Financial Report 2019

LETTER OF TRANSMITTAL

October 10, 2019

To the Board of Trustees of Purdue University:

We are pleased to submit this, the 97th annual financial report of Purdue University. This report is for the fiscal year that ended June 30, 2019, 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,

WILLIAM E. SULLIVAN
Treasurer and Chief Financial Officer

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

BOARD OF TRUSTEES

July 1, 2018-June 30, 2019

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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Thomas E. Spurgeon, *Vice Chairman of the Board*
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Student Trustee, New Haven, Indiana

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Chicago, Illinois

OFFICERS OF THE UNIVERSITY

As of June 30, 2019

OFFICERS OF THE BOARD OF TRUSTEES

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Steven R. Schultz, Chief Legal Counsel

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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

One hundred and fifty years ago last May, the state of Indiana created a new university. It was an era when colleges catered to the elite and attending a university often meant traveling to the coasts, enrolling in a private religious-affiliated institution, and studying an ancient language.

Purdue University would be different. It would be local, accessible and designed especially for those with an interest in the "mechanical arts" (engineering), military sciences or agriculture.

Over the next century and a half, Indiana's land-grant university would become a global leader in higher education. Our scientists would become respected and published in the world's top scholarly publications. Each year, thousands of students from all over the world (15,000 more in 2019 compared to 2014) would apply to attend. Our alumni would lead corporations, travel space, and take "giant leaps" of all kinds, both well-known and unknown.

Despite all that has changed, we are as committed in 2019 as we were in 1869 to serving Hoosiers and Indiana as the state's land-grant university.

Last spring, we accepted more Hoosiers for enrollment on West Lafayette's campus than any year on record but one. Each year, more than 80 percent of Hoosiers who complete applications for the West Lafayette campus are admitted while 90 percent are offered enrollment in at least one of our traditional campuses. Over the last five years, we've increased our enrollment of Hoosier students in West Lafayette by more than 1,400. Across all our campuses, including Purdue Global, we now serve more than 45,000 Hoosiers.

Increasingly, students are choosing Purdue to study one of the STEM disciplines that are vital to the state's development. In 2010, 41 percent of our West Lafayette graduates received a STEM degree. Last May, it was 64 percent.

World-renowned faculty mentor and support these students along the way, often involving them in their research. The discoveries they achieve together bring additional state benefits. In 2012, Purdue scientists earned 54 U.S patents, resulting in five new companies. Today, Purdue faculty generate 20 to 25 such startups a year off of more than 140 annual patents or other Purdue research. In 2018, Purdue ranked No. 12 in the world for patents.

We also serve the state by offering Hoosiers the highest quality education at the most affordable price possible. We have now reached seven years without a tuition increase and that will extend to at least eight with a minimum of six graduating classes leaving Purdue having never experienced a rate increase. Had we instead raised tuition at the same rate as our peer institutions, in-state students would now be paying $1,400 more annually, in addition to large increases in room and board rates that we have avoided. All together, it is cheaper to attend Purdue West Lafayette today than it was in 2013 and as a direct result, student borrowing has plummeted.

The enclosed financial materials describe how Purdue, in pursuit of the above priorities, has effectively and wisely used the investment from Indiana taxpayers to benefit the state.

On behalf of the students, faculty, Trustees, and other leaders of Purdue University, I respectfully submit Purdue University's financial statements for the fiscal years ended June 30, 2019 and 2018. These financial statements have been audited by the Indiana State Board of Accounts and their report, which is an unmodified opinion, appears on pages 6 through 8.

We remain ever grateful for the state's support.

Sincerely,

Mitchell E. Daniels, Jr.
President

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Purdue Research Foundation (Foundation), which represent 92 percent, 92 percent, and 95 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 0.01 percent, 0 percent, and 0.01 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. are 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*.

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.

Unmodified Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University, as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year 2019, the University adopted new accounting guidance GASB Statement 83 *Certain Asset Retirement Obligations*, GASB Statement 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements,* and early implemented GASB Statement 89 *Accounting for Interest Costs Incurred before the End of a Construction Period*. Our opinion is not modified with respect to these matters.

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 of 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 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 Acknowledgements 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 Acknowledgements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2019, 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

Paul D. Joyce, CPA
State Examiner

October 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019 and 2018

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, 2019 and 2018, along with comparative financial information for the fiscal year ended June 30, 2017. 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, 2019, 2018, and 2017, is summarized below.

Table 1

Summary Statement of Net Position (Dollars in Thousands)

	2019	2018	2017
		As Restated	As Restated
Current Assets	$ 881,216	$ 709,792	$ 649,350
Capital Assets	2,520,836	2,496,148	2,408,286
Other Assets	3,114,863	2,997,230	2,939,846
Total Assets	6,516,915	6,203,170	5,997,482
Deferred Outflows of Resources	42,194	59,330	76,129
Current Liabilities	551,541	459,003	382,335
Noncurrent Liabilities	1,043,797	1,055,143	1,105,941
Total Liabilities	1,595,338	1,514,146	1,488,276
Deferred Inflows of Resources	32,617	36,052	46,811
Net Investment in Capital Assets	1,610,376	1,552,896	1,454,962
Restricted - Nonexpendable	777,197	707,779	652,926
Restricted - Expendable	1,011,002	951,793	941,110
Unrestricted	1,532,579	1,499,834	1,489,526
Total Net Position	**$ 4,931,154**	**$ 4,712,302**	**$ 4,538,524**

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.

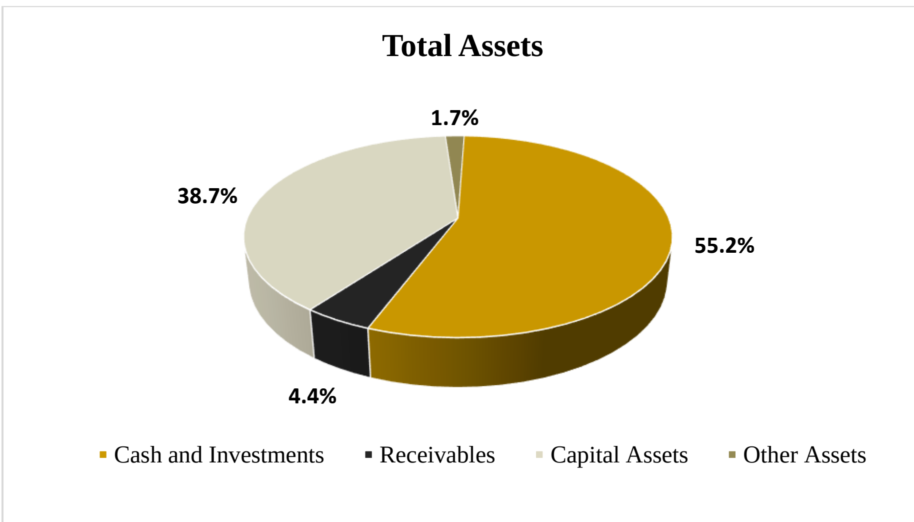
As of June 30, 2019 and 2018, current assets were approximately $881.2 and $709.8 million, respectively, resulting in increases of $171.4 million during fiscal year 2019 and $60.4 million during fiscal year 2018.

As of June 30, 2019 and 2018, cash and cash equivalents were approximately $357.3 and $263.5 million respectively, resulting in an increase of $93.8 and a decrease of $18.8 million, respectively. Included in this amount, is $80.5 and $11.3 million at June 30, 2019 and 2018, respectively, which represent invested bond proceeds related to the University's capital financing activities. The remaining balance of $276.8 and $252.2 million as of June 30, 2019 and 2018, respectively, of cash and cash equivalents were available for operations.

As of June 30, 2019 and 2018, noncurrent assets were approximately $5.6 and $5.5 billion, respectively, which is an increase $142.3 million, or 2.6%, during fiscal year 2019 and $145.2 million, or 2.7%, during fiscal year 2018. This was primarily due to the acquisition of capital assets and an increase in investments. Please refer to a more detailed discussion in the Statement of Revenues, Expenses, and Changes in Net Position section and in Notes 2 and 4.

As of June 30, 2019 and 2018, total assets were approximately $6.5 and $6.2 billion, an increase of $313.7 and $205.7 million, or 5.1% and 3.4% respectively, over the previous fiscal year. The overall growth in assets is attributed to an increase in cash and cash equivalents and investments.

Figure 1 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

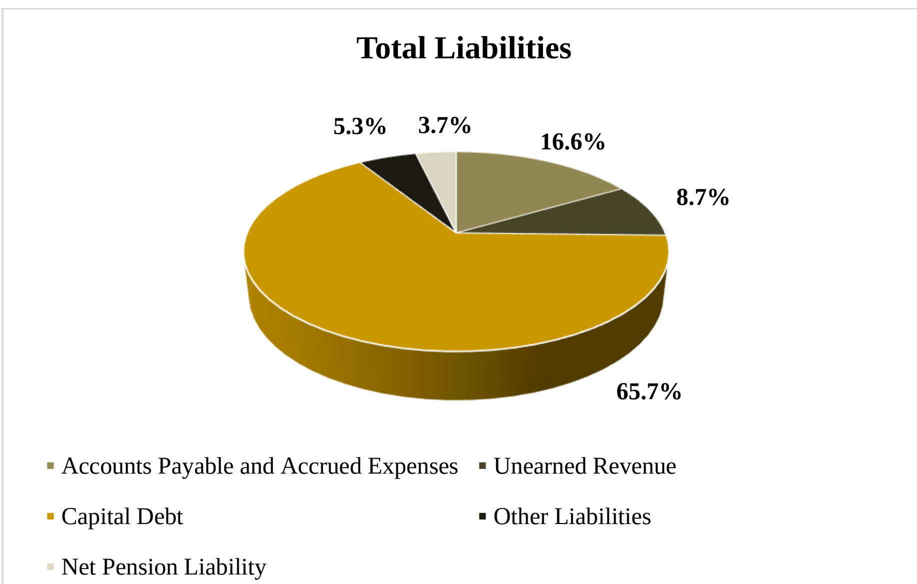
Deferred outflows of resources represent a consumption of resources that do not require a further exchange of goods and services, but that are applicable to a future reporting period. They are not shown on the Statement of Revenues, Expenses, and Changes in Net Position because they are not expense items 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, other post employment benefits, 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 $1.6 billion and $1.5 billion as of June 30, 2019 and 2018, respectively.

