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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Indiana University Foundation
Bloomington, Indiana

We have audited the accompanying statements of financial position of the Indiana University Foundation (the "Foundation") as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the Foundation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2008 and 2007, and the changes in its net assets and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 25, 2008

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

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

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

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

	Unrestricted		Temporarily Restricted		Permanently Restricted		
Assets:	**Foundation**	**Agency**	**Foundation**	**University**	**Foundation**	**University**	**Total**
Cash and cash equivalents	$ -	$ 8,348,134	$ -	$ 94,025,523	$ -	$ -	$ 102,373,657
Collateral under securities lending agreement	8,626,040	26,335,148	451,341	89,422,213	2,535,223	68,831,162	196,201,127
Receivables and other assets	6,355,769	286,021	11,609	2,518,565	39,402	6,994,422	16,205,788
Net investment in direct financing leases	9,281,389	-	-	-	-	-	9,281,389
Promises to give, net	1,478,462	-	2,176,963	53,780,905	1,068,245	74,429,524	132,934,099
Investments	71,167,477	217,273,064	5,175,043	745,610,995	20,916,371	565,791,332	1,625,934,282
Property, plant and equipment, net	45,389,887	-	-	-	-	-	45,389,887
Total assets	$ 142,299,024	$ 252,242,367	$ 7,814,956	$ 985,358,201	$ 24,559,241	$ 716,046,440	$ 2,128,320,229

Liabilities and net assets:

	Unrestricted Foundation	Unrestricted Agency	Temporarily Restricted Foundation	Temporarily Restricted University	Permanently Restricted Foundation	Permanently Restricted University	Total
Liabilities:							
Accounts payable and other	$ 3,911,147	$ 2,504,155	$ 29,774	$ 5,602,171	$ 325,451	$ 10,704,072	$ 23,076,770
Payable under securities lending agreement	8,626,040	26,335,148	451,341	89,422,213	2,535,223	68,831,162	196,201,127
Debt	21,804,686	-	-	-	-	58,083	21,862,769
Accrued trust obligation to life beneficiaries	3,621	-	3,246,639	6,746,010	455,948	20,768,584	31,220,802
Due to (from)	54,582,771	-	68,221	(55,048,541)	3,698	393,851	-
Interfund financing	(8,381,531)	-	-	8,381,531	-	-	-
Assets held for the University	-	206,239,716	-	-	-	-	206,239,716
Assets held for University affiliates	-	17,163,348	-	-	-	-	17,163,348
Total liabilities	80,546,734	252,242,367	3,795,975	55,103,384	3,320,320	100,755,752	495,764,532
Net assets	61,752,290	-	4,018,981	930,254,817	21,238,921	615,290,688	1,632,555,697
Total liabilities and net assets	$ 142,299,024	$ 252,242,367	$ 7,814,956	$ 985,358,201	$ 24,559,241	$ 716,046,440	$ 2,128,320,229

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

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

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

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

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

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

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

Indiana University Foundation
Statements of Cash Flow
Years Ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	$ 621,616	$ 338,261,862
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	2,240,343	2,348,117
Change in discount on promises to give	(7,508,828)	23,649,520
Change in allowance on promises to give	567,840	(29,171)
Loss (gain) on investments	104,739,503	(274,853,302)
Unconditional promise to give for use of long-lived assets	310,259	299,478
Real estate assets donated to the University	4,089,552	925,327
Loss on sale of property, plant and equipment	(815,672)	311,649
Increase in receivables and other assets	(59,228,461)	(138,407)
Decrease in net investment in direct financing lease	446,650	431,649
Decrease (increase) in promises to give	5,825,791	(75,022,165)
Increase (decrease) in accounts payable and other	2,618,027	(2,954,249)
Increase in split interest agreement obligation to life beneficiaries	502,831	844,469
(Decrease) increase in assets held for the University and University affiliates	(19,777,281)	43,355,831
Contributions restricted for long-term purposes related to permanent endowments, charitable remainder trusts and annuities	(111,000,526)	(77,513,199)
Net cash (used in) operating activities	(76,368,356)	(20,082,591)
Cash flows from investing activities:		
Proceeds from sale/transfer of fixed assets	1,066,458	2,308,816
Proceeds from sales of investments	1,625,403,247	2,483,730,773
Purchases of investments	(1,618,717,056)	(2,496,239,205)
Purchases of property, plant and equipment	(5,538,094)	(3,955,357)
Net cash provided by (used in) investing activities	$ 2,214,555	$ (14,154,973)

