Purdue as the 5th most innovative university in the country and the only Indiana school in the top 50. That ranking is supported by Purdue's scientists who earned 180 U.S. patents in 2020, 233 percent more than in 2012. Purdue now ranks 13th in the world for patent creation. New licenses were up nearly 100 percent to a record 148 in 2020. That same year, Purdue helped to launch 55 new businesses, dozens more than in previous years. The goal is to create more companies like Endocyte, a business started by a Purdue faculty member in 1996 that went on to become a publicly traded company until it was sold to Novartis in 2018 for \$2.1 billion.

At the same time, we are using our pool of STEM capable graduates and top-notch researchers to attract new businesses to Indiana and our community. This summer both Bayer and Beck's Hybrids announced they would become the latest companies to open space in Purdue's Discovery Park District. They join various international companies that already are employing Hoosiers and financing research such as Rolls-Royce, Schweitzer Engineering Laboratories and Saab.

We are now in year eight of what will be at least nine years of frozen tuition at our main campus. Had we raised our rates at the average of other 4-year public schools, our in-state tuition would be more than \$1,300 higher per year. Meanwhile, the annual cost of attendance continues to decline, and the same is true for student borrowing and loan default rates.

As I often repeat, if Indiana did not have a Purdue University, we would be scrambling to create one to keep our economy competitive in this century. Fortunately, all we need to do is to continue to invest and cultivate the legacy that those 39 students started in 1874, and the General Assembly began in 1869.

We respectfully ask for your continued trust and backing.

Sincerely,

Mitchell E. Daniels, Jr.

President



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF PURDUE UNIVERSITY, WEST LAFAYETTE, INDIANA

Report on the Financial Statements

We have audited the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows of the business-type activities and the aggregate discretely presented component units of Purdue University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Purdue Research Foundation (Foundation), which represent 94 percent, 98 percent, and 96 percent, respectively, of the total assets, net position, and revenues of the discretely presented component units. Additionally, we did not audit the financial statements of Purdue University Global, Inc., which represent 2 percent, 0 percent, and 14 percent, respectively, of the total assets, net position, and revenues of the business-type activities. These statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and Purdue University Global, Inc., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation, a discretely presented component unit, were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards*.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying Letter of Transmittal, Board of Trustees, Officers of the University, Report of the President, Total In-State Enrollment by County and Acknowledgments are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

The Letter of Transmittal, Board of Trustees, Officers of the University, Report of the President, Total In-State Enrollment by County and Acknowledgments has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

October 22, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020 and 2019

We are pleased to present this financial discussion and analysis of Purdue University (the University). It is intended to provide an overview of the financial position and activities of the University for the fiscal years ended June 30, 2020 and 2019, along with comparative financial information for the fiscal year ended June 30, 2018. This discussion has been prepared by management to assist readers in understanding the accompanying financial statements and footnotes.

Financial Highlights

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

Statement of Net Position is the University's balance sheet. The statement presents the University's financial position by reporting all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at the end of the fiscal year. The statement as a whole provides information about the adequacy of resources to meet current and future operating and capital needs. Net position is the residual of all other elements presented in the Statement of Net Position and is one indicator of the current financial condition of the University.

Statement of Revenues, Expenses, and Changes in Net Position is the University's income statement. The statement presents the total revenues earned and expenses incurred by the University during the fiscal year, along with the increase or decrease in net position. This statement depicts the University's revenue streams, along with the categories of expenses supported by that revenue. Changes in net position are an indication of the change in the University's overall financial condition.

Statement of Cash Flows provides additional information about the University's financial results by presenting detailed information about cash activity during the fiscal year. The statement reports the major sources and uses of cash and is useful in the assessment of the University's ability to generate future net cash flows, the ability to meet obligations as they come due, and the need for external financing.

During fiscal year 2018, Purdue Global Inc., a blended component unit as discussed in Note 1, completed a transfer of assets from Kaplan Higher Education, which was accounted for under GASB 69, Government Combinations. This expansion, primarily in online education, extends the land grant mission of Purdue to benefit other populations of students, particularly working adult students, who are not located within proximity to one of Purdue University's campuses.

The financial information presented in this report is designed to enable the user to review how the University managed its resources to meet its primary missions of discovery, learning, and engagement. It should be recognized that a presentation of the financial performance of the University is not a full measure of the value of these functions as they were carried out during the fiscal year. This report deals

with the costs and sources of revenue used to provide the quality and diversity in higher education that the University believes is necessary to meet its goals and objectives. We suggest that you combine this financial analysis and discussion with relevant non-financial indicators to assess the University's performance. Examples of non-financial data indicators include trend and quality of applicants, freshman class size, student retention, the condition of facilities, and campus safety metrics. Information about non-financial indicators is not included in this analysis but may be obtained from the University's Office of Institutional Research, Assessment and Effectiveness online at <https://www.purdue.edu/datadigest/>.

Statement of Net Position

A comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2020, 2019, and 2018, is summarized below.

Table 1

Summary Statement of Net Position (Dollars in Thousands)

	2020	2019	2018
			As Restated
Current Assets	\$ 1,019,283	\$ 881,216	\$ 709,792
Capital Assets	2,642,403	2,520,836	2,496,148
Other Assets	3,093,814	3,114,863	2,997,230
Total Assets	6,755,500	6,516,915	6,203,170
Deferred Outflows of Resources	36,832	42,194	59,330
Current Liabilities	570,530	551,541	459,003
Noncurrent Liabilities	1,090,455	1,043,797	1,055,143
Total Liabilities	1,660,985	1,595,338	1,514,146
Deferred Inflows of Resources	46,539	32,617	36,052
Net Investment in Capital	1,710,945	1,610,376	1,552,896
Restricted - Nonexpendable	820,444	777,197	707,779
Restricted - Expendable	928,747	1,011,002	951,793
Unrestricted	1,624,672	1,532,579	1,499,834
Total Net Position	\$ 5,084,808	\$ 4,931,154	\$ 4,712,302

Assets

Current assets include those that may be used to support current operations, such as cash and cash equivalents, accounts receivable, and inventories. Capital assets include non-depreciable land, as well as buildings and equipment, net of depreciation. Other assets include pledges receivable, investments, and funds held in trust by others.

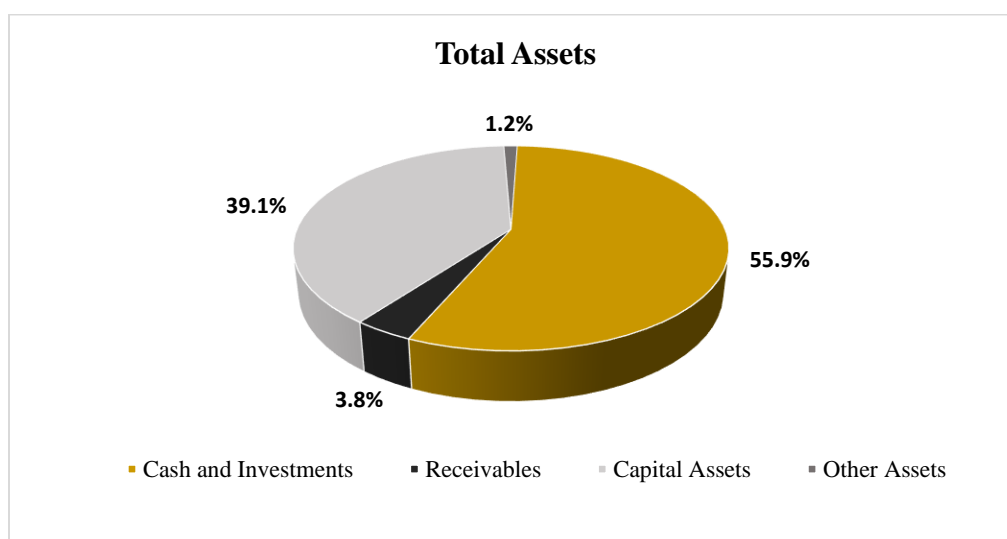
As of June 30, 2020 and 2019, current assets were approximately \$1.0 billion and \$881.2 million, respectively, resulting in an increase of \$138.1 million during fiscal year 2020 and an increase of approximately \$171.4 million during fiscal year 2019. As of June 30, 2020 and 2019, cash and cash equivalents were approximately \$558.1 and \$357.3 million respectively, resulting in increases of \$200.8 and \$93.8 million, respectively. Included in this amount, are \$120.9 and \$80.5 million at June 30, 2020 and 2019, respectively, which represent invested bond proceeds related to the University's capital

financing activities. The remaining balance of \$437.2 and \$276.8 million as of June 30, 2020 and 2019, respectively, of cash and cash equivalents were available for operations.

As of June 30, 2020 and 2019, noncurrent assets were approximately \$5.7 and \$5.6 billion, respectively, which is an increase of \$100.5 million, or 1.8%, during fiscal year 2020 and \$142.3 million, or 2.6%, during fiscal year 2019. This was primarily due to the acquisition of capital assets. Please refer to a more detailed discussion in the Statement of Revenues, Expenses, and Changes in Net Position section and Note 4.

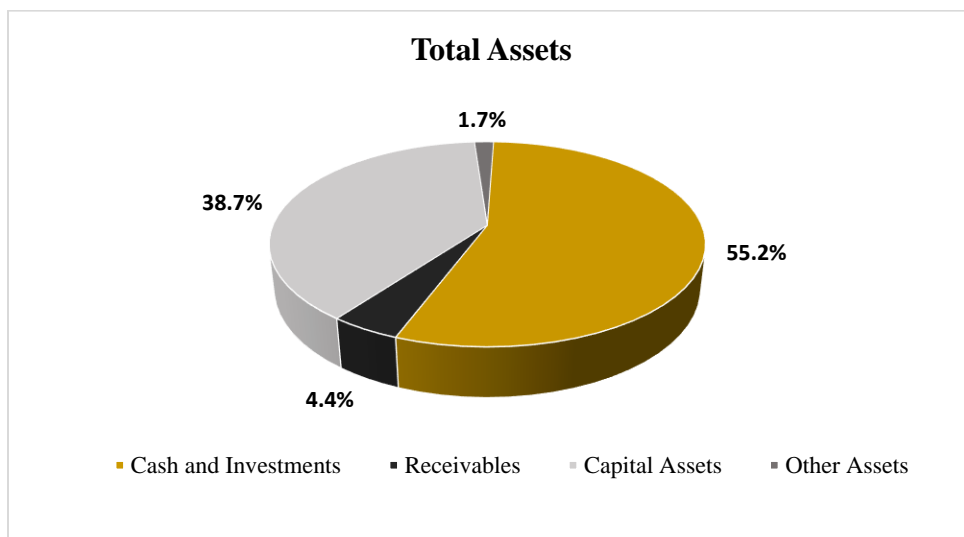
As of June 30, 2020 and 2019, total assets were approximately \$6.8 and \$6.5 billion, an increase of \$238.6 and \$313.7 million, or 3.7% and 5.1% respectively, over the previous fiscal year. The overall growth in assets is attributed to an increase in cash and cash equivalents and capital assets.

Figure 1 represents the composition of total assets as of June 30, 2020.



Cash and Investments	\$ 3,778,278	55.9%
Receivables	254,523	3.8%
Capital Assets	2,642,403	39.1%
Other Assets	80,296	1.2%
Total Assets	\$ 6,755,500	100.0%

Figure 2 represents the composition of total assets as of June 30, 2019.



Total Assets
(in thousands of dollars)

Cash and Investments	\$ 3,595,872	55.2%
Receivables	290,467	4.4%
Capital Assets	2,520,836	38.7%
Other Assets	109,740	1.7%
Total Assets	\$6,516,915	100.0%

Deferred Outflows of Resources

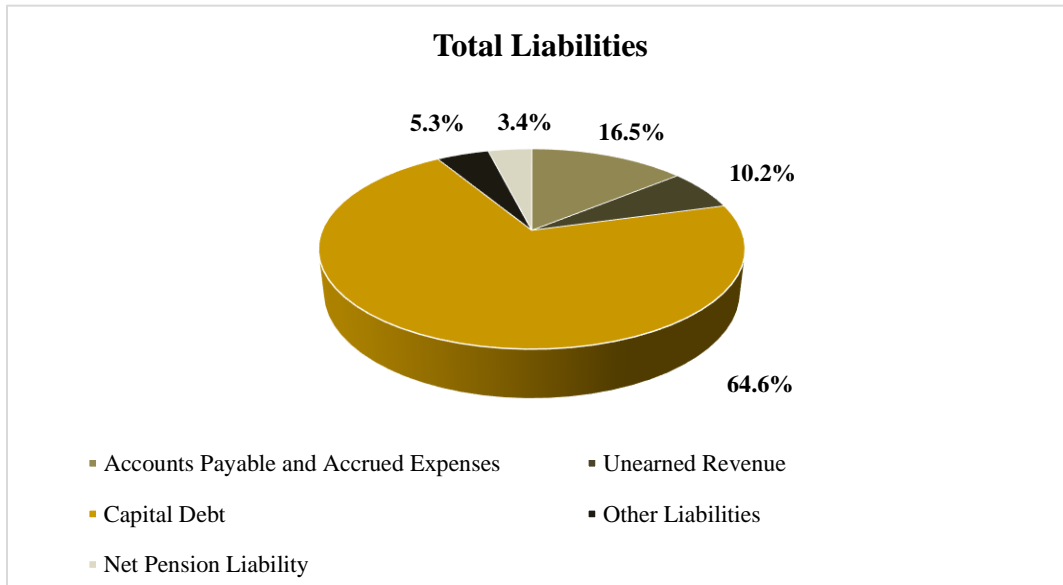
Deferred outflows of resources represent a consumption of resources that do not require a further exchange of goods and services, but that are applicable to a future reporting period. They are not shown on the Statement of Revenues, Expenses, and Changes in Net Position because they are not expense items relating to the current fiscal year, but to future periods. They are not shown on the Statement of Net Position in the Asset section because they are not items the University owns. Instead, they are presented on the Statement of Net Position as deferred outflows to reflect the fact that the recognition of the related expense will happen at a future date. The amounts recorded as deferred outflows for the fiscal years presented result from pension related items, capital debt refunding transactions, and asset retirement obligations.

Liabilities

Current liabilities generally are due and payable over the course of the following fiscal year. These include accounts and other payables, unearned revenues, current portion of long-term debt, and salaries along with related compensation payables. Current liabilities include variable-rate demand bonds, although most of the bonds are expected to be paid in future fiscal years. Noncurrent liabilities include bonds, notes, and leases payable. Total liabilities were approximately \$1.7 and \$1.6 billion as of June 30, 2020 and 2019, respectively.

Bonds, leases, and notes payable increased by \$24.8 million in fiscal year 2020 and increased \$33.5 million in fiscal year 2019, primarily due to issuances of new debt. A discussion of the University’s capital financing activities appears in the Debt and Financing Activities section below, as well as in Note 6.

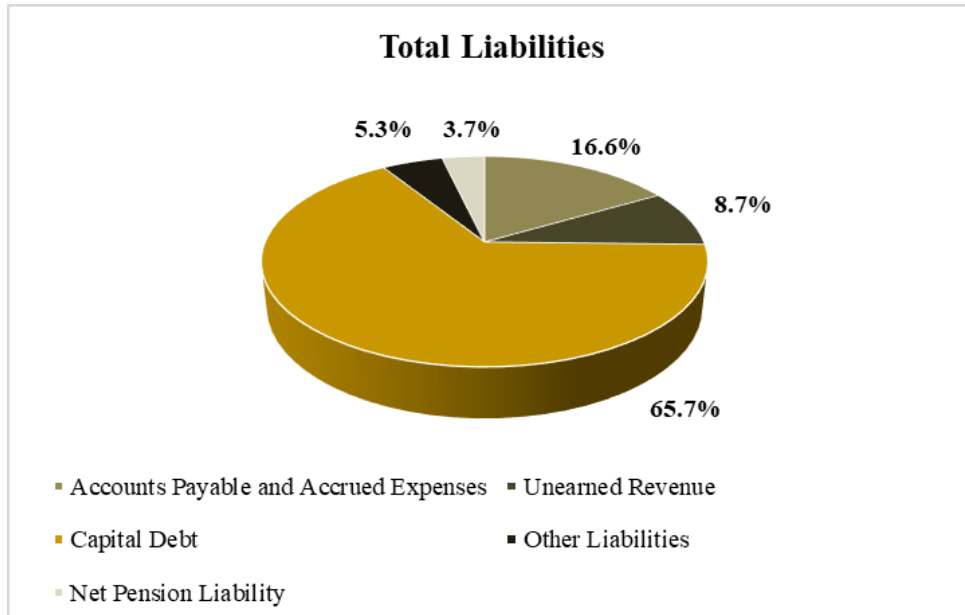
Figure 3 represents the composition of total liabilities as of June 30, 2020.



Total Liabilities
(in thousands of dollars)

Accounts Payable and Accrued Expenses	\$ 274,870	16.5%
Unearned Revenue	170,217	10.2%
Capital Debt	1,072,795	64.6%
Other Liabilities	87,324	5.3%
Net Pension Liability	55,779	3.4%
Total Liabilities	\$ 1,660,985	100.0%

Figure 4 represents the composition of total liabilities as of June 30, 2019.



Total Liabilities
(in thousands of dollars)

Accounts Payable and Accrued Expenses	\$ 265,388	16.6%
Unearned Revenue	139,484	8.7%
Capital Debt	1,047,959	65.7%
Other Liabilities	83,826	5.3%
Net Pension Liability	58,681	3.7%
Total Liabilities	\$1,595,338	100.0%

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of resources that do not require a further exchange of goods and services, but that are applicable to a future reporting period. They are not shown on the Statement of Revenues, Expenses, and Changes in Net Position because they are not revenue items related to the current fiscal year, but to future periods. They are not shown on the Statement of Net Position in the Liability section because they are not items the University owes. Instead, they are presented on the Statement of Net Position as deferred inflows to reflect the fact that the recognition of the related revenue will happen at a future date. The amounts recorded as deferred inflows for the fiscal years presented result from other post employment benefits, charitable remainder trusts, and pension related items.

Net Position

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

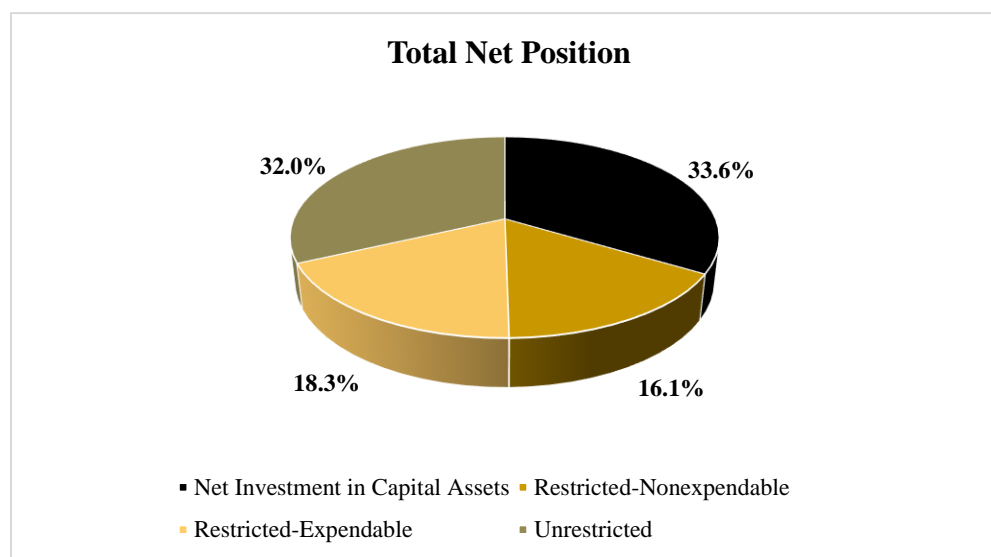
Net Investment in Capital Assets represents the University's investment in capital assets such as moveable equipment, buildings, land, infrastructure, and improvements, net of accumulated depreciation and related debt.

Restricted–Nonexpendable represents the corpus of the University's permanent endowments received from donors for the purpose of creating present and future income. The corpus must be held inviolate and in perpetuity.

Restricted–Expendable represents the portion of net position that may be spent, provided certain third party restrictions are met. Examples include balances from scholarships, grants and contracts, and spendable earnings from endowments.

