



UNIVERSITY OF MINNESOTA

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2020 Annual Financial Report

Consolidated Financial Statements

as of and for the Years Ended June 30, 2020 and 2019,
Independent Auditors' Report, and Management's Discussion and Analysis

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INDEPENDENT AUDITORS' REPORT

The Board of Regents
University of Minnesota
Minneapolis, Minnesota

We have audited the accompanying consolidated statements of net position of the University of Minnesota (the "University") as of June 30, 2020 and 2019, the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the consolidated financial statements, which collectively comprise the University's basic consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audits 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 consolidated financial statements are free from material misstatement. The financial statements of the discretely presented component units 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended and the financial statements of the discretely presented component units as of and for the years ended June 30, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of employer's contributions for other postemployment benefits, the schedule of changes in total other postemployment benefits liability, the schedules of the employer's share of net pension liability, and the schedules of employer's contributions for pensions, as listed in the table of contents, which are the responsibility of the University's management, be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated 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 consolidated financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Deloitte & Touche LLP

October 21, 2020

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Regents
University of Minnesota
Minneapolis, Minnesota

We have audited, in accordance with the 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, the consolidated statements of net position of the University of Minnesota (the "University") as of June 30, 2020, the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements, which collectively comprise the University's basic consolidated financial statements, and have issued our report thereon dated October 21, 2020. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, as described in our report on the University's consolidated financial statements. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the discretely presented component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

October 21, 2020

About the University of Minnesota

(Unaudited)

The University of Minnesota was founded in 1851 and has five campuses, as well as research and outreach centers, and extension service offices throughout the state of Minnesota (the State).

The University is both the State's land-grant university, with a strong tradition of education and public service, and a major research institution, with faculty of national and international reputation.

The University is one of only five universities in the nation with an engineering school, a medical school, a law school, a veterinary medicine school and an agricultural school all on one campus.

The University is among the top nine public research institutions nationally. The University is the State's major research institution with research expenditures of approximately \$775.1 million, \$720.6 million, and \$768.1 million in fiscal years 2020, 2019 and 2018, respectively, for research under various programs funded by governmental and private sources. Various governmental and private sources also funded research activities with expenditures included in both Instruction and Public Service.

Twin Cities Campus

The Twin Cities campus is the flagship for the University, with enrollment of approximately 51,300 students. The Twin Cities campus is among the nation's top public research universities, with award-winning faculty, state-of-the-art facilities, and world-class academics.

Duluth Campus

The Duluth campus is a comprehensive, highly ranked regional research and liberal arts university that offers instruction through the doctoral degree and has a global reputation for research in natural and freshwater resources. The Duluth campus consistently ranks among the top Midwestern regional universities with student enrollment of approximately 10,900 students.

Crookston Campus

The Crookston campus is known for its focus on experiential learning and is one of the nation's pioneers in online and distance education with a student enrollment of approximately 2,800 students.

Morris Campus

The Morris campus is ranked as one of the top public liberal arts colleges in the nation and is a leader in environmental sustainability and diversity. The Morris campus focuses on undergraduate programs with a student enrollment of approximately 1,500 students.

Rochester Campus

The Rochester campus is focused on meeting the educational needs of students in the southeastern Minnesota area at the upper division undergraduate and post-baccalaureate levels and conducts research in the areas of health sciences and biotechnology. The Rochester campus has a student enrollment of approximately 600 students.

Mission

The University's mission is carried out on multiple campuses and throughout the State and consists of the following:

- **Research and Discovery**—To generate and preserve knowledge, understanding, and creativity by conducting high quality research, scholarship, and artistic activities that benefit students, scholars, and communities across the State, the nation, and the world.
- **Teaching and Learning**—To share that knowledge, understanding, and creativity by providing a broad range of educational programs in a strong and diverse community of learners and teachers, and to prepare graduate, professional, and undergraduate students, as well as non-degree-seeking students interested in continuing education and lifelong learning, for active roles in a multiracial and multicultural world.
- **Outreach and Public Service**—To extend, apply, and exchange knowledge between the University and society by applying scholarly expertise to community problems, by helping organizations and individuals respond to their changing environments, and by making the knowledge and resources created and preserved at the University accessible to the citizens of the State, the nation, and the world.

The University conducts its mission activities at its campuses and other facilities throughout the State. Each year, the University:

- provides instruction for approximately 67,000 students;
- graduates approximately 16,200 students, 33 percent with graduate or first professional degrees on the Twin Cities campus;
- provides over 300 student exchange programs, ranking third nationally with learning abroad programs;
- conducts research sponsored by the National Institutes of Health, the National Science Foundation, other federal, state, and governmental agencies, and numerous private companies and foundations;
- reaches out to more than one million Minnesotans through various outreach and public service activities.

Board of Regents of the University of Minnesota

The Board of Regents articulates a vision for the University and works to ensure the University of Minnesota fulfills its mission of education, research, and outreach. The 12 members of the Board of Regents each serve for a six-year term. Every two years, one-third of the Board seats are up for election. A joint convention of the State legislature elects one Regent from each of the State's eight congressional districts and four from the state at large. One of the four at-large Regents must be a University of Minnesota student at the time of election.

Management's Discussion and Analysis

(Unaudited)

This discussion and analysis of the University of Minnesota's (the University) consolidated financial statements provides an overview of the consolidated financial position and activities of the University as of and for the years ended June 30, 2020, 2019, and 2018. The discussion has been prepared by management and should be read in conjunction with the consolidated financial statements and the accompanying notes.

Consolidated Financial Statements

The consolidated financial statements are prepared in accordance with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB). The consolidated financial statements required under these reporting standards include the Consolidated Statements of Net Position; the Consolidated Statements of Revenues, Expenses, and Changes in Net Position; and the Consolidated Statements of Cash Flows. All are reported on a consolidated basis for the University as a whole. Also required are the financial results of the University's legally separate component units.