	2008	2007
Cash flows from financing activities:		
Proceeds from contributions restricted for long term purposes related to permanent endowments, charitable remainder trusts and annuities:		
Endowment	$ 109,899,817	$ 75,260,984
Trust and other	1,100,709	2,252,215
Payments on debt	(6,219,471)	(1,528,088)
Proceeds from notes payable	5,406,649	-
Net cash provided by financing activities	110,187,704	75,985,111
Net increase in cash and cash equivalents	36,033,903	41,747,547
Cash and cash equivalents - beginning of year	102,373,657	60,626,110
Cash and cash equivalents - end of year	$ 138,407,560	$ 102,373,657

	2008	2007
Supplemental Data:		
Cash paid for interest	$ 960,125	$ 1,436,468
Gifts of securities, life insurance, consulting services, real and personal property at fair value	$ 69,131,476	$ 9,325,837

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

Note 1 - Organization and Operations

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

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

Note 2 - Summary of Significant Accounting Policies

Unrestricted Net Assets

Foundation

The unrestricted Foundation net asset class includes the general and board designated assets and liabilities of the Foundation. Revenue and support received by the Foundation without explicit donor restrictions that specify how the donated asset must be used or maintained are reported as unrestricted to the Foundation. Certain fees and other income earned by the Foundation are also reported as unrestricted. These net assets may, from time to time, appropriately reflect certain appreciation or depreciation on permanent endowments. In general, the unrestricted net assets of the Foundation may be used at the discretion of the Foundation's management and Board of Directors to support the Foundation's purposes and operations. Temporarily restricted University and Foundation net assets are reclassified to unrestricted as the time or purpose restrictions are met. These amounts are reported in the Statement of Activities as net assets released from restriction.

Agency

The unrestricted Agency net asset class includes custodial assets held for the University and affiliated entities under a management and custodial agreement. The financial accounting classification used herein of these assets and liabilities is "Agency."

Temporarily Restricted Net Assets

Foundation

The temporarily restricted Foundation net asset class includes expendable assets and related liabilities of the Foundation. These assets relate to gifts with explicit time or purpose restrictions that have not yet been met, including assets held in trust that ultimately benefit the Foundation. When the time or purpose restriction is met, these assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

University

The temporarily restricted University net asset class includes expendable assets held for the benefit of the University along with certain related liabilities. University expendable assets are generally restricted by donors or account managers and may be utilized by the University only in accordance with the purposes established by the donors or account managers. Account managers are University representatives responsible for monitoring compliance with donor restrictions. When donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction and expended from unrestricted net assets. These net assets may, from time to time, appropriately reflect certain appreciation or depreciation on permanent endowments.

Permanently Restricted Net Assets

Foundation

The permanently restricted Foundation net asset class includes assets and related liabilities of the Foundation related to contributions for which the donor has restricted the investment of the gift corpus in perpetuity. The income generated from the investment of the corpus is available for the Foundation's operations in accordance with donor restrictions. Appreciation related to the Foundation permanently restricted net assets, if not specifically restricted otherwise, follows the donor's income restriction and is included in the appropriate unrestricted or temporarily restricted net asset class.

University

The permanently restricted University net asset class includes nonexpendable assets held for the benefit of the University along with certain related liabilities related to contributions for which the donor has restricted the investment of the gift corpus in perpetuity. University nonexpendable assets are generally donor endowments. The classification of the permanent endowment historical gift value, income generated and the related appreciation or depreciation will be governed by the donor's explicit or implicit restrictions and may be expendable or reinvested to increase the historical gift value. When the governing documents are silent, because our donors allow the Foundation to choose suitable investment vehicles, the appreciation related to each specific endowment will follow the donor's income usage restriction. That is, the gains will be unrestricted if the investment income is classified as unrestricted or temporarily restricted if the investment income is temporarily restricted. Unless donor stipulations require otherwise, net losses or depreciation on investments held in permanent endowments will first reduce the net gains from that endowment fund earned in prior periods and held in temporarily restricted net assets and any temporarily restricted income earned by the investments where the restrictions have not been met. Any loss in excess of those amounts will be recorded as a decrease in unrestricted net assets. Subsequent recovery of investment market value will reduce previously accrued deficits, with unrestricted amounts reinstated first.