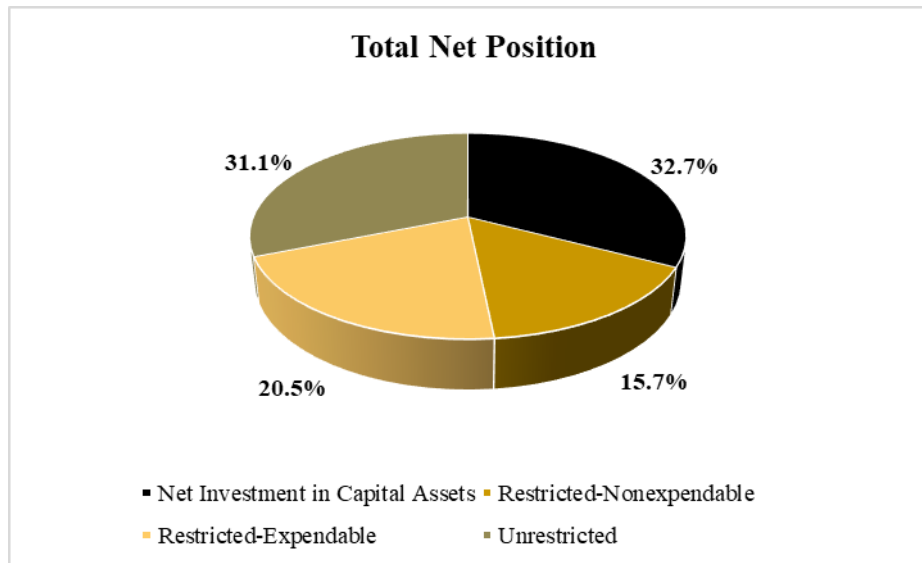
Unrestricted represents the portion of net position that has no third-party restrictions. Management designates the majority of this balance for specific purposes to fulfill strategic initiatives and operational needs.

Figure 5 represents the composition of net position as of June 30, 2020.



Total Net Position		
<i>(in thousands of dollars)</i>		
Net Investment in Capital Assets	\$ 1,710,945	33.6%
Restricted-Nonexpendable	820,444	16.1%
Restricted-Expendable	928,747	18.3%
Unrestricted	1,624,672	32.0%
Total	\$ 5,084,808	100.0%

Figure 6 represents the composition of net position as of June 30, 2019.



Total Net Position
(in thousands of dollars)

Net Investment in Capital Assets	\$ 1,610,376	32.7%
Restricted-Nonexpendable	777,197	15.7%
Restricted-Expendable	1,011,002	20.5%
Unrestricted	1,532,579	31.1%
Total	\$4,931,154	100.0%

Net investment in capital assets increased \$100.6 and \$57.5 million in fiscal years 2020 and 2019, respectively. For the fiscal years ended June 30, 2020 and 2019, the University added capital assets of \$311.1 and \$216.7 million, offset by annual depreciation of \$186.9 and \$190.1 million, respectively. Additional details are provided in the Capital Asset and Debt Administration section of this analysis.

The restricted-nonexpendable balance increased \$43.2 and \$69.4 million in fiscal years 2020 and 2019, respectively, primarily resulting from contributions to endowments.

Restricted-expendable balances decreased by \$82.3 million and increased by \$59.2 million in fiscal years ended June 30, 2020 and 2019, respectively, driven by the respective changes in market value of investments.

The unrestricted net position had an increase of \$92.1 and \$32.7 million for the fiscal years ended June 30, 2020 and 2019, respectively.

Statement of Revenues, Expenses, and Changes in Net Position

Revenues are classified for financial reporting as either operating or nonoperating. Operating revenues are generated by providing goods and services to our students and other important constituents of the University and include tuition and fees, grants and contracts, and sales and services. Tuition and fees and housing revenue assessed to students are reported gross, with the related scholarship allowance presented separately. Nonoperating revenues are those received by the University without providing a corresponding good or service and include our state appropriations, investment income, and private gifts. As Purdue is a public university, nonoperating revenues are an integral part of the operating budget. Private gifts for capital projects and additions to the University's endowment are also considered nonoperating sources of revenue.

A summarized comparison of the University's revenues, expenses, and changes in net position at June 30, 2020, 2019, and 2018, is presented below.

Table 2

Summary Statement of Revenues, Expenses, and Changes in Net Position (Dollars in Thousands)			
	2020	2019	2018
Operating Revenues			
Tuition and Fees	\$ 1,385,459	\$ 1,378,546	\$ 1,037,216
Less: Scholarship Allowance	(213,949)	(223,872)	(145,279)
Grants and Contracts	460,682	393,932	376,154
Auxiliary Enterprises	234,336	244,142	301,899
Less: Scholarship Allowance	(16,830)	(16,660)	(16,316)
Other Operating Revenues	170,645	178,128	128,007
Total Operating Revenues	2,020,343	1,954,216	1,681,681
Operating Expenses			
Depreciation	186,934	190,100	175,821
Other Operating Expenses	2,411,239	2,464,468	2,095,278
Total Operating Expenses	2,598,173	2,654,568	2,271,099
Operating Loss	(577,830)	(700,352)	(589,418)
Nonoperating Revenues			
Capital and Endowments	652,528	814,338	666,681
Total Nonoperating Revenues	731,484	919,204	763,196
Increase in Net Position	153,654	218,852	173,778
Net position, Beginning of Year	4,931,154	4,712,302	4,538,524
Net position, End of Year	\$ 5,084,808	\$ 4,931,154	\$ 4,712,302

Figures 7 and 8 provide information about the University’s sources of revenues for fiscal years 2020 and 2019. The University had an increase in net position of \$153.7 and \$218.9 million for fiscal years ended June 30, 2020 and 2019, respectively.

Figure 7: University Revenue by Category for FY 2020

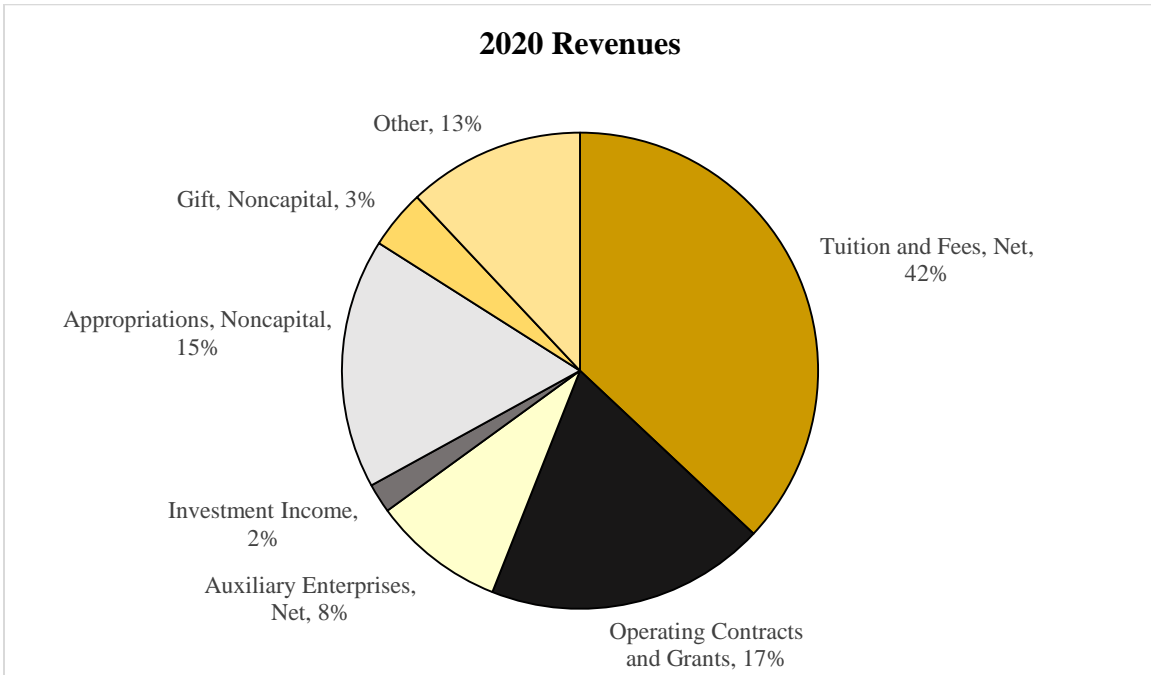
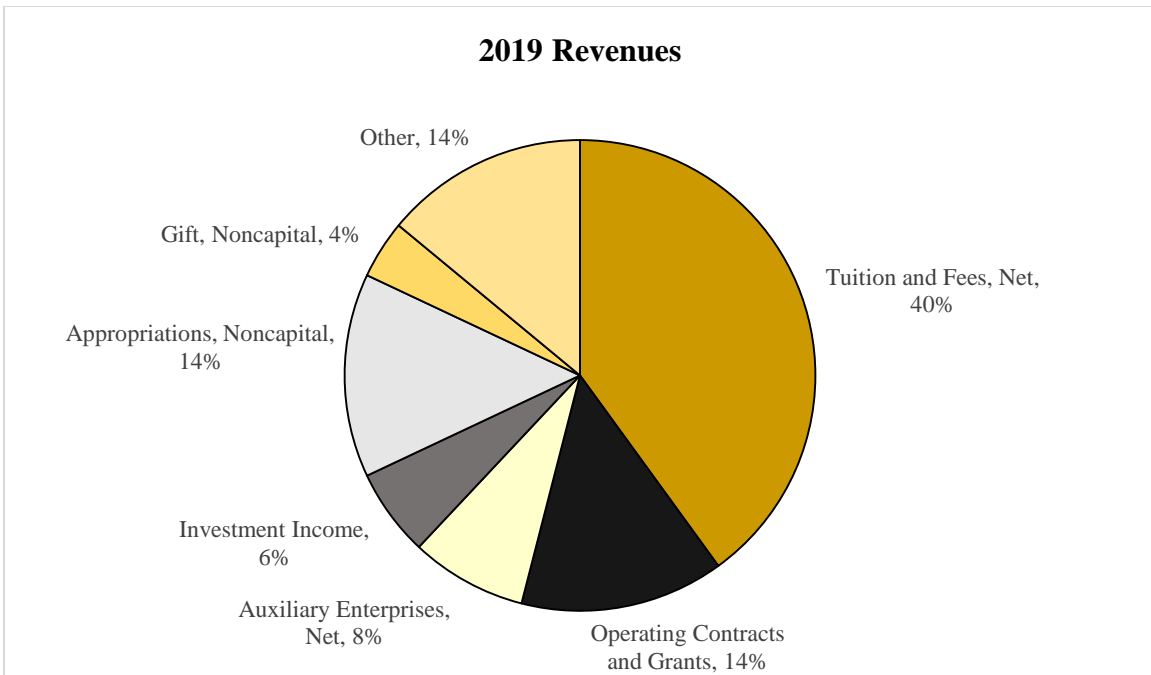
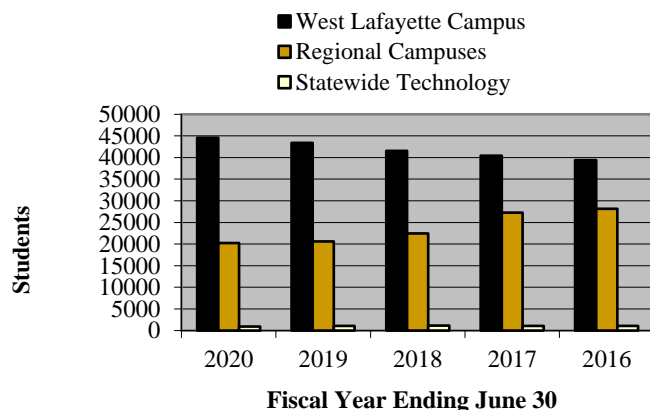


Figure 8: University Revenue by Category for FY 2019



For the fiscal years ended June 30, 2020 and 2019, the total operating revenues increased \$66.1 million, or 3.4% and \$272.5 million, or 16.2%, respectively. Net tuition and fee revenue increased by \$16.8 and \$262.7 million in fiscal years 2020 and 2019, respectively, primarily resulting from increased enrollment at the West Lafayette campus. Enrollment patterns for the past five years are illustrated below.

Five-Year Enrollment Data*
Fall Semester Enrollment



**Enrollment figures do not include Purdue University students enrolled at the Indiana University-Purdue University Indianapolis campus or Purdue University Global.*

Operating grants and contracts revenue increased \$66.8 and \$17.8 million for the fiscal years ended June 30, 2020 and 2019, respectively, primarily due to fluctuations in grant revenue from federal and industrial sponsors.

For the fiscal years ended June 30, 2020 and 2019, total operating expenses decreased by \$56.4 million, or 2.1%, and increased by \$383.5 million, or 16.9%, respectively. Details are described in Note 8.

For the fiscal years ended June 30, 2020 and 2019, non-operating revenues before capital and endowments, net of expenses, decreased by \$161.8 and increased \$147.7 million, respectively, primarily due to changes in investment income related to fluctuations in the market. The net investment performance of the University’s endowment was -0.7% and 5.5% for the fiscal years 2020 and 2019, respectively, using the most recent data available. The endowment was invested in private investments (34.4%), public equities (56.2%), and fixed income investments (9.4%). The portfolio composition did not materially change from the prior fiscal year.

For the fiscal years ended June 30, 2020 and 2019, capital and endowment income decreased by \$25.9 million, or 24.7%, and increased by \$8.4 million, or 8.7%, respectively, primarily due to fluctuations in state capital appropriations, private gifts for endowments, and capital gifts.

Statement of Cash Flows

The Statement of Cash Flows provides a means to assess the financial health of the University by presenting relevant information about the cash receipts and cash payments of the University during the fiscal year. It assists in determining the University's ability to generate future net cash flows to meet its obligations as they become due and to determine the need for external financing. The Statement of Cash Flows presents sources and uses of cash and cash equivalents in four activity-based categories: operating, noncapital financing, investing, and capital and related financing. Table 3 provides a summarized comparison of the University's sources, uses, and changes in cash and cash equivalents.

Table 3

Summary Statement of Cash Flows (Dollars in Thousands)

	2020	2019	2018
Cash Used by Operating Activities	\$ (330,239)	\$ (456,985)	\$ (381,336)
Cash Provided by Noncapital Financing Activities	684,896	710,822	605,794
Cash Provided by Investing Activities	76,973	17,786	77,158
Cash Used by Capital and Related Financing Activities	(230,808)	(177,798)	(320,436)
Net Increase (Decrease) in Cash and Cash Equivalents	200,822	93,825	(18,820)
Cash and Cash Equivalents, Beginning of Year	357,280	263,455	282,275
Cash and Cash Equivalents, End of Year	\$ 558,102	\$ 357,280	\$ 263,455

The cash provided by noncapital financing activities reflect the nonoperating revenue changes described above. The cash provided by investing activities in fiscal year 2020 and 2019 represent the return of cash to operations, making those funds available for use in other areas of the University. The fluctuation in cash flows used by capital and related financing activities reflects the financing strategy and timing of the University's capital plan, which is outlined in the Capital Asset and Debt Administration section.

Capital Asset and Debt Administration

Significant Construction Projects

The University continues to expand its campuses and renovate existing facilities to meet the needs of its students, faculty, and staff. Significant construction projects (over \$20 million) completed during fiscal years 2020 and 2019 are presented in Table 4 and significant projects in progress at June 30, 2020 are presented in Table 5. Significant projects authorized by the Board of Trustees but not started at June 30, 2020 are presented in Table 6.

Table 4**Significant Construction Projects Completed (Dollars in Thousands)****Projects Completed in 2020**

Bioscience Innovation Building	\$ 40,500
STEM Teaching Lab Building	64,000
Total Significant Construction Projects Completed	\$ 104,500

No significant construction projects were completed in 2019

Table 5**Significant Construction Projects in Progress (Dollars in Thousands)**

	Project Budget
Agricultural and Biological Engineering Renovation and Addition	\$ 80,000
Engineering and Polytechnic Gateway	140,000
Purdue Memorial Union Renovation	35,000
Veterinary Hospital Complex	108,000
Hagle Hall Bands and Orchestra Building	20,000
Total Significant Construction Projects in Progress	\$ 383,000

Table 6**Significant Construction Projects Authorized But Not Started (Dollars in Thousands)**

	Project Budget
Data Science Building	\$ 40,000
Purdue Memorial Union Dining Renovation	47,300
Total Significant Construction Projects Authorized But Not Started	\$ 87,300

Debt and Financing Activities

As of June 30, 2020 and 2019, bonds, leases, and notes payable totaled approximately \$1.07 and \$1.05 billion, respectively, and represented approximately 64.6% and 65.7%, respectively, of the total liabilities of the University. The University's debt portfolio as of June 30, 2020 consisted of \$86.9 million of variable rate instruments (8.1%) and \$985.9 million in fixed rate obligations (91.9%). As of June 30, 2019, the University's debt portfolio consisted of \$88.4 million of variable rate instruments (8.4%), and \$959.5 million in fixed rate obligations (91.6%). Additional details about University indebtedness are provided in Note 6.

As of June 30, 2020 and 2019, the University had a credit rating of Aaa from Moody's Investors Service and AAA from Standard & Poor's. The University was in a limited group of public higher education institutions with such a credit rating – only eight Universities were so rated at those dates by Moody's and only seven by Standard & Poor's. In addition, the University's variable rate debt maintains short-term ratings from Moody's of Aaa/VMIG-1 and by Standard & Poor's of A-1+.

Economic Outlook

For fiscal year 2021, the Indiana General Assembly appropriated \$295.4 million for the West Lafayette campus, \$51.5 million for Purdue Northwest and \$47 million for Purdue Fort Wayne, an overall decrease of 1.9% in state appropriations. The decrease is driven by a 7% reduction in operating appropriations and an increase in the university's fee replacement appropriation. The fee replacement appropriation increase will offset the debt payments used to fund the construction of the new Veterinary Medicine Teaching Hospital (\$73 million) and the Engineering and Polytech Gateway building (\$60 million).

Academic year 2020-21 tuition rates for both Indiana resident and nonresident students remain flat at the West Lafayette campus for the eighth year in a row. The regional campuses had modest tuition increases for undergraduates as follows: Fort Wayne 1.65% and Purdue Northwest 1.65%. Each campus continues its efforts to identify operational efficiencies, cost savings initiatives and new sources of revenue to supplement its operating budget. Efforts to support student affordability and accessibility remain a high priority as illustrated by the decision to continue holding tuition flat at the West Lafayette campus for the ninth year in FY22.

Enrollment at all Purdue campuses was 67,528* for the fall semester of the 2020-2021 academic year. Enrollment at the West Lafayette campus hit a record high at 44,869 for the fall semester of the 2020-2021 academic year, up 318 from the fall semester of the prior academic year. First-year undergraduate students also hit a record high at 8,869. Purdue continues to experience record-high retention and graduation rates due to a university-wide commitment to student success. The first-year retention rate at the West Lafayette campus is at 93.5% compared to 91.6% last year, and the second-year retention rate is at 87.4%, as compared to 87.8% last year. The four-year graduation rate increased to 62.6% compared to 60.6% last year. The six-year graduation rates increased to 83.3% from 82.2% last year.

The WL class average new SAT scores were 1,291 on the critical reading, math, and writing sections (on a scale of 400 to 1600). This is a decrease of only 16 points from the previous year.

The COVID-19 pandemic has changed the landscape of higher education. While the full impact to Purdue University is yet to be quantified, the University remains financially healthy and will be able to adjust as needed to any potential operational or financial impacts. The University will continue to monitor the impact of the pandemic to our campuses.