The University records a net pension liability in accordance with GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.*, which represents accounting and reporting standards only. The State has not enacted any law that requires the University to assume the liability, as a participant of the pension plans, in the event the State were unable to continue paying benefits from the retirement plans. The required recording of the deferred outflows of resources, deferred inflows of resources, net pension liability, and related expenses are recorded on the University's consolidated financial statements, but have no impact to the funding provisions, nature and amount of benefits, or actual cash flows of the University. For additional information refer to the respective sections below, as well as Note 6 and GASB 68 and GASB 71.

Financial Highlights

Fiscal year 2020 began with the inauguration of Joan T.A Gabel as the 17th president of the University. She leads the University's mission by honoring its legacy as a place of discovery and opportunity, while emphasizing solutions inspired by Minnesotans that serve our state and change the world. In her first year as president, the University was impacted by the COVID-19 pandemic both operationally and financially. In March of 2020, the University pivoted to online instruction and remote operations, sending students and employees off campuses, as well as the cancellation of many on-campus events, including athletics. The University refunded students for housing, dining and other student fees and event participants for tickets. As a result, the University experienced a significant decrease to auxiliary enterprises revenues.

As a world-class research institution, the University has been at the forefront of the global response to the pandemic. By mid-April, University research was developing further understanding of the COVID-19 virus, exploring drug trials for vaccines and possible treatments, as well as working with the Federal Food and Drug Administration to operationalize the use of the Coventor ventilator, which was invented at the University and provided a practical and scalable ventilator for production. At the state level, the University has partnered with state health officials and the Mayo Clinic to provide COVID-19 testing to Minnesotans.

The University has responded to the pandemic in ways to ensure the financial position remains strong. The University enacted cost saving measures such as salary reductions, as well reducing hiring of new employees. Also, processes were executed to increase the overall liquidity of the University's assets.

The University has also sought various funding sources available due to the pandemic and recognized \$16.8 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding in fiscal year 2020. CARES Act funding provided grant funds to be paid directly to students, as well as funds to be used by the University. Funds awarded for University use provided an offset to the loss of revenues in auxiliary enterprises.

Despite the impact of the pandemic, the University's financial position remains strong with assets of \$6.5 billion, an increase of \$5.8 million from fiscal year 2019. Liabilities remained consistent at \$2.5 billion for fiscal years 2020 and 2019. The University's net position, the difference between total assets, deferred outflows of resources (items previously reported as assets), total liabilities, and deferred inflows of resources (items previously reported as liabilities), increased to \$3.7 billion as of June 30, 2020 compared to \$3.6 billion as of June 30, 2019. The University's net position increased \$61.6 million in fiscal year 2020 compared to an increase of \$411.8 million in fiscal year 2019, reflecting continued, strong financial results.

The University experienced a decrease in total revenue in fiscal year 2020 of \$39.9 million or 1.7 percent due to decreases in auxiliary enterprises and educational services, partially offset by increases in grants and contracts. Total expenses increased \$334.3 million or 9.8 percent compared to a decrease in fiscal year 2019 of \$347.4 million or 9.3 percent.

The University continues to focus on instruction, research and public service while continuing to emphasize controlling operating expenses.

Dollar amounts in the following discussion are presented in thousands, unless otherwise noted.

Consolidated Statements of Net Position

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

	2020	2019	2018
Assets			
Current assets	\$ 1,196,723	\$ 1,099,839	\$ 1,103,480
Noncurrent assets, excluding capital assets	2,097,192	2,201,476	2,015,711
Capital assets, net	3,247,756	3,234,494	3,185,317
Total assets	6,541,671	6,535,809	6,304,508
Deferred outflows of resources	339,573	618,869	948,273
Liabilities			
Current liabilities, excluding long-term debt	577,693	556,282	518,349
Noncurrent liabilities, excluding long-term debt	319,791	347,440	1,250,444
Long-term debt	1,562,340	1,613,482	1,541,789
Total liabilities	2,459,824	2,517,204	3,310,582
Deferred inflows of resources	730,511	1,008,147	724,632
Net position			
Unrestricted	575,234	602,509	345,558
Restricted—expendable	1,105,850	1,038,042	901,976
Restricted—nonexpendable	316,573	314,264	309,407
Net investment in capital assets	1,693,252	1,674,512	1,660,626
Total net position	3,690,909	3,629,327	3,217,567

Assets

Current assets are used to support current operations and consist primarily of cash and cash equivalents, receivables, net and short-term investments.

Noncurrent assets consist primarily of investments, capital assets net of accumulated depreciation, and student loan receivables, net.

The following schedule summarizes the University's current and noncurrent assets as of June 30, 2020, 2019, and 2018:

	2020	2019	2018	Increase (Decrease)			
				From 2019 to 2020		From 2018 to 2019	
				Amount	Percent	Amount	Percent
Current assets							
Cash and cash equivalents	\$ 659,943	\$ 405,247	\$ 463,460	\$ 254,696	62.8%	\$ (58,213)	(12.6%)
Receivables, net	340,988	369,025	319,820	(28,037)	(7.6%)	49,205	15.4%
Investments	143,733	271,618	263,676	(127,885)	(47.1%)	7,942	3.0%
Other assets	52,059	53,949	56,524	(1,890)	(3.5%)	(2,575)	(4.6%)
Total current assets	1,196,723	1,099,839	1,103,480	96,884	8.8%	(3,641)	(0.3%)
Noncurrent assets							
Capital assets, net	3,247,756	3,234,494	3,185,317	13,262	0.4%	49,177	1.5%
Other noncurrent assets							
Cash and cash equivalents & other assets	23,765	77,688	43,193	(53,923)	(69.4%)	34,495	79.9%
Receivables, net	62,859	70,606	74,621	(7,747)	(11.0%)	(4,015)	(5.4%)
Investments	2,010,568	2,053,182	1,897,897	(42,614)	(2.1%)	155,285	8.2%
Total other noncurrent assets	2,097,192	2,201,476	2,015,711	(104,284)	(4.7%)	185,765	9.2%
Total assets	\$ 6,541,671	\$ 6,535,809	\$ 6,304,508	\$ 5,862	0.1%	\$ 231,301	3.7%

As of June 30, 2020, total assets increased \$5.9 million primarily due to increases in cash and cash equivalents, and capital assets, net, partially offset by decreases in investments, receivables, net, and other assets. Investments decreased \$170.5 million primarily due to the University's response to the pandemic to increase overall liquidity. As a result, cash and cash equivalents and other assets increased \$198.9 million. Noncurrent cash and cash equivalents consist of unspent bond proceeds of \$14.8 million and \$62.6 million as of June 30, 2020 and 2019, respectively. Capital assets (net of accumulated depreciation) increased \$13.3 million primarily due to increased real estate acquisitions near the Twin Cities campus, as well as spending on construction projects. Refer to Note 4 for additional information related to capital assets.