Reclassification of Donor Intent

At times the Foundation receives requests by donors or their designates to change the use for which their original gift was intended. These requests are reviewed by the Foundation for approval. Approved changes, depending on the donors' requests, may result in the reclassification of net assets between unrestricted, temporarily restricted, or permanently restricted net asset classes. These reclassifications of $220,787 and $240,898 are reflected in the Statement of Activities as net assets released from restriction for the years ended June 30, 2008 and 2007, respectively.

Securities Lending

The Foundation has securities lending agreement and guaranty with the Bank of New York. Cash, US Government securities, and/or letters of credit can collateralize the loaned securities. Collateral required is at least 102% of the current market value of the loaned securities. Income earned from the secured lending transactions is recorded as unrestricted investment income. The Foundation continues to carry the loaned securities as its assets. In addition, the Foundation has recorded an asset and offsetting liability of $195,857,580 and $196,201,127 as of June 30, 2008 and 2007, respectively, to reflect the cash collateral related to the lent securities under the securities lending agreement.

Contributions

Contributions are irrevocable voluntary transfers of assets in the form of gifts of property, including cash, marketable securities, real estate investments, life insurance policies, trusts, works of art, software and licensing rights, and other non-cash gifts recorded at fair market value. Grants recorded as contributions are irrevocable voluntary transfers of assets held, administered and maintained for investment purposes at the Foundation. Unconditional promises to give to the Foundation are recorded as receivables and contribution revenue in the appropriate net asset class when received. Promises to give are recorded at present value, less an allowance for uncollectible amounts, and include pledges, irrevocable trusts held by third parties, life insurance premiums, and validated estates.

Grants

Research grants are received from donors to support the University's research programs. Research grants are administered in accordance with the grant by the account manager.

Other Income

Foundation unrestricted other income is comprised primarily of: reimbursements from the University for the cost of the Foundation's direct support of certain University fund raising activities; receipts from the Foundation's programs operation, including real estate, air transportation, the Student Foundation, cultural center, women's programs, and other miscellaneous programs; and the change in the cash surrender value of life insurance policies. Temporarily and permanently restricted University other income is comprised primarily of amounts received from the University for activities and events, the change in the cash surrender value of life insurance policies, and departmental support from medical practice plans. These plans, which are associated with the University, operate as separate legal entities. The deposits received from these plans support the related University departments as specified.

Expenditures

Expenditures have been classified as program, management and general, or fund raising based on actual expenditures or cost allocations using estimates of time spent by Foundation personnel. Unrestricted Foundation programs include real estate, air transportation, the Student Foundation, cultural center, women's programs, and other miscellaneous programs. Expenditures related to the temporarily restricted net asset class are incurred when purpose restrictions have been met and are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction. These consist primarily of grants and aid to the University, including University support, student scholarships and financial aid, faculty support, faculty research, land, building and equipment purchases, and library and art acquisitions.

Management/Administrative Fees

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

Cash and Cash Equivalents

The Foundation considers investments in marketable securities and other highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents managed by outside investment managers are included in investments. For these short-term instruments, cost approximates the fair market value.

Investments

All investments are recorded at fair market value. Cost of investments sold is generally determined on a weighted average basis. Investment income, including net gains (losses), is recorded in the net asset class pursuant to the donor's original intentions. If unspecified by the donor, trust gains and losses are recorded with the original gift corpus. For all other accounts, if unspecified by the donor, gains and losses are recorded as unrestricted investment income.