**Enrollment figures do not include Purdue University students enrolled at the Indiana University-Purdue University Indianapolis campus or Purdue University Global.*

Purdue University

Statement of Net Position

As of June 30 (Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
Assets and Deferred Outflows of Resources:		
Current Assets:		
Cash and Cash Equivalents	\$ 558,102	\$ 357,280
Investments	242,007	256,054
Accounts Receivable, Net	113,346	111,668
Pledges Receivable, Net	36,866	51,168
Notes Receivable, Net	15,650	8,358
Other Receivables	1,122	5,735
Other Assets	52,190	90,953
Total Current Assets	1,019,283	881,216
Noncurrent Assets:		
Investments	2,978,169	2,982,538
Pledges Receivable, Net	25,915	37,316
Notes Receivable, Net	61,624	76,222
Interest in Charitable Remainder Trusts	28,106	18,787
Capital Assets, Net	2,642,403	2,520,836
Total Noncurrent Assets	5,736,217	5,635,699
Total Assets	6,755,500	6,516,915
Deferred Outflows of Resources	36,832	42,194
Liabilities and Deferred Inflows of Resources:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	200,223	193,720
Unearned Revenue	170,217	139,484
Deposits Held in Custody for Others	1,451	1,892
Accrued Compensated Absences	29,067	30,084
Bonds (net), Leases, and Notes Payable	169,572	186,361
Total Current Liabilities	570,530	551,541
Noncurrent Liabilities:		
Accrued Compensated Absences	45,580	41,584
Other Post Employment Benefits	33,357	43,457
Net Pension Liability	55,779	58,681
Funds Held in Trust for Others	18,989	7,299
Advances from Federal Government	8,518	15,211
Other Noncurrent Liabilities	25,009	15,967
Bonds (net), Leases, and Notes Payable	903,223	861,598
Total Noncurrent Liabilities	1,090,455	1,043,797
Total Liabilities	1,660,985	1,595,338
Deferred Inflows of Resources	46,539	32,617

Statement of Net Position

As of June 30 (Dollars in Thousands)

(continued from previous page)

	<u>2020</u>	<u>2019</u>
Net Position:		
Net Investment in Capital Assets	\$ 1,710,945	\$ 1,610,376
Restricted:		
Nonexpendable:		
Instruction and Research	423,194	394,049
Student Aid	375,118	361,918
Other	22,132	21,230
Total Nonexpendable	820,444	777,197
Expendable:		
Instruction, Research and Public Service	152,665	243,364
Student Aid	78,441	92,985
Construction	176,943	67,241
Other	520,698	607,412
Total Expendable	928,747	1,011,002
Unrestricted	1,624,672	1,532,579
Total Net Position	\$ 5,084,808	\$ 4,931,154

The Accompanying Notes are an Integral Part of these Financial Statements



Purdue University

Statement of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30 (Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Tuition and Fees	\$ 1,385,459	\$ 1,378,546
Less: Scholarship Allowance	(213,949)	(223,872)
Federal Appropriations	17,905	18,121
County Appropriations	9,509	9,050
Grants and Contracts	460,682	393,932
Sales and Services	140,368	148,176
Auxiliary Enterprises	234,336	244,142
Less: Scholarship Allowance	(16,830)	(16,660)
Other Operating Revenues	2,863	2,781
Total Operating Revenues	2,020,343	1,954,216
Operating Expenses:		
Compensation and Benefits	1,655,110	1,658,423
Supplies and Services	693,889	740,379
Depreciation Expense	186,934	190,100
Scholarships, Fellowships, & Student Awards	62,240	65,666
Total Operating Expenses	2,598,173	2,654,568
Net Operating Loss	(577,830)	(700,352)
Nonoperating Revenues (Expenses):		
State Appropriations	401,886	405,921
Grants and Contracts	138,170	147,944
Private Gifts	78,258	102,397
Investment Income	58,233	181,639
Interest Expense	(28,969)	(29,159)
Other Nonoperating Revenues (Net of Nonoperating Expenses of \$668 and \$556, respectively)	4,950	5,596
Total Nonoperating Revenues before Capital and Endowments	652,528	814,338
Capital and Endowments:		
State Capital Appropriations	-	305
Capital Gifts	41,146	46,574
Private Gifts for Permanent Endowments and Charitable Remainder Trusts	37,810	57,987
Total Capital and Endowments	78,956	104,866
Total Nonoperating Revenues	731,484	919,204
INCREASE IN NET POSITION	153,654	218,852
Net Position, Beginning of Year	4,931,154	4,712,302
Net Position, End of Year	\$ 5,084,808	\$ 4,931,154

The Accompanying Notes are an Integral Part of these Financial Statements

Purdue University

Statement of Cash Flows

For the Years Ended June 30 (Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Tuition and Fees, Net of Scholarship Allowances	\$ 1,195,463	\$ 1,155,530
Federal Grants	17,905	18,121
County Grants	9,509	9,050
Grants and Contracts	470,554	397,387
Sales and Services	138,737	151,584
Auxiliary Enterprises, Net of Scholarship Allowances	218,795	233,185
Other Operating Revenues	665	3,467
Compensation and Benefits	(1,655,522)	(1,648,238)
Supplies and Services	(664,376)	(712,561)
Scholarships, Fellowships and Student Awards	(62,216)	(65,128)
Other Operating Expenses	(6,692)	-
Student Loans Issued	(2,222)	(8,744)
Student Loans Collected	9,161	9,362
Cash Used by Operating Activities	(330,239)	(456,985)
Cash Flows From Noncapital Financing Activities:		
State Appropriations	401,886	405,921
Grants and Contracts	138,170	147,944
Gifts for Other than Capital Purposes	127,013	153,262
Funds Held in Trust for Others	11,176	(2,388)
Other Nonoperating Revenues, Net	6,651	6,083
Cash Provided by Noncapital Financing Activities	684,896	710,822
Cash Flows From Investing Activities:		
Purchases of Investments	(3,632,095)	(2,376,478)
Proceeds from Sales and Maturities of Investments	3,656,242	2,326,526
Interest and Dividends on Investments, Net	52,826	67,738
Cash Provided by Investing Activities	76,973	17,786
Cash Flows From Capital and Related Financing Activities:		
Debt Repayment	(63,146)	(60,255)
Capital Debt Proceeds	133,683	104,628
Interest Expense	(40,131)	(40,625)
Capital Gifts Received	56,443	14,131
State Appropriations for Capital Projects	-	339
Construction or Purchase of Capital Assets	(317,657)	(196,016)
Cash Used by Capital and Related Financing Activities	(230,808)	(177,798)
Net Increase in Cash and Cash Equivalents	200,822	93,825
Cash and Cash Equivalents, Beginning of Year	357,280	263,455
Cash and Cash Equivalents, End of Year	\$ 558,102	\$ 357,280

Statement of Cash Flows

For the Years Ended June 30 (Dollars in Thousands)
(continued from previous page)

Reconciliation of Cash Used for Operating Activities (Indirect Method)	<u>2020</u>	<u>2019</u>
Reconciliation of net operating loss to net cash used by operating activities:		
Operating Loss	\$ (577,830)	\$ (700,352)
Depreciation Expense	186,934	190,100
Noncash investing, capital, and financing activities	52	107
Changes in Assets and Liabilities:		
Accounts Receivable	37	1,413
Notes Receivable	6,939	618
Other Assets	3,847	4,602
Accrued Compensated Absences	2,979	4,867
Other Post Employment Benefits and related deferrals	(4,554)	(4,822)
Net Pension liability and related deferrals	(147)	(2,159)
Accounts Payable	27,602	35,947
Unearned Revenue	30,595	12,418
Advances from Federal Government	(6,693)	276
Cash Used by Operating Activities	\$ (330,239)	\$ (456,985)

The Accompanying Notes are an Integral Part of these Financial Statements



Component Units

As of June 30 (Dollars in Thousands)

Consolidated Statement of Financial Position

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and Cash Equivalents	\$ 17,517	\$ 21,436
Accounts Receivable, Net	27,229	25,738
Other Assets	18,752	20,656
Investments	2,750,817	2,790,277
Lease Purchase Agreements	185,148	189,858
Notes Receivable, Net	32,997	29,584
Interest in Charitable Perpetual Trusts	15,799	16,124
Capital Assets, Net of Accumulated Depreciation	280,574	250,411
Irrevocable Trust	-	34,821
Total Assets	3,328,833	3,378,905
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 38,904	\$ 33,213
Unearned Revenue	20,292	16,206
Due on Split Interest Agreements	42,406	47,287
Deposits Held in Custody for Others	1,829,899	1,826,770
Bonds (Net), Leases, and Notes Payable	352,033	395,843
Other Liabilities	3,659	2,010
Total Liabilities	2,287,193	2,321,329
Net Assets:		
Without Donor Restriction	288,073	283,197
With Donor Restriction	753,567	774,379
Total Net Assets	1,041,640	1,057,576
Total Liabilities and Net Assets	\$ 3,328,833	\$ 3,378,905

Component Units

For the Years Ended June 30 (Dollars in Thousands)

Consolidated Statement of Activities

	<u>2020</u>	<u>2019</u>
Revenue and Support		
Amount Received for Purdue University Research Projects	\$ 706	\$ 399
Less Payments to Purdue University	(706)	(399)
	-	-
Contributions	60,737	36,763
Income on Investments	23,216	28,116
Net Unrealized and Realized Gains (Losses)	(14,970)	44,058
Increase in Value of Split Interest Agreements	3,781	2,598
Decrease in Interests in Perpetual Trusts	(325)	(11)
Rents	24,670	20,993
Royalties	11,380	4,078
Other	36,135	35,923
Total Revenue and Support	144,624	172,518
Expenses and Losses		
Expenses for the Benefit of Purdue University		
Contributions to Purdue University	45,856	38,012
Patent and Royalty	8,755	3,268
Grants	581	1,102
Services for Purdue University	2,493	2,569
Other	3,287	7,310
Total Expenses for the Benefit of Purdue University	60,972	52,261
Administrative and Other Expenses		
Salaries and Benefits	39,307	35,328
Property Management	23,258	19,562
Professional Fees	12,632	14,757
Supplies	3,384	1,782
Interest	8,969	14,019
Research park	554	383
Other	11,484	12,576
Total Administrative and Other Expenses	99,588	98,407
Change in Net Assets	(15,936)	21,850
Net Assets, Beginning of Period	1,057,576	1,035,726
Net Assets, End of Period	\$ 1,041,640	\$ 1,057,576

Note 1 — Basis of Presentation and Summary of Significant Accounting Policies

For the Fiscal Year Ended June 30, 2020

ORGANIZATION:

Established in 1869, Purdue University (the University) is the land-grant University for the state of Indiana. The University is a comprehensive degree-granting research University with 28 schools and colleges on its main campus in West Lafayette and the following regional campuses:

Purdue University Fort Wayne

Purdue University Northwest

In addition to its academic programs offered at the above campuses, the University offers learning and other assistance programs at various other locations in the state of Indiana through:

Purdue Polytechnic Institute Statewide

College of Agriculture Purdue Extension

Technical Assistance Program

The responsibility for making rules and regulations to govern the University is vested in a 10-member Board of Trustees (the Trustees). The selection of these Trustees is prescribed in Indiana Code IC 21-23-3. Three of the Trustees are selected by the Purdue Alumni Association. The other seven Trustees are selected by the governor. Two of the Trustees must be involved in agricultural pursuits, and one must be a full-time student of the University. All Trustees serve for a period of three years, except for the student member, who serves for two years.

REPORTING ENTITY:

Governmental Accounting Standards Board (GASB) Statement No. 14 *The Financial Reporting Entity* as amended by GASB No. 39 *Determining Whether Certain Organizations Are Component Units* and GASB No. 61 *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34* define the financial reporting entity as an entity that consists of the primary government, Purdue University, and all of its component units. Component units are legally separate organizations which have a fiscal dependency and financial benefit or burden relationship with the primary government and other organizations for which the significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete.

Purdue International, Inc. (PII) is a separately incorporated, not-for-profit entity established in 2014 to facilitate the University's international education, research, and exchange activities. In this regard, PII serves as the flagship entity for Purdue's international outreach.

The University is the sole beneficiary of PII and the governing body is substantively the same as the University's governing body. As a result, PII is reported as a blended component unit of the University and consolidated within the University's financial statements. PII is an exempt organization under Section 501(c) (3) of the Internal Revenue Code.

Purdue University Global, Inc. (Purdue Global) is also a separately incorporated entity formed to further the online education offerings in support of Purdue's land grant mission.

The sole corporate member of Purdue Global is Purdue University, and Purdue Global's Board of Trustees is made up primarily of members who are also members of the Board of Trustees of Purdue University. As a result, Purdue Global is reported as a blended component unit of the University and consolidated within the University's financial statements.

There are three discretely presented component units, which are defined as organizations that raise and hold economic resources for the direct benefit of the University. These units are not consolidated within

the University's financial statements, but their summary financial information is presented in Note 10 and in a consolidated statement of presentation immediately following the University's statements as required by GASB Statement No. 39, as amended by GASB Statement No. 61. All of the current discretely presented component units report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117 *Financial Reporting of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Purdue Research Foundation (PRF) was created in 1930 as a separately incorporated, not-for-profit entity. Its primary purpose is to promote the educational purpose of the University; award scholarships, grants, or other financial assistance to students and faculty; seek, acquire, invest, and hold gifts and endowments for the needs of the University; and acquire property or facilities for the future use or benefit of the University. The economic resources received or held by PRF are entirely, or almost entirely, for the direct benefit of the University; however, the University does not appoint the voting majority of PRF's Board of Directors. As a result, PRF is reported as a discretely presented component unit. PRF is an exempt organization under Section 501(c) (3) of the Internal Revenue Code. PRF includes several wholly owned subsidiary LLC corporations, all of which support the purposes of PRF and the University. PRF also includes the wholly owned subsidiary McClure Park, LLC, which is a for-profit Indiana corporation that was formed to acquire, construct, lease, operate, convey, and mortgage real estate and personal property of every kind and any interest therein. McClure Park, LLC wholly owns single member limited liability subsidiaries and participates in several limited liability corporations primarily accounted for using the equity method. Complete financial statements for the foundation can be obtained by writing to: Purdue Research Foundation, 1281 Win Henschel Blvd, West Lafayette, IN 47906.

Ross-Ade Foundation was created in 1923 as a separately incorporated, not-for-profit entity. The Ross-Ade Foundation constructs athletic and parking facilities on behalf of the University. The Ross-Ade Foundation provides services entirely, or almost entirely, to the University or otherwise exclusively, or almost exclusively, benefits the University even if it does not provide services directly to it. The University appoints the voting majority of the Ross-Ade Foundation's Board of Directors, but it is not substantively the same as the University's Board of Directors. As a result, the Ross-Ade Foundation is reported as a discretely presented component unit. The Ross-Ade Foundation is an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Complete financial statements for the foundation can be obtained by writing to: Ross-Ade Foundation, 1281 Win Henschel Blvd, West Lafayette, IN 47906.

Purdue Fort Wayne (PFW) Foundation was created in 1958 to promote the educational purposes of Purdue University Fort Wayne. The PFW Foundation accomplishes that purpose by owning and leasing land and buildings, receiving gifts of money or property, and investing, transferring, or leasing personal or real property for educational or charitable purposes. The PFW Foundation provides services entirely to the University or otherwise exclusively benefits the University even if it does not provide services directly to it; however, the University does not appoint the voting majority of the PFW Foundation's Board of Directors. As a result, the PFW Foundation is reported as a discretely presented component unit. The PFW Foundation is an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Complete financial statements for the foundation can be obtained by writing to: PFW Foundation, 2101 East Coliseum Blvd., KT G06, Fort Wayne, IN 46805-1499.

The University has an association with Indiana University-Purdue University Indianapolis for which it is not financially accountable nor does it have primary access to the resources. Accordingly, this organization has not been included in the University's financial statements.

RELATIONSHIP TO THE STATE OF INDIANA:

As one of seven public universities in the state, the University is a discrete component unit of the state of Indiana with its financial results being included in the State's Comprehensive Annual Financial Report. The University receives funding from the state for operations, repair and maintenance, construction, and debt service. A segment of its nonexempt employees participate in the state's public employees' retirement program.

TAX-EXEMPT STATUS:

The income generated by the University, as an instrument of the State, is generally excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. The University also has a determination letter from the Internal Revenue Service stating it is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Income generated from activities unrelated to the University's exempt purpose is subject to tax under Internal Revenue Code Section 511(a) (2) (B). There was no tax liability related to income generated from activities unrelated to the University's exempt purpose as of June 30, 2020 and 2019.

BASIS OF PRESENTATION:

The financial statements of the University have been prepared in accordance with the principles contained in 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*.

During fiscal year 2020, the University did not adopt any new GASB Statements.

During fiscal year 2019, the University adopted GASB Statement 83 *Certain Asset Retirement Obligations*, GASB Statement 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, and early adopted GASB Statement 89 *Accounting for Interest Costs Incurred before the End of a Construction Period*.

The effect of GASB Statement 83:

This statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirement obligations. We have evaluated our obligations based on GASB guidelines and booked entries accordingly.

The effect of GASB Statement 88:

This statement requires that additional essential information related to debt be disclosed in the notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. These disclosures may be found in Note 6.

The effect of GASB Statement 89:

This statement establishes accounting requirements for interest costs incurred before the end of a construction period, and requires the recognition of an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

BASIS OF ACCOUNTING:

The University is considered a special-purpose government engaged only in business-type activities for financial reporting purposes. Accordingly, the University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred. Eliminations have been made to prevent the double counting of internal activities.

The University applies all applicable GASB pronouncements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Cash and Cash Equivalents. Cash and cash equivalents include cash, revolving and change funds, cash in transit, credit card deposits in transit, unspent debt proceeds, and certain investments with original maturities of three months or less. It is the University's practice to invest operating cash balances and bond proceeds in investments of varying maturity dates. Investments exclusive of endowment funds that are included in cash equivalents represent short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity date that they present insignificant risk of changes in value due to changes in interest rates.

Investments. Investments, exclusive of institutional physical properties, are generally reported at fair value. Fair value is generally based on quoted market prices as of June 30, except for certain investments, primarily private equity partnerships, hedge funds, and similar alternative investments for which quoted market prices are not available. The estimated fair value of these investments is based on the valuations provided by external investment managers within the past fiscal year through June 30. Because alternative investments are not readily marketable, their estimated value may differ from the value that would have been used had a ready market value for such investments existed. Investments, exclusive of endowment funds, may be classified current or noncurrent, depending on the individual investment's maturity date at June 30. Endowment funds are included in noncurrent investments.

Accounts Receivable. Accounts receivable primarily represent grant, contract, and student payments due to the University and are shown net of an allowance for doubtful accounts.

Pledges Receivable. Pledges receivable are accrued as of the end of the fiscal year, provided the pledge is verifiable, measurable, and probable of collection. Pledges receivable do not include gifts made in anticipation of estates, telephone solicitations, or promises of endowment funds. An allowance for uncollectible pledges is calculated based on the University's experience.

Notes Receivable. Notes receivable primarily consist of student loans due to the University and are shown net of allowance for doubtful accounts.

Other Receivables. Other receivables represent state and federal appropriations receivable.

Other Assets. Other assets include the following types of assets:

Inventories. Inventories principally consist of consumable supplies and items held for resale or recharge within the University, and are valued using a variety of methods, including first in first out (FIFO), weighted average and moving average, depending upon the type of inventory. Agricultural commodities are reported using the consumption method, measured by physical count and are stated at market value.

Prepaid Expenses. Prepaid expenses include amounts paid for services attributable to future fiscal years. These services include insurance, operating leases, services of consultants, subscriptions, and certain subcontracts.

Interest in Charitable Trusts and Contracts. The University and PRF act as trustees for certain endowments and trust funds, for which they or others have beneficiary interests. In addition, the University and PRF have beneficiary interests in insurance contracts and gift annuity programs.

Various revocable and irrevocable trusts established for the benefit of the University, PRF, and affiliates exist where PRF acts as trustee, commonly referred to as the PRF Trust Funds. The Internal Revenue Service has determined that the PRF Trust Funds are exempt from federal income tax as defined in Sections 642 and 664 of the Internal Revenue Code.

The University records its interest in PRF Trust Funds' charitable remainder trusts at fair value. Change in fair value from one fiscal year to the next is reflective of changes in the market value of the underlying investments, new trusts being added, and the maturation and liquidation of existing trusts.

The University receives certain charitable contributions from donors which, in accordance with the donors' wishes, are used for annual premium payments toward insurance contracts for which the University is a beneficiary.

Capital Assets. Capital assets are stated at cost at the date of acquisition or at fair market value for capital assets donated to the University at the date of gift. Items are capitalized when their value exceeds the threshold shown in the following table and its estimated useful life is greater than one year.

Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. Prior to the adoption of GASB 89, interest incurred during the construction phase was included as part of the value of the construction in progress.

Assets under capital leases are capitalized when valued over \$500,000 and recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements.

The University does not capitalize works of library collections and art or historical treasures that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means.

Depreciation is computed on a straight-line basis over the estimated useful life, as shown in the following table. Capital assets are removed from the records at the time of disposal.

Property Class	Threshold	Useful Life
Land	\$100,000	Not depreciated
Land Improvements	\$100,000	5-25 years
Infrastructure	\$100,000	5-25 years
Buildings and Related Components	\$100,000	10–50 years
Moveable Equipment (including fabricated equipment)	\$5,000	5-10 years
Intangible Assets (software)	\$500,000	7 years

Unearned Revenue. Unearned revenue consists of amounts received in advance of an event, such as student tuition, amounts received from grant sponsors not yet earned, and advance ticket sales related to future fiscal years.

Deposits Held In Custody for Others. Deposits of affiliates and others represent cash and invested funds held by the University as a result of agency relationships with various groups and individuals.

Accrued Compensated Absences. Liabilities for compensated absences are recorded for vacation leave based on actual amounts earned as of the end of the fiscal year. Exempt employees may accrue vacation benefits up to a maximum of 44 days. Clerical and service staff may accrue vacation up to 320 hours. For all classes of employees, accrued vacation is payable upon termination. Upon meeting the definition of an official University retiree, benefits-eligible clerical and service staff receive cash payments for a portion of their accrued sick leave. An estimate of sick leave liability is recorded for the clerical and service staff based on historical payouts. The liability for compensated absences is expected to be funded by various sources of revenue that are available in future years when the liability is paid.

Net Pension Liability and Related Items. The University participates in the Public Employees’ Retirement Fund (PERF), an employer cost sharing plan managed by the Indiana Public Retirement System (INPRS). The University’s net pension liability, associated deferred outflows and deferred inflows of resources, and pension expense are reported in conformance with GASB 68, using the information reported by INPRS related to our allocated share of these items.

Funds Held in Trust for Others. The University reports liabilities to other beneficiaries related to endowments where the University serves as trustee for the component unit or related party. The University also adopted the CARES Act provision which allows for the deferral of the employer’s share of Social Security taxes until payments are due by December 2021 and December 2022.