Capital Assets and Related Debt Activities

Capital additions totaled \$235.4 million, \$269.3 million, and \$272.5 million in fiscal years 2020, 2019 and 2018, respectively. Fiscal year 2020 spending included the purchase of several properties surrounding the Twin Cities campus, including the purchase of Shriners Hospital property to establish a world-leading Institute for Child and Adolescent Brain Health. Project spending continuing in fiscal year 2021 is projected to be \$37.5 million and \$26.0 million for the Masonic Institute for the Developing Brain and Pillsbury Hall rehabilitation, respectively. See Note 4 for more detailed information about capital assets.

Capital leases of \$0, \$22.4 million and \$2.7 million were entered into in fiscal year 2020, 2019 and 2018, respectively. Refer to Note 5 for additional information.

Capital spending is mainly financed by a combination of state capital appropriations, University-issued debt, revenues generated by University departments, and donor gifts, depending on the specific capital project.

The University structures long-term debt so that principal is paid annually, which frees up capacity to issue new debt. The University also utilizes a commercial paper program with authority to issue up to \$400 million.

The rating agencies factor in the maximum authorization when determining ratings, even when the outstanding commercial paper is less than the maximum authorized amount.

The University's long-term debt is rated Aa1 by Moody's Investors Service (Moody's) and AA by S&P Global Ratings (S&P) – ratings which indicate high quality debt and results in strong demand and competitive pricing in the marketplace for University bonds.

Deferred Outflows of Resources

Deferred outflows of resources are items previously reported as assets that result in the outflow of net position in the current reporting period for activities applicable to a future reporting period. As of June 30, 2020, the deferred outflows of resources decreased \$279.3 million primarily due to the balances and related activity of the University's net pension liability related to the State retirement plans. Refer to Note 6 for additional information related to State retirement pension plans.

Liabilities

Current liabilities are obligations that are expected to become due and payable during the next fiscal year. Current liabilities consist primarily of accounts payable and accrued liabilities including salaries and compensation-related expenditures, and unearned income. Current unearned income is comprised of revenue related to summer session tuition and fees deferred to the following fiscal year, and funds received in advance of expenditures on sponsored accounts. In 2020, the University recorded \$9.5 million in unearned income for CARES Act funds.

Noncurrent liabilities consist primarily of accrued liabilities (including the net pension liability), notes payable, leases and bonds payable (long-term debt).

The following schedule summarizes the University's current and noncurrent liabilities as of June 30, 2020, 2019, and 2018:

	2020	2019	2018	Increase (Decrease)			
				From 2019 to 2020		From 2018 to 2019	
				Amount	Percent	Amount	Percent
Current liabilities							
Accounts payable	\$ 115,710	\$ 163,956	\$ 137,764	\$ (48,246)	(29.4%)	\$ 26,192	19.0%
Accrued liabilities and other	397,381	327,918	315,696	69,463	21.2%	12,222	3.9%
Unearned income	64,602	64,408	64,889	194	0.3%	(481)	(0.7%)
Long-term debt	334,529	320,119	346,794	14,410	4.5%	(26,675)	(7.7%)
Total current liabilities	912,222	876,401	865,143	35,821	4.1%	11,258	1.3%
Noncurrent liabilities							
Accrued liabilities and other	319,716	347,396	1,250,400	(27,680)	(8.0%)	(903,004)	(72.2%)
Unearned income *	75	44	44	31	70.0%	-	0.0%
Long-term debt	1,227,811	1,293,363	1,194,995	(65,552)	(5.1%)	98,368	8.2%
Total noncurrent liabilities	1,547,602	1,640,803	2,445,439	(93,201)	(5.7%)	(804,636)	(32.9%)
Total Liabilities	\$ 2,459,824	\$ 2,517,204	\$ 3,310,582	\$ (57,380)	(2.3%)	\$ (793,378)	(24.0%)

* Total is less than 1 percent - not included in the graph.

As of June 30, 2020, total liabilities decreased \$57.4 million primarily due to a decrease in long-term debt of \$51.1 million and accounts payable of \$48.2 million, partially offset by increases in accrued liabilities of \$41.8 million. As a result of the CARES Act, the University is able to defer payment of the employer portion of FICA, driving an increase in accrued liabilities. The University's long-term debt represents 63.5 percent of total liabilities or \$1,562.3 million as of June 30, 2020 compared to 64.1 percent or \$1,613.5 million as of June 30, 2019.

The net pension liability for fiscal year 2019 was significantly impacted by both changes in actuarial assumptions and plan changes. The change to the actuarial assumptions increased the single discount rate to 7.50 percent in fiscal year 2019, from 5.42 percent in fiscal year 2018. Additionally, changes to the plan provisions included increased member contributions. These changes resulted in a decrease of \$904.3 million in the net pension liability recorded by the University in fiscal year 2019, thereby increasing the University's net position, which did not reoccur in fiscal year 2020.

With the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75) in fiscal year 2018, the University recorded the University's full liability related to other postemployment benefits (OPEB). The University reported an OPEB liability of \$46.7 million, \$40.3 million and \$34.9 million in fiscal years 2020, 2019 and 2018, respectively. As of June 30, 2020, the cumulative OPEB liability of \$46.7 million was recorded as a current liability of \$3.0 million and a noncurrent liability of \$43.7 million. Refer to Note 10 for additional information related to OPEB.