Bonds, leases, and notes payable increased by $33.5 million in fiscal year 2019, primarily due to the issuance of new debt, and decreased $40.0 million in fiscal year 2018, primarily due to repayment of debt principal. 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 2 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:

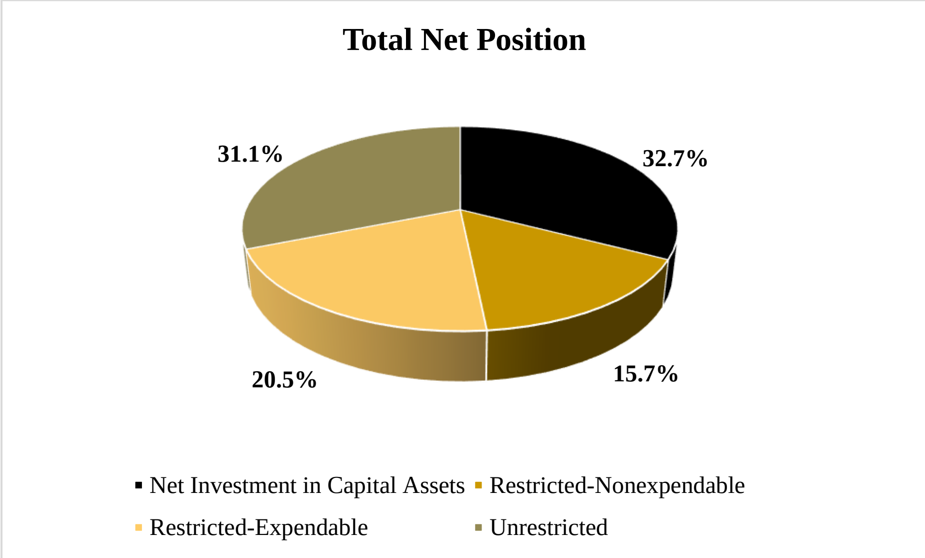
Net Investment in Capital Assets represents the University's investment in capital assets such as moveable equipment, buildings, land, infrastructure, and improvements, net of accumulated depreciation and related debt.

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 3 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 $57.5 and $97.9 million in fiscal years 2019 and 2018, respectively. For the fiscal years ended June 30, 2019 and 2018, the University added capital assets of $216.7 and $268.2 million, offset by annual depreciation of $190.1 and $175.8 million, respectively. Additional details are provided in the Capital Asset and Debt Administration section of this analysis.

The restricted-nonexpendable balance increased $69.4 and $54.9 million in fiscal years 2019 and 2018, respectively, primarily resulting from contributions to endowments.

Restricted-expendable balances increased $59.2 and $10.7 million in fiscal years ended June 30, 2019 and 2018, respectively, driven by the respective changes in market value of investments.

The unrestricted net position had an increase of $32.7 and $10.3 million for the fiscal years ended June 30, 2019 and 2018, 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, 2019, 2018, and 2017, is presented below.

Table 2

Summary Statement of Revenues, Expenses, and Changes in Net Position (Dollars in Thousands)

	2019	2018	2017 As Restated
Operating Revenues			
Tuition and Fees	$ 1,378,546	$ 1,037,216	$ 902,701
Less: Scholarship Allowance	(220,216)	(145,279)	(116,391)
Grants and Contracts	393,932	376,154	361,969
Auxiliary Enterprises	244,142	301,899	278,390
Less: Scholarship Allowance	(16,660)	(16,316)	(16,155)
Other Operating Revenues	178,128	128,007	119,949
Total Operating Revenues	1,957,872	1,681,681	1,530,463
Operating Expenses			
Depreciation	190,100	175,821	166,704
Other Operating Expenses	2,464,468	2,095,278	1,941,364
Total Operating Expenses	2,654,568	2,271,099	2,108,068
Operating Loss	(696,696)	(589,418)	(577,605)
Nonoperating Revenues	810,682	666,681	683,133
Capital, Endowments, and Special Items	104,866	96,515	67,606
Total Nonoperating Revenues	915,548	763,196	750,739
Increase in Net Position	218,852	173,778	173,134
Net position, Beginning of Year	4,712,302	4,538,524	4,426,942
Prior Period Adjustments	-	-	(61,552)
Net Position, Beginning of Year, as restated	-	-	4,365,390
Net position, End of Year	**$ 4,931,154**	**$ 4,712,302**	**$ 4,538,524**

Figures 4 and 5 provide information about the University's sources of revenues for fiscal years 2019 and 2018. The University had an increase in net position of $218.9 and $173.8 million for fiscal years ended June 30, 2019 and 2018, respectively.

Figure 4: University Revenue by Category for FY 2019

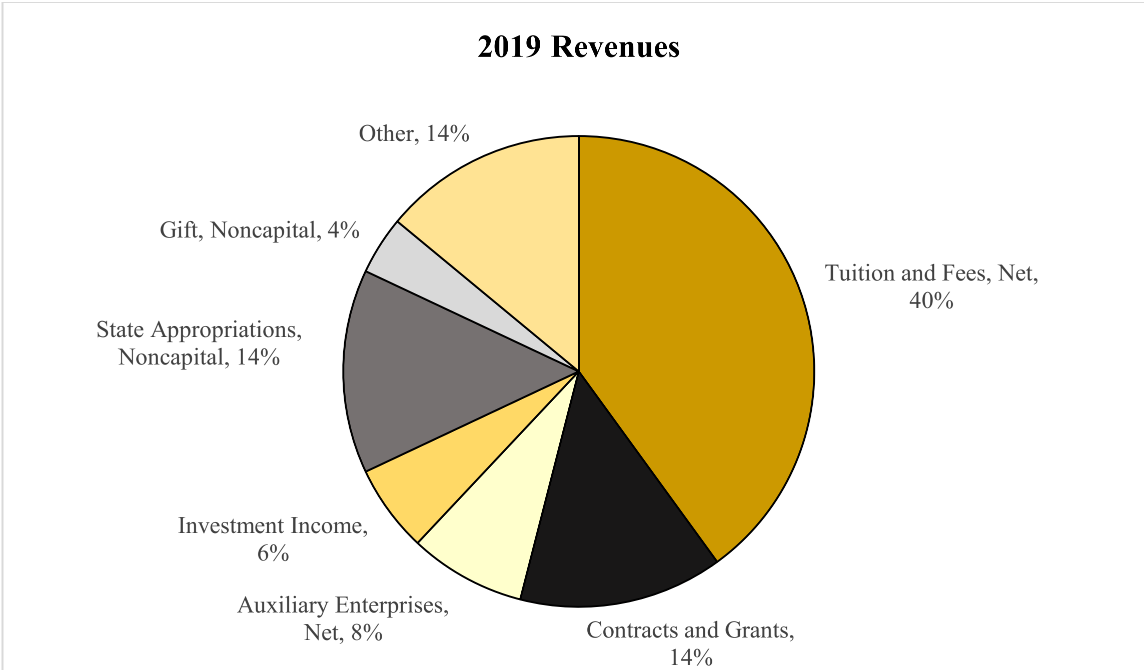
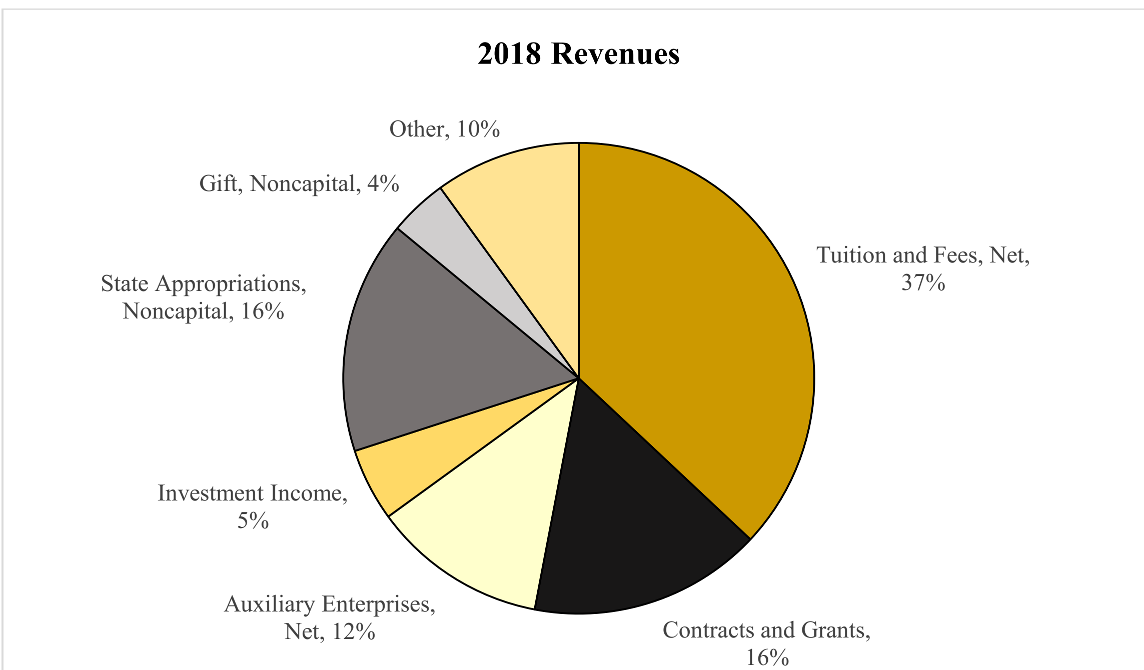
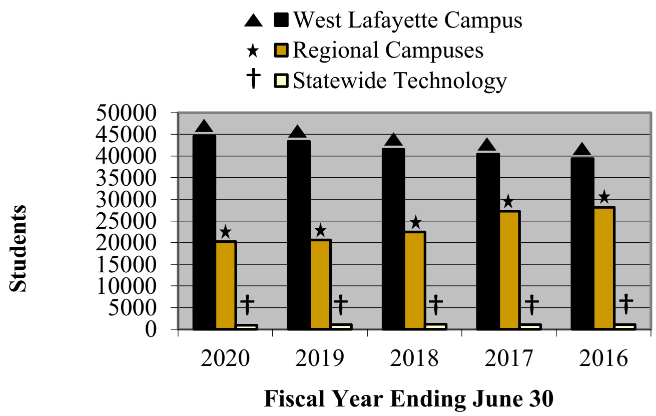


Figure 5: University Revenue by Category for FY 2018



For the fiscal years ended June 30, 2019 and 2018, the total operating revenues increased $276.2 million, or 16.4% and $151.2 million, or 9.9%, respectively. Net tuition and fee revenue increased by $266.4 and $105.6 million in fiscal years 2019 and 2018, respectively, primarily resulting from increased enrollment at the West Lafayette campus and the increase in net tuition and fee revenue reflecting the first full year of Purdue Global. Enrollment patterns for the University for 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 $17.8 and $14.2 million for the fiscal years ended June 30, 2019 and 2018, respectively, primarily due to increases in grant revenue.

For the fiscal years ended June 30, 2019 and 2018, total operating expenses increased $383.5 million, or 16.9%, and $163.0 million, or 7.7%, respectively. Details are described in Note 8.

For the fiscal years ended June 30, 2019 and 2018, non-operating revenues before capital and endowments, net of expenses, increased by $144.0 and decreased $16.5 million, respectively, primarily due to investment income related fluctuations in the market. The net investment performance of the University's endowment was 5.5% and 7.8% for the fiscal years 2019 and 2018, respectively, using the most recent data available. The endowment was invested in private investments (30.5%), public equities (59.4%), and fixed income investments (10.1%). The portfolio composition did not materially change from the prior fiscal year.

For the fiscal years ended June 30, 2019 and 2018, capital, endowment, and special items income increased $8.4 million, or 8.7%, and $28.9 million, or 42.8%, respectively, primarily due to fluctuations in state capital appropriations, private gifts for endowments, capital gifts, as well as the transfer of operations for Purdue Global.