Net Investment in Direct Financing Leases

The Foundation uses the direct finance method of accounting to record income from direct financing leases. At the inception of a lease, the Foundation records the minimum future lease payments receivable and the unearned lease income. Initial direct costs and fees related to lease originations are deferred as part of the investment and amortized over the lease term. Unearned lease income is the amount by which the total lease receivable plus the estimated residual value exceeds the cost of the facility. Unearned lease income, net of initial direct costs and fees, is recognized as revenue over the lease term on the interest method.

During fiscal 2003, the Foundation financed, through the tax-exempt issuance of Certificates of Participation (the "Certificates"), the construction of a research facility leased to the University (See Note 6 - Debt). Underlying the Certificates is a lease to purchase the research facility by the University from the Foundation, which secures the transaction and provides lease payments in the amount to satisfy the debt service of the Certificates. The lease has an imputed fixed rate of 4.25%, with semiannual lease payments due through January 2023. As of June 30, 2008, the net investment consists of the minimum lease payments receivable of $12,277,008, less unearned lease income of $3,442,269. Minimum lease payments receivable and the amortization of unearned lease income, net of direct costs and fees related to this lease as of June 30, 2008 follows:

Year Ending June 30	Minimum Lease Payments Receivable	Income Amortization
2009	$ 845,475	$ 388,826
2010	846,102	374,454
2011	849,763	358,114
2012	851,258	339,609
2013	850,858	319,208
Thereafter	8,033,552	1,662,058
Total	$ 12,277,008	$ 3,442,269

Property, Plant and Equipment

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

Management reviews long-lived assets for possible impairment if there is a significant event that detrimentally affects operations. The primary financial indicator used by the Foundation to assess the recoverability of its long-lived assets held and used is undiscounted future cash flows from operations. The amount of impairment, if any, is measured based on estimated fair value or projected future cash flows using a discount rate reflecting the Foundation's average cost of funds. Based on the projected future cash flows, management has concluded that no asset impairment existed as of June 30, 2008.

Split Interest Agreements

The Foundation has entered into split interest agreements, including charitable remainder trusts and gift annuities which provide that the Foundation, as trustee, make payments to designated beneficiaries in accordance with the applicable donor's trust or contractual agreement. The Foundation is also the beneficiary of charitable trusts held by third party trustees that are accounted for as promises to give. Contributions related to split interest agreements totaled $1,100,708 and $2,262,216 for the years ended June 30, 2008 and 2007, respectively. At the date of contribution, the Foundation records a split interest agreement obligation to life beneficiaries based on the present value of the estimated payments to designated life beneficiaries. The present value of estimated payments is based on actuarially determined life expectancy tables, trust asset growth assumptions, and discount rates ranging from 3.0% to 9.5%. The annual change in the value of the split interest agreement obligation to life beneficiaries, as reflected in the Statement of Activities, primarily represents the change in actuarial assumptions as well as the revenue and expense of the trust.

A summary of assets held related to split interest agreements as of June 30, 2008 and 2007 follows:

	2008	2007
Charitable remainder trusts	$ 42,189,729	$ 46,361,670
Charitable gift annuities	24,368,166	27,427,852
Total split interest agreements	$ 66,557,895	$ 73,789,522

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

Income Taxes

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

Use of Estimates

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

Fair Value of Financial Instruments

Receivables, other assets, accounts payable and other liabilities are reflected in the financial statements at amounts expected to be realized. The carrying value of the debt approximates fair value due to the debt bearing interest at rates that are currently available to the Foundation for debt with similar terms and maturities.

New Accounting Standards

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that the Foundation recognize in its financial statements, the financial effects of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2007. The Foundation has completed its assessment that the impact to its financial statements upon adoption will not be material.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, which defines fair value, establishes a framework for measuring fair value and requires expanded disclosures about fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007. The Foundation has not yet completed its assessment of the impact of this statement on its financial statements.

In February 2007, FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value, with unrealized gains and losses related to these financial instruments reported in the change in net assets at each subsequent reporting date. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Foundation has not yet completed its assessment of the impact of this statement on its financial statements.