Long-term debt decreased \$51.1 million or 3.2 percent. The University issued Commercial Paper Notes Series I in the amount of \$48.0 million and a note payable of \$4.5 million in fiscal year 2020. Additions from the issuance were offset by normal amortization of the bonds, premiums and discounts. Refer to Note 5 for additional information related to long-term debt. During fiscal year 2018, the Board of Regents (the Board) authorized a revolving commercial paper facility through which the University may issue tax-exempt and taxable commercial paper notes for short or long-term financing of capital projects. The aggregate principal amount outstanding under the facility shall not exceed \$400 million.

Deferred Inflows of Resources

Deferred inflows of resources are items previously reported as liabilities that result in the inflow of net position in the current reporting period for activities applicable to a future reporting period. As of June 30, 2020, the deferred inflows of resources decreased \$277.6 million, primarily due to the balances and related activity of the University's net pension liability related to the State retirement plans. Refer to Note 6 for additional information related to State retirement pension plans.

Net Position

Net position represents the residual value of the University's assets and deferred outflows of resources, after deducting liabilities and deferred inflows of resources and consists of the following three classifications:

- Unrestricted net position—Includes assets that are not subject to limitations or stipulations imposed by external entities and that have not been set aside for capital or endowment purposes. These assets are available for any lawful purpose of the University and include resources that may be designated for specific purposes as determined by management or the Board.

- Restricted net position, which is divided into two categories—
 - Expendable assets are available for expenditure by the University, but only in accordance with restrictions placed on their use by donors and other external entities.
 - Nonexpendable assets are also externally restricted, but are required to be retained in perpetuity, including the University’s true endowments and institutional contributions to refundable loan programs.
- Net investment in capital assets—Includes property, plant, and equipment, net of accumulated depreciation, reduced by the outstanding balances of debt attributable to these capital assets.

The following schedule summarizes the University’s net position as of June 30, 2020, 2019, and 2018:

	2020	2019	2018	Increase (Decrease)			
				From 2019 to 2020		From 2018 to 2019	
				Amount	Percent	Amount	Percent
Unrestricted	\$ 575,234	\$ 602,509	\$ 345,558	\$ (27,275)	(4.5%)	\$ 256,951	74.4%
Restricted:							
Expendable	1,105,850	1,038,042	901,976	67,808	6.5%	136,066	15.1%
Nonexpendable	316,573	314,264	309,407	2,309	0.7%	4,857	1.6%
Net investment in capital assets	1,693,252	1,674,512	1,660,626	18,740	1.1%	13,886	0.8%
Total net position	\$ 3,690,909	\$ 3,629,327	\$ 3,217,567	\$ 61,582	1.7%	\$ 411,760	12.8%

The University’s unrestricted net position decreased \$27.3 million in fiscal year 2020, of which \$0.7 million is due to impact of recording adjustments to the University’s net pension liability. The University’s restricted expendable net position increased \$67.8 million in fiscal year 2020 due primarily to changes in market values related to endowments, slightly offset by \$0.2 million due to impact of recording of adjustments to the University’s net pension liability. The University’s net investment in capital assets increased \$18.7 million primarily due to capital assets and decrease in long-term debt, partially offset by unspent bond proceeds.

Consolidated Statements of Revenues, Expenses and Changes in Net Position

The Consolidated Statements of Revenues, Expenses, and Changes in Net Position present the University’s operating, nonoperating, capital and endowment related financial activity during the year. This statement differentiates between operating and nonoperating revenues and expenses, and it displays the net income or loss from operations.

Total Operating Revenues

Operating revenues are those generated by the University’s principal ongoing operations such as tuition, sponsored research grants and contracts, and sales and services provided by the University’s educational and self-supporting auxiliary units. State appropriations are reported as nonoperating revenues, as are gifts and other revenues, for which the University does not give equal value in exchange for the resources received. Operating revenues have remained consistent at 62.5 percent, 63.2 percent, and 62.6 percent of total revenues for fiscal years 2020, 2019 and 2018, respectively.

The following schedule summarizes the University's Operating, Nonoperating and Other Revenue for the years ended June 30, 2020, 2019, and 2018:

	2020	2019	2018	Increase (Decrease)			
				From 2019 to 2020		From 2018 to 2019	
				Amount	Percent	Amount	Percent
Operating revenues							
Grants and contracts	\$ 986,023	\$ 976,160	\$ 939,085	\$ 9,863	1.0%	\$ 37,075	3.9%
Student tuition and fees, net	826,683	823,690	797,329	2,993	0.4%	26,361	3.3%
Auxiliary enterprises, net	413,049	457,742	438,118	(44,693)	(9.8%)	19,624	4.5%
Educational activities	142,735	151,320	153,335	(8,585)	(5.7%)	(2,015)	(1.3%)
Other operating revenue	750	213	108	537	252.1%	105	97.2%
Total operating revenues	2,369,240	2,409,125	2,327,975	(39,885)	(1.7%)	81,150	3.5%
Nonoperating revenues							
Federal appropriations	17,146	17,883	21,690	(737)	(4.1%)	(3,807)	(17.6%)
State appropriations	694,910	674,288	684,261	20,622	3.1%	(9,973)	(1.5%)
Grants, gifts, and other nonoperating, net	495,538	453,044	406,936	42,494	9.4%	46,108	11.3%
Net investment gain	91,435	146,282	166,226	(54,847)	(37.5%)	(19,944)	(12.0%)
Total nonoperating revenues	1,299,029	1,291,497	1,279,113	7,532	0.6%	12,384	1.0%
Total other revenues	124,795	108,345	110,744	16,450	15.2%	(2,399)	(2.2%)
Total revenues (noncapital)	\$ 3,793,064	\$ 3,808,967	\$ 3,717,832	\$ (15,903)	(0.4%)	\$ 91,135	2.5%

Total revenues decreased in fiscal year 2020 by \$15.9 million primarily due to a decrease in operating revenue, partially offset by an increase in state appropriations as well as grants, gifts, and other nonoperating revenue. Operating revenues decreased \$39.9 million or 1.7 percent mainly due to decreases in auxiliary enterprises, driven by reductions in operations in response to the pandemic. Revenues from sales and services of educational activities decreased \$8.6 million due to the impact of the pandemic. State appropriations increased \$20.6 million as a result of the State biennial increase. Grants and contracts increased \$9.9 million or 1.0 percent primarily due to a new contract with Fairview Health Services (Fairview) effective January 1, 2019.