Asset Retirement Obligations. The University is obligated by the US Nuclear Regulatory Commission and the Environmental Protection Agency to perform certain tasks in relation to the decommissioning of specified research labs, radioactive material storage, and licensed devices using radioactive materials. As required by the Commission, our Radiological and Environmental Management team prepares a Decommissioning Funding Plan analysis, and our related asset retirement obligation mirrors the plan. Costs are estimated based on specific labor category, workdays, decontamination activities, and disposal costs. Key assumptions are that there will be no salvage value realized from any potential sales of assets, there is very low surface and very little fixed contamination, and that the number of University facilities involved with radioactive material has reached a steady state. The primary facility has an estimated remaining useful life of approximately 50 years. As a State funded institution, the

University is exempt from providing a financial assurance mechanism for closure. These obligations are included in Other Noncurrent Liabilities.

Net Position. University resources are classified for accounting and financial reporting purposes into four net position categories:

Net Invested in Capital Assets. Represents resources resulting from capital acquisition or construction, net of accumulated depreciation, and net of related debt. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted–Nonexpendable. This is the portion of net position subject to externally imposed stipulations that the funds be maintained inviolate and in perpetuity. Such assets include the corpus of the University’s permanent and term endowments and are categorized as instruction and research, student aid, and other.

Restricted–Expendable. Represents net position that may be spent provided certain third-party restrictions are met. The following categories of restricted–expendable net position are presented: instruction, research, and public service; student aid; construction; and other. A significant portion of the “Other” category is related to undistributed gains of donor-restricted balances on endowments or quasi-endowments.

Unrestricted. Unrestricted net position is the balance not subject to externally imposed stipulations pertaining to their use. Management may designate that these funds will be spent for certain projects or programs or to fulfill certain long-term goals. Management has designated substantially all unrestricted net position for academic and capital purposes.

Deferred Outflows and Inflows of Resources. In addition to Assets, Liabilities, and Net Position, shown in a separate section of the Statement of Net Position are Deferred Outflows and Inflows of Resources, which represent a consumption or an acquisition of resources not requiring any further exchange of goods and services, but which are applicable to future periods. Expense or Revenue related to these deferred items will be appropriately recognized in future reporting periods.

Intra-University Transactions. Intra-university transactions are eliminated from the statements to avoid double counting of certain activities. Examples of these transactions are internal loans and sales and services between University departments.

Classification of Revenues and Expenses. The University has classified revenues and expenses as operating or non-operating based upon the following criteria:

Operating Revenues. Revenues derived from activities associated with providing goods and services for instruction, research, public service, health services, or related support to entities separate from the University and that result from exchange transactions. Exchange activities are transactions where the amount received approximates the fair market value of the goods or services given up. Examples include student tuition and fees, grants and contracts, auxiliary operations (such as Intercollegiate Athletics and Housing and Food Services), sales and service operations, federal land-grant appropriations, and county appropriations.

Operating Expenses. Expenses paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University. Examples include compensation and benefits, travel, and supplies. Graduate, staff, staff dependent, and staff spouse fee remissions are included with compensation and benefits. Expenses are reported using natural classifications in the Statement of Revenues, Expenses, and Changes in Net Position. Functional classification reporting appears in Note 8. Indirect expenses, such as depreciation, are not allocated across functional categories.

Nonoperating Revenues and Expenses. Revenues and related expenses that do not meet the definition of operating revenues. These revenues and expenses are primarily derived from activities that are classified as non-exchange transactions, and from activities defined as such by the GASB cash flow standards. Examples include state appropriations, private gifts, investment income, and certain federal financial aid. Non-operating expenses primarily include interest on short-term and long-term borrowing.

Application of Restricted and Unrestricted Resources. When both restricted and unrestricted resources are available for a particular expenditure, University departments may select the most appropriate source based on individual facts and circumstances. The University, as a matter of policy, does not require monies to be spent in a particular order, only that the expenditure be allowable, allocable, and reasonable to the source selected. Restricted monies are categorized as restricted until the external stipulations have been satisfied.

Tuition and Fees. Tuition and fees assessed to students are reported gross with the related scholarship discount and allowance presented below in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances represent the value of scholarships, grants, and various other types of aid provided by the University. Student loans are not included in this calculation. Student aid applied to housing is shown as an allowance, presented below auxiliary revenues. Aid paid directly to students is shown as scholarships, fellowships, and student awards expenses. Graduate and other employment-related remissions are included with compensation and benefits expenses.

Grants and Contracts. The University has been awarded grants and contracts for which the monies have not been received or expended. These awards have not been reflected in the financial statements but represent commitments of sponsors — both government and other — to provide funds for specific research and training projects.

The University makes commitments to share in the cost of various sponsored projects. Monies to satisfy these commitments are designated when grants and contracts are awarded. As sponsor dollars are spent, the University matches according to the terms of the agreement.

Gifts. The University receives pledges of financial support from many different sources. Gift income is recognized when received or pledged. In-kind gifts of tangible or intangible property are recognized at fair value on the date of gift and are capitalized, if appropriate, subject to the University’s policies on capitalization. Revenue from gifts-in-kind of approximately \$2,885,000 and \$2,213,000 was recognized during the years ending June 30, 2020 and 2019, respectively.

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

Use of Estimates. Management uses estimates and assumptions in the preparation of the financial statements in conformity with generally accepted accounting principles. These estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Current Environment. In December 2019, a novel strain of coronavirus (COVID-19) surfaced, spread around the world, and was declared a pandemic in March 2020 by the World Health Organization. With the spread of this disease came business and social disruption, resulting in significant changes to the way we conduct University activities. While Purdue has taken many steps to ensure public safety, there are still uncertainties related to the impact the coronavirus may have on future operations. We continue to monitor the course of the pandemic in order to be prepared to take additional measures to protect the health of the University and the greater community while continuing to promote the continuity of our land grant mission.



Note 2 — Deposits and Investments

Purdue University Deposits and Investments. Authorization for investment activity is stated in Indiana Code IC 21-29-2-1. Additionally, the Bylaws of the Trustees, revised and amended on August 3, 2018, authorize the Treasurer of the Trustees to implement investment activity. Except for some investments that are separately held in accordance with donor restrictions or bond covenants, the University investments are managed under guidance from two separate policies, the Purdue Investment Pool – Cash (PIPC) policy, and the Purdue Endowment Investment Policy (PIP), both of which are endorsed by the Trustees.

At June 30, the University had the following deposits and investments (dollars in thousands):

Investment Type	June 30, 2020	June 30, 2019
SEPARATELY HELD INVESTMENTS:		
Land Grant Cash Held by State Treasurer	\$ 340	\$ 340
US Equity	52,092	60,190
Public Real Estate	1,623	1,601
US Agencies	-	170
Asset-Backed Securities	1,426	1,793
Corporate Bonds	878	394
Venture Capital/Private Equity	245	303
Short Term Investments	78,317	47,149
BOND PROCEEDS INVESTED:		
Short Term Investments	120,881	80,459
PIPC:		
Short Term Investments	360,263	231,494
Fixed Income:		
Asset-Backed Securities	108,187	98,128
Corporate Bonds	569,136	471,387
Mortgage-Backed Securities	287,045	278,100
US Agencies	58,152	70,542
US Treasuries and Securities	374,312	492,822
PIP:		
Short Term Investments	77,598	39,546
US Equity	494,996	486,315
International Equity	265,029	272,317
Fixed Income	88,920	142,659
Emerging Markets	93,852	101,715
Marketable Alternatives	184,762	178,645
Public Real Estate	105,409	113,192
Private Real Estate	55,560	40,424
Public Natural Resources	25,384	26,884
Private Natural Resources	51,586	69,741
Venture Capital/Private Equity	322,285	289,562
Total	\$ 3,778,278	\$ 3,595,872

The University's investment values included accumulated unrealized gains of approximately \$184,805,000 and \$258,686,000 as of June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019, the investment income included an unrealized loss of approximately \$73,880,000 and an unrealized gain of approximately \$53,767,000, respectively.

As of June 30, 2020 and 2019, the University had approximately \$347,030,000 and \$300,797,000 of PIPC assets invested in, and shown as part of the PIP investment. In addition, the bank balance of the University's deposits (demand deposit accounts) as of June 30, 2020 and 2019, was approximately \$8,642,000 and \$2,537,000, respectively. Federal depository insurance covered \$250,000 of demand deposits and the remaining balance was insured by the state of Indiana's Public Deposit Insurance Fund, which covers all public funds held in approved depositories. Cash and Cash Equivalents at Purdue Global consist of funds held in checking, savings, and money market accounts. Balances, excluding money market funds, at June 30, 2020 and 2019 were approximately \$100,000 and \$13,000,000, respectively. Federal depository insurance covered \$500,000 and the remaining balance is uninsured and uncollateralized. Purdue Global evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with acceptable estimated risk levels are used as depositories.

Purdue University Investment Policies.

Invested bond proceeds follow investment practices in compliance with arbitrage regulations and generally have maturities of three years or less. These investments are readily available to match expected construction expenditures.

The Purdue Board of Trustees adopted the Purdue Investment Pool – Cash (PIPC) investment policy on May 15, 2015. The primary investment objectives of PIPC are 1) the preservation of capital, 2) the maximization of returns within acceptable levels of risk, and 3) management of liquidity requirements. Authorized investments include obligations of the United States (US) government, its agencies, and its instrumentalities; asset-backed and mortgage-backed securities (rated at least AAA or equivalent); corporate notes, corporate bonds, 144A bonds and Yankee bonds (rated investment grade) with demonstrated liquidity and marketability; pooled funds including mutual funds and common trust funds; high-yield bonds, include corporate bonds and bank loans (minimum credit quality of Ba3/BB-); investments managed under the University's endowment investment policy and the PIPC Loan Program supporting projects that are consistent with the mission to support the University and result in a public or charitable benefit or use for the University or its students.

Investments in PIPC shall be diversified, resulting in a portfolio weighted average duration of between two and five years, with an overall credit rating of "AA" as rated by a nationally recognized rating agency such as Moody's or Standard and Poor's, assuming the credit worthiness of the United States of America is AAA. If the United States of America is downgraded the portfolio's overall credit rating may fall in tandem and still be considered in compliance with this policy. Bonds rated BBB or lower will not exceed 20% of the portfolio. Funds not required to meet cash needs will be invested over a longer-term horizon.

The Purdue Endowment Investment Policy (PIP) outlining the parameters for endowment investments was updated on December 6, 2019. Authorized investments include equity, fixed income and alternative investments, including comingled investments. The overall policy objective is to generate real returns greater than its spending rate over the long term. The policy sets forth a diversified approach by and within the asset classes with the balanced goal of maximizing return and preserving purchasing power.

Moreover, a single manager or affiliated groups of managers will not represent more than 10% of the total endowment's market value. As a partial hedge against prolonged economic contraction, the University has adopted a target allocation of 10% for fixed income.

Portfolios will be invested in securities that result in a weighted average credit quality rating of at least AA or better with no single fixed income manager having more than 10% of its portfolio in obligations rated less than BBB or its equivalent by Moody's or Standard & Poor's. Any commercial paper in the portfolio must be rated A-1/P-1 by each rating service rating said credit. Any Bankers acceptances and certificates of deposits in the portfolio must be issued by banks having a Keefe, Bruyette & Woods rating of A, A/B, or B.



Interest Rate and Credit Rate Risks.

Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment.

In accordance with the PIPC, the University manages its exposure to changes in fair values by limiting the weighted average maturity of its investment portfolio to between 2 and 5 years.

The PIP, as a long-term pool of capital, has a fixed income policy target of 10% but does not limit the maturity of the individual holdings as a means to manage interest rate risk.

The University had the following fixed-income investments and maturities (dollars in thousands):

June 30, 2020		Maturity				
Investment Type	0-1 year	1-5 years	6-10 years	>10 years	Totals	
Separately Held:						
Separately Managed US Agencies	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Asset-Backed Securities	-	370	963	93		1,426
Corporate Bonds	-	209	669	-		878
PIPC:						
Asset-Backed Securities	3,813	64,938	8,228	31,208		108,187
Corporate Bonds	93,952	340,099	79,678	55,407		569,136
Mortgage-Backed Securities	23,087	41,099	28,811	194,048		287,045
US Agencies	1,817	18,919	25,522	11,894		58,152
US Treasuries and Securities	123,335	172,046	66,426	12,505		374,312
PIP:						
Fixed Income and other	14,389	44,915	14,036	22,493		95,833
Total	\$ 260,393	\$ 682,595	\$ 224,333	\$ 327,648		\$ 1,494,969

June 30, 2019		Maturity				
Investment Type	0-1 year	1-5 years	6-10 years	>10 years	Totals	
Separately Held:						
Separately Managed US Agencies	\$ -	\$ -	\$ 170	\$ -	\$ -	\$ 170
Asset-Backed Securities	-	351	1,021	421		1,793
Corporate Bonds	-	51	343	-		394
PIPC:						
Asset-Backed Securities	2,355	50,988	4,829	39,956		98,128
Corporate Bonds	111,148	278,689	45,439	36,111		471,387
Mortgage-Backed Securities	44,656	55,471	18,962	159,011		278,100
US Agencies	813	10,762	41,540	17,427		70,542
US Treasuries and Securities	136,140	259,778	80,238	16,666		492,822
PIP:						
Fixed Income and other	21,835	69,285	25,439	34,913		151,472
Total	\$ 316,947	\$ 725,375	\$ 217,981	\$ 304,505		\$ 1,564,808

The distribution of investments by credit ratings is summarized below (dollars in thousands):

	June 30, 2020		June 30, 2019	
	\$	% of Total	\$	% of Total
Separately Held:				
A	441	19.14%	357	15.15%
AA	391	16.97%	470	19.94%
AAA	259	11.24%	862	36.57%
BAA	155	6.73%	240	10.18%
Unrated	1,058	45.92%	428	18.16%
Total Separately Held	2,304	100.00%	2,357	100.00%
PIPC:				
A	293,061	20.98%	249,359	17.67%
AA	73,585	5.27%	58,064	4.12%
AAA	731,148	52.34%	861,969	61.09%
B	1,096	0.08%	1,784	0.13%
BA	24,840	1.78%	12,276	0.87%
BAA	157,552	11.28%	124,761	8.84%
Unrated ¹	115,550	8.27%	102,766	7.28%
Total PIPC:	1,396,832	100.00%	1,410,979	100.00%
PIP:				
A	20,743	21.65%	30,267	19.98%
AA	5,205	5.43%	9,166	6.05%
AAA	49,240	51.38%	85,069	56.16%
B	-	-	356	0.24%
BA	1,793	1.87%	3,087	2.04%
BAA	9,959	10.39%	16,450	10.86%
Unrated ¹	8,893	9.28%	7,077	4.67%
Total PIP	95,833	100.00%	151,472	100.00%
Total	\$ 1,494,969		\$ 1,564,808	

¹Unrated includes investments with Not Rated (NR) or Withdrawn (WR) ratings.

Investment Custodial Credit Risk. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. Therefore, exposure arises if the securities are uninsured, not registered in the University's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the University's name. Open-ended mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security.

All Separately Held and PIPC investments were maintained either in Purdue University accounts or Purdue Global accounts at custodial banks with the exception of \$340,000 at both June 30, 2020 and 2019 which was held in the State's name. All PIP investments are held at PRF including private placements and investments in limited partnerships which totaled approximately \$614,193,000 and \$578,372,000 respectively at June 30, 2020 and 2019.

Foreign Currency Risk. Endowment equity managers may invest in common stocks, preferred stocks or fixed-income instruments convertible into common stocks, and American Depository Receipts of foreign corporations. The University’s endowment fixed-income managers may invest in foreign fixed-income securities equivalent in quality to permitted domestic securities, but not to exceed 20% of the assets entrusted to the manager. All currency exposures are to be hedged into the U.S. dollar unless otherwise approved by the University. Please refer to the Investment Type table for the University’s exposure to international investments. In addition to those investments, the University estimates its international exposure in its PIP alternative investments was approximately \$74,159,000 and \$97,251,000 as of June 30, 2020 and 2019, respectively.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. As of June 30, 2020 and 2019, no more than 5% of total investments were with any single issuer, except U.S. Treasury and Agencies, consistent with policy limits.

Donor-Restricted Endowments. The University’s endowment funds (including true, term, and funds functioning as endowments) are invested in a unitized pool. The unitized endowment pool purchases investments to generate present and future income in support of various programs. The Trustees establish the spending policy for the unitized endowment pool. The approved spending policy distributed up to 5% of the average of the ending values for the prior twelve quarters in semiannual distributions. The distribution includes both income and equity components.

As of June 30, 2020 and 2019, accumulated market appreciation of the PIP pool was approximately \$360,479,000 and \$477,580,000, respectively. Of this amount, 39.44% and 43.02% represents appreciation attributable to donor-restricted (true and term) endowments during the year ended June 30, 2020 and 2019, respectively. The University’s endowment policies are subject to the provisions of Indiana Code IC 30-2-12, “Uniform Management of Institutional Funds.” Under this section, the Trustees may authorize expenditure — consistent with donors’ intent — of net appreciation in the fair value of the assets of the endowment.

Interest in Charitable Trusts. As of June 30, 2020 and 2019, the PRF PIP investment pool includes the following PRF Trusts assets, net of liabilities (dollars in thousands).

	Assets at Fair Value	
	June 30, 2020	June 30, 2019
University	\$ 27,718	\$ 18,414
PRF	35,954	36,730
Other Affiliates	242	249
Total	\$ 63,914	\$ 55,393

As of June 30, 2020 and 2019, the University’s beneficial interest in the Trust Assets of \$27,718,000 and \$18,414,000, respectively, are reported as Deferred Inflows of Resources.

As of June 30, 2020 and 2019, the University PIP investment pool includes endowment assets of approximately \$6,818,000 and \$7,299,000, offset by Funds Held in Trust obligations to the other beneficiaries.

The University also has beneficiary interest in insurance contracts of \$388,000 and \$373,000, respectively, as of June 30, 2020 and 2019.

PRF Investments. PRF manages the investment of the PIP on behalf of the University. The fair value of all PRF investments, inclusive of the \$1,765,381,000 and \$1,761,000,000 of the University's PIP, at June 30, 2020 and 2019, respectively, is as follows (dollars in thousands):

Investment Type	June 30, 2020		June 30, 2019	
Short-Term Investments	\$	5,222	\$	6,754
U.S. Equity		31,686		28,082
Fixed Income		7,083		7,946
Venture Capital		537		361
Private Natural Resources		9,500		-
Pooled Funds:				
Short-Term Investments		210,193		143,601
U.S. Equity		764,222		765,208
International Equity		380,987		399,246
Fixed Income		136,343		217,597
Emerging Markets		134,916		149,125
Public Real Estate		151,528		165,952
Private Real Estate		63,528		59,266
Public Natural Resources		36,490		39,415
Private Natural Resources		74,156		102,248
Hedge Funds		265,601		261,912
Venture Capital/Private Equity		459,846		424,528
Total	\$	2,731,838	\$	2,771,241

Fair Value Disclosures

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the University's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The GASB 72 accounting standard for disclosure describes three levels of inputs that may be used to measure fair value, as indicated below:

Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2. Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3. Significant unobservable inputs that reflect a reporting entity's own assumptions.

Net Asset Value (NAV). Certain investments are valued using the net asset value (NAV), or its equivalent, provided by the fund as a practical expedient. Those investments include pooled equities, marketable alternative assets, and partnerships and are excluded from the valuation hierarchy. In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The fair values of investments that are readily marketable, such as equities, government securities and money market funds, are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing for mutual funds and bonds (Level 2 inputs).