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)

	2019	2018	2017
			As Restated
Cash Used by Operating Activities	$ (453,329)	$ (381,336)	$ (420,749)
Cash Provided by Noncapital Financing Activities	707,166	605,794	565,030
Cash Provided by Investing Activities	17,786	77,158	58,150
Cash Used by Capital and Related Financing	(177,798)	(320,436)	(364,609)
Net Increase (Decrease) in Cash and Cash Equivalents	93,825	(18,820)	(162,178)
Cash and Cash Equivalents, Beginning of Year	263,455	282,275	444,453
Cash and Cash Equivalents, End of Year	**$ 357,280**	**$ 263,455**	**$ 282,275**

The cash provided by noncapital financing activities reflect the nonoperating revenue changes described above. The cash provided by investing activities in fiscal year 2019 and 2018 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 2019 and 2018 are presented in Table 4 and significant projects in progress at June 30, 2019 are presented in Table 5. At June 30, 2019, all significant projects authorized by the Board of Trustees were in progress.

Table 4

Significant Construction Projects Completed (Dollars in Thousands)

No significant construction projects were completed in 2019

Projects Completed in 2018		
Flex Lab Facility	$	54,000
Creighton Hall of Animal Sciences and Land O' Lakes Center for Experiential Learning Complex		60,000
Electrical Engineering and Multiple Building Renovations (EGP)		21,725
Football Performance Complex		65,000
Total Significant Construction Projects Completed	**$**	**200,725**

Table 5

Significant Construction Projects in Progress (Dollars in Thousands)

		Project Budget
Agricultural and Biological Engineering Renovation and Addition	$	80,000
Bioscience Innovation Building		40,500
Engineering and Polytechnic Gateway		140,000
Purdue Memorial Union Renovation		35,000
STEM Teaching Lab Building		64,000
Veterinary Hospital Complex		108,000
Total Significant Construction Projects in Progress	**$**	**467,500**

Debt and Financing Activities

As of June 30, 2019 and 2018, bonds, leases, and notes payable totaled approximately $1.05 and $1.01 billion, respectively, and represented approximately 65.7% and 67.1%, respectively, of the total liabilities of the University. The University's debt portfolio as of June 30, 2019 consisted of $88.4 million of variable rate instruments (8.4%) and $959.5 million in fixed rate obligations (91.6%). As of June 30, 2018, the University's debt portfolio consisted of $89.5 million of variable rate instruments (8.8%), and $924.9 million in fixed rate obligations (91.2%). Additional details about University indebtedness are provided in Note 6.

As of June 30, 2019 and 2018, 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 are so rated 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 2020, the Indiana General Assembly appropriated $301.3 million for the West Lafayette campus, $52.5 million for Purdue Northwest and $47.7 million for Purdue Fort Wayne, an overall decrease of 1.01% in state appropriations, driven by a decline primarily in the university's fee replacement appropriation reflecting lower outstanding debt. In addition, as part of the biennial budget, the state appropriated funds for the construction of the new Veterinary Medicine Teaching Hospital ($73 million) and the Engineering and Polytech Gateway building ($60 million).

Academic year 2019-20 tuition rates for both Indiana resident and nonresident students remain flat at the West Lafayette campus for the seventh 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 eighth year in FY21.

Enrollment at all Purdue campuses was 65,718* for the fall semester of the 2019-2020 academic year. Enrollment at the West Lafayette campus was 44,551 for the fall semester of the 2019-2020 academic year, up 1,140 from the fall semester of the prior academic year. First-year undergraduate students totaled 8,056. 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 91.6% compared to 91.9% last year, and the second-year retention rate is at 87.8%, as compared to 87.4% last year. The four-year and six-year graduation rates increased to 60.6% and 82.2% from 60.3% and 81.2%, respectively.

The class average new SAT scores were 1,307 on the critical reading, math, and writing sections (on a scale of 400 to 1600). This is an increase of 18 points from the previous year.

**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)

	2019	2018 As Restated
Assets and Deferred Outflows of Resources:		
Current Assets:		
Cash and Cash Equivalents	$ 357,280	$ 263,455
Investments	256,054	235,874
Accounts Receivable, Net	111,668	108,829
Pledges Receivable, Net	51,168	28,516
Notes Receivable, Net	8,358	8,681
Other Receivables	5,735	5,123
Other Assets	90,953	59,314
Total Current Assets	**881,216**	**709,792**
Noncurrent Assets:		
Investments	2,982,538	2,839,303
Pledges Receivable, Net	37,316	24,651
Notes Receivable, Net	76,222	76,838
Interest in Charitable Remainder Trusts	18,787	20,165
Funds Held in Trust by Others	-	36,273
Capital Assets, Net	2,520,836	2,496,148
Total Noncurrent Assets	**5,635,699**	**5,493,378**
Total Assets	**6,516,915**	**6,203,170**
Deferred Outflows of Resources	42,194	59,330
Liabilities and Deferred Inflows of Resources:		
Current Liabilities:		
Accounts Payable and Accrued Expenses	193,720	148,823
Unearned Revenue	139,484	130,642
Deposits Held in Custody for Others	1,892	3,372
Accrued Compensated Absences	30,084	28,455
Bonds (net), Leases, and Notes Payable	186,361	147,711
Total Current Liabilities	**551,541**	**459,003**
Noncurrent Liabilities:		
Accrued Compensated Absences	41,584	38,346
Other Post Employment Benefits	43,457	46,347
Net Pension Liability	58,681	78,861
Funds Held in Trust for Others	7,299	7,241
Advances from Federal Government	15,211	14,935
Other Noncurrent Liabilities	15,967	2,661
Bonds (net), Leases, and Notes Payable	861,598	866,752
Total Noncurrent Liabilities	**1,043,797**	**1,055,143**
Total Liabilities	**1,595,338**	**1,514,146**
Deferred Inflows of Resources	32,617	36,052

Statement of Net Position
As of June 30 (Dollars in Thousands)
(continued from previous page)

		2019		2018 As Restated
Net Position:				
Net Investment in Capital Assets	$	**1,610,376**	$	**1,552,896**
Restricted:				
Nonexpendable:				
Instruction and Research		394,049		359,531
Student Aid		361,918		326,970
Other		21,230		21,278
Total Nonexpendable		**777,197**		**707,779**
Expendable:				
Instruction, Research and Public Service		243,364		215,707
Student Aid		92,985		94,846
Construction		67,241		60,628
Other		607,412		580,612
Total Expendable		**1,011,002**		**951,793**
Unrestricted		**1,532,579**		**1,499,834**
Total Net Position	$	**4,931,154**	$	**4,712,302**

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)

	2019	2018
Operating Revenues:		
Tuition and Fees	$ 1,378,546	$ 1,037,216
Less: Scholarship Allowance	(220,216)	(145,279)
Federal Appropriations	18,121	20,223
County Appropriations	9,050	8,802
Grants and Contracts	393,932	376,154
Sales and Services	148,176	91,810
Auxiliary Enterprises	244,142	301,899
Less: Scholarship Allowance	(16,660)	(16,316)
Other Operating Revenues	2,781	7,172
Total Operating Revenues	**1,957,872**	**1,681,681**
Operating Expenses:		
Compensation and Benefits	1,658,423	1,469,602
Supplies and Services	740,379	558,063
Depreciation Expense	190,100	175,821
Scholarships, Fellowships, & Student Awards	65,666	67,613
Total Operating Expenses	**2,654,568**	**2,271,099**
Net Operating Loss	**(696,696)**	**(589,418)**
Nonoperating Revenues (Expenses):		
State Appropriations	405,921	398,143
Grants and Contracts	144,288	77,447
Private Gifts	102,397	91,659
Investment Income	181,639	125,711
Interest Expense	(29,159)	(29,687)
Other Nonoperating Revenues (Net of Nonoperating Expenses of $556 and $148, respectively)	5,596	3,408
Total Nonoperating Revenues before Capital and Endowments	**810,682**	**666,681**
Capital, Endowments, and Special Items:		
State Capital Appropriations	305	514
Capital Gifts	46,574	24,422
Private Gifts for Permanent Endowments and Charitable Remainder Trusts	57,987	46,192
Transfer of Operations	-	25,387
Total Capital, Endowments, and Special Items	**104,866**	**96,515**
Total Nonoperating Revenues	**915,548**	**763,196**
INCREASE IN NET POSITION	**218,852**	**173,778**
Net Position, Beginning of Year	4,712,302	4,538,524
Net Position, End of Year	**$ 4,931,154**	**$ 4,712,302**

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)

	2019	2018
Cash Flows From Operating Activities:		
Tuition and Fees, Net of Scholarship Allowances	$ 1,159,186	$ 886,603
Federal Grants	18,121	20,223
County Grants	9,050	8,802
Grants and Contracts	397,387	377,796
Sales and Services	151,584	95,271
Auxiliary Enterprises, Net of Scholarship Allowances	233,185	287,980
Other Operating Revenues	3,467	3,587
Compensation and Benefits	(1,648,238)	(1,474,048)
Supplies and Services	(712,561)	(519,716)
Scholarships, Fellowships and Student Awards	(65,128)	(67,282)
Student Loans Issued	(8,744)	(9,972)
Student Loans Collected	9,362	9,420
Cash Used by Operating Activities	**(453,329)**	**(381,336)**
Cash Flows From Noncapital Financing Activities:		
State Appropriations	405,921	398,143
Grants and Contracts	144,288	77,447
Gifts for Other than Capital Purposes	153,262	139,774
Funds Held in Trust for Others	(2,388)	(16,460)
Other Nonoperating Revenues, Net	6,083	6,890
Cash Provided by Noncapital Financing Activities	**707,166**	**605,794**
Cash Flows From Investing Activities:		
Purchases of Investments	(2,376,478)	(4,077,895)
Proceeds from Sales and Maturities of Investments	2,326,526	4,076,849
Proceeds from Transfer of Operations	-	40,467
Interest and Dividends on Investments, Net	67,738	37,737
Cash Provided by Investing Activities	**17,786**	**77,158**
Cash Flows From Capital and Related Financing Activities:		
Debt Repayment	(60,255)	(63,195)
Capital Debt Proceeds	104,628	-
Interest Expense	(40,625)	(41,333)
Capital Gifts Received	14,131	10,076
State Appropriations for Capital Projects	339	540
Construction or Purchase of Capital Assets	(196,016)	(226,524)
Cash Used by Capital and Related Financing Activities	**(177,798)**	**(320,436)**
Net Increase (Decrease) in Cash and Cash Equivalents	**93,825**	**(18,820)**
Cash and Cash Equivalents, Beginning of Year	263,455	282,275
Cash and Cash Equivalents, End of Year	**$ 357,280**	**$ 263,455**

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)		**2019**		**2018**
Reconciliation of net operating loss to net cash used by operating activities:				
Operating Loss	$	(696,696)	$	(589,418)
Depreciation Expense		190,100		175,821
Noncash investing, capital, and financing activities		107		380
Changes in Assets and Liabilities:				
Accounts Receivable		1,413		(10,689)
Notes Receivable		618		(322)
Investment in Subsidiary		-		(5,925)
Other Assets		4,602		-
Accrued Compensated Absences		4,867		3,411
Other Post Employment Benefits and related deferreds		(4,822)		(3,943)
Net Pension liability and related deferreds		(2,159)		3,553
Accounts Payable		35,947		33,901
Unearned Revenue		12,418		15,989
Advances from Federal Government		276		(4,094)
Cash Used by Operating Activities	**$**	**(453,329)**	**$**	**(381,336)**