Other significant sources of nonoperating revenue to the University included gifts in support of operating expenses of \$189.2 million, \$214.5 million, and \$195.6 million, and grants and gifts for capital purposes of \$26.1 million, \$24.2 million, and \$35.7 million in fiscal years 2020, 2019, and 2018, respectively.

For the year ended June 30, 2020, other revenues, which consist of capital appropriations, and capital endowments gifts and grants increased \$16.4 million or 15.2 percent and decreased \$2.4 million or 2.2 percent in fiscal years 2020 and 2019, respectively. Capital appropriation revenue is received as project expenses are incurred. As projects near completion, the revenue received decreases.

Total Operating Expenses

The following schedule summarizes the University's operating expenses by functional category for the years ended June 30, 2020, 2019, and 2018:

	2020	2019	2018	Increase (Decrease)			
				From 2019 to 2020		From 2018 to 2019	
				Amount	Percent	Amount	Percent
Education and general							
Instruction	\$843,727	\$801,626	\$827,200	\$ 42,101	5.3%	(\$25,574)	(3.1%)
Research	775,110	720,614	768,137	54,496	7.6%	(47,523)	(6.2%)
Public service	275,927	243,734	285,251	32,193	13.2%	(41,517)	(14.6%)
Academic support	465,291	401,418	465,319	63,873	15.9%	(63,901)	(13.7%)
Student services	137,213	122,009	142,865	15,204	12.5%	(20,856)	(14.6%)
Institutional support	294,488	238,655	314,769	55,833	23.4%	(76,114)	(24.2%)
Operation and maintenance of plant	314,976	268,839	310,674	46,137	17.2%	(41,835)	(13.5%)
Scholarships and fellowships	68,389	64,524	64,589	3,865	6.0%	(65)	(0.1%)
Depreciation	215,954	214,336	221,797	1,618	0.8%	(7,461)	(3.4%)
Total education and general	3,391,075	3,075,755	3,400,601	315,320	10.3%	(324,846)	(9.6%)
Other operating expenses							
Auxiliary enterprises	292,356	269,780	297,711	22,576	8.4%	(27,931)	(9.4%)
Other operating expenses, net	(388)	1,070	120	(1,458)	(136.3%)	950	791.7%
Total other operating expenses	291,968	270,850	297,831	21,118	7.8%	(26,981)	(9.1%)
Total operating expenses	\$3,683,043	\$3,346,605	\$3,698,432	\$ 336,438	10.1%	\$ (351,827)	(9.5%)

Total operating expenses increased \$336.4 million or 10.1 percent in fiscal year 2020 compared to a decrease of \$351.8 million or 9.5 percent in fiscal year 2019. Across almost all functional categories, salaries and compensation-related expenditures continued to represent the most significant expense to the University at \$2.5 billion or 66.5 percent, \$2.1 billion or 62.3 percent, and \$2.4 billion or 65.5 percent of operating expenses in fiscal years 2020, 2019 and 2018, respectively. Compensation related expenditures increased \$366.7 million or 17.6 percent in fiscal year 2020, compared to a decrease of \$338.5 million or 14.0 percent and \$244 thousand or 3 percent in fiscal years 2019 and 2018, respectively. The decrease in compensation related expenditures in fiscal year 2019 is primarily due to the University's recording of GASB 68 and 71 pension expenses which resulted in decreases in fringe related expenses of \$291.0 million associated with the decrease in the net pension liability. The decrease was a one-time event in fiscal year 2019, resulting in a corresponding increase in fiscal year 2020.

Increases in all functional categories in fiscal year 2020 are primarily the result of one-time reductions in compensation related expenses in fiscal year 2019 due to the University's recording of GASB 68 and 71 adjustments. Institutional Support also experienced an increase of \$8.7 million in fiscal year 2020 due to various technology projects.

Consolidated Statements of Cash Flows

The following schedule summarizes the University's cash flows for the years ended June 30, 2020, 2019, and 2018:

	2020	2019	2018	Increase (Decrease)			
				From 2019 to 2020		From 2018 to 2019	
				Amount	Percent	Amount	Percent
Cash (used) provided by							
Operating activities	\$ (1,059,779)	\$ (1,005,521)	\$ (1,019,820)	\$ (54,258)	5.4%	\$ 14,299	1.4%
Noncapital financing activities	1,218,601	1,149,795	1,102,699	68,806	6.0%	47,096	4.3%
Capital and related financing activities	(201,676)	(150,232)	(142,775)	(51,444)	(34.2%)	(7,457)	(5.2%)
Investing activities	249,809	(15,093)	112,059	264,902	1755.1%	(127,152)	113.5%
Net increase (decrease) in cash	206,955	(21,051)	52,163	228,006	(1083.1%)	(73,214)	(140.4%)
Cash, beginning of year	467,817	488,868	436,705	(21,051)	(4.3%)	52,163	11.9%
Cash, end of year	\$ 674,772	\$ 467,817	\$ 488,868	\$ 206,955	44.2%	\$ (21,051)	(4.3%)

The University's cash and cash equivalents increased \$207.0 million compared to fiscal year 2019 due to an increase in cash provided by investing activities, partially offset by an increase in cash used by noncapital financing activities and operating activities.

The cash used by operating activities increased \$54.3 million compared to fiscal year 2019 primarily due to the timing of normal business activities.

The cash provided by noncapital financing activities increased \$68.8 million compared to an increase of \$47.1 million in fiscal year 2019. The most significant sources of cash provided included State appropriations totaling \$694.9 million and \$674.5 million, grants totaling \$302.3 million and \$223.2 million, and gifts totaling \$200.5 million and \$214.4 million in 2020 and 2019, respectively.