Assets and Liabilities measured at fair value on a recurring basis are summarized below (dollars in thousands):

Fair Value Measurements at June 30, 2020					
Investment Type	Level 1	Level 2	Level 3	NAV	Total
SEPARATELY HELD INVESTMENTS:					
Land Grant Cash Held by State Treasurer	\$ -	\$ 340	\$ -	\$ -	\$ 340
US Equity	52,092	-	-	-	52,092
Public Real Estate	-	-	1,623	-	1,623
Separately Managed US Agencies	-	-	-	-	-
Asset-Backed Securities	-	1,426	-	-	1,426
Corporate Bonds	-	878	-	-	878
Venture Capital/Private Equity	-	-	245	-	245
Short Term Investments	78,317	-	-	-	78,317
BOND PROCEEDS INVESTED:					
Short Term Investments	120,881	-	-	-	120,881
PIPC:					
Short Term Investments	360,263	-	-	-	360,263
Fixed Income:					
Asset-Backed Securities	-	108,187	-	-	108,187
Corporate Bonds	-	569,136	-	-	569,136
Mortgage-Backed Securities	-	287,045	-	-	287,045
US Agencies	-	58,152	-	-	58,152
US Treasuries and Securities	374,312	-	-	-	374,312
PIP:					
Short Term Investments	76,400	-	1,198	-	77,598
US Equity	278,667	20,499	-	195,830	494,996
International Equity	227,939	-	-	37,090	265,029
Fixed Income	21,496	67,424	-	-	88,920
Emerging Markets	68,607	-	-	25,245	93,852
Marketable Alternatives	-	-	96,502	88,260	184,762
Public Real Estate	105,409	-	-	-	105,409
Private Real Estate	-	-	55,560	-	55,560
Public Natural Resources	25,384	-	-	-	25,384
Private Natural Resources	-	-	51,586	-	51,586
Venture Capital/Private Equity	-	5,136	317,149	-	322,285
Total	\$ 1,789,767	\$ 1,118,223	\$ 523,863	\$ 346,425	\$ 3,778,278

Fair Value Measurements at June 30, 2019

Investment Type	Level 1	Level 2	Level 3	NAV	Total
SEPARATELY HELD INVESTMENTS:					
Land Grant Cash Held by State Treasurer	\$ -	\$ 340	\$ -	\$ -	\$ 340
US Equity	60,190	-	-	-	60,190
Public Real Estate	-	-	1,601	-	1,601
Separately Managed US Agencies	-	170	-	-	170
Asset-Backed Securities	-	1,793	-	-	1,793
Corporate Bonds	-	394	-	-	394
Venture Capital/Private Equity	-	-	303	-	303
Short Term Investments	47,149	-	-	-	47,149
BOND PROCEEDS INVESTED:					
Short Term Investments	80,459	-	-	-	80,459
PIPC:					
Short Term Investments	231,494	-	-	-	231,494
Fixed Income:					
Asset-Backed Securities	-	98,128	-	-	98,128
Corporate Bonds	-	471,387	-	-	471,387
Mortgage-Backed Securities	-	278,100	-	-	278,100
US Agencies	-	70,542	-	-	70,542
US Treasuries and Securities	492,822	-	-	-	492,822
PIP:					
Short Term Investments	33,888	1,391	4,267	-	39,546
US Equity	288,607	18,946	-	178,762	486,315
International Equity	233,214	-	-	39,103	272,317
Fixed Income	33,599	109,060	-	-	142,659
Emerging Markets	73,823	-	-	27,892	101,715
Marketable Alternatives	-	-	126,398	52,247	178,645
Public Real Estate	113,192	-	-	-	113,192
Private Real Estate	-	-	40,424	-	40,424
Public Natural Resources	26,884	-	-	-	26,884
Private Natural Resources	-	-	69,741	-	69,741
Venture Capital/Private Equity	-	6,329	283,233	-	289,562
Total	\$ 1,715,321	\$ 1,056,580	\$ 525,967	\$ 298,004	\$ 3,595,872

Short Term Investments. Short Term Investments include cash and cash equivalents valued at cost, which approximates fair value. Investments in this category are valued at the quoted market price reported on the active market on which the individual securities are traded on the last day of the business year (Level 1 inputs). There are also investments where cash is held in a financial institution or investment account (Level 2 or Level 3 inputs).

U.S. Equity. Equity investments are generally in separately managed accounts principally invested in common stocks. The fair values of common stocks are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). The University also has equity investments in commingled funds that are valued using NAV under the market approach. These investments are able to be redeemed on a short-term basis (Level 2 inputs).

Fixed Income. Fixed income investments include U.S. government bonds and corporate debt valued at the closing price reported in the active market in which the bond is traded (Level 1 inputs). Government agency and asset-backed securities are valued without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities or on models using market information (Level 2 inputs). The University also has fixed income

investments held in commingled funds that are valued using NAV under the market approach. These investments are able to be redeemed on a short-term basis (Level 2 inputs).

International Equity. Non-U.S. equity investments are generally in separately managed accounts principally invested in common stocks. The fair values of common stocks are determined by obtaining quoted prices on globally recognized securities exchanges (Level 1 inputs). The University also has an equity investment in a commingled fund that is valued using NAV under the market approach. This investment is able to be redeemed on a short-term basis (Level 2 inputs). There are no unfunded future commitments to these investments.

Emerging Markets. Equity investments held in common stock of developing countries. The fair values of common stocks are determined by obtaining quoted prices on globally recognized securities exchanges (Level 1 inputs). The University also has an equity investment held in a commingled fund that is valued using NAV under the market approach. This investment is able to be redeemed on a short-term basis (Level 2 inputs). There are no significant restrictions on redemption and no unfunded future commitments to these investments.

Marketable Alternatives. Marketable Alternatives include Hedge funds which are investments that employ a variety of strategies including US and global long/short, event and diversified arbitrage. The funds seek to generate positive risk-adjusted returns across a range of market environments. A NAV is used to determine the fair value. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the market approach, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals and/or the income approach. Redemptions may be made monthly, quarterly, or annually with notice periods ranging from 30 to 90 days. In a few instances, however, lock-ups of up to two years are in place, or the fund balance is in illiquid side pocket investments (Level 3 inputs).

Public Real Estate. Real estate equity investments are generally in separately managed accounts or a fund principally invested in common stocks. The fair values of common stocks are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). There are no significant restrictions on redemption and no unfunded future commitments to these investments.

Private Real Estate. The fair values of the investments in real estate partnerships have been estimated using the NAV of the ownership interest in partners' capital. For partnership holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals and/or the income approach. These investments cannot be redeemed at NAV with the fund managers until the partnerships terminate, which range from 3 to 10 years. Partnership investments are not readily marketable and their estimated value is subject to uncertainty (Level 3 inputs).

Public Natural Resources. Equity investments relating to oil and gas exploration, supplies and equipment are held in a commingled fund that is valued using NAV under the market approach. These

investments are able to be redeemed on a short-term basis (Level 1 inputs). There are no significant restrictions on redemption and no unfunded future commitments to these investments.

Private Natural Resources. The fair values of the investments in energy-related and mineral and mining partnerships have been estimated using the NAV of the ownership interest in partners' capital. For partnership holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals and/or the income approach. These investments cannot be redeemed at NAV with the fund managers until the partnerships terminate, which range from 5 to 12 years. Partnership investments are not readily marketable and their estimated value is subject to uncertainty (Level 3 inputs).

Venture Capital/Private Equity. The fair values of the investments in buyout and venture partnership have been estimated using the NAV of ownership interest in partners' capital. For partnership holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals and/or the income approach. These investments cannot be redeemed at NAV with the fund managers until the partnerships terminate, which range from 1 to 12 years. Partnership investments are not readily marketable and their estimated value is subject to uncertainty (Level 3 inputs). A special situations private equity investment fund is able to be redeemed on a short-term basis with no significant restrictions (Level 2 inputs).



Note 3 – Accounts, Pledges, and Notes Receivable

Accounts and notes receivable consisted of the following (dollars in thousands):

	June 30, 2020	June 30, 2019
Grants and Contracts	\$ 53,951	\$ 58,702
Student and General	40,555	36,453
Other Accrued Revenues	22,519	23,971
Less: Allowance for Doubtful Accounts	(3,679)	(7,458)
Total Accounts Receivable, Net	113,346	111,668
Pledges Receivable	65,651	91,919
Less: Allowance for Doubtful Pledges	(2,870)	(3,435)
Net Pledges Receivables	62,781	88,484
Less: Noncurrent Portion	(25,915)	(37,316)
Pledges Receivable, Current Portion	36,866	51,168
Perkins Loans	11,817	15,257
Institutional Loans	38,574	42,055
Other Student Loans and Notes Receivable	28,257	28,624
Less: Allowance for Doubtful Loans	(1,374)	(1,356)
Net Notes Receivable	77,274	84,580
Less: Noncurrent Portion	(61,624)	(76,222)
Notes Receivable, Current Portion	15,650	8,358
Federal Appropriations Receivable	1,122	5,735
Other Receivables, Current Portion	\$ 1,122	\$ 5,735

Note 4-Capital Assets (dollars in thousands)

Capital Assets Activity	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Capital Assets, Not Being Depreciated:					
Land	\$ 58,678	\$ 4,801	\$ 346	\$ -	\$ 63,133
Construction in Progress	136,991	117,193	-	(71,065)	183,119
Total Capital Assets, Not Being Depreciated	195,669	121,994	346	(71,065)	246,252
Capital Assets, Being Depreciated:					
Land Improvements	84,340	3,688	6,065	667	82,630
Infrastructure	225,357	9,058	397	6,690	240,708
Buildings	3,701,371	112,905	5,377	63,410	3,872,309
Equipment	671,246	63,240	27,049	298	707,735
Software	83,843	227	-	-	84,070
Total Capital Assets, Being Depreciated	4,766,157	189,118	38,888	71,065	4,987,452
Less Accumulated Depreciation:					
Land Improvements	65,771	2,578	6,040	-	62,309
Infrastructure	85,963	10,081	397	-	95,647
Buildings	1,790,310	125,368	4,931	-	1,910,747
Equipment	436,072	43,544	25,255	-	454,361
Software	62,874	5,363	-	-	68,237
Total Accumulated Depreciation	2,440,990	186,934	36,623	-	2,591,301
Total Capital Assets, Net of Accumulated Depreciation	\$ 2,520,836	\$ 124,178	\$ 2,611	\$ -	\$ 2,642,403

Capital Assets Activity	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Capital Assets, Not Being Depreciated:					
Land	\$ 56,777	\$ 1,903	\$ 2	\$ -	\$ 58,678
Construction in Progress	74,071	159,604	-	(96,684)	136,991
Total Capital Assets, Not Being Depreciated	130,848	161,507	2	(96,684)	195,669
Capital Assets, Being Depreciated:					
Land Improvements	85,209	1,054	3,802	1,879	84,340
Infrastructure	208,955	1,386	-	15,016	225,357
Buildings	3,648,574	1,331	2,021	53,487	3,701,371
Equipment	641,987	51,470	23,044	833	671,246
Software	58,392	-	18	25,469	83,843
Total Capital Assets, Being Depreciated	4,643,117	55,241	28,885	96,684	4,766,157
Less Accumulated Depreciation:					
Land Improvements	67,195	2,378	3,802	-	65,771
Infrastructure	76,383	9,580	-	-	85,963
Buildings	1,659,516	132,601	1,807	-	1,790,310
Equipment	416,353	41,019	21,300	-	436,072
Software	58,370	4,522	18	-	62,874
Total Accumulated Depreciation	2,277,817	190,100	26,927	-	2,440,990
Total Capital Assets, Net of Accumulated Depreciation	\$ 2,496,148	\$ 26,648	\$ 1,960	\$ -	\$ 2,520,836

During fiscal year 2020, the University incurred \$28,969,000 in interest costs related to the ownership of capital assets.

Note 5 —Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following (dollars in thousands):

	June 30, 2020	June 30, 2019
Construction Payables	\$ 20,185	\$ 30,161
Accrued Insurance Liabilities	25,352	25,493
Interest Payable	18,462	20,507
Accrued Salaries and Wages	23,465	22,518
Vendor and Other Payables	112,759	95,041
Total Accounts Payable and Accrued Expenses	\$ 200,223	\$ 193,720



Note 6 — Debt Related to Capital Assets

Debt liability activity is summarized below (dollars in thousands):

Debt Related Liabilities	Balance			Balance	
	July 1, 2019	Increases	Decreases	June 30, 2020	Current Portion
Notes Payable	\$ 5,410	\$ -	\$ 480	\$ 4,930	\$ 465
Leases Payable	214,937	-	46,472	168,465	43,306
Bonds Payable					
Student Facilities System Revenue Bonds	322,255	-	18,190	304,065	78,420
Student Fee Bonds	429,525	112,140	39,635	502,030	35,030
Total Bonds Payable	751,780	112,140	57,825	806,095	113,450
Net Unamortized Premiums and Costs	75,832	28,203	10,730	93,305	12,351
Total Debt Related Liabilities	\$ 1,047,959	\$ 140,343	\$ 115,507	\$ 1,072,795	\$ 169,572

Debt Related Liabilities	Balance			Balance	
	July 1, 2018	Increases	Decreases	June 30, 2019	Current Portion
Notes Payable	\$ 5,982	\$ -	\$ 572	\$ 5,410	\$ 455
Leases Payable to Affiliated Foundations	226,679	-	11,742	214,937	77,760
Bonds Payable					
Student Facilities System Revenue Bonds	339,570	-	17,315	322,255	65,010
Student Fee Bonds	370,015	90,135	30,625	429,525	32,975
Total Bonds Payable	709,585	90,135	47,940	751,780	97,985
Net Unamortized Premiums and Costs	72,217	14,493	10,878	75,832	10,161
Total Debt Related Liabilities	\$ 1,014,463	\$ 104,628	\$ 71,132	\$ 1,047,959	\$ 186,361

Notes Payable. As of June 30, 2020 and 2019, the balance of notes outstanding was approximately \$4,930,000 and \$5,410,000, respectively, representing financing for various activities.

On November 15, 2015, the University entered into an agreement with Purdue Research Foundation (PRF) that transferred the Bowen Laboratory Facility property to the University in exchange for an agreement to pay the balance of the PRF debt attributable to the Bowen Lab. The initial balance was \$7,070,000, and the balances at June 30, 2020 and 2019 were \$4,930,000 and \$5,385,000, respectively. The interest rate for this agreement ranges between 3-5% as of June 30, 2020 and 2019.

On June 10, 2010, the University entered into a loan agreement with PRF to refinance its capital lease with PRF. The agreement authorized the transfer of the Schneider Avenue building from PRF to the Hammond campus in exchange for the original promise to pay approximately \$1,140,000 over thirteen annual payments. The outstanding balance of this note was \$- and \$25,000 as of June 30, 2020 and 2019. The interest rate for the note was fixed at 8.00%.

Leases Payable. Leases payable consisted of the following items (dollars in thousands):

Issue	Issue Date	Original Issuance	Interest Rates	Final Maturity Date	Outstanding June 30, 2020	Outstanding June 30, 2019	Current Outstanding June 30, 2020
Certificates of Participation with Ross-Ade:							
Series 2006	2006	70,345	5.25%	2025	21,095	24,025	3,085
Series 2009B	2009	42,795	-	2019	-	36,385	-
Series 2011A	2011	32,185	0.11%*	2035	31,295	31,700	31,295
Series 2016A	2016	85,120	4.00-5.00%	2037	81,675	83,440	3,805
Direct Placement Certificates of Participation:							
Series 2014A	2014	21,955	2.66%	2027	18,180	19,050	895
Leases with Purdue Research Foundation:							
Kaplan	2012	1,335	5.63%	2022	246	359	120
Child Care Facility	2018	5,522	2.61%*	2033	4,643	4,923	287
NW Recreation Facility	2018	4,924	2.61%*	2031	4,125	4,379	260
Other Leases:							
Cisco	2018	23,458	2.52%	2022	7,206	10,676	3,559
					168,465	214,937	43,306
Net unamortized premiums and costs					12,253	14,017	1,658
Total					\$ 180,718	\$ 228,954	\$ 44,964

*Variable interest rates are reset periodically and are based upon market conditions. Rates shown are as of June 30, 2020.

Debt issuances are comprised of annual maturities, each of which may have a different interest rate. Table above reflects the rates in effect on 6/30/20.

The Certificates of Participation (COPs) are secured by certain real estate and the projects located on that real estate, the lease payments to the Ross-Ade Foundation, and a pledge of available income, except student fees and state appropriations. The University has entered into a lease purchase arrangement whereby on the termination of the stated lease, title to the land and buildings will be conveyed absolutely to the Trustees of the University. At any time during the lease term, the University has the right to acquire the entire title to the facility by paying the Ross-Ade Foundation an amount equal to the then outstanding indebtedness. The Ross-Ade Foundation has created a reserve for valuation to reduce the carrying value of certain properties leased to the University in an amount not greater than the proceeds to be received if disposal was made to the University. During the fiscal years ended June 30, 2020 and 2019, the University included approximately \$31,295,000 and \$31,700,000 in Current Liabilities related to variable rate Certificates of Participation (Series 2011A).

Under the Certificates of Participation, assets are financed on a lease purchase basis under an Indenture between the Ross Ade Foundation and the Trustee for the Certificates. The Foundation assigns the right to receive lease rental payments received from the University to the Trustee. The Indenture constitutes a mortgage on the financed property for each series. All series are secured on a parity basis by all mortgages and all lease rental payments. The liens granted through the financings are to be maintained on each financed asset until all payments of principal, interest and fees are received by the Trustee. Other than permission to inspect the facilities, the Trustee receives no special rights to the facilities and maintains no financial covenants through the Indenture.

Terms of default include the failure to make scheduled payments of principal or interest, bankruptcy of the Ross-Ade Foundation and failure to cure lack of performance of covenants within stated time frames. The Trustee can, under certain instances of University default, declare all principal and interest due and payable, subject to the right of at least 51% of the outstanding owners of the Certificates to annul the demand for payment if the default has been cured and all Trustee fees paid. Annual disclosures are required under SEC

Rule 15c2-12 each year.

With the exception of COPS 2014A, the Certificates have been issued through public sales, including the weekly remarketed variable rate COPS 2011A. The COPS 2014A were issued pursuant to the same terms and conditions as all other Certificates and were purchased by JPMorgan Chase Bank, N.A.

The University's lease rental payments are otherwise unsecured and are payable from all available funds of the University, as defined in the Indentures.

As of June 30, 2020 and 2019, leases payable included amounts relating to properties with a book value, net of accumulated depreciation, of approximately \$218,220,000 and \$220,058,000, respectively.

On May 29, 2020, the University completed an optional call from the last scheduled maturity on the outstanding variable rate certificates series. The certificates called were Certificates of Participation, Series 2011A (\$405,000, July 1, 2035).

On July 1, 2019, \$34,865,450 of principal and interest was paid from funds held in trust by Trustee for the crossover refunding of Taxable Certificates of Participation, Series 2009B (Build America Certificates – Direct Pay option) as provided in the issuance of Certificates of Participation, Series 2016A.

On May 31, 2019, the University completed an optional call from the last scheduled maturity on the outstanding variable rate certificates series. The certificates called were Certificates of Participation, Series 2011A (\$245,000, July 1, 2035).

On June 15, 2016, the University issued Certificates of Participation, Series 2016A at par value of \$85,120,000 and a premium of approximately \$18,127,000 to fund the renovation and expansion of the Mollenkopf Football Performance Center at the West Lafayette campus, to pay for allowable construction period interest and costs of issuance, and to effect a cross-over refunding of a portion of Build America Certificates of Participation, Series 2009B (Direct Pay Option) effective July 1, 2019. Debt service on the Series 2016A refunding certificates due up to and including July 1, 2019 was paid from an irrevocable escrow held by the Escrow Trustee, Bank of New York Mellon. At the cross-over date, \$34,130,000 was outstanding in Series 2009B and was called and paid for by the escrowed funds. The university estimates a reduction in its aggregate debt service payments over the life of the debt of approximately \$2,579,000, due to the refunding. An economic loss (difference between the reacquisition cost and unamortized premium) of approximately \$3,471,000 was created when the cross-over was effected on July 1, 2019 and will be amortized through 2031. During fiscal year 2020, no debt service was paid from capitalized interest, borrowed as part of COPS 2016A. During fiscal year 2019, debt service of \$2,397,000 was paid from capitalized interest, borrowed as part of COPS 2016A. For fiscal years, 2020 and 2019, the annual debt service of \$735,000 related to the crossover refunding was paid from securities held by the Escrow Trustee. Interest income earned on the escrowed securities during fiscal years 2020 and 2019 was approximately \$52,000 and \$19,000, respectively.

In December 2017, the University entered into a lease with Cisco Systems Capital Corporation for approximately \$23,458,000. The purpose of this agreement is for the campus lifecycle replacement of core network infrastructure.

In September 2017 and October 2017, the University entered into lease arrangements with Purdue Research Foundation. The arrangements are capital leases for the improvements to the North West Student Recreation Facility for \$4,924,000 and for the Child Care Center Facility for \$5,522,000.

On December 21, 2012 the University entered into a \$1,335,000 lease agreement with Purdue Research Foundation for the real estate commonly known as Kaplan Commons near the Hammond campus. The lease was treated as a capital lease with a fair value of \$1,000,000.



Bonds Payable. As of June 30, 2020 and 2019, the balance of bonds payable was approximately \$887,147,000 and \$813,595,000, respectively. Bonds payable consisted of the following issues (dollars in thousands):

Issuance and Description	Issue Date	Original Issuance	Interest Rates	Final Maturity Date	Total Outstanding June 30, 2020	Total Outstanding June 30, 2019	Current Outstanding June 30, 2020
Student Facilities System Revenue Bonds:							
Series 2004A							
Finance construction of Hammond student housing and parking garage facilities	2004	\$ 28,100	0.11%*	2033	\$ 16,145	\$ 16,345	\$ 16,145
Series 2005A							
Finance construction and renovation of West Lafayette housing and food service facilities	2005	24,200	0.09%*	2029	5,855	5,930	5,855
Series 2007A							
Refund a portion of Student Facilities System Revenue Bond Series 2003A and 2003B	2007	61,865	5.25%	2029	46,950	50,490	3,770
Series 2007C							
Renovate a West Lafayette student housing facility, and finance construction on a new West Lafayette student housing facility	2007	61,725	0.09%*	2032	24,820	25,135	24,820
Series 2010A							
Taxable Build America Bonds to finance the renovation of West Lafayette student housing facilities, and refund a portion of commercial paper	2010	24,985	4.20%	2020	16,775	18,025	16,775
Series 2011A							
Refund a portion of Student Facilities System Revenue Bond Series 2004A, 2005A, and 2007C	2011	49,440	3.75-5.00%	2025	24,640	28,410	4,025
Series 2012A							
Finance construction for the West Lafayette student housing and parking facilities, and to refund a portion of Student Facilities System Revenue Bond Series 2003B and a portion of commercial paper	2012	44,770	3.13-5.00%	2032	20,350	23,765	1,170
Series 2015A							
Finance a portion of construction of West Lafayette Honors College and Residence Hall, refund a portion of Series 2007B and of Series 2009A.	2015	98,070	3.00-5.00%	2040	90,505	93,135	2,740
Series 2016A							
Finance construction for the West Lafayette Flex Lab Facility, refund portion of Series 2009A and Series 2009B.	2016	67,470	3.00-5.00%	2036	58,025	61,020	3,120
					304,065	322,255	78,420
Net unamortized premiums and costs					20,261	23,154	2,696
Total Student Facilities System Revenue Bonds					\$ 324,326	\$ 345,409	\$ 81,116

Debt issuances are comprised of annual maturities, each of which may have a different interest rate. Table above reflects the rates in effect on 6/30/20.