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

		2019		2018
Assets:				
Cash and Cash Equivalents	$	21,436	$	12,060
Accounts Receivable, Net		25,738		27,384
Other Assets		20,656		18,140
Investments		2,790,277		2,680,697
Lease Purchase Agreements		189,858		197,260
Notes Receivable, Net		29,584		9,405
Interest in Charitable Perpetual Trusts		16,124		16,135
Capital Assets, Net of Accumulated Depreciation		250,411		247,306
Irrevocable Trust		34,821		36,273
Total Assets	**$**	**3,378,905**	**$**	**3,244,660**
Liabilities:				
Accounts Payable and Accrued Expenses	$	33,213	$	29,295
Unearned Revenue		16,206		17,863
Due on Split Interest Agreements		47,287		49,724
Deposits Held in Custody for Others		1,826,770		1,744,145
Bonds (Net), Leases, and Notes Payable		395,843		364,602
Other Liabilities		2,010		3,305
Total Liabilities		**2,321,329**		**2,208,934**
Net Assets:				
Without Donor Restriction		283,197		275,299
With Donor Restriction		774,379		760,427
Total Net Assets		**1,057,576**		**1,035,726**
Total Liabilities and Net Assets	**$**	**3,378,905**	**$**	**3,244,660**

Component Units

For the Years Ended June 30 (Dollars in Thousands)

Consolidated Statement of Activities

	2019	2018
Revenue and Support		
Amount Received for Purdue University Research Projects	$ 399	$ 661
Less Payments to Purdue University	(399)	(661)
	-	-
Contributions	36,763	30,544
Income on Investments	28,116	23,815
Net Unrealized and Realized Gains	44,058	54,899
Increase (Decrease) in Value of Split Interest Agreements	2,598	(1,058)
(Decrease) Increase in Interests in Perpetual Trusts	(11)	609
Rents	20,993	21,514
Royalties	4,078	3,008
Other	35,923	34,000
Total Revenue and Support	**172,518**	**167,331**
Expenses and Losses		
Expenses for the Benefit of Purdue University		
Contributions to Purdue University	38,012	39,472
Patent and Royalty	3,268	2,946
Grants	1,102	8,655
Services for Purdue University	2,569	2,659
Other	7,310	4,494
Total Expenses for the Benefit of Purdue University	**52,261**	**58,226**
Administrative and Other Expenses		
Salaries and Benefits	35,328	32,613
Property Management	19,562	16,826
Professional Fees	14,757	13,168
Supplies	1,782	1,601
Interest	14,019	13,582
Research park	383	308
Other	12,576	8,076
Total Administrative and Other Expenses	**98,407**	**86,174**
Change in Net Assets	21,850	22,931
Net Assets, Beginning of Period	1,035,726	1,012,795
Net Assets, End of Period	**$ 1,057,576**	**$ 1,035,726**

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

For the Fiscal Year Ended June 30, 2019

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 29 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 Hentschel 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 Hentschel 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, 2019 and 2018.

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 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 noncurrent liability and corresponding deferred outflow of resources for asset retirement obligation. We have evaluated our obligations based on GASB guidelines and booked entries accordingly, including a restatement for the lines listed above for fiscal year 2018.

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.

During fiscal year 2018, the University adopted GASB Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB),* and GASB Statement 81 *Irrevocable Split-Interest Agreements.*

The effect of GASB Statement 75:

> This Statement establishes requirements for reporting the liability related to postemployment benefits other than pensions, and is an update to the previous requirements in GASB 45 and GASB 57. A restatement was needed to record the Total OPEB liability required under GASB 75 as opposed to the Net OPEB Obligation, which was previously required to be reported under GASB 45.

The effect of GASB Statement 81:

> This statement provides guidance for irrevocable split-interest agreements, and requires the recognition of assets and deferred inflows of resources at fair value. Previously, revenue was recognized for an estimated value of future cash flows.

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/or 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.

Funds Held in Trust by Others. Funds held in trust by others represent University assets being held in trust for the University by another party. During fiscal year ended June 30, 2016, the University entered into a crossover refunding transaction, where the crossover refunding funds are being held in escrow in an irrevocable trust by the trustee. See Note 6 for additional details.

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 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 earn 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.

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, capital revenues, or endowment additions. 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. Nonoperating 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 $2,213,000 and $17,599,000 was recognized during the years ending June 30, 2019 and 2018, 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 to conform 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.

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	2019	2018
SEPARATELY HELD INVESTMENTS:		
Land Grant Cash Held by State Treasurer	$ 340	$ 340
US Equity	60,190	51,540
Public Real Estate	1,601	1,601
US Agencies	170	-
Asset-Backed Securities	1,793	-
Corporate Bonds	394	-
Venture Capital/Private Equity	303	552
Short Term Investments	47,149	68,572
BOND PROCEEDS INVESTED:		
Short Term Investments	80,459	11,333
PIPC:		
Short Term Investments	231,494	175,752
Fixed Income:		
Asset-Backed Securities	98,128	88,829
Corporate Bonds	471,387	491,108
Mortgage-Backed Securities	278,100	308,404
US Agencies	70,542	30,817
US Treasuries and Securities	492,822	430,283
PIP:		
Short Term Investments	39,546	34,803
US Equity	486,315	459,500
International Equity	272,317	261,211
Fixed Income	142,659	161,743
Emerging Markets	101,715	97,102
Marketable Alternatives	178,645	181,224
Public Real Estate	113,192	105,361
Private Real Estate	40,424	41,798
Public Natural Resources	26,884	25,857
Private Natural Resources	69,741	72,488
Venture Capital/Private Equity	289,562	238,414
Total	**$ 3,595,872**	**$ 3,338,632**

The University's investment values included accumulated unrealized gains of approximately $258,686,000 and $204,919,000 as of June 30, 2019 and 2018, respectively. During the years ended June 30, 2019 and 2018, the investment income included unrealized gains of approximately $53,767,000 and $21,387,000, respectively.

As of June 30, 2019 and 2018, the University had approximately $300,797,000 and $290,442,000 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, 2019 and 2018, was approximately $2,537,000 and $1,403,000, 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, 2019 and 2018 were approximately $13,000,000 and $21,200,000, 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 November 15, 2017. 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, 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

June 30, 2018	Maturity				
Investment Type	**0–1 year**	**1–5 years**	**6–10 years**	**>10 years**	**Totals**
PIPC:					
Asset-Backed Securities	$ 436	$ 75,334	$ 2,456	$ 10,603	$ 88,829
Corporate Bonds	77,655	313,065	61,584	38,804	491,108
Mortgage-Backed Securities	42,407	49,993	37,512	178,492	308,404
US Agencies	1,867	10,336	12,219	6,395	30,817
US Treasuries and Securities	146,730	226,044	43,415	14,094	430,283
PIP:					
Fixed Income and other	28,907	85,187	25,521	33,298	172,913
Total	$ 298,002	$ 759,959	$ 182,707	$ 281,686	$ 1,522,354

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

	June 30, 2019	% of Total	June 30, 2018	% of Total
Separately Held:				
A	$ 357	15.15%	$ -	-
AA	470	19.94%	-	-
AAA	862	36.57%	-	-
BAA	240	10.18%	-	-
Unrated	428	18.16%	-	-
Total Separately Held	2,357	100.00%	-	-
PIPC:				
A	249,359	17.67%	267,894	19.85%
AA	58,064	4.12%	35,964	2.67%
AAA	861,969	61.09%	815,988	60.47%
B	1,784	0.13%	-	-
BA	12,276	0.87%	18,993	1.41%
BAA	124,761	8.84%	125,961	9.33%
Unrated[1]	102,766	7.28%	84,641	6.27%
Total PIPC:	1,410,979	100.00%	1,349,441	100.00%
PIP:				
A	30,267	19.98%	38,990	22.55%
AA	9,166	6.05%	6,897	3.99%
AAA	85,069	56.16%	92,068	53.24%
B	356	0.24%	-	-
BA	3,087	2.04%	3,296	1.91%
BAA	16,450	10.86%	20,054	11.60%
Unrated[1]	7,077	4.67%	11,608	6.71%
Total PIP	151,472	100.00%	172,913	100.00%
Total	**$ 1,564,808**		**$ 1,522,354**	

[1]Unrated 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, 2019 and 2018 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 $578,372,000 and $533,924,000, respectively, at June 30, 2019 and 2018.

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 $97,251,000 and $44,315,000 as of June 30, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, accumulated market appreciation of the PIP pool was approximately $477,580,000 and $464,673,000, respectively. Of this amount, 43.02% and 42.84% represents appreciation attributable to donor-restricted (true and term) endowments during the year ended June 30, 2019 and 2018, 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, the PRF PIP investment pool includes the following PRF Trusts assets, net of liabilities (dollars in thousands).

	Assets at Fair Value	
	June 30, 2019	**June 30, 2018**
University	$ 18,414	$ 19,206
PRF	36,730	40,216
Other Affiliates	249	253
Total	**$ 55,393**	**$ 59,675**

As of June 30, 2019 and 2018, the University's beneficial interest in the Trust Assets of $18,414,000 and $19,206,000, respectively, are reported as Deferred Inflows of Resources.

As of June 30, 2019 and 2018, the University PIP investment pool includes endowment assets of approximately $7,299,000 and $7,241,000, respectively, offset by Funds Held in Trust obligations to the other beneficiaries.

The University also has beneficiary interest in insurance contracts of $373,000 and $959,000, as of June 30, 2019 and 2018, respectively.

PRF Investments. PRF manages the investment of the PIP on behalf of the University. The fair value of all PRF investments, inclusive of the $1,761,000,000 of the University's PIP, at June 30, 2019 and 2018 is as follows (dollars in thousands):

Investment Type		**June 30, 2019**		**June 30, 2018**
Short-Term Investments	$	6,754	$	5,312
U.S. Equity		28,082		26,494
Fixed Income		7,946		7,621
Venture Capital		361		473
Pooled Funds:				
Short-Term Investments		143,601		130,331
U.S. Equity		765,208		694,408
International Equity		399,246		394,435
Fixed Income		217,597		252,246
Emerging Markets		149,125		146,626
Public Real Estate		165,952		159,097
Private Real Estate		59,266		59,311
Public Natural Resources		39,415		39,044
Private Natural Resources		102,248		109,458
Hedge Funds		261,912		273,652
Venture Capital/Private Equity		424,528		360,011
Total	**$**	**2,771,241**	**$**	**2,658,519**

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, 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**

Investment Type	Level 1	Level 2	Level 3	NAV	Total
		Fair Value Measurements at June 30, 2018			
SEPARATELY HELD INVESTMENTS:					
Land Grant Cash Held by State Treasurer	$ -	$ 340	$ -	$ -	$ 340
US Equity	51,540	-	-	-	51,540
Public Real Estate	-	-	1,601	-	1,601
Venture Capital/Private Equity	-	-	552	-	552
Short Term Investments	68,572	-	-	-	68,572
BOND PROCEEDS INVESTED:					
Short Term Investments	11,333	-	-	-	11,333
PIPC:					
Short Term Investments	175,752	-	-	-	175,752
Fixed Income:					
Asset-Backed Securities	-	88,829	-	-	88,829
Corporate Bonds	-	491,108	-	-	491,108
Mortgage-Backed Securities	-	308,404	-	-	308,404
US Agencies	-	30,817	-	-	30,817
US Treasuries and Securities	430,283	-	-	-	430,283
PIP:					
Short Term Investments	34,786	-	17	-	34,803
US Equity	284,482	17,766	-	157,252	459,500
International Equity	220,324	-	-	40,887	261,211
Fixed Income	34,948	126,795	-	-	161,743
Emerging Markets	69,312	-	-	27,790	97,102
Marketable Alternatives	-	-	112,764	68,460	181,224
Public Real Estate	105,361	-	-	-	105,361
Private Real Estate	172	-	41,626	-	41,798
Public Natural Resources	25,857	-	-	-	25,857
Private Natural Resources	-	-	72,488	-	72,488
Venture Capital/Private Equity	-	8,490	229,924	-	238,414
Total	**$ 1,512,722**	**$ 1,072,549**	**$ 458,972**	**$ 294,389**	**$ 3,338,632**

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. The fair value of land held in endowment is evaluated annually based on economic conditions (Level 3 inputs).