In August 2008, FASB issued Staff Position (FSP) FAS 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds. The guidance is intended to improve the quality and consistency of financial reporting of endowments held by not-for-profit organizations. This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA. UPMIFA which serves as a model act for states to modernize their laws governing donor-restricted endowment funds was enacted by Indiana July 2007. The provisions of this FSP are effective for fiscal years ending after December 15, 2008. The Foundation has not yet completed its assessment of the impact of this statement on its financial statements.

Reclassifications

Certain prior year balances have been reclassified to conform to the current year presentation. All significant interfund transactions included in the financial statements have been eliminated.

Note 3 - Promises to Give

A summary of promises to give as of June 30, 2008 and 2007 follows:

2008

	Unrestricted		Temporarily Restricted		Permanently Restricted	
	Foundation	**Agency**	**Foundation**	**University**	**Foundation**	**University**
Promises to give	$ 763,984	$ -0-	$ 4,335,290	$ 76,465,756	$ 1,047,774	$ 101,112,327
Allowance	(2,532)	-0-	(117,397)	(4,915,944)	(842)	(3,531,915)
Discount	(313)	-0-	(1,986,449)	(18,239,985)	(2,075)	(20,878,384)
Promises to give, net	$ 761,139	$ -0-	$ 2,231,444	$ 53,309,827	$ 1,044,857	$ 76,702,028
Unconditional promises to give to the Foundation are due in the following periods:						
One year or less	$ 757,451	$ -0-	$ -0-	$ 6,423,284	$ 443	$ 10,179,305
Between one year and five years	3,688	-0-	890	29,363,305	1,186	31,741,297
More than five years	-0-	-0-	2,230,554	17,523,238	1,043,228	34,781,426
	$ 761,139	$ -0-	$ 2,231,444	$ 53,309,827	$ 1,044,857	$ 76,702,028

2007

	Unrestricted		Temporarily Restricted		Permanently Restricted	
	Foundation	**Agency**	**Foundation**	**University**	**Foundation**	**University**
Promises to give	$ 1,481,632	$ -0-	$ 4,695,873	$ 80,886,575	$ 1,071,211	$ 101,415,634
Allowance	(1,233)	-0-	(114,568)	(4,064,395)	(813)	(3,819,782)
Discount	(1,937)	-0-	(2,404,342)	(23,041,275)	(2,153)	(23,166,328)
Promises to give, net	$ 1,478,462	$ -0-	$ 2,176,963	$ 53,780,905	$ 1,068,245	$ 74,429,524
Unconditional promises to give to the Foundation are due in the following periods:						
One year or less	$ 1,461,763	$ -0-	$ -0-	$ 6,409,870	$ 504	$ 11,426,555
Between one year and five years	16,310	-0-	164	24,892,956	1,254	22,134,324
More than five years	389	-0-	2,176,799	22,478,079	1,066,487	40,868,645
	$ 1,478,462	$ -0-	$ 2,176,963	$ 53,780,905	$ 1,068,245	$ 74,429,524

Discount rates used to present value promises to give range between 3% and 6%.

Note 4 - Investments

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

2008

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

2007

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

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

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

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

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

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

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

Note 5 - Property, Plant and Equipment

A summary of property, plant and equipment as of June 30, 2008 and 2007 follows:

		2008		2007
Land and buildings, net of unconditional promise to give	$	49,571,252	$	50,398,767
Aircraft and related facilities		582,743		2,674,374
Information and technology equipment		3,724,591		3,469,216
Other		2,650,649		2,565,098
		56,529,235		59,107,455
Accumulated depreciation		(12,492,193)		(13,717,568)
Total property, plant and equipment, net	$	44,037,042	$	45,389,887

During fiscal 2003, the Foundation constructed a research facility and, through a direct financing lease (See Note 2 – Summary of Significant Accounting Policies - Net Investment in Direct Financing Leases), leased a portion of the facility to the University. The direct financing lease is the underlying security for the Certificates financing (See Note 6 - Debt). The facility was constructed with private funds held by the Foundation solely for the use of the University who currently operates and maintains the facility. In effect, the Foundation has transferred rights of the facility to the University through an unconditional promise to give the University use of the facility over a 20-year period. Related construction costs of $15,176,741, net of the present value of that promise to give of $8,928,576 and $8,618,316 are included in land and buildings as of June 30, 2008 and 2007, respectively. A summary of the unconditional promise to give by the Foundation for the use of the related long-lived asset as of June 30, 2008 and 2007 follows:

		2008		2007
Unconditional promises	$	15,176,741	$	15,176,741
Discount		(6,248,165)		(6,558,425)
Unconditional promises, net	$	8,928,576	$	8,618,316

The discount on unconditional promises by the Foundation is expected to accrete in the following periods:

		2008		2007
One year or less	$	321,429	$	310,260
Between one year and five years		1,789,274		1,356,825
More than five years		4,137,462		4,891,340
	$	6,248,165	$	6,558,425

Note 6 - Debt

A summary of debt as of June 30, 2008 and 2007 follows:

	2008		2007	
	Unrestricted	**Permanently Restricted**	**Unrestricted**	**Permanently Restricted**
Variable rate unsecured tax exempt bonds issued for the construction and renovation of the Foundation Headquarters (Showalter House) with rates as of June 30, 2008 and 2007 of 3.13% and 3.83%, respectively, with principal and interest due in semiannual payments through August 2018	$ 6,675,000	$ -0-	$ 7,120,000	$ -0-
4.25% fixed rate secured tax-exempt Certificates of Participation ("the Certificates") issue relating to the construction of a research facility, including unamortized net premium of $99,739 and $106,389, as of June 30, 2008 and 2007, respectively, collateralized by a direct financing lease, principal and interest due in semiannual payments through January 2023	8,834,739	-0-	9,281,389	-0-
Variable rate secured note related to the construction of an academic facility, refinanced June 2008	-0-	-0-	5,300,000	-0-
Variable rate unsecured note related to the construction of an academic facility, with a rate of 3.58% as of June 30, 2008, with annual principal and interest payments through June 2011	5,400,000	-0-	-0-	-0-
Other debt	82,126	58,083	103,297	58,083
Total debt	$ 20,991,865	$ 58,083	$ 21,804,686	$ 58,083

The carrying value of this debt approximates fair market value, as the borrowing rates currently available to the Foundation are similar to the terms on remaining maturities. Scheduled principal payments for the next five years and thereafter as of June 30, 2008 are: $1,502,661 in 2009, $1,476,480 in 2010, $5,423,541 in 2011, $1,049,124 in 2012, $1,091,649 in 2013, and $10,506,493 thereafter. At June 30, 2008 and 2007, the Foundation has available lines of credit totaling $4,000,000. There are no outstanding balances on the unsecured line as of and during the years ended June 30, 2008 and 2007. The Foundation's debt instruments contain certain financial and non-financial restrictive covenants.

Note 7 – Restricted Net Assets

The income generated from restricted net assets is used in accordance with the donors' time or purpose restrictions. Foundation and University permanently restricted assets are held in perpetuity. A summary of restricted net assets and the related donor imposed restrictions as of June 30, 2008 and 2007 are as follows:

2008

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

2007

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

Note 8 - Retirement Plan

The Foundation has a defined contribution retirement plan available to all eligible employees. To be an eligible employee you must be an individual who is customarily employed on a regular basis of 20 or more hours a week, is a full-time employee or has completed a year of eligibility service. A year of eligibility service is defined as working 1,000 hours or more, during a period of 12 consecutive months. This plan, The Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), a privately administered defined contribution retirement plan, provides individual retirement accounts for each eligible participating employee. Participants are fully vested after two years. Benefits to retired participants are based on the value of the individual retirement account at the date of retirement. The total contribution is 10% of the participant's annual salary up to the social security wage base and 15% on annual salary in excess of the social security wage base. The Foundation's policy is to fund retirement costs related to this plan as incurred. Retirement expense related to this plan amounted to $1,169,396 and $1,132,353 for the years ended June 30, 2008 and 2007, respectively.

Note 9 - Contingencies and Commitments

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

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

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

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

Note 10 - Program Expenditures

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

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

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

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

Note 11 - Related Party Transactions

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

Revenue and Support

Other Income

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

Contributions and Promises to Give

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

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

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

Expenditures

Investment Management Fee and Investments

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

Management and General Expenses

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

Program Expenditures

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