*Variable interest rates are reset weekly and are based upon market conditions. Rates shown are as of June 30, 2020.

Issuance and Description	Issue Date	Original Issuance	Interest Rates	Final Maturity Date	Total Outstanding June 30, 2020	Total Outstanding June 30, 2019	Current Outstanding June 30, 2020
Student Fee Bonds:							
Series U							
Refund a portion of Student Fee Bond Series Q	2005	35,200	5.25%	2022	9,315	12,630	3,490
Series X							
Finance construction of West Lafayette Health and Human Sciences facility, add a wing to West Lafayette Mechanical Engineering Building, West Lafayette power improvements, construct the Fort Wayne Student Services and Library Complex, for Repair & Rehabilitation projects, and refund a portion of commercial paper	2009	106,925	-	2019	-	5,265	-
Series Y							
Refund Student Fee Bond Series S, T, and V	2010	74,130	5.00%	2020	4,300	8,390	4,300
Series Z-1							
Finance a portion of construction of West Lafayette Student Fitness and Wellness Center, Fort Wayne Parking Garage, and West Lafayette Repair & Rehabilitation projects and refund Student Fee Bond Series H, K, L, O, a portion of Series R and a portion of commercial paper	2010	68,320	5.00%	2020	4,280	16,440	4,280
Series Z-2							
Taxable Build America Bonds to finance a portion of construction of West Lafayette Student Fitness and Wellness Center, Fort Wayne Parking Garage, and West Lafayette Repair & Rehabilitation projects	2010	100,705	3.49-5.33%	2035	81,680	85,575	3,990
Series AA							
Finance a portion of construction of West Lafayette Student Fitness and Wellness Center, Health and Human Sciences Facility, West Lafayette Repair & Rehabilitation projects and Westville Student Services and Activities complex	2012	54,555	3.25-5.00%	2032	40,880	43,095	2,320
Series BB1							
Finance a portion of construction of Westville Student Services and Activities Complex, Repair & Rehabilitation projects on the West Lafayette campus, refund energy improvement projects on all campuses originally financed with tax-exempt commercial paper and partially refund Series W.	2015	48,630	3.00-5.00%	2034	30,810	34,105	3,465
Series BB2							
Taxable debt for reallocation of Drug Discovery from tax-exempt Series AA	2015	18,985	2.37-3.81%	2032	14,335	15,235	915
Series CC							
Finance construction of West Lafayette Agriculture & Life Sciences Facility and partially refund Series X and Series Y	2016	121,885	3.00-5.00%	2036	118,880	119,865	6,400
Series DD							
Finance renovation and construction of Agricultural and Biological Engineering building and construction of BioScience Innovation building	2018	90,135	5.00%	2038	85,410	88,925	2,795
Series EE							
Finance construction of Engineering and Polytechnic Gateway building and Veterinary Medical Teaching Hospital; refund of Z-1 maturities beyond 2020	2020	112,140	4.00-5.00%	2037	112,140	-	3,075
					502,030	429,525	35,030
Net unamortized premiums and costs					60,791	38,661	7,997
Total Student Fee Bonds					\$ 562,821	\$ 468,186	\$ 43,027

Debt issuances are comprised of annual maturities, each of which may have a different interest rate. Table above reflects the rates in effect on 6/30/20.

The University has two separate indentures for capital asset financing through bonds based on statutory distinctions for the pledge supporting the debt service.

Student Fee Bonds

Under State statutes, the pledge supporting the Student Fee Bonds is the student tuition and general fees received by the University and qualified swap receipts and proceeds thereof, as defined. There are no outstanding qualified swaps. Annual disclosures are required under SEC Rule 15c2-12 each year.

Terms of default include the failure to make scheduled payments of principal or interest, or a budget that does not cover annual debt service at least one (1) time. The University and the Trustee can enter into a supplemental indenture to release specific student fees from the definition of student fees if actual student fees received by the University during the preceding fiscal year, less those student fees to be removed from the definition and from the lien of the Indenture, are equal to or greater than two (2) times the maximum annual debt service, as defined, to become due in that or any succeeding fiscal year for the payment of principal and interest on Student Fee Bonds then outstanding. The University is obligated to maintain the continued tax status of all Student Fee Bonds, provide for audited financial statements and continue operations of the University.

The Trustee may undertake any remedy available by suit or suits at law or equity, and can accelerate the payment of principal and interest on the Student Fee Bonds if there is a default on any junior lien obligations. All Student Fee Bonds outstanding have been issued through public sales.

Student Facilities System Revenue Bonds

Under State statutes, the pledge for the Student Facilities System Revenue Bonds is the net income (as defined) of certain facilities as well as amounts held in the project fund (as defined), including investment income thereon. The Trustee has a secured interest in the pledged revenues, as defined, for payment of principal and interest. Annual disclosures are required under SEC Rule 15c2-12 each year.

While student fees and state appropriations are unavailable to meet debt service on these obligations, all other available funds (as defined) are available for debt service.

Failure to make scheduled payments of principal or interest would constitute a default which allows the Trustee to pursue legal remedies, as available, including appointment of a receiver for the pledged revenues. The University is obligated to maintain the continued tax status of all Student Facilities System Revenue Bonds, provide for audited financial statements and continue operations of the University, among other routine operating considerations.

All Student Facilities System Revenue Bonds outstanding have been issued through public sales, including the weekly remarketed variable rate Series 2004A, 2005A and 2007C.

As of June 30, 2020 and 2019, the University had \$46,820,000 and \$47,410,000 included in Current Liabilities related to variable rate Student Facility System Revenue demand bonds (Series 2004A, Series 2005A, and Series 2007C). These bonds are backed by certain auxiliary revenues and other available funds, with serial maturities July 1, 2025 through July 1, 2033. The bonds were issued under Indiana Code IC 21-34 and IC 21-35. The proceeds of the bonds were used to provide funds for certain capital improvements,

refund certain interim financing, provide for construction period interest for a portion of the bonds, and pay costs incurred to issue the bonds.

The University may direct a change in the type of interest rate borne by the variable rate debt (including variable rate COPs Series 2011A), in whole or in part, at any time from the weekly rate to a rate determined pursuant to one of six additional interest rate modes: a daily rate, a monthly rate, a quarterly rate, a semiannual rate, or a term rate (each an “adjustable rate”), or a fixed rate in accordance with the procedures provided in the indenture. However, if the debt is converted in whole or in part to a fixed rate, the interest rate on the debt so converted may not be subsequently changed to an adjustable rate.

The variable rate bonds and certificates of participation are subject to purchase on the demand of the holder, a “put,” at a price equal to principal plus accrued interest on seven days’ notice and delivery to the University’s remarketing agent. The remarketing agent is authorized to use its best efforts to sell these bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

The University is provided a 24-hour notice if the remarketing agent is unable to resell any debt that is put to the University. In such a case, the University is required to provide the funds to satisfy the repurchase of the debt at 100% par value, plus interest accrued to the settlement date of the put. The University has chosen to provide self-liquidity in the event of a put from any holder of these variable rate bonds or certificates of participation.

On June 1, 2020, notice was provided to bondholders by the University’s trustee, the Bank of New York Mellon, of the full redemption on July 1, 2020 of the outstanding maturities of Student Facilities System Revenue Bonds, Series 2010A (Build America Bonds – Direct Pay Option), in the total amount of \$15,490,000 for the annual maturities for each July 1 of 2021 through 2030.

On May 29, 2020, the University completed an optional call from the last scheduled maturity on each of the outstanding variable rate bond series. The bonds called were: Student Facilities System Revenue Bonds, Series 2004A (\$200,000, July 1, 2033); Student Facilities System Revenue Bonds, Series 2005A (\$75,000, July 1, 2029); and Student Facilities System Revenue Bonds, Series 2007C (\$315,000, July 1, 2032).

On May 27, 2020, the University issued Student Fee Bonds, Series EE at par value of \$112,140,000 and a premium of approximately \$28,203,000 to partially fund the construction of the Engineering and Polytechnic Gateway and the Veterinary Medicine Teaching Hospital, new facilities on the West Lafayette campus, to refund a portion of Student Fee Bonds, Series Z-1 in the amount of \$6,660,000 on July 1, 2020, and to pay for allowable costs of issuance. As a result of the refunding, the University anticipates a reduction of debt service payments over the life of the debt of \$273,112.50. The refunding resulted in an economic loss (difference between the reacquisition cost and unamortized premium) of \$167,000 through 2024 over the term of the refunding bonds.

On May 31, 2019, the University completed an optional call from the last scheduled maturity on each of the outstanding variable rate bond series. The bonds called were: Student Facilities System Revenue Bonds, Series 2004A (\$130,000, July 1, 2033); Student Facilities System Revenue Bonds, Series 2005A (\$45,000, July 1, 2029); and Student Facilities System Revenue Bonds, Series 2007C (\$195,000, July 1, 2032).

On September 18, 2018, the University issued Student Fee Bonds, Series DD at par value of \$90,135,000 and a premium of approximately \$14,493,000 to partially fund the construction of the BioScience Innovation building on the Hammond campus and Agricultural and Biological Engineering Renovation and Addition on the West Lafayette campus, and to pay for allowable costs of issuance.



Scheduled payments related to the debt for capital assets for the fiscal years ending June 30 are as follows (dollars in thousands):

Fiscal Year	All Debt except Direct Borrowings			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2021	78,211	39,081	117,292	895	472	1,367
2022	57,815	38,194	96,009	920	448	1,368
2023	60,182	35,504	95,686	940	423	1,363
2024	59,940	32,969	92,909	965	397	1,362
2025	61,573	30,424	91,997	995	371	1,366
2026-2030	301,476	109,111	410,587	13,465	702	14,167
2031-2035	243,103	48,364	291,467	-	-	-
2036-2040	94,680	7,734	102,414	-	-	-
2041	4,330	87	4,417	-	-	-
	961,310	341,468	1,302,778	18,180	2,813	20,993
Net unamortized premiums and costs	93,305	-	93,305	-	-	-
	\$ 1,054,615	\$ 341,468	\$ 1,396,083	\$ 18,180	\$ 2,813	\$ 20,993

As of June 30, 2020 and 2019, the Deferred Outflows of Resources for debt refunding was \$20,456,000 and \$22,069,000, respectively.

Lines of Credit

The University does not use lines of credit.

Defeased Bond Issues. The University defeases bonds by prepayment or issuing new debt. The University's defeased debt is shown below (dollars in thousands). US Treasury obligations have been purchased in amounts sufficient to pay principal and interest payments when due through call date, and with the exception of Student Fee Bonds, Series Z1, have been deposited in irrevocable trusts with the Trustee. Neither the defeased bonds nor the related trusts are reflected in the accompanying financial statements.

Bond proceeds from the new Series EE in the amount of \$6,660,000 and associated interest of \$165,025 from the University were prepaid to the Trustee at the May 27, 2020 closing for SFB Series EE, allowing for defeasement of all Z-1 remaining obligations in conjunction with the scheduled principal and interest payments on July 1, 2020.

Description of Bonds	Final Maturity/ Call Date	Amount Outstanding	
		June 30, 2020	June 30, 2019
Student Facilities Systems Revenue Bonds:			
Student Facilities System Revenue Bonds, Series 2009B	7/1/2019	-	32,930
Student Fee Bonds:			
Student Fee Bonds, Series X	7/1/2019	-	61,570
Student Fee Bonds, Series Y	7/1/2020	35,380	35,380
Student Fee Bonds, Series Z1	7/1/2020	6,660	-

Operating Leases. The University has entered into various operating leases for facilities. The scheduled payments related to these operating leases for the fiscal years ending June 30 are as follows (dollars in thousands):

Fiscal Year	Lease Payments
2021	16,526
2022	6,197
2023	4,725
2024	4,118
2025	2,850
Total Future Minimum Payments	\$34,416



Note 7— Other Debt Information

Other debt information is summarized below (dollars in thousands):

Liabilities	Balance			Balance	Current
	July 1, 2019	Increases	Decreases		
Accrued Compensated Absences	\$ 71,668	\$ 31,729	\$ 28,750	\$ 74,647	\$ 29,067
Other Post Employment Benefits	43,457	3,676	13,776	33,357	-
Funds Held in Trust for Others	7,299	12,173	483	18,989	-
Other Noncurrent Liabilities	15,967	9,042	-	25,009	-
Advances from Federal Government	15,211	315	7,008	8,518	-
Total	\$ 153,602	\$ 56,935	\$ 50,017	\$ 160,520	\$ 29,067

Liabilities	Balance			Balance	Current
	July 1, 2018	Increases	Decreases		
Accrued Compensated Absences	\$ 66,801	\$ 32,502	\$ 27,635	71,668	\$ 30,084
Other Post Employment Benefits	46,347	3,921	6,811	43,457	-
Funds Held in Trust for Others	7,241	58	-	7,299	-
Other Noncurrent Liabilities	2,661	13,306	-	15,967	-
Advances from Federal Government	14,935	276	-	15,211	-
Total	\$ 137,985	\$ 50,063	\$ 34,446	\$ 153,602	\$ 30,084

Other Post-Employment Benefits (OPEB). Purdue University administers a single-employer OPEB plan, known as the Pre-65 Retiree Health Plan, used to provide postemployment benefits other than pensions for official retirees who were formerly permanent full-time general employees. Plan authority is outlined in Purdue HR Policy VI.A.1, and governed by the Purdue University Board of Trustees. Assets for payment of benefits related to this plan are not accumulated in a trust that meets the criteria of GASB Statement No. 75, paragraph 4.

The University offers medical insurance for official retirees and their dependents. Participants may continue to receive benefits until they reach the age of 65. As of July 1, 2014, separating employees who are 55 or older, and have at least 10 years of service are eligible for official retirement status. Prior to July 1, 2014, the official retirement policy was retirees who are age 55 or older, whose age and years of service are equal to or greater than 70 and have at least 10 years of service. Official retirees under the age of 65 and their dependents are given the option to continue their medical insurance if they pay the entire cost of the blended medical plan rate, which includes both active employees and early retirees. Early retirees enjoy the benefit of a lower insurance cost due to continued participation in the University plan, which creates an implicit rate subsidy.

Purdue also offers a long-term disability program providing income continuation payments. Based on date of disability, some additional benefits may be extended. Prior to January 1, 2013, the program included retirement benefit payments, and medical and life insurance premium payments for a small required premium paid by the employee. Those who were participating in the program at that date continue to receive the benefits until they reach the age of 65. Individuals with a date of disability beginning January 1, 2013 or after may continue medical benefits at the existing employee premiums until the employee becomes eligible for Medicare, or

for a maximum of three years after the employee becomes disabled, whichever comes first. All future and existing disability income benefit liability is fully insured through an insurance carrier.

At July 1, 2019, Purdue University plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	302
Disabled members currently receiving benefits	89
Active members	<u>12,544</u>
Total	<u><u>12,935</u></u>

Purdue's total OPEB liabilities of approximately \$33,357,000 as of June 30, 2020 and \$43,457,000 as of June 30, 2019 were determined with measurement/experience dates of July 1, 2019 and July 1, 2018, using an actuarial valuation as of July 1, 2019 and 2017, respectively, done in accordance with GASB Statement No. 75. The total OPEB liabilities in the June 30, 2019 and 2018 actuarial reports were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial assumptions:

Inflation	2.50%
Projected salary increases	3.00%
Discount rate	3.50 % as of July 1, 2019; 3.87% as of July 1, 2018
Health care cost trend rate:	
Medical & Prescription Drug	7.25% graded to 4.5% over 11 years
Vision	3.00%
Administrative Costs	3.00%
Mortality Rates	As prescribed under IRS Regulations 1.431 (c)(6)-1 and 1.430(h)(3)-1, using static tables with separate tables for annuitants and nonannuitants (RP-2000 tables projected forward to the valuation year plus 7 years for annuitants and 15 years for nonannuitants)

Because Purdue University is not prefunding the OPEB benefits, the discount rates used in the valuation for financial disclosure purposes are based on the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in the Total OPEB Liability (dollars in thousands):

Balance at June 30, 2019	\$ 43,457
Changes for Year:	
Service Cost	2,023
Interest	1,653
Change of benefit terms	(755)
Differences between expected and actual experience	(2,219)
Changes of assumptions	(5,252)
Benefit payments, including refunds of member contributions	<u>(5,550)</u>
Net Change in Total OPEB Liability	<u>(10,100)</u>
Balance at June 30, 2020	<u>\$ 33,357</u>

Changes of assumptions reflect a decrease in the discount rate from 3.87% to 3.50%.

Sensitivity Analysis:

OPEB liability is sensitive to both changes in the discount rate and the healthcare cost trend rates. The following presents the Total OPEB Liability of the University as well as what the liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current discount rate. Also shown is the Total OPEB Liability would be if it were calculated using healthcare cost trend rates that were 1 percentage point lower or 1 percentage point higher than the current healthcare trend rates.

	1% Increase in Discount Rate 4.50%	Current Discount Rate 3.50%	1% Decrease in Discount Rate 2.50%
Total OPEB Liability	\$ 31,395,851	\$ 33,356,895	\$ 35,504,058

	1% Increase in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Decrease in Health Care Cost Trend Rates
Total OPEB Liability	\$ 36,281,173	\$ 33,356,895	\$ 30,820,169

OPEB Expense and Deferred Inflows of Resources related to OPEB:

For the year ended June 30, 2020 and 2019, the University recognized OPEB expense of approximately \$1,611,000 and \$3,572,000, respectively. At June 30, 2020 and 2019, the University reported Deferred Inflows of Resources related to the Change of Assumptions in the amount of approximately \$8,205,000 and \$2,044,000, respectively, related to the Changes of Assumptions. At June 30, 2020 and 2019, the University reported Deferred Outflows of Resources in the amount of approximately \$2,897,000 and \$2,823,000, respectively, related to payments made beyond the measurement dates of July 1, 2019 and 2018.

Amounts reported as deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense as follows (dollars in thousands):

Total Year Ended June 30,

2021	\$	(1,311)
2022		(1,311)
2023		(1,311)
2024		(1,311)
2025		(1,205)
Thereafter		<u>(1,756)</u>
Total	\$	<u><u>(8,205)</u></u>



Note 8 - Operating Expenses by Function

Operating expenses by functional classification are summarized as follows (dollars in thousands):

June 30, 2020

Function	Compensation & Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships & Student Awards	Total
Instruction	\$ 752,754	\$ 100,701	\$ -	\$ -	\$ 853,455
Research	200,582	94,697	-	-	295,279
Extension and Public Service	104,989	41,357	-	-	146,346
Academic Support	101,421	63,767	-	-	165,188
Student Services	66,054	23,324	-	-	89,378
General Administration and Institutional Support	246,222	215,975	-	-	462,197
Physical Plant Operations and Maintenance	83,399	53,781	-	-	137,180
Depreciation	-	-	186,934	-	186,934
Student Aid	-	-	-	62,240	62,240
Auxiliary Enterprises	99,689	100,287	-	-	199,976
Total	\$ 1,655,110	\$ 693,889	\$ 186,934	\$ 62,240	\$ 2,598,173

June 30, 2019

Function	Compensation & Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships & Student Awards	Total
Instruction	\$ 740,654	\$ 108,824	\$ -	\$ -	\$ 849,478
Research	200,794	94,431	-	-	295,225
Extension and Public Service	97,190	46,256	-	-	143,446
Academic Support	102,559	86,535	-	-	189,094
Student Services	68,199	26,525	-	-	94,724
General Administration and Institutional Support	265,867	228,749	-	-	494,616
Physical Plant Operations and Maintenance	82,388	58,999	-	-	141,387
Depreciation	-	-	190,100	-	190,100
Student Aid	-	-	-	65,666	65,666
Auxiliary Enterprises	100,772	90,060	-	-	190,832
Total	\$ 1,658,423	\$ 740,379	\$ 190,100	\$ 65,666	\$ 2,654,568

Note 9 — Retirement Plans

Authorization. Authorization to establish retirement plans is stated in Indiana Code IC 21-38-7.

All Employees. University employees are participants in various retirement programs, including the Federal Insurance Contributions Act (FICA). During the years ended June 30, 2020 and 2019, the University's contribution to FICA was approximately \$68,232,000 and \$66,740,000, respectively. The University has adopted a CARES Act provision enabling the University to retain the employer's share of FICA tax from April 22, 2020 until December 31, 2020, remitting 50% of the tax by December 31, 2021 and 50% of the tax by December 31, 2022. As of June 30, 2020, \$12,171,000 has been retained under this provision, and is included in the Funds Held in Trust for Others liability.