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, 2019	June 30, 2018
Grants and Contracts	$ 58,702	$ 58,276
Student and General	36,453	36,225
Other Accrued Revenues	23,971	21,638
Less: Allowance for Doubtful Accounts	(7,458)	(7,310)
Total Accounts Receivable, Net	**111,668**	**108,829**
Pledges Receivable	91,919	55,328
Less: Allowance for Doubtful Pledges	(3,435)	(2,161)
Net Pledges Receivables	88,484	53,167
Less: Noncurrent Portion	(37,316)	(24,651)
Pledges Receivable, Current Portion	**51,168**	**28,516**
Perkins Loans	15,257	19,171
Institutional Loans	42,055	38,365
Other Student Loans and Notes Receivable	28,624	28,998
Less: Allowance for Doubtful Loans	(1,356)	(1,015)
Net Notes Receivable	84,580	85,519
Less: Noncurrent Portion	(76,222)	(76,838)
Notes Receivable, Current Portion	**8,358**	**8,681**
Federal Appropriations Receivable	5,735	5,123
Other Receivables, Current Portion	**$ 5,735**	**$ 5,123**

Note 4 – Capital Assets (dollars in thousands)

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**

Capital Assets Activity	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital Assets, Not Being Depreciated:					
Land	$ 45,067	$ 11,710	$ -	$ -	$ 56,777
Construction in Progress	218,306	32,782	-	(177,017)	74,071
Total Capital Assets, Not Being Depreciated	263,373	44,492	-	(177,017)	130,848
Capital Assets, Being Depreciated:					
Land Improvements	79,757	5,127	-	325	85,209
Infrastructure	161,038	30,504	-	17,413	208,955
Buildings	3,383,393	117,147	10,308	158,342	3,648,574
Equipment	590,462	70,963	20,375	937	641,987
Software	58,387	5	-	-	58,392
Total Capital Assets, Being Depreciated	4,273,037	223,746	30,683	177,017	4,643,117
Less Accumulated Depreciation:					
Land Improvements	65,104	2,091	-	-	67,195
Infrastructure	67,753	8,630	-	-	76,383
Buildings	1,543,707	124,364	8,555	-	1,659,516
Equipment	394,853	39,072	17,572	-	416,353
Software	56,707	1,663	-	-	58,370
Total Accumulated Depreciation	2,128,124	175,820	26,127	-	2,277,817
Total Capital Assets, Net of Accumulated Depreciation	**$ 2,408,286**	**$ 92,418**	**$ 4,556**	**$ -**	**$ 2,496,148**

During fiscal year 2019, the University incurred $29,159,000 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, 2019	June 30, 2018
Construction Payables	$ 30,161	$ 12,289
Accrued Insurance Liabilities	25,493	27,628
Interest Payable	20,507	19,511
Accrued Salaries and Wages	22,518	13,619
Vendor and Other Payables	95,041	75,776
Total Accounts Payable and Accrued Expenses	**$ 193,720**	**$ 148,823**

Note 6 — Debt Related to Capital Assets

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

Debt Related Liabilities	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
Notes Payable	$ 5,982	$ -	$ 572	$ 5,410	$ 455
Leases Payable	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**

Debt Related Liabilities	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion
Notes Payable	$ 6,534	$ -	$ 552	$ 5,982	$ 435
Leases Payable to Affiliated Foundations	208,758	33,904	15,983	226,679	43,467
Bonds Payable					
Student Facilities System Revenue Bonds	355,850	-	16,280	339,570	64,725
Student Fee Bonds	400,395	-	30,380	370,015	29,415
Total Bonds Payable	756,245	-	46,660	709,585	94,140
Net Unamortized Premiums and Costs	82,898	-	10,681	72,217	9,669
Total Debt Related Liabilities	**$ 1,054,435**	**$ 33,904**	**$ 73,876**	**$ 1,014,463**	**$ 147,711**

Commercial Paper. On April 1, 2008, a commercial paper agreement was negotiated with Goldman, Sachs & Company. This agreement authorized a maximum outstanding at any time of $50,000,000 to finance portions of the costs of certain infrastructure, equipment, and facilities on various campuses. The interest rate was variable and reset based on market conditions. The University could set the maturity dates up to 270 days. The program was not extended at its expiration on April 1, 2018.

Notes Payable. As of June 30, 2019 and 2018, the balance of notes outstanding was approximately $5,410,000 and $5,982,000, 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, 2019 and 2018 were $5,385,000 and $5,820,000, respectively. The interest rate for this agreement ranges between 3-5% as of June 30, 2019 and 2018.

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 $25,000 and $162,000 as of June 30, 2019 and 2018. The interest rate for the note was fixed at 8.00% as of June 30, 2019 and 2018.

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, 2019	Outstanding June 30, 2018	Current Outstanding June 30, 2019
Certificates of Participation with Ross-Ade:							
Series 2006	2006	70,345	5.25%	2025	24,025	26,805	2,930
Series 2009B	2009	42,795	4.59%	2019	36,385	38,580	36,385
Series 2011A	2011	32,185	1.79%*	2035	31,700	31,945	31,700
Series 2016A	2016	85,120	4.00-5.00%	2037	83,440	85,120	1,765
Direct Placement Certificates of Participation:							
Series 2014A	2014	21,955	2.66%	2027	19,050	19,900	870
Leases with Purdue Research Foundation:							
Kaplan	2012	1,335	5.63%	2022	359	466	113
Child Care Facility	2018	5,522	2.61%*	2033	4,923	5,178	275
NW Recreation Facility	2018	4,924	2.61%*	2031	4,379	4,624	251
Other Leases:							
Cisco	2018	23,458	2.52%	2022	10,676	14,061	3,471
					214,937	226,679	77,760
Net unamortized premiums and costs					14,017	15,883	1,764
Total					**$ 228,954**	**$ 242,562**	**$ 79,524**

**Variable interest rates are reset periodically and are based upon market conditions. Rates shown are as of June 30, 2019.*

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, 2019 and 2018, the University included approximately $31,700,000 and $31,945,000 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 15(c)2-12 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, 2019 and 2018, leases payable included amounts relating to properties with a book value, net of accumulated depreciation, of approximately $220,058,000 and $217,731,000, respectively.

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 will be outstanding in Series 2009B and will be 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 will be created when the cross-over is effected on July 1, 2019 and will be amortized through 2031. During fiscal year 2019, debt service of $2,397,000 was paid from capitalized interest, borrowed as part of COPS 2016A. During fiscal year 2018, debt service of $2,527,000 was paid from capitalized interest, borrowed as part of COPS 2016A. For fiscal years, 2019 and 2018, the annual debt service of $1,471,000 related to the crossover refunding was paid from securities held by the Escrow Trustee. Interest income earned on the escrowed securities during Fiscal Years 2019 and 2018 was approximately $19,000 and $401,000, respectively.

On June 1, 2018, 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 ($240,000, July 1, 2035).

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 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.

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.

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.

Bonds Payable. As of June 30, 2019 and 2018, the balance of bonds payable was approximately $813,595,000 and $765,919,000, 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, 2019	Total Outstanding June 30, 2018	Current Outstanding June 30, 2019
Student Facilities System Revenue Bonds:								
Series 2004A								
	Finance construction of Hammond student housing and parking garage facilities	2004	$ 28,100	1.80%*	2033	$ 16,345	$ 16,475	$ 16,345
Series 2005A								
	Finance construction and renovation of West Lafayette housing and food service facilities	2005	24,200	1.79% *	2029	5,930	5,975	5,930
Series 2007A								
	Refund a portion of Student Facilities System Revenue Bond Series 2003A and 2003B	2007	61,865	5.25%	2029	50,490	53,010	3,540
Series 2007B								
	Finance construction of the new West Lafayette dining court and Fort Wayne student housing facility	2007	27,065	5.00%	2018	-	1,000	-
Series 2007C								
	Renovate a West Lafayette student housing facility, and finance construction on a new West Lafayette student housing facility	2007	61,725	1.79% *	2032	25,135	25,330	25,135
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	3.90-5.96%	2030	18,025	19,245	1,250
Series 2011A								
	Refund a portion of Student Facilities System Revenue Bond Series 2004A, 2005A, and 2007C	2011	49,440	3.75-5.00%	2025	28,410	32,015	3,770
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	23,765	27,870	3,415
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	93,135	94,750	2,630
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	61,020	63,900	2,995
						322,255	339,570	65,010
Net unamortized premiums and costs						23,154	26,309	2,893
Total Student Facilities System Revenue Bonds						**$ 345,409**	**$ 365,879**	**$ 67,903**

Debt issuances are comprised of annual maturities, each of which may have a different interest rate. Table above reflects the rates in effect on 6/30/19.

**Variable interest rates are reset weekly and are based upon market conditions. Rates shown are as of June 30, 2019.*

Issuance and Description		Issue Date	Original Issuance	Interest Rates	Final Maturity Date	Total Outstanding June 30, 2019	Total Outstanding June 30, 2018	Current Outstanding June 30, 2019
Student Fee Bonds:								
Series U								
	Refund a portion of Student Fee Bond Series Q	2005	35,200	5.25%	2022	12,630	15,825	3,315
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	5.00%	2019	5,265	10,275	5,265
Series Y								
	Refund Student Fee Bond Series S, T, and V	2010	74,130	5.00%	2020	8,390	12,280	4,090
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	4.00-5.00%	2024	16,440	22,685	5,500
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	85,575	89,385	3,895
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	43,095	45,205	2,215
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	34,105	37,435	3,295
Series BB2								
	Taxable debt for reallocation of Drug Discovery from tax-exempt Series AA	2015	18,985	2.11-3.81%	2032	15,235	16,115	900
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	119,865	120,810	985
Series DD								
	Finance renovation and construction of Agricultural and Biological Engineering building and construction of BioScience Innovation building	2018	90,135	3.00-5.00%	2038	88,925	-	3,515
						429,525	370,015	32,975
Net unamortized premiums and costs						38,661	30,025	5,504
Total Student Fee Bonds						**$ 468,186**	**$ 400,040**	**$ 38,479**

Debt issuances are comprised of annual maturities, each of which may have a different interest rate. Table above reflects the rates in effect on 6/30/19.