The cash used by capital and related financing activities increased \$51.4 million primarily due to a decrease in cash flows related to a reduction of proceeds from capital debt of \$167.8 million, partially offset by a decrease of \$66.3 million in principal payments on debt. During fiscal year 2020, the University issued \$0 and \$48.0 million in new bond issuances and commercial paper, respectively, compared to \$175.5 million and \$73.6 million in new bond issuances and commercial paper, respectively, in fiscal year 2019. Cash inflows for capital acquisitions from capital appropriations, capital grants and gifts and bonds issued during the year funded a portion of the University's equipment needs and ongoing renovation and construction initiatives.

Investing Activities

The University's endowment funds are invested to preserve the inflation-adjusted value of the endowment and to maximize total return within acceptable risk parameters. These objectives are benchmarked over three-to five-year periods.

Long-term endowment and other investments included increases from net unrealized gains (losses) on the endowment and other investments of \$(5.6) million, \$12.1 million, and \$96.4 million in fiscal years 2020, 2019, and 2018, respectively. Annual distributions of the endowment to departments, partially offset by reinvested endowment earnings, decreased investments by \$63.9 million, \$62.2 million, and \$59.7 million in fiscal years 2020, 2019 and 2018, respectively.

To provide a relatively stable level of support for endowed programs, a specified percentage rate based on a five-year, moving-average market value of the endowment is distributed each year. These distributions provide funds for a variety of purposes, including instructional needs, research activities, scholarships, and academic support. An endowment spending policy requires balancing current needs with the long-term focus of the institution. The endowment funds distribution rate was 4.5 percent in fiscal years 2020, 2019, and 2018.

Factors Affecting Future Financial Position and/or Results of Operations

The University is the flagship research institution in the State. It has received historically strong support from the State, its academic quality attracts record numbers of applications, it has a diversified mix of revenue streams which augment tuition and state support, and it enjoys a strong credit rating which enables low cost of borrowing. Maintaining these competitive advantages, and managing operating costs, is more important than ever to the overall results of operations.

The COVID-19 pandemic has had a significant effect on society, the economy, and government at all levels. As detailed below, the University relies on federal and state government for a large portion of its financial support. Current levels of support may be at risk if governmental units that support the University are unable to continue support at previous levels. The impact of the pandemic is enumerated more fully below.

State support for operations and maintenance—Continued state support is an important component of future fiscal health for the University. The FY 2020-2021 biennium set base funding for the University at \$1,342.5 million. However, the State’s May 2020 interim budget forecast projected the State will finish the biennium with a \$2,426 million deficit. As the Minnesota Legislature begins debating the State’s 2022-2023 biennial operating budget, it will be required by law to also resolve the projected deficit. In recognition of budgetary and economic realities, the University will submit a modest request to increase the base funding provided to the University by \$46.5 million, a 3.5% increase over the University’s current base funding. There is no guarantee that the State will be able to finance this requested increase, given the challenges it faces in resolving the projected deficit, while responding to increased needs from other stakeholders.

State support for facilities and capital projects—The University’s strategic plans for capital projects continue to be focused on 5 key areas:

- Renovating or removing buildings that are considered to be “critical” as deemed by the Facilities Condition Assessment criteria
- Advancing the Health Sciences
- Modernizing St. Paul campus research laboratories
- Expanding facilities capacity in science, technology, engineering, and math programs
- Repositioning the University’s libraries for the 21st Century

The University has increasingly focused its state capital requests on Higher Education Asset Preservation and Renewal (HEAPR) as a source of funding to maintain and renew existing facilities. The Minnesota Legislature approved a 2020 bonding bill in October 2020 which was signed into law by the Governor. The legislation provided \$75,381 in state bonding to finance a number of University capital priorities, including HEAPR (\$38,495), predesign and design activities for a new chemistry undergraduate teaching laboratory on the Twin Cities campus (\$3,286), facilities improvements for the Institute of Child Development (\$29,200), and renovation of the A.B. Anderson Hall on the Duluth campus (\$4,400). The law also provided authority for the University to refinance previously issued University debt that is supported by state appropriations, retain the debt service savings and apply the savings to additional new debt that will finance design of a new clinical research facility on the Twin Cities campus. The University’s Board of Regents will consider approval of a

2021 state capital request aligns with the University's academic priorities. There is no guarantee that the State will be able to finance future capital requests given the challenges it faces in resolving the projected state budget deficit, while responding to increased needs from other stakeholders.

Federal funding—The University consistently ranks among the top ten public research universities in federal funding for research and development, thanks to the productivity and ingenuity of its faculty. The tightening of the federal budget, the failure of the United States Congress to adopt annual budgets which provide stability and predictability, and the policy directions of the current presidential administration have created a high level of uncertainty about federal funding for many universities. In addition, the federal government passed the CARES Act, legislation focused on ameliorating the economic impact of the COVID-19 pandemic. The legislation was financed primarily with deficit spending. As the federal government grapples with and responds to the longer-term economic impacts from the pandemic, there is no guarantee that future funding for federally financed programs such as research and federal student aid programs, will keep pace with past levels.

Enrollment—The University has built a national reputation for high quality undergraduate, graduate, and professional education. The impact of the COVID-19 pandemic had a modest but manageable negative impact on enrollment. Fall semester 2020 enrollment across the system showed a 2.6% decline in undergraduate enrollment from fall semester 2019, from 44,000 undergraduate full-time equivalent students to 42,900. Fall semester 2020 graduate and professional education showed a 1.3% decline from fall 2019, from 16,900 to 16,700. The primary factor impacting enrollment was the restrictions on international travel caused by the COVID-19 pandemic. As a part of the FY 2021 approved budget, undergraduate tuition was held flat for all undergraduate students, and all graduate and professional students except for dental school and medical school students. The University's ability to consistently attract students whose educational experience may be different from their expectations due to COVID-19 will be important in the near term to maintain the tuition revenue stream.