Defined Contribution Plans. Certain employees of the University participate in defined contribution plans. Benefit provisions are established and/or amended by the Trustees. University defined contribution plans are all administered through Fidelity Investments. Plan contributions are made at the time the associated payroll is issued, so there is not a material outstanding liability at June 30, 2020 or 2019.

Faculty and Administrative/Professional Staff. Faculty, professional, and certain administrative employees of the University participate in the exempt employees' defined contribution plans. Faculty and management personnel participate immediately upon employment; others must satisfy a three-year waiting period. Effective January 1, 2011, the University contributes 10% of each participating employee's salary to the Purdue University 403(b) defined contribution retirement plan. Employee contributions are not required but may be made on a voluntary basis to the Purdue University 403(b) voluntary tax-deferred annuity plan and/or the Purdue University 457(b) deferred compensation plan. Those eligible to participate in the defined contribution plan also participate in the Purdue University 401(a) Profit Sharing Plan. This plan requires a mandatory employee contribution of 4% of their salary. Funds in all exempt employees defined contribution plans are immediately vested, so no forfeitures exist in these plans.

For the years ended June 30, 2020 and 2019, there were 7,553 and 7,428 employees, respectively, participating in the plans with annual pay equal to approximately \$712,361,000 and \$688,081,000, respectively. For the years ended June 30, 2020 and 2019, the University made contributions totaling approximately \$67,846,000 and \$65,362,000, respectively, to these plans.

Clerical, Service, and Operations/Technical Assistants. Clerical, service, and operations/technical assistants hired on or after September 9, 2013 and employed at least half-time participate in the non-exempt employees' defined contribution plan. Benefits-eligible employees in this category participate immediately upon date of employment. The University provides a base contribution of 4% of the participating employee's salary each pay period to the Purdue University 403(b) defined contribution retirement plan. This plan has a three year vesting period for this employee group, and there is not a material forfeiture balance at this time. Employee contributions are not required but may be made on a voluntary basis to the Purdue University 403(b) voluntary tax-deferred annuity plan. The University will match voluntary employee pre-tax contributions up to 4% of earnings each pay period. Employees may also contribute voluntarily to the Purdue University 457(b) Deferred Compensation Plan, but these contributions are not matched.

For the years ended June 30, 2020 and 2019, there were 2,547 and 2,384 employees, respectively, participating in the plan with annual pay equal to approximately \$66,033,000 and \$59,777,000, respectively. For the year ended June 30, 2020 and 2019, the University made base contributions totaling approximately \$2,509,000 and \$2,229,000, respectively, and matching contributions totaling approximately \$2,170,000 and \$2,042,000, respectively, to the plan.

Purdue University Global Defined Contribution Plans. The University has two defined contribution plans, administered through Fidelity Investments in which all full time eligible employees may participate. Benefit provisions are established and/or amended by the Trustees. Plan contributions are typically made at the time the associated payroll is issued, so there is not a material outstanding liability at June 30, 2020 or June 30, 2019.

All full-time eligible employees of the University may participate in the Purdue University Global, Inc. 457(b) Deferred Compensation Plan immediately upon employment. Enrollment is automatic at the date of employment or re-employment by operation of a default elective deferral. The default elective deferral rate begins at 6% of eligible compensation, and increases annually by 1% until it reaches a maximum of 10%. Contributions are not mandatory, and employees have the option to make a Contrary Election not to defer any compensation, or to defer a percentage of compensation, which is more or less than the default elective deferral amount, up to the maximum allowed. In addition, employees who are not full time eligible employees may elect to participate in the plan by completing a deferred compensation agreement. All funds in this plan are immediately vested, so forfeitures do not exist. For the period ended June 30, 2020 and 2019, there were 1,041 and 890 employees participating in the 457(b) plan with pay equal to approximately \$41.6 and \$47.4 million, respectively. For the periods ended June 30, 2020 and 2019, employees contributed \$4.8 million and \$4.3 million, respectively.

Likewise, all employees except interns, temporary, vacation relief, or call-in employees participate in the Purdue University Global, Inc. 403(b) Defined Contribution Retirement Savings Plan immediately upon commencement of employment. This plan features a non-elective employer contribution of 3% of participant's compensation. It also provides an employer matching contribution of 100% of elective deferrals up to 4% of compensation made to the Purdue University Global, Inc. 457(b) Deferred Compensation Plan. Three-year cliff vesting is in effect for the contributions in this plan. For the period ended June 30, 2020 and 2019, there were 2,047 and 1,865 employees participating in the 403(b) plan with pay equal to approximately \$56.0 and \$61.4 million. For the period ended June 30, 2020 and 2019 the University made contributions totaling \$3.6 and \$4.1 million to the plan.

In 2018, the Plan's board implemented a trust to hold the assets of the Plan in accordance with Internal Revenue Code Section 457. The Plan assets are the property of the trust, which holds the assets on behalf of the participants. Therefore, in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the assets of this Plan are not reported in the accompanying financial statements.

Defined Benefit Plans. Certain employees of the University participate in defined benefit plans administered by other agencies. Actuarial information related to the University's portion of these plans are disclosed in the Required Supplementary Information (RSI) at the back of the Financial Report.

PERF Hybrid. Regular clerical and service staff employed at least half-time and hired on or prior to September 8, 2013, participate in the Public Employees Retirement Fund (PERF) Hybrid Plan, a retirement program administered by Indiana Public Retirement System (INPRS), an agency of the state of Indiana.

PERF Hybrid was established to provide retirement benefits to plan members and beneficiaries. Benefit provisions are established and/or amended by the State of Indiana.

The PERF Hybrid retirement benefit consists of the sum of PERF DB, a defined pension provided by employer contributions, plus PERF DC the amount credited to the member's defined contribution account. Employees were eligible to participate in this plan immediately upon employment.

PERF DB is a cost-sharing, multiple employer defined benefit fund providing retirement, disability and survivor benefits to eligible employees participating in the fund. Administration of the fund is generally in accordance with IC 5-10.2, 5-10.3, 5-10.5, 35 IAC 1.2, and other Indiana pension law. PERF DB is a component of the Public Employees' Hybrid plan (PERF Hybrid).

Eligibility for Pension Benefit Payments under the PERF DB plan are as follows:

Full Retirement Benefit:

- At age 65 with at least 10 years of creditable service
- At age 60 with at least 15 years of creditable service
- At age 55 if age and creditable service total at least 85
- At age 70 with 20 years of creditable service and still active in the PERF-covered position

Calculation of Lifetime Annual Benefit = Years of Creditable Service x Average Highest Five-Year Annual Salary x 1.1% (minimum of \$180/month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than \$2,000 received from the employer in severance.

Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the Board.

PERF DC is a multiple-employer defined contribution fund providing retirement benefits to eligible employees participating in the fund. Administration of the account is generally in accordance with IC 5-10.2, 5-10.3, 35 IAC 1.2, and other Indiana pension law. PERF DC is also a component of the Public Employees' Hybrid plan (PERF Hybrid).

Retirement and Termination Benefit under PERF DC:

Members are entitled to the sum total of vested contributions plus earnings 30 days after separation from employment (retirement, termination, disability, or death). The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity (in accordance with INPRS requirements). PERF DC members are 100% vested in their account balance.

The required contributions to the PERF Hybrid plan are determined by INPRS Board of Trustees based on an actuarial valuation. For the years ended June 30, 2020 and 2019, the University was required to contribute 11.2% of the employee's salary to the PERF DB plan. The employee contribution to the PERF DC plan in the amount of 3% of the employee's salary is being made by the University on behalf of the employee.

The financial statements of INPRS, including PERF Hybrid, have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles as applied to government units. Oversight of INPRS' assets is the responsibility of the INPRS Board of Trustees. Indiana law requires the Board to establish investment guidelines and limits on all types of investments and take other actions necessary to fulfill its duty as a fiduciary for all assets under its control. Both pooled and non-pooled investments are reported at fair value. Benefits are recognized when due and payable to members or other beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. INPRS issues a publicly available financial report that includes financial statements, notes, and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing to: Indiana Public Retirement System, One North Capitol Ave., Suite 001, Indianapolis, IN 46204; or by visiting www.in.gov/inprs/annualreports.htm.

For the years ended June 30, 2020 and 2019, there were 2,095 and 2,302 employees, respectively, participating in PERF Hybrid. The University's proportionate share of PERF Hybrid's Net Pension Liability, based on covered payroll of approximately \$87,930,000 was 1.68768% for the measurement date June 30, 2019, which was the date used for this financial report. The proportionate share of the Net Pension Liability as calculated by INPRS under GASB 68 guidance was approximately \$55,779,000 and \$58,681,000 as of June 30, 2020 and 2019.

The University made contributions to the plan totaling approximately \$11,426,000 and \$12,712,000 for the years ending June 30, 2020 and 2019, respectively. The amount of contribution made after the measurement date, which is shown as a deferred outflow was approximately \$9,000,000 and \$10,523,000 for the years ended June 30, 2020 and 2019, respectively. The proportionate shares of pension plan expense for the years ended June 30, 2020 and 2019 as calculated under GASB 68 guidance were approximately \$8,828,000 and \$9,201,000, less net amortization of deferred amounts of approximately \$472,000 and \$1,680,000, leaving a net pension expense of approximately \$8,356,000 and \$7,521,000.

Actuarial calculations reflect a long-term perspective and the significant assumptions used in the actuarial valuation to calculate the total pension liability follow. The valuation date for assets was June 30, 2019, and the valuation date for liabilities was June 30, 2018, with standard actuarial roll forward techniques used to project the total pension liability at June 30, 2019. The amortization method and period are Level Dollar Closed over 30 years. The actuarial cost method is entry age normal (Level Percent of Payroll) cost. The employer required contribution is determined using an asset smoothing method. The actuarial assumptions include a 6.75% investment rate of return (net of administrative expenses), inflation rate of 2.25% per year, projected salary increases of 2.5% - 4.25% per year, and 1% per year cost of living adjustments, all based on the period of 4 years ended June 30, 2014, the most recent study date. Mortality rates were based on the 2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006.

The long-term return expectation has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the

baseline inflation rate have been established and the long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

	Target Asset Allocation	Geometric Basis Long-Term Expected Real Rate of Return
Public Equity	22.0%	4.9%
Private Markets	14.0%	7.0%
Fixed Income - Ex Inflation-Linked	20.0%	2.5%
Fixed Income - Inflation-Linked	7.0%	1.3%
Commodities	8.0%	2.0%
Real Estate	7.0%	6.7%
Absolute Return	10.0%	2.9%
Risk Parity	12.0%	5.3%

Total pension liability was calculated using the discount rate of 6.75%. The projection of cash flows used to determine the discount rate assumed the contributions would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy, adopted by the Board. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 6.75%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
\$ 89,581,648	\$ 55,778,899	\$ 27,584,820

As a result of GASB 68 implementation, new categories of deferred outflows and inflows of resources are required to be reported and disclosed, as follows:

Summary of Deferred Outflows and Inflows of Resources

(dollars in thousands)

	As of June 30, 2020	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 1,477	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	2,637
Change of assumptions	12	6,063
Changes in proportion and differences between employer contributions and proportionate share of contributions	556	1,916
Contribution made after the measurement date	9,000	-
Total Deferred Outflows and Inflows	\$ 11,045	\$ 10,616

	As of June 30, 2019	
	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 767	\$ 4
Net difference between projected and actual investment earnings on pension plan investments	1,738	-
Change of assumptions	140	9,422
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,174	2,732
Contribution made after the measurement date	10,523	-
Total Deferred Outflows and Inflows	\$ 15,342	\$ 12,158

These deferred outflows and inflows of resources are required to be amortized over either a 4.5 or 5 year life, depending upon the nature of the item. Amortization of these items is presented in the following table:

Amortization of Net Deferred Outflows/Inflows of Resources		
2020		(2,686)
2021		(4,557)
2022		(1,123)
2023		(205)
2024		-
Thereafter		-
Total	\$	(8,571)

Police/Fire. A supplemental pension program for police officers and firefighters (Police/Fire) was authorized by the Trustees on March 13, 1990, and was established on July 1, 1990. In conjunction with other retirement plans offered by the University, this plan provides police officers and firefighters employed by the University with a total retirement benefit that is comparable to the benefits received by municipal police and fire personnel in Indiana. Benefit provisions are established and/or amended by the Trustees. The program is an agent single-employer defined benefit plan, funded through group annuities, and administered through the Teachers Insurance and Annuity Association (TIAA). The plan provides for vesting after the completion of 10 years of covered employment, and employees are eligible for normal retirement benefits after the completion of 20 years of covered employment, and attainment of 55 years of age. The normal benefit payable under this plan is an amount equal to 50% of the annual base salary of a non-probationary-level police officer at each campus, as in effect at the time of a member's retirement, reduced by the amount of any pension benefits payable under other University retirement programs, including TIAA-CREF and PERF Hybrid. Employees covered by this plan are required to make contributions equal to 3% of the current salary for a non-probationary-level police officer. University contributions are to be in such additional amounts as needed to maintain the plan on an actuarially sound basis. Financial reports related to this plan may be obtained by writing to: Office of Legal Counsel, Public Records Officer; Purdue University, Hovde Hall, 610 Purdue Mall, West Lafayette, IN 47907-2040.

For the years ending June 30, 2020 and 2019, there were 107 and 98 employees, respectively, actively participating in Police/Fire. In addition to this there were 28 vested employees who had terminated and 92 retired participants. The University made contributions to this plan totaling approximately \$20,000 and \$268,000 for the years ending June 30, 2020 and 2019, respectively.

The pension benefit obligation was computed as part of an actuarial valuation performed as of July 1, 2019. The actuarial valuation was the projected unit credit actuarial cost method over 30 years. The actuarial assumptions include a 6.00% investment rate of return, projected salary increases of 2.5% per year, and 2.25% per year cost of living adjustments.

Valuation dates:

The valuation date was July 1, 2019.

Methods and assumptions used to determine most current contribution rate above:

Actuarial cost method	Projected unit credit
Cost of living increases	2.25% per year, compounded annually
Mortality rates:	
Pre-retirement	PubS-2010 generational table for non-annuitants projected with Scale MP-2019
Post-retirement	PubS-2010 generational table for annuitants projected with Scale MP-2019
Salary scale	2.50% per year, compounded annually

Three-Year-Trend Information (dollars in thousands)

Plan	Annual Required Contribution	Interest on Net Pension Obligation	Adjustment to Annual Required Contribution	Annual Pension Cost	Contributions Made ²	Increase (Decrease) in Net Pension Obligation	Net Pension Obligation, Beginning of Year	Net Pension Obligation, End of Year	Percentage of APC Contributed
Police/Fire									
July 1, 2019	954	(192)	(4,344)	-	20	(20)	(1,492)	(1,512)	-
July 1, 2018	814	(135)	(3,149)	-	268	(268)	(1,224)	(1,492)	-
July 1, 2017	875	13	(811)	77	738	(661)	(563)	(1,224)	958%

¹ Actuarial data for 2020 was not available at the time of this report.

² Police/Fire contributions include interest earnings.

Cooperative Extension Service. As of June 30, 2020 and 2019, there were 2 and 8 staff members, respectively, with federal appointments employed by the Indiana Cooperative Extension Service and covered by the Federal Civil Service Retirement System. The University contributed \$31,000 and \$56,000, respectively, for the years ended June 30, 2020 and 2019 to this plan.

Note 10 – Component Units

Discretely Presented Component Units

Summary financial information as of and for the years ended June 30, 2020 and 2019, for the University's discretely presented component units are presented in the tables below.

Discretely Presented Component Unit Statement of Financial Position

As of June 30, 2020 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	PFW Foundation	Component Unit Total
Assets:				
Cash and Cash Equivalents	\$ 16,493	\$ 199	\$ 825	\$ 17,517
Accounts Receivable, Net	25,986	798	445	27,229
Other Assets	18,748	2	2	18,752
Investments	2,740,240	709	9,868	2,750,817
Lease Purchase Agreements	-	185,148	-	185,148
Notes Receivable, Net	31,918	1,079	-	32,997
Interest in Charitable Perpetual Trusts	15,799	-	-	15,799
Capital Assets, Net of Accumulated Depreciation	273,391	151	7,032	280,574
Total Assets	\$ 3,122,575	\$ 188,086	\$ 18,172	\$ 3,328,833
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 35,899	\$ 2,714	\$ 291	\$ 38,904
Unearned Revenue	-	20,292	-	20,292
Due on Split Interest Agreements	42,406	-	-	42,406
Deposits Held in Custody for Others	1,829,899	-	-	1,829,899
Bonds (Net), Leases and Notes Payable	191,926	160,107	-	352,033
Other Liabilities	3,659	-	-	3,659
Total Liabilities	2,103,789	183,113	291	2,287,193
Net Assets:				
Without Donor Restrictions	282,067	-	6,006	288,073
With Donor Restrictions	736,719	4,973	11,875	753,567
Total Net Assets	1,018,786	4,973	17,881	1,041,640
Total Liabilities and Net Assets	\$ 3,122,575	\$ 188,086	\$ 18,172	\$ 3,328,833

Discretely Presented Component Unit Statement of Financial Position

As of June 30, 2019 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	PFW Foundation	Component Unit Total
Assets:				
Cash and Cash Equivalents	\$ 20,905	\$ 206	\$ 325	\$ 21,436
Accounts Receivable, Net	23,457	1,954	327	25,738
Other Assets	20,652	2	2	20,656
Investments	2,779,444	851	9,982	2,790,277
Lease Purchase Agreements	-	189,858	-	189,858
Notes Receivable, Net	28,505	1,079	-	29,584
Interest in Charitable Perpetual Trusts	16,124	-	-	16,124
Capital Assets, Net of Accumulated Depreciation	243,125	151	7,135	250,411
Irrevocable Trust	-	34,821	-	34,821
Total Assets	\$ 3,132,212	\$ 228,922	\$ 17,771	\$ 3,378,905
Liabilities:				
Accounts Payable and Accrued Expenses	\$ 29,275	\$ 3,912	\$ 26	\$ 33,213
Unearned Revenue	-	16,206	-	16,206
Due on Split Interest Agreements	47,287	-	-	47,287
Deposits Held in Custody for Others	1,826,770	-	-	1,826,770
Bonds (Net), Leases and Notes Payable	188,500	207,343	-	395,843
Other Liabilities	2,010	-	-	2,010
Total Liabilities	2,093,842	227,461	26	2,321,329
Net Assets:				
Without Donor Restrictions	276,977	-	6,220	283,197
With Donor Restrictions	761,393	1,461	11,525	774,379
Total Net Assets	1,038,370	1,461	17,745	1,057,576
Total Liabilities and Net Assets	\$ 3,132,212	\$ 228,922	\$ 17,771	\$ 3,378,905

Discretely Presented Component Unit Statement of Activities

For the Year Ended June 30, 2020 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	PFW Foundation	Component Unit Total
Revenue and Support				
Amount Received for Purdue University Research Projects	\$ 706	\$ -	\$ -	\$ 706
Less Payments to Purdue University	(706)	-	-	(706)
	-	-	-	-
Contributions	59,584	-	1,153	60,737
Income on Investments	18,245	4,600	371	23,216
Net Unrealized and Realized Gains (Losses)	(14,439)	(49)	(482)	(14,970)
Increase in Value of Split Interest Agreements	3,781	-	-	3,781
Decrease in Interests in Perpetual Trusts	(325)	-	-	(325)
Rents	24,236	8	426	24,670
Royalties	11,380	-	-	11,380
Other	36,054	-	81	36,135
Total Revenue and Support	138,516	4,559	1,549	144,624
Expenses and Losses				
Expenses for the Benefit of Purdue University				
Contributions to Purdue University	44,989	150	717	45,856
Patent and Royalty	8,755	-	-	8,755
Grants	581	-	-	581
Services for Purdue University	2,493	-	-	2,493
Other	2,716	-	571	3,287
Total Expenses for the Benefit of Purdue University	59,534	150	1,288	60,972
Administrative and Other Expenses				
Salaries and Benefits	39,307	-	-	39,307
Property Management	23,155	-	103	23,258
Professional Fees	12,632	-	-	12,632
Supplies	3,384	-	-	3,384
Interest	8,091	878	-	8,969
Research Park	554	-	-	554
Other	11,443	19	22	11,484
Total Administrative and Other Expenses	98,566	897	125	99,588
Change in Net Assets	(19,584)	3,512	136	(15,936)
Net Assets, Beginning of Period	1,038,370	1,461	17,745	1,057,576
Net Assets, End of Period	\$ 1,018,786	\$ 4,973	\$ 17,881	\$ 1,041,640

Discretely Presented Component Unit Statement of Activities

For the Year Ended June 30, 2019 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	PFW Foundation	Component Unit Total
Revenue and Support				
Amount Received for Purdue University Research Projects	\$ 399	\$ -	\$ -	\$ 399
Less Payments to Purdue University	(399)	-	-	(399)
	-	-	-	-
Contributions	35,474	-	1,289	36,763
Income on Investments	21,220	6,502	394	28,116
Net Unrealized and Realized Gains (Losses)	44,489	(488)	57	44,058
Increase in Value of Split Interest Agreements	2,598	-	-	2,598
Decrease in Interests in Perpetual Trusts	(11)	-	-	(11)
Rents	20,609	8	376	20,993
Royalties	4,078	-	-	4,078
Other	35,746	-	177	35,923
Total Revenue and Support	164,203	6,022	2,293	172,518
Expenses and Losses				
Expenses for the Benefit of Purdue University				
Contributions to Purdue University	36,096	163	1,753	38,012
Patent and Royalty	3,268	-	-	3,268
Grants	1,102	-	-	1,102
Services for Purdue University	2,569	-	-	2,569
Other	7,091	-	219	7,310
Total Expenses for the Benefit of Purdue University	50,126	163	1,972	52,261
Administrative and Other Expenses				
Salaries and Benefits	35,328	-	-	35,328
Property Management	19,459	-	103	19,562
Professional Fees	14,757	-	-	14,757
Supplies	1,782	-	-	1,782
Interest	7,546	6,473	-	14,019
Research Park	383	-	-	383
Other	12,550	16	10	12,576
Total Administrative and Other Expenses	91,805	6,489	113	98,407
Change in Net Assets	22,272	(630)	208	21,850
Net Assets, Beginning of Period	1,016,098	2,091	17,537	1,035,726
Net Assets, End of Period	\$ 1,038,370	\$ 1,461	\$ 17,745	\$ 1,057,576

Blended Component Unit

Condensed financial information for Purdue University Global, Inc., a blended component unit, before the elimination of certain intra-University transactions, as of and for the years ended June 30, 2020 and 2019.