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 15(c)2-12 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 statues, 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 15(c)2-12 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, 2019 and 2018, the University had $47,410,000 and $47,780,000 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, 2018, 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 ($125,000, July 1, 2033); Student Facilities System Revenue Bonds, Series 2005A ($45,000, July 1, 2029); and Student Facilities System Revenue Bonds, Series 2007C ($190,000, July 1, 2032).

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):

	All Debt except Direct Borrowings			Direct Borrowings		
Fiscal Year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2020	$ 96,220	$ 40,758	$ 136,978	$ 870	$ 495	$ 1,365
2021	59,665	37,387	97,052	895	472	1,367
2022	58,293	34,672	92,965	920	448	1,368
2023	56,992	32,044	89,036	940	423	1,363
2024	56,565	29,498	86,063	965	397	1,362
2025-2029	291,632	105,635	397,267	14,460	1,073	15,533
2030-2034	221,270	47,967	269,237	-	-	-
2035-2039	103,950	10,682	114,632	-	-	-
2040-2041	8,490	343	8,833	-	-	-
	953,077	338,986	1,292,063	19,050	3,308	22,358
Net unamortized premiums and costs	75,832	-	75,832	-	-	-
	$ 1,028,909	$ 338,986	$ 1,367,895	$ 19,050	$ 3,308	$ 22,358

$34,865,450 of fiscal year 2020 debt service (principal and interest) will be paid from Other Assets held by the Trustee for crossover refunding of COPS 2009B effective 7/1/2019.

As of June 30, 2019 and 2018, the Deferred Outflows of Resources for debt refunding was $22,069,000 and $20,485,000, 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 have been deposited in irrevocable trusts with the Trustee. Neither the defeased bonds nor the related trusts are reflected in the accompanying financial statements.

Description of Bonds	**Final Maturity/ Call Date**	**Amount Outstanding**	
		June 30, 2019	June 30, 2018
Student Facilities Systems Revenue Bonds:			
Student Facilities System Revenue Bonds, Series 2009A	1/1/2019	-	16,750
Student Facilities System Revenue Bonds, Series 2009B	7/1/2019	32,930	34,155
Student Fee Bonds:			
Student Fee Bonds, Series X	7/1/2019	61,570	61,570
Student Fee Bonds, Series Y	7/1/2020	35,380	35,380

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**
2020	18,806
2021	8,882
2022	6,717
2023	5,498
2024	4,569
Total Future Minimum Payments	**$44,472**

Note 7— Other Debt Information

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

Liabilities	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019	Current Portion
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**

Liabilities	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018	Current Portion
Accrued Compensated Absences	$ 63,390	$ 30,065	$ 26,654	$ 66,801	$ 28,455
Other Post Employment Benefits	50,033	3,833	7,519	46,347	-
Funds Held in Trust for Others	7,098	143	-	7,241	-
Other Noncurrent Liabilities	-	2,661	-	2,661	-
Advances from Federal Government	19,028	223	4,316	14,935	-
Total	**$ 139,549**	**$ 36,925**	**$ 38,489**	**$ 137,985**	**$ 28,455**

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, 2017, Purdue University plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	321
Disabled members currently receiving benefits	108
Active members	11,608
Total	12,037

Purdue's total OPEB liabilities of approximately $43,457,000 as of June 30, 2019, and $46,347,000 00 as of June 30, 2018 were determined with measurement/experience dates of July 1, 2018 and July 1, 2017, using an actuarial valuation as of July 1, 2017, done in accordance with GASB Statement No. 75. The total OPEB liabilities in the June 30, 2018 and 2017 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	3.87% as of July 1, 2018; 3.58% as of July 1, 2017
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):

Changes in The Total OPEB Liability (dollars in thousands):	
Balance at June 30, 2018	**$ 46,347**
Changes for Year:	
Service Cost	2,290
Interest	1,631
Changes of assumptions	(699)
Benefit payments, including refunds of member contributions	(6,112)
Net Change in Total OPEB Liability	(2,890)
Balance at June 30, 2019	**$ 43,457**

Changes of assumptions reflect an increase in the discount rate from 3.58% to 3.87%.

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 (2.87%) or 1 percentage point higher (4.87%) 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 4.87%	Current Discount Rate 3.87%	1% Decrease in Discount Rate 2.87%
Total OPEB Liability	$ 41,184,345	$ 43,457,252	$ 45,967,732

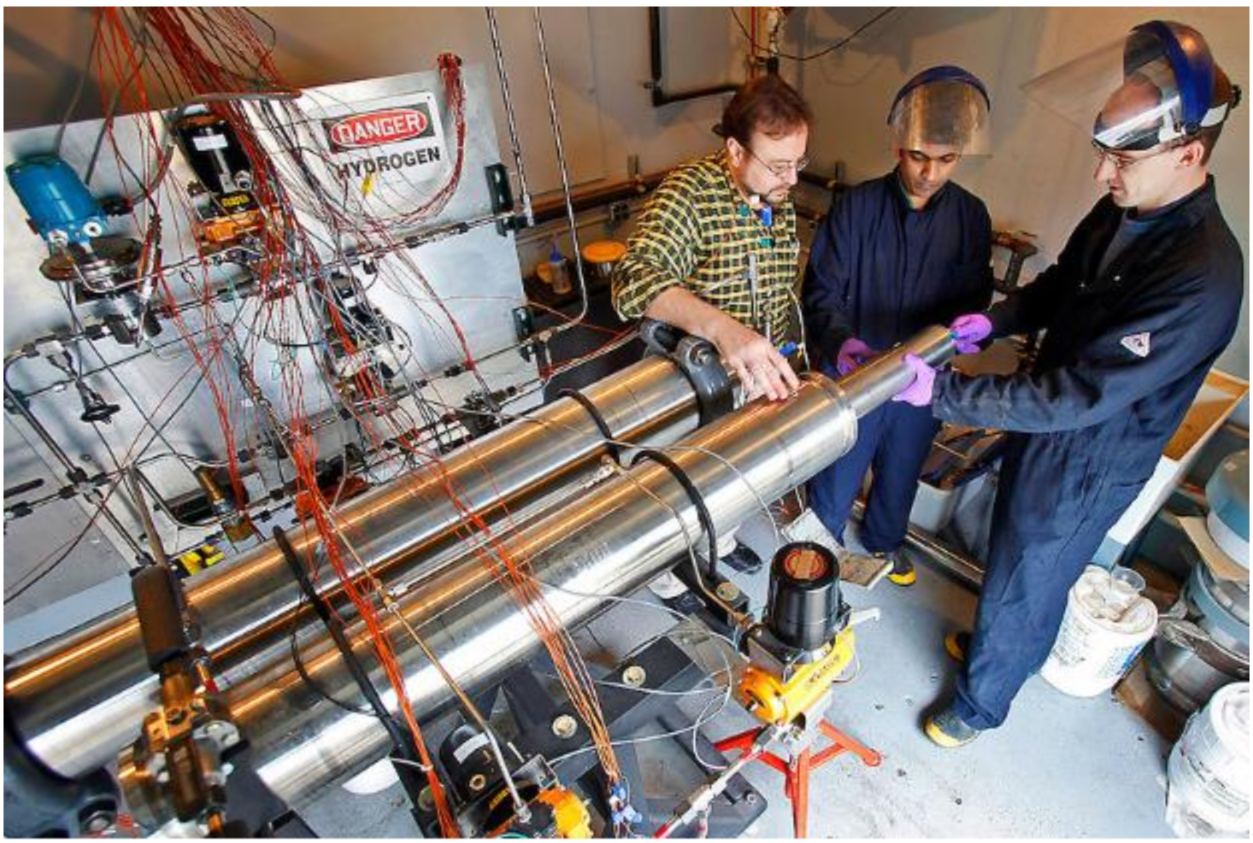
	1% Increase in Health Care Cost Trend Rates	Current Health Care Cost Trend Rates	1% Decrease in Health Care Cost Trend Rates
Total OPEB Liability	$ 46,820,769	$ 43,457,252	$ 40,521,211

OPEB Expense and Deferred Inflows of Resources related to OPEB:

For the year ended June 30, 2019, the University recognized OPEB expense of approximately $3,572,000. At June 30, 2019, the University reported Deferred Inflows of Resources in the amount of approximately $2,044,000 related to Changes of Assumptions. At June 30, 2019, the University reported Deferred Outflows of Resources in the amount of approximately $2,823,000 related to payments made beyond the measurement date of July 1, 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,		
2020	$	(349)
2021		(349)
2022		(349)
2023		(349)
2024		(349)
Thereafter		(299)
Total	$	(2,044)



Note 8 - Operating Expenses by Function

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

June 30, 2019

Function	Compensation & Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships & Student Awards	Total
Instruction	$ 742,794	$ 99,087	$ -	$ -	$ 841,881
Research	200,794	94,431	-	-	295,225
Extension and Public Service	97,190	46,256	-	-	143,446
Academic Support	86,683	71,191	-	-	157,874
Student Services	60,796	25,243	-	-	86,039
General Administration and Institutional Support	287,006	257,197	-	-	544,203
Physical Plant Operations and Maintenance	82,388	56,914	-	-	139,302
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**

June 30, 2018

Function	Compensation & Benefits	Supplies and Services	Depreciation	Scholarships, Fellowships & Student Awards	Total
Instruction	$ 707,925	$ 95,116	$ -	$ -	$ 803,041
Research	190,223	76,906	-	-	267,129
Extension and Public Service	87,443	58,835	-	-	146,278
Academic Support	87,854	58,514	-	-	146,368
Student Services	32,961	14,913	-	-	47,874
General Administration and Institutional Support	172,565	107,166	-	-	279,731
Physical Plant Operations and Maintenance	56,947	48,680	-	-	105,627
Depreciation	-	-	175,821	-	175,821
Student Aid	-	-	-	67,613	67,613
Auxiliary Enterprises	133,684	97,933	-	-	231,617
Total	**$ 1,469,602**	**$ 558,063**	**$ 175,821**	**$ 67,613**	**$ 2,271,099**

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, 2019 and 2018, the University's contribution to FICA was approximately $66,740,000 and $64,416,000, respectively.

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, 2019 or 2018.

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, 2019 and 2018, there were 7,428 and 7,224 employees, respectively, participating in the plans with annual pay equal to approximately $688,081,000 and $654,597,000, respectively. For the years ended June 30, 2019 and 2018, the University made contributions totaling approximately $65,362,000 and $63,199,000, 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, 2019 and 2018, there were 2,384 and 2,075 employees, respectively, participating in the plan with annual pay equal to approximately $59,777,000 and $49,639,000, respectively. For the year ended June 30, 2019 and 2018, the University made base contributions totaling approximately $2,229,000 and $2,243,000, respectively, and matching contributions totaling approximately $2,042,000 and $1,771,000, 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 time the associated payroll is issued, so there is not a material outstanding liability at June 30, 2019 or June 30, 2018.