Expenses and cost containment—The University's primary operating costs are the salaries and benefits paid to a highly trained, world-class workforce. The COVID-19 pandemic resulted in revenue reductions and unbudgeted costs for the University. To manage the budgetary impact and jump start future budgetary savings, the fiscal year 2021 approved budget included a board-approved furlough and temporary pay reduction program (projected to save \$45 million to \$50 million), and a Retirement Incentive program (projected to save between \$24 million and \$40 million depending on the number of hires made to replace employees who retire). These programs, and other more targeted options, will be critical to manage the growing costs associated with COVID-19.

The University's partnership with Fairview Health Services—The University has had a long-term academic affiliation agreement with Fairview, the health care organization that purchased the University's on-campus hospital in 1996. A strong partnership is vital to supporting and strengthening research, outreach, and medical education mission of the University of Minnesota Medical School.

A new agreement between Fairview and the University went into effect on January 1, 2019. The agreement creates a new "joint clinical enterprise" that better aligns Fairview and the University's goals for research and clinical care. Major elements of the agreement include organizational changes, new branding, and improved financial support to the University's academic medicine enterprise. The new agreement will provide the University's Medical School with \$185 million in payments from Fairview for calendar years 2019-2020. This is a significant improvement in financial support for the University and demonstrates the strengthened relationship between the University and Fairview. Although Fairview has suffered significant revenue losses due to the COVID-19 pandemic, all scheduled payments have been made to the University. Furthermore, Fairview has not requested budgetary relief from the payments, in response to the pandemic.

University of Minnesota
Consolidated Statements of Net Position (Excluding Component Units)

As of June 30, 2020 and 2019 (in thousands)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 659,943	\$ 405,247
Short-term investments	143,733	271,618
Receivables, net	331,751	359,679
Inventories	21,936	19,319
Student loans receivable, net	9,237	9,346
Prepaid expenses	30,043	34,280
Other assets	80	350
Total current assets	<u>1,196,723</u>	<u>1,099,839</u>
Noncurrent assets		
Restricted cash and cash equivalents	14,829	62,570
Investments	2,010,568	2,053,182
Receivables, net	9,920	11,269
Student loan receivables, net	52,939	59,337
Prepaid expenses	5,972	12,160
Other assets	2,964	2,958
Capital assets, net	3,247,756	3,234,494
Total noncurrent assets	<u>5,344,948</u>	<u>5,435,970</u>
Total assets	<u>6,541,671</u>	<u>6,535,809</u>
Deferred Outflows of Resources		
	<u>339,573</u>	<u>618,869</u>
Liabilities		
Current liabilities		
Accounts payable	115,710	163,956
Accrued liabilities and other	397,381	327,918
Unearned income	64,602	64,408
Long-term debt	334,529	320,119
Total current liabilities	<u>912,222</u>	<u>876,401</u>
Noncurrent liabilities		
Accrued liabilities and other	319,716	347,396
Unearned income	75	44
Long-term debt	1,227,811	1,293,363
Total noncurrent liabilities	<u>1,547,602</u>	<u>1,640,803</u>
Total liabilities	<u>2,459,824</u>	<u>2,517,204</u>
Deferred Inflows of Resources		
	<u>730,511</u>	<u>1,008,147</u>
Net Position		
Unrestricted	575,234	602,509
Restricted	Expendable 1,105,850	1,038,042
	Nonexpendable 316,573	314,264
Net investment in capital assets	1,693,252	1,674,512
Total net position	<u>\$ 3,690,909</u>	<u>\$ 3,629,327</u>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

University of Minnesota
Component Units – Statements of Financial Position
As of June 30, 2020 and 2019 (in thousands)

	University of Minnesota Foundation		University of Minnesota Physicians	
	2020	2019	2020	2019
Assets				
Cash and cash equivalents	\$ 25,702	\$ 26,722	\$ 142,755	\$ 97,904
Investments, substantially at fair market value	2,928,226	2,905,798	26,833	24,023
Pledges receivable, net	231,497	191,366		
Accounts and other receivables	14,174	20,282	107,620	99,528
Interest in charitable lead trusts, unitrusts, pooled income, and trusts	93,731	86,836		
Gift annuities	37,428	35,452		
Property and equipment, net	80,461	82,214	8,373	6,722
Prepays and other assets			2,546	16,536
Total assets	<u>3,411,219</u>	<u>3,348,670</u>	<u>288,127</u>	<u>244,713</u>
Liabilities				
Accounts payable and accrued liabilities	20,675	20,229	168,804	141,854
Gift annuities payable	20,126	17,744		
Unitrusts, pooled income, and annuity trusts payable	9,733	10,616		
Investments held for custody of others	290,209	294,385		
Long-term debt	46,102	46,977	1,769	2,174
Total liabilities	<u>386,845</u>	<u>389,951</u>	<u>170,573</u>	<u>144,028</u>
Net Assets				
Without donor restrictions	140,042	133,958	117,554	100,685
With donor restrictions	2,884,332	2,824,761		
Total net assets	<u>3,024,374</u>	<u>2,958,719</u>	<u>117,554</u>	<u>100,685</u>
Total liabilities and net assets	<u>\$ 3,411,219</u>	<u>\$ 3,348,670</u>	<u>\$ 288,127</u>	<u>\$ 244,713</u>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

University of Minnesota
Consolidated Statements of Revenues, Expenses and Changes in Net Position
(Excluding Component Units)

Years ended June 30, 2020 and 2019 (in thousands)