Purdue University Global, Inc.

Blended Component Unit Condensed Statement of Financial Position

As of June 30 (Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
Assets:		
Current Assets	\$ 96,045	\$ 54,081
Noncurrent Assets	21,562	30,181
Total Assets	117,607	84,262
Liabilities:		
Current Liabilities	142,798	97,386
Noncurrent Liabilities	22,492	13,467
Total Liabilities	165,290	110,853
Net Assets:		
Net Investment in Capital Assets	1,555	2,650
Unrestricted	(49,238)	(29,241)
Total Net Assets	\$ (47,683)	\$ (26,591)

Purdue University Global, Inc.

Blended Component Unit Condensed Statement of Revenues, Expenses, and Changes in Net Position

For the Period Ended June 30 (Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
Operating Revenues	\$ 306,374	\$ 301,463
Operating Expenses other than Depreciation	408,717	437,297
Depreciation Expense	1,306	1,238
Net Operating Loss	(103,649)	(137,072)
Non Operating Revenues	82,557	93,764
Decrease in Net Position	(21,092)	(43,308)
Net Assets, Beginning of Period	(26,591)	16,717
Net Assets, End of Period	\$ (47,683)	\$ (26,591)

Purdue University Global, Inc.

Blended Component Unit Condensed Statement of Cash Flows

For the Period Ended June 30 (Dollars in Thousands)

	<u>2020</u>	<u>2019</u>
Cash Used by Operating Activities	\$ (50,651)	\$ (113,635)
Cash Provided by Noncapital Financing Activities	81,903	92,743
Cash Provided by Investing Activities	654	1,021
Cash Used by Capital and Related Financing Activities	(275)	(1,212)
Net Increase (Decrease) in Cash and Cash Equivalents	31,631	(21,083)
Cash and Cash Equivalents - Beginning of Period	45,327	66,410
Cash and Cash Equivalents - End of Period	\$ 76,958	\$ 45,327

Note 11 — Contingent Liabilities and Commitments

Legal Actions. In the normal course of its activities, the University is a party in various legal actions. There are two legal actions that are pending in Tippecanoe Circuit Court that need mentioning due to materiality levels. *Seslar v. Trustees of Purdue University*, Cause No. 79C01-2005-PL-59, and *Church, et al., v. Purdue University*, Cause No. 79C01-2006-PL-67, both pending in Tippecanoe Circuit Court, are putative class actions alleging that the University breached contracts with students or was unjustly enriched. Both suits arise from the COVID-19 pandemic, Executive Orders issued by the Governor of Indiana in March 2020 prohibiting the University from offering in-person instruction and separately prohibiting students from attending in-person classes, the University's consequent decisions to offer only remote, online instruction for the remainder of the Spring 2020 semester, and students' participation in that remote instruction. The plaintiffs in *Seslar* and *Church* contend that the University's remote instruction did not meet their expectations and breached a purported promise of instruction in physical classrooms. The plaintiffs also contend that the University should refund at least a portion of certain student fees, housing, and meal charges because, as alleged by the plaintiffs, the University limited access to the facilities and services the plaintiffs expected these fees and charges to cover. The University already has refunded or credited students who resided in but moved out of campus housing, but plaintiffs contend those refunds do not suffice. The plaintiffs in both cases propose to represent overlapping putative classes that potentially comprise all undergraduate students on all of the University's campuses.

The University believes the suits are without merit and intends to defend them vigorously. The University filed motions to dismiss both cases on August 7, 2020. As of this writing, the plaintiffs have not responded to those motions.

The University does not evaluate the likelihood of an unfavorable outcome because it is neither probable nor remote that there will be such an outcome. In addition, the University does not provide an estimate of the loss, or range of potential loss, in the event of an unfavorable outcome because the probability of the inaccuracy of such an estimate is more than slight.

Construction Projects. As of June 30, 2020 and 2019, contractual obligations for capital construction projects were approximately \$116,294,000 and \$104,452,000, respectively.

Natural Gas Procurement. The University has entered into various forward contracts to purchase natural gas at a specified time in the future at a guaranteed price. This activity allows the University to plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible that the market price before or at the specified time to purchase natural gas may be lower or higher than the price at which the University is committed to buy. This would reduce or increase the value of the contract. The University could sell the forward contract at a loss or gain and then buy natural gas on the open market. The University is also exposed to the failure of the counterparty to fulfill the contract. The terms of the contract include provisions for recovering the cost in excess of the guaranteed price from the counterparty if the counterparty fails to deliver quantity at the guaranteed price at the specified time resulting in the University having to procure natural gas on the open market.

Note 12 – Risk Management

Accrued Insurance Liabilities. The University is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; accident, health, and other medical benefits provided to employees and their dependents; and long-term disability benefits provided to employees. The University handles these risks of loss through combinations of risk retention and commercial insurance. The amount of settlements paid during the last three years did not exceed the insurance coverage for the same time period. There was no significant reduction in insurance coverage during the fiscal year.

For buildings and contents, the University's risk retention is \$250,000 per occurrence. There is \$2,000,000 retention per occurrence or wrongful act for general, automobile, and professional and educators' legal liability coverage. The University retains the entire risk for medical benefits. For the fiscal year ended June 30, 2020 and 2019, the maximum liability to the University for job-related illness or injury was \$950,000 and \$850,000 per incident, respectively, with no maximum annual aggregate liability.

All departments of the University are charged fees based on actuarial estimates of the amounts necessary to pay claims and to establish reserves for catastrophic losses. During the years ended June 30, 2020 and 2019, the University reflected approximately \$52,000 and \$0, respectively, of insurance proceeds as non-operating income.

The University accrues liabilities for claims if information indicates that a loss has been incurred as of June 30, and the amount of the loss can reasonably be estimated. Changes in the balances of accrued insurance liabilities were as follows (dollars in thousands):

	June 30, 2020	June 30, 2019
Beginning Liability	\$ 26,072	\$ 28,202
Claims Incurred	137,565	131,879
Claims Payments	(137,774)	(134,009)
Ending Liability	\$ 25,863	\$ 26,072

Required Supplementary Information

**SCHEDULE OF CHANGES IN PURDUE'S
TOTAL OPEB LIABILITY AND RELATED RATIOS**

(Dollar amounts in Thousands)

June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	\$ 2,023	\$ 2,290	\$ 2,417
Interest	1,653	1,631	1,416
Changes of benefit terms	(755)	-	-
Differences between expected and actual experience	(2,219)	-	-
Changes of assumptions	(5,252)	(699)	(1,952)
Benefit payments, including refunds of member contributions	<u>(5,550)</u>	<u>(6,112)</u>	<u>(5,567)</u>
Net Change in Total OPEB Liability	(10,100)	(2,890)	(3,686)
Total OPEB Liability - beginning	<u>43,457</u>	<u>46,347</u>	<u>50,033</u>
Total OPEB Liability - ending	<u>\$ 33,357</u>	<u>\$ 43,457</u>	<u>\$ 46,347</u>
Covered employee payroll	\$ 959,487	\$ 939,138	\$ 920,742
Plan total OPEB Liability as a percentage of covered employee payroll	3.48%	4.63%	5.03%

Notes to Schedule:

No assets were accumulated in a trust.

Valuation date:

Valuations are performed every other year. The last valuation was July 1, 2019.

Methods and assumptions used to determine most current contribution rate above:

Inflation	2.5%
Projected salary increases	3.0%
Discount rates	3.5% as of July 1, 2019; 3.87% as of July 1, 2018
Healthcare cost trend rates:	
Medical & Prescription Drug	7.25% graded to 4.5% over 11 years
Vision	3.00%
Administrative Costs	3.00%
Mortality rates	As prescribed under IRS Regulations 1.431 (c)(6)-1 and 1.430 (h)(3)-1, using static tables with separate tables for annuitants and nonannuitants (RP-2000 tables projected forward to the valuation year plus 7 years for annuitants and 15 years for nonannuitants)

The notes to the RSI are an integral part of the RSI.

Required Supplementary Information

**SCHEDULE OF PURDUE'S SHARE OF THE NET PENSION LIABILITY
INDIANA PUBLIC EMPLOYEE RETIREMENT FUND (PERF HYBRID)**

(Dollar Amounts in Thousands)

June 30,

	2019*	2018*	2017*	2016*	2015*	2014*	2013*
Proportion of the Net Pension Liability	1.7%	1.7%	1.8%	1.8%	2.5%	2.8%	3.0%
Proportionate Share of the Net Pension Liability	\$ 55,779	\$ 58,681	\$ 78,861	\$ 82,044	\$ 102,146	\$ 74,323	\$ 103,102
Covered-employee payroll	\$ 87,930	\$ 88,142	\$ 87,693	\$ 86,639	\$ 120,126	\$ 138,081	\$ 144,526
Proportionate share of the Net Pension Liability as a percentage of covered-employee payroll	63.4%	66.6%	89.9%	94.7%	84.8%	53.8%	71.3%
Plan fiduciary net position as a percentage of the total pension liability	80.1%	78.9%	76.6%	75.3%	77.3%	84.3%	78.8%

**SCHEDULE OF PURDUE'S CONTRIBUTIONS
INDIANA PUBLIC EMPLOYEE RETIREMENT FUND (PERF HYBRID)**

(Dollar Amounts in Thousands)

June 30,

	2019*	2018*	2017*	2016*	2015*	2014*	2013*
Contractually required contribution	\$ 9,848	\$ 9,872	\$ 9,822	\$ 9,704	\$ 13,431	\$ 15,471	\$ 13,894
Contributions in relation to the contractually required contribution	\$ 9,848	\$ 9,872	\$ 9,822	\$ 9,704	\$ 13,431	\$ 15,471	\$ 13,894
Contribution deficiency	-	-	-	-	-	-	-
Covered-employee payroll	\$ 87,930	\$ 88,142	\$ 87,693	\$ 86,639	\$ 120,126	\$ 138,081	\$ 144,526
Contributions as a percentage of covered-employee payroll	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	9.6%

**Based on INPRS previous fiscal year audit and report on allocation of pension amounts. Ie: FY2020 Purdue reported amounts based on INPRS FY2019 report.*

Notes to Schedule:

Valuation dates:

The valuation date for assets was June 30, 2019, and the valuation date for liabilities was June 30, 2018.

Methods and assumptions used to determine most current contribution rate above:

Actuarial cost method	Entry age normal – level percent of payroll
Amortization method	Level dollar - closed
Remaining amortization period	30 years
Inflation	2.25%
Projected salary increases	2.50% - 4.25%
Cost of living increases	1.00%
Mortality rates	2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006.

Changes in Benefit Terms: None

Changes in Assumptions: None

The notes to the RSI are an integral part of the RSI.

Required Supplementary Information

Schedule of Changes in Net Pension Liability
Purdue Police and Fire Supplemental Pension Plan

(Dollar Amounts in Thousands)

June 30,

	2019*	2018	2017	2016	2015	2014	2013
Total pension liability							
Service cost	\$ 815	\$ 875	\$ 862	\$ 837	\$ 812	\$ 780	\$ 767
Interest	1,954	3,814	3,672	398	1,804	3,462	2,389
Differences between expected and actual experience	31	(2,571)	(2,051)	1,191	(522)	(2,123)	(1,739)
Changes of assumptions	1,510	(1,281)	(207)	(14)	440	47	45
Benefit payments, including refunds of contributions	(1,409)	(1,317)	(1,278)	(1,289)	(1,172)	(1,049)	(1,011)
Net change in total pension liability	2,901	(480)	998	1,123	1,362	1,117	451
Total pension liability - beginning	31,900	32,380	31,382	30,259	28,897	27,780	27,329
Total pension liability - ending (a)	<u>\$ 34,801</u>	<u>\$ 31,900</u>	<u>\$ 32,380</u>	<u>\$ 31,382</u>	<u>\$ 30,259</u>	<u>\$ 28,897</u>	<u>\$ 27,780</u>
Plan fiduciary net position							
Contributions - employer	\$ 268	\$ 738	\$ 528	\$ 725	\$ 1,068	\$ 1,307	\$ 1,166
Contributions - employee	179	157	158	167	158	155	159
Net investment income	2,245	3,851	3,590	380	1,751	3,243	2,057
Benefit payments, including refunds of contributions	(1,409)	(1,317)	(1,278)	(1,289)	(1,172)	(1,049)	(1,011)
Net change in plan fiduciary net position	1,283	3,429	2,998	(17)	1,805	3,656	2,371
Plan fiduciary net position - beginning	37,680	34,251	31,253	31,270	29,465	25,809	23,438
Plan fiduciary net position - ending (b)	<u>\$ 38,963</u>	<u>\$ 37,680</u>	<u>\$ 34,251</u>	<u>\$ 31,253</u>	<u>\$ 31,270</u>	<u>\$ 29,465</u>	<u>\$ 25,809</u>
Net pension liability ending (a) - (b)	<u>\$ (4,162)</u>	<u>\$ (5,780)</u>	<u>\$ (1,871)</u>	<u>\$ 129</u>	<u>\$ (1,011)</u>	<u>\$ (568)</u>	<u>\$ 1,971</u>

*Actuarial data for 2020 was not available at the time of this report.

Schedule of Net Pension Liability (Surplus)
Purdue Police and Fire Supplemental Pension Plan

(Dollar Amounts in Thousands)

June 30,

	2019*	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net Pension Liability (Surplus)	\$ (4,162)	\$ (5,780)	\$ (1,871)	\$ 129	\$ (1,011)	\$ (568)	\$ 1,971	\$ 3,891	\$ 3,825	\$ 2,968
Covered Employee Payroll	\$ 6,887	\$ 6,060	\$ 5,612	\$ 6,493	\$ 5,816	\$ 5,803	\$ 5,611	\$ 5,648	\$ 5,677	\$ 5,582
Pension Liability (Surplus) as a percentage of covered payroll	-60.4%	-95.4%	-33.3%	2.0%	-17.4%	-9.8%	35.1%	68.9%	67.4%	53.2%

Schedule of Contributions
Purdue Police and Fire Supplemental Pension Plan

(Dollar Amounts in Thousands)

June 30,

	2019*	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ -	\$ -	\$ 77	\$ 790	\$ 483	\$ 585	\$ 1,030	\$ 1,286	\$ 1,182	\$ 956
Contributions made	\$ 20	\$ 268	\$ 738	\$ 528	\$ 725	\$ 1,068	\$ 1,307	\$ 1,166	\$ 976	\$ 878
Contribution deficiency (surplus)	\$ (1,513)	\$ (1,493)	\$ (1,225)	\$ (564)	\$ (826)	\$ (584)	\$ (101)	\$ 176	\$ 56	\$ (150)
Covered Employee Payroll	\$ 6,887	\$ 6,060	\$ 5,612	\$ 6,493	\$ 5,816	\$ 5,803	\$ 5,611	\$ 5,648	\$ 5,677	\$ 5,582
Contributions as a percentage of covered employee payroll	0.3%	4.4%	13.2%	8.1%	12.5%	18.4%	23.3%	20.6%	17.2%	15.7%

*Actuarial data for 2020 was not available at the time of this report.

Notes to Schedule:

Valuation dates:

The valuation date was July 1, 2019.

Methods and assumptions used to determine most current contribution rate above:

Actuarial cost method	Projected unit credit
Cost of living increases	2.25% per year, compounded annually
Mortality rates:	
Pre-retirement	PubS-2010 generational table for non-annuitants projected with Scale MP-2019
Post-retirement	PubS-2010 generational table for annuitants projected with Scale MP-2019
Salary scale	2.50% per year, compounded annually

The notes to the RSI are an integral part of the RSI.



Total In-State Enrollment by County

Fall, 2019-20 Academic Year

The overall (in-state and out-of-state) enrollment at Purdue University was 65,718 students for the 2019-20 fall semester. The breakdown was West Lafayette, 44,551, Northwest, 10,006, Fort Wayne, 10,208, Statewide Technology, 953. Enrollment numbers do not include 6,025 Purdue University students at Indiana University-Purdue University Indianapolis. Although students came to Purdue from all over the world, 58% system-wide came from within Indiana.



County	Statewide				County	Statewide				County	Statewide			
	West Lafayette	Regional Campuses	Technology Locations	Total		West Lafayette	Regional Campuses	Technology Locations	Total		West Lafayette	Regional Campuses	Technology Locations	Total
Adams	54	413	-	467	Henry	76	11	17	104	Posey	45	1	1	47
Allen	901	5,196	-	6,097	Howard	231	22	49	302	Pulaski	49	31	1	81
Bartholomew	258	4	72	334	Huntington	69	291	1	361	Putnam	80	3	-	83
Benton	93	4	3	100	Jackson	79	3	10	92	Randolph	53	13	6	72
Blackford	16	14	1	31	Jasper	145	168	-	313	Ripley	51	2	6	59
Boone	602	9	2	613	Jay	24	12	1	37	Rush	31	1	2	34
Brown	19	1	3	23	Jefferson	38	2	6	46	Scott	15	-	14	29
Carroll	100	5	3	108	Jennings	19	1	6	26	Shelby	68	7	3	78
Cass	124	7	10	141	Johnson	439	17	13	469	Spencer	32	-	1	33
Clark	107	13	75	195	Knox	33	2	4	39	St Joseph	750	152	67	969
Clay	26	2	-	28	Kosciusko	205	476	-	681	Starke	27	90	-	117
Clinton	151	8	8	167	La Porte	284	825	5	1,114	Steuben	60	143	-	203
Crawford	1	-	-	1	Lagrange	54	165	-	219	Sullivan	22	1	2	25
Daviess	33	2	-	35	Lake	1,177	5,168	1	6,346	Switzerland	5	1	-	6
De Kalb	78	391	-	469	Lawrence	70	3	2	75	Tippecanoe	2,591	47	102	2,740
Dearborn	91	-	2	93	Madison	199	26	58	283	Tipton	50	-	11	61
Decatur	78	-	10	88	Marion	1,702	140	13	1,855	Union	12	1	4	17
Delaware	114	23	12	149	Marshall	133	53	8	194	Vanderburgh	239	10	3	252
Dubois	107	3	4	114	Martin	12	-	3	15	Vermillion	17	1	-	18
Elkhart	348	170	25	543	Miami	55	61	16	132	Vigo	109	12	1	122
Fayette	25	3	10	38	Monroe	193	17	1	211	Wabash	71	105	-	176
Floyd	125	9	47	181	Montgomery	157	2	4	163	Warren	38	1	2	41
Fountain	80	4	1	85	Morgan	114	6	1	121	Warrick	129	6	1	136
Franklin	93	-	5	98	Newton	47	83	-	130	Washington	34	-	7	41
Fulton	69	130	1	200	Noble	85	394	-	479	Wayne	68	7	32	107
Gibson	50	4	6	60	Ohio	3	-	-	3	Wells	81	365	-	446
Grant	90	56	7	153	Orange	23	1	2	26	White	187	11	3	201
Greene	32	5	2	39	Owen	30	-	-	30	Whitley	72	360	-	432
Hamilton	2,480	69	39	2,588	Parke	27	2	-	29	Unknown	969	100	1	1,070
Hancock	365	18	6	389	Perry	14	2	2	18	Total	19,824	17,406	884	38,114
Harrison	38	-	25	63	Pike	8	1	4	13					
Hendricks	769	22	5	796	Porter	607	1,396	3	2,006					

ACKNOWLEDGEMENTS

The following staff members of the Treasurer's Office prepared the 2019-2020 Financial Report.

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