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, 2019 and 2018, there were 890 and 858 employees participating in the 457(b) plan with pay equal to approximately $47.4 and $11.3 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, 2019 and 2018, there were 1,865 and 1,921 employees participating in the 403(b) plan with pay equal to approximately $61.4 and $15.3 million. For the period ended June 30, 2019 and 2018 the University made contributions totaling $4.1 and $.7 million to the plan.

In 2018, the Plan's board implemented a trust to hold the assets of the Program 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. 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), a retirement program administered by Indiana Public Retirement System (INPRS), an agency of the state of Indiana. PERF, as part of the implementation of GASB 67 changed from an agent to a cost-sharing, multiple-employer defined benefit plan effective July 1, 2013 based on 35 IAC 21-1-1, 35 IAC 21-1-2, and amended IC 5-10.1-1-11(b).

PERF 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 retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's annuity savings account. Employees were eligible to participate in this plan immediately upon employment and are fully vested in the defined benefit plan after 10 years of employment. The monthly pension benefits for members in pay status may be increased periodically for cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly.

The required contributions are determined by INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. For the years ended June 30, 2019 and 2018, the University was required to contribute 11.2% of the employee's salary. The employee contribution to the Annuity Savings Account 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, 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, 2019 and 2018, there were 2,302 and 2,605 employees, respectively, participating in PERF. The University's proportionate share of PERF's Net Pension Liability, based on covered payroll of approximately $88,142,000 was 1.72740% for the measurement date June 30, 2018, 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 $58,681,000 and $78,861,000 as of June 30, 2019 and 2018.

The University made contributions to the plan totaling approximately $12,712,000 and $13,120,000 for the years ending June 30, 2019 and 2018, respectively. The amount of contribution made after the measurement date, which is shown as a deferred outflow was approximately $10,523,000 and $11,366,000 for the years ended June 30, 2019 and 2018, respectively. The proportionate shares of pension plan expense for the years ended June 30, 2019 and 2018 as calculated under GASB 68 guidance were approximately $9,201,000 and $15,588,000, less net amortization of deferred amounts of approximately $1,680,000 and $3,883,000, leaving a net pension expense of approximately $7,521,000 and $11,705,000.

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, 2018, and the valuation date for liabilities was June 30, 2017, with standard actuarial roll forward techniques used to project the total pension liability at June 30, 2018. 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%	4.4%
Private Equity	14.0%	5.4%
Fixed Income - Ex Inflation-Linked	20.0%	2.2%
Fixed Income - Inflation-Linked	7.0%	0.8%
Commodities	8.0%	2.3%
Real Estate	7.0%	6.5%
Absolute Return	10.0%	2.7%
Risk Parity	12.0%	5.2%

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%)
$ 92,372,632	$ 58,680,560	$ 30,585,041

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, 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

	As of June 30, 2018	
	Deferred Outflows	**Deferred Inflows**
Differences between expected and actual experience	$ 1,498	$ 61
Net difference between projected and actual investment earnings on pension plan investments	12,474	3,954
Change of assumptions	1,266	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,752	11,136
Contribution made after the measurement date	11,366	-
Total Deferred Outflows and Inflows	$ 36,356	$ 15,151

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

2019	914
2020	(2,650)
2021	(4,564)
2022	(1,039)
2023	-
Thereafter	-
Total	$ (7,339)

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. 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, 2019 and 2018, there were 98 and 96 employees, respectively, actively participating in Police/Fire. The University made contributions to this plan totaling approximately $268,000 and $713,000 for the years ending June 30, 2019 and 2018, respectively.

The pension benefit obligation was computed as part of an actuarial valuation performed as of July 1, 2018. The actuarial valuation was the projected unit credit actuarial cost method over 30 years. The actuarial assumptions include a 6.25% investment rate of return, projected salary increases of 2.5% per year, and 2.25% per year cost of living adjustments.

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, 2018	814	(135)	(3,149)	-	268	(268)	(1,224)	(1,492)	-
July 1, 2017	875	13	(811)	77	738	(661)	(563)	(1,224)	958%
July 1, 2016	862	56	(128)	790	528	263	(826)	(563)	67%

[1] Actuarial data for 2019 was not available at the time of this report.
[2] Police/Fire contributions include interest earnings.

Cooperative Extension Service. As of June 30, 2019 and 2018, there were 8 staff members with federal appointments employed by the Indiana Cooperative Extension Service and covered by the Federal Civil Service Retirement System. The University contributed $56,000 and $54,000, respectively, for the years ended June 30, 2019 and 2018 to this plan.

Note 10 – Component Units

Discretely Presented Component Units

Summary financial information as of and for the years ended June 30, 2019 and 2018, 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, 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 Financial Position

As of June 30, 2018 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	PFW Foundation	Component Unit Total
Assets:				
Cash and Cash Equivalents	$ 11,520	$ 212	$ 328	$ 12,060
Accounts Receivable, Net	25,239	2,080	65	27,384
Other Assets	18,134	3	3	18,140
Investments	2,666,965	3,807	9,925	2,680,697
Lease Purchase Agreements	-	197,260	-	197,260
Construction in Progress	-	-	-	-
Notes Receivable, Net	8,326	1,079	-	9,405
Interest in Charitable Perpetual Trusts	16,135	-	-	16,135
Capital Assets, Net of Accumulated Depreciation	239,918	151	7,237	247,306
Irrevocable Trust	-	36,273	-	36,273
Total Assets	**$ 2,986,237**	**$ 240,865**	**$ 17,558**	**$ 3,244,660**
Liabilities:				
Accounts Payable and Accrued Expenses	$ 25,195	$ 4,079	$ 21	$ 29,295
Unearned Revenue	-	17,863	-	17,863
Due on Split Interest Agreements	49,724	-	-	49,724
Deposits Held in Custody for Others	1,744,145	-	-	1,744,145
Bonds (Net), Leases and Notes Payable	147,770	216,832	-	364,602
Other Liabilities	3,305	-	-	3,305
Total Liabilities	**1,970,139**	**238,774**	**21**	**2,208,934**
Net Assets:				
Without Donor Restrictions	268,757	-	6,542	275,299
With Donor Restrictions	747,341	2,091	10,995	760,427
Total Net Assets	**1,016,098**	**2,091**	**17,537**	**1,035,726**
Total Liabilities and Net Assets	**$ 2,986,237**	**$ 240,865**	**$ 17,558**	**$ 3,244,660**

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	44,489	(488)	57	44,058
Change in Value of Split Interest Agreements	2,598	-	-	2,598
Increase 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**

Discretely Presented Component Unit Statement of Activities
For the Year Ended June 30, 2018 (Dollars in Thousands)

	Purdue Research Foundation	Ross-Ade Foundation	PFW Foundation	Component Unit Total
Revenue and Support				
Amount Received for Purdue University Research Projects	$ 661	$ -	$ -	$ 661
Less Payments to Purdue University	(661)	-	-	(661)
	-	-	-	-
Contributions	29,569	-	975	30,544
Income on Investments	18,627	4,785	403	23,815
Net Unrealized and Realized Gains	54,779	(13)	133	54,899
Change in Value of Split Interest Agreements	(1,058)	-	-	(1,058)
Increase in Interests in Perpetual Trusts	609	-	-	609
Rents	21,360	8	146	21,514
Royalties	3,008	-	-	3,008
Other	33,899	-	101	34,000
Total Revenue and Support	**160,793**	**4,780**	**1,758**	**167,331**
Expenses and Losses				
Expenses for the Benefit of Purdue University				
Contributions to Purdue University	38,314	-	1,158	39,472
Patent and Royalty	2,946	-	-	2,946
Grants	8,655	-	-	8,655
Services for Purdue University	2,659	-	-	2,659
Other	4,337	-	157	4,494
Total Expenses for the Benefit of Purdue University	**56,911**	**-**	**1,315**	**58,226**
Administrative and Other Expenses				
Salaries and Benefits	32,613	-	-	32,613
Property Management	16,715	-	111	16,826
Professional Fees	13,168	-	-	13,168
Supplies	1,601	-	-	1,601
Interest	6,936	6,646	-	13,582
Research Park	308	-	-	308
Other	8,038	19	19	8,076
Total Administrative and Other Expenses	**79,379**	**6,665**	**130**	**86,174**
Change in Net Assets	24,503	(1,885)	313	22,931
Net Assets, Beginning of Period	991,595	3,976	17,224	1,012,795
Net Assets, End of Period	**$ 1,016,098**	**$ 2,091**	**$ 17,537**	**$ 1,035,726**

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, 2019 and 2018.

Purdue University Global, Inc.

Blended Component Unit Condensed Statement of Financial Position
As of June 30 (Dollars in Thousands)

	2019	2018
Assets:		
Current Assets	$ 54,081	$ 76,739
Noncurrent Assets	30,181	30,176
Total Assets	**84,262**	**106,915**
Liabilities:		
Current Liabilities	97,386	90,026
Noncurrent Liabilities	13,467	172
Total Liabilities	**110,853**	**90,198**
Net Assets:		
Net Investment in Capital Assets	2,650	2,676
Unrestricted	(29,241)	14,041
Total Net Assets	**$ (26,591)**	**$ 16,717**

Purdue University Global, Inc.

Blended Component Unit Condensed Statement of Activities
For the Period Ended June 30 (Dollars in Thousands)

	2019	2018
Operating Revenues	$ 305,119	$ 93,665
Operating Expenses other than Depreciation	437,297	131,581
Depreciation Expense	1,238	439
Net Operating Loss	**(133,416)**	**(38,355)**
Non Operating Revenues	90,108	22,685
Loss before Other Revenues, Expenses, Gains, Losses, and Transfers	**(43,308)**	**(15,670)**
Other Revenues, Expenses, Gains, Losses, and Transfers	-	(2,500)
Decrease in Net Position	**(43,308)**	**(18,170)**
Net Assets, Beginning of Period	16,717	34,887
Net Assets, End of Period	**$ (26,591)**	**$ 16,717**

Purdue University Global, Inc.

Blended Component Unit Condensed Statement of Cash Flows
For the Period Ended June 30 (Dollars in Thousands)

	2019	2018
Cash Used by Operating Activities	$ (109,979)	$ (3,427)
Cash Provided by Noncaptial Financing Activities	89,087	22,408
Cash Provided by Investing Activities	1,021	-
Cash Used by Capital and Related Financing Activities	(1,212)	(38)
Net (Decrease) Increase in Cash and Cash Equivalents	(21,083)	18,943
Cash and Cash Equivalents - Beginning of Period	66,410	47,467
Cash and Cash Equivalents - End of Period	**$ 45,327**	**$ 66,410**

Note 11 — Contingent Liabilities and Commitments

Legal Actions. In the normal course of its activities, the University is a party in various legal actions. Although it is involved in a number of claims, the University does not anticipate significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions, the University believes that the outcome thereof will not have a material effect on the financial statements.

Construction Projects. As of June 30, 2019 and 2018, contractual obligations for capital construction projects were approximately $ 104,452,000 and $88,889,000, 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 years ended June 30, 2019 and 2018, the maximum liability to the University for job-related illness or injury is $850,000 per incident, with no maximum annual aggregate liability.

Separate funds have been established to account for these risks. 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, 2019 and 2018, the University reflected approximately $0 and $103,000, 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, 2019		June 30, 2018
Beginning Liability	$	28,202	$	25,817
Claims Incurred		130,336		130,397
Claims Payments		(132,457)		(128,012)
Ending Liability	**$**	**26,081**	**$**	**28,202**

Note 13 – Transfer of Operations

In April, 2017, the Trustees of Purdue University formed Purdue University Global, Inc. (Purdue Global), a post-secondary Secondary Educational Institution (SEI)-affiliated educational institution, and a public benefit corporation under the Indiana Nonprofit Corporation Act, of which Purdue is the sole member.

On April 27, 2017, Purdue Global entered into a Contribution and Transfer Agreement (CTA) to receive the institutional assets and operations of Kaplan University in exchange for cash consideration of $1.00 and a covenant to enter into a long-term Transition and Operations Support Agreement (TOSA), under which Kaplan Higher Education (KHE) will provide key non-academic operations support to Purdue Global.

Consummation of this transaction was subject to various closing conditions, including, among others, regulatory approvals from the U.S. Department of Education (the Department), the Indiana Commission for Higher Education (ICHE), and the Higher Learning Commission (HLC), which is the regional accreditor of both the University and Kaplan University, as well as certain other state educational agencies and accreditors of programs. In February 2018, the final approvals were obtained, and on March 22, 2018, the transaction was consummated.

The transaction meets the requirements of a transfer of operations as defined by GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. On March 22, 2018, KHE transferred the assets and liabilities that were agreed to as part of the CTA. As a result of the transfer, Purdue Global recognized the following assets, liabilities, and net position (in thousands of dollars):

		Carrying Values
Transferred Assets (Net)		
Current Assets	$	47,556
Capital Assets		3,077
Other Assets		30,000
Total Assets		**80,633**
Transferred Liabilities		
Current Liabilities		45,746
Total Liabilities		**45,746**
Net Position of Transferred Operations	**$**	**34,887**

Required Supplementary Information

SCHEDULE OF CHANGES IN PURDUE'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
(Dollar amounts in Thousands)
June 30,

	2019	2018
Total OPEB Liability		
Service Cost	$ 2,290	$ 2,417
Interest	1,631	1,416
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(699)	(1,952)
Benefit payments, including refunds of member contributions	(6,112)	(5,567)
Net Change in Total OPEB Liability	**(2,890)**	**(3,686)**
Total OPEB Liability - beginning	**46,347**	**50,033**
Total OPEB Liability - ending	**$ 43,457**	**$ 46,347**
Covered employee payroll	$ 939,138	$ 920,742
Plan total OPEB Liability as a percentage of covered employee payroll	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, 2017.

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

Inflation	2.5%
Projected salary increases	3.0%
Discount rates	3.87% as of July 1, 2018; 3.58% as of July 1, 2017
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)
(Dollar Amounts in Thousands)
June 30,

	2018*	**2017***	**2016***	**2015***	**2014***	**2013***
Proportion of the Net Pension Liability	1.7%	1.8%	1.8%	2.5%	2.8%	3.0%
Proportionate Share of the Net Pension Liability	$58,681	$78,861	$82,044	$102,146	$ 74,323	$103,102
Covered-employee payroll	$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	66.6%	89.9%	94.7%	84.8%	53.8%	71.3%
Plan fiduciary net position as a percentage of the total pension liability	78.9%	76.6%	75.3%	77.3%	84.3%	78.8%

SCHEDULE OF PURDUE'S CONTRIBUTIONS
INDIANA PUBLIC EMPLOYEE RETIREMENT FUND (PERF)
(Dollar Amounts in Thousands)
June 30,

	2018	**2017***	**2016***	**2015***	**2014***	**2013***
Contractually required contribution	$ 9,872	$ 9,822	$ 9,704	$ 13,431	$ 15,471	$ 13,894
Contributions in relation to the contractually required contribution	$ 9,872	$ 9,822	$ 9,704	$ 13,431	$ 15,471	$ 13,894
Contribution deficiency	-	-	-	-	-	-
Covered-employee payroll	$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%	9.6%

**Based on INPRS previous fiscal year audit and report on allocation of pension amounts. Ie: FY2019 Purdue reported amounts based on INPRS FY2018 report.*

Notes to Schedule:

Valuation dates:
The valuation date for assets was June 30, 2018, and the valuation date for liabilities was June 30, 2017.

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:
The COLA assumption was changed due to passage of Senate Enrolled Act No. 373. In lieu of a 1% COLA occurring beginning on January 1, 2020, we now assume that the COLA will be replaced by a 13th check for 2020 and 2021. The COLA assumption thereafter, would be 0.4% beginning January 1, 2022, changing to 0.5% beginning on January 1, 2034, and ultimately 0.6% beginning on January 1, 2039.

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

Required Supplementary Information
Retirement Plans--Schedule of Funding Progress Police/Fire Supplemental
Fiscal Year Ended June 30, 2019
(Dollar amounts in Thousands)

Actuarial Valuation Date*	Actuarial Plan Assets	Actuarial Accrued Liability	Total Unfunded (Excess) Actuarial Liability	Funded Ratio	Annual Covered Payroll	Liability to Payroll	Annual Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Obligation (Benefit)
Police/Fire Supplemental										
7/1/2007	19,679	19,984	305	98.5%	4,854	6.3%	528	645	122.2%	(569)
7/1/2008	20,014	21,441	1,427	93.3%	5,318	26.8%	685	573	83.6%	(457)
7/1/2009	19,026	22,190	3,164	85.7%	5,537	57.1%	899	670	74.5%	(228)
7/1/2010	20,163	23,131	2,968	87.2%	5,582	53.2%	956	878	91.8%	(150)
7/1/2011	22,560	26,385	3,825	85.5%	5,677	67.4%	1,182	976	82.6%	56
7/1/2012	23,438	27,329	3,891	85.8%	5,648	68.9%	1,286	1,166	90.7%	176
7/1/2013	25,809	27,780	1,971	92.9%	5,611	35.1%	1,030	1,307	126.9%	(101)
7/1/2014	29,465	28,897	(568)	102.0%	5,803	-9.8%	585	1,068	182.6%	(584)
7/1/2015	31,270	30,259	(1,011)	103.3%	5,816	-17.4%	483	725	150.1%	(826)
7/1/2016	31,253	31,382	129	99.6%	6,493	2.0%	790	528	66.8%	(563)
7/1/2017	34,251	32,380	(1,871)	105.8%	5,612	-33.3%	77	738	958.4%	(1,224)
7/1/2018	37,680	31,900	(5,780)	118.1%	6,060	-95.4%	-	268	0.0%	(1,492)

*Actuarial data for 2019 was not available at the time of this report.

Notes to Schedule:

Valuation dates:
The valuation date was July 1, 2018.

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-2018
Post-retirement	PubS-2010 generational table for annuitants projected with Scale MP-2018
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, 2018-19 Academic Year

The overall (in-state and out-of-state) enrollment at Purdue University was 65,095 students for the 2018-19 fall semester. The breakdown was West Lafayette, 43,411, Northwest, 10,473, Fort Wayne, 10,139, Statewide Technology, 1,072. Enrollment numbers do not include students at Indiana University-Purdue University Indianapolis or Purdue University Global. Although students came to Purdue from all over the world, 59% system-wide came from within Indiana.

County	West Lafayette	Regional Campuses	Statewide Technology Locations	Total
Adams	53	439	1	493
Allen	862	5,175	1	6,038
Bartholomew	243	21	65	329
Benton	88	6	3	97
Blackford	15	16	2	33
Boone	582	7	3	592
Brown	24	2	5	31
Carroll	109	2	8	119
Cass	121	13	10	144
Clark	109	8	76	193
Clay	24	3	-	27
Clinton	143	7	12	162
Crawford	3	-	3	6
Daviess	34	2	-	36
De Kalb	82	438	-	520
Dearborn	100	-	3	103
Decatur	86	1	9	96
Delaware	124	32	20	176
Dubois	105	5	2	112
Elkhart	350	143	19	512
Fayette	20	1	12	33
Floyd	114	3	55	172
Fountain	82	4	5	91
Franklin	79	1	7	87
Fulton	71	120	3	194
Gibson	54	3	8	65
Grant	91	54	8	153
Greene	42	2	2	46
Hamilton	2,301	57	47	2,405
Hancock	328	17	8	353
Harrison	38	2	33	73
Hendricks	707	25	3	735
Henry	74	12	15	101
Howard	237	19	59	315
Huntington	67	315	1	383
Jackson	89	6	10	105
Jasper	156	165	1	322
Jay	23	18	-	41
Jefferson	39	1	5	45
Jennings	19	3	4	26
Johnson	438	15	15	468
Knox	33	5	6	44
Kosciusko	197	468	1	666
La Porte	321	1,021	8	1,350
Lagrange	50	153	-	203
Lake	1,291	5,150	1	6,442
Lawrence	67	2	2	71
Madison	208	30	59	297
Marion	1,643	134	14	1,791
Marshall	134	59	9	202
Martin	12	-	3	15
Miami	56	25	18	99
Monroe	151	14	1	166
Montgomery	149	5	3	157
Morgan	127	6	2	135
Newton	60	63	1	124
Noble	78	438	-	516
Ohio	3	-	-	3
Orange	15	2	6	23
Owen	32	1	-	33
Parke	26	2	-	28
Perry	11	1	1	13
Pike	12	3	4	19
Porter	656	1,459	4	2,119
Posey	53	2	-	55
Pulaski	57	32	-	89
Putnam	74	6	1	81
Randolph	44	16	7	67
Ripley	54	1	7	62
Rush	29	-	2	31
Scott	15	-	12	27
Shelby	78	7	4	89
Spencer	35	1	1	37
St Joseph	761	127	67	955
Starke	35	94	-	129
Steuben	58	157	-	215
Sullivan	24	2	2	28
Switzerland	4	1	1	6
Tippecanoe	2,586	42	126	2,754
Tipton	55	2	11	68
Union	12	1	6	19
Vanderburgh	257	11	4	272
Vermillion	22	-	1	23
Vigo	119	8	1	128
Wabash	76	122	-	198
Warren	45	-	-	45
Warrick	147	6	2	155
Washington	39	-	13	52
Wayne	69	9	38	116
Wells	79	374	-	453
White	189	9	6	204
Whitley	64	362	-	426
Unknown	728	90	4	822
Total	**19,466**	**17,686**	**1,002**	**38,154**

ACKNOWLEDGEMENTS

The following staff members of the Treasurer's Office prepared the 2018-19 Financial Report.

Kathleen E. Thomason, *Comptroller*

Katherine L. Vanderwall, *Assistant Comptroller Accounting and Reporting*

Tamara K. Carpenter, *Accountant*

Shannon R. Goff, *Senior Accountant*

Carrie M. Lohmeyer, *Accountant*

Shannel M. Lohrman, *Senior Accountant*

Corbin T. Richter, *Accountant*

Joshua S. Sterrett, *Senior Accounting Manager*

Kristi K. Stine, *Lead Accountant*