	2020	2019
Revenues		
Operating revenues		
Student tuition and fees, net of scholarship allowances of \$319,546 in 2020; \$302,655 in 2019	\$ 826,683	\$ 823,690
Federal grants and contracts	478,953	479,820
State and other government grants	85,529	87,042
Nongovernmental grants and contracts	421,541	409,298
Student loan interest income	1,887	2,053
Sales and services of educational activities, net of scholarship allowances of \$98 in 2020; \$26 in 2019	140,848	149,267
Auxiliary enterprises, net of scholarship allowances of \$12,508 in 2020; \$12,444 in 2019	413,049	457,742
Other operating revenues	750	213
Total operating revenues	<u>2,369,240</u>	<u>2,409,125</u>
Expenses		
Operating expenses		
Education and general		
Instruction	843,727	801,626
Research	775,110	720,614
Public service	275,927	243,734
Academic support	465,291	401,418
Student services	137,213	122,009
Institutional support	294,488	238,655
Operation & maintenance of plant	314,976	268,839
Scholarships & fellowships	68,389	64,524
Depreciation	215,954	214,336
Auxiliary enterprises	292,356	269,780
Other operating expenses, net	(388)	1,070
Total operating expenses	<u>3,683,043</u>	<u>3,346,605</u>
Operating Loss	<u>(1,313,803)</u>	<u>(937,480)</u>
Nonoperating Revenues (Expenses)		
Federal appropriations	17,146	17,883
State appropriations	694,910	674,288
Grants, including CARES Act Funding of \$16,818 in 2020, \$0 in 2019	294,831	230,057
Gifts	189,170	214,458
Investment income, net	91,435	146,282
Interest on capital-asset related debt	(48,439)	(50,602)
Other nonoperating revenues, net	11,537	8,529
Net nonoperating revenues	<u>1,250,590</u>	<u>1,240,895</u>
Income (Loss) Before Other Revenues	(63,213)	303,415
Capital appropriations	96,263	80,446
Capital grants and gifts	26,134	24,219
Additions to permanent endowments	2,398	3,680
Total other revenues	<u>124,795</u>	<u>108,345</u>
Increase In Net Position	61,582	411,760
Net position at beginning of year	<u>3,629,327</u>	<u>3,217,567</u>
Net position at end of year	<u>\$ 3,690,909</u>	<u>\$ 3,629,327</u>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

University of Minnesota
Component Units – Statements of Activities
Years ended June 30, 2020 and 2019 (in thousands)

	University of Minnesota Foundation			
	Without donor restrictions	With donor restrictions	Total 2020	Total 2019
Revenues				
Contributions	\$ 1,802	\$ 259,328	\$ 261,130	\$ 224,141
Investment income, net	(227)	22,525	22,298	20,298
Net realized and unrealized gains on investments	(530)	23,288	22,758	187,852
Change in value of trusts	(168)	6,254	6,086	2,159
Support services revenue	7,165		7,165	7,165
UMF - Real Estate Advisors rental revenue	6,916		6,916	7,034
University Gateway Corporation revenue	4,062		4,062	4,702
Other revenue	5		5	2
Net assets released from restriction	251,824	(251,824)		
Total revenues	270,849	59,571	330,420	453,353
Expenses				
Program services				
Distributions for University purposes	202,039		202,039	210,433
Support services				
Management and general	11,233		11,233	11,086
Promotion and development	37,798		37,798	36,791
UMF - Real Estate Advisors	6,375		6,375	6,964
University Gateway Corporation	7,320		7,320	7,739
Total expenses	264,765		264,765	273,013
Increase in net assets	6,084	59,571	65,655	180,340
Net assets at beginning of year	133,958	2,824,761	2,958,719	2,778,379
Net assets at end of year	\$ 140,042	\$ 2,884,332	\$ 3,024,374	\$ 2,958,719

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

University of Minnesota
Component Units – Statements of Activities
Years ended June 30, 2020 and 2019 (in thousands)

	University of Minnesota	
	Physicians	
	Total (unrestricted)	
	2020	2019
Revenues		
Contract revenue	\$ 662,994	\$ 504,585
Patient service revenue	34,707	126,341
Investment income, net	897	1,368
Net realized and unrealized losses on investments	138	53
Loss on equity method investments	(25,525)	(15,034)
Other revenue	18,799	11,834
Total revenues	692,010	629,147
Expenses		
Program services		
Health care services	611,376	569,231
Support services		
Management and general	63,765	57,642
Total expenses	675,141	626,873
Increase in net assets	16,869	2,274
Net assets at beginning of year	100,685	98,411
Net assets at end of year	\$ 117,554	\$ 100,685

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

University of Minnesota
Consolidated Statements of Cash Flows (Excluding Component Units)
Years ended June 30, 2020 and 2019 (in thousands)

	2020	2019
Cash Flows From Operating Activities		
Grants and contracts (federal, state, nongovernmental, other)	\$ 1,006,313	\$ 956,874
Student tuition and fees	815,919	820,392
Auxiliary enterprises	403,713	455,859
Sales and services of educational activities	141,263	148,934
Other operating revenues	615	459
Payments to employees for services	(1,822,617)	(1,770,015)
Payments to suppliers for goods and services	(945,414)	(979,822)
Payments for fringe benefits	(605,232)	(591,483)
Payments for scholarships and fellowships	(62,335)	(53,027)
Loans issued to students	(6,034)	(6,583)
Collection of loans to students	14,030	12,891
Net cash used by operating activities	(1,059,779)	(1,005,521)
Cash Flows From Noncapital Financing Activities		
State appropriations	694,936	674,476
Grants for other than capital purposes	302,314	223,146
Gifts for other than capital purposes	200,505	214,402
Federal appropriations	15,873	21,287
Other nonoperating revenues, net	11,967	12,656
Private gifts for endowment purposes	30	3,664
Direct lending receipts	361,698	368,758
Direct lending disbursements	(361,806)	(368,473)
Agency transactions	(6,916)	(121)
Net cash provided by noncapital financing activities	1,218,601	1,149,795
Cash Flows From Capital and Related Financing Activities		
Capital appropriations	101,165	79,409
Proceeds from capital debt	52,500	220,301
Capital grants and gifts	17,320	20,791
Proceeds from sale of capital assets	4,215	1,630
Principal received on notes receivable	1,796	551
Interest received on notes receivable	511	455
Purchases of capital assets	(223,237)	(250,174)
Principal paid on capital debt	(97,179)	(163,485)
Interest paid on capital debt	(56,936)	(59,710)
Issuance of notes receivable	(1,831)	
Net cash used by capital and related financing activities	(201,676)	(150,232)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	9,908,540	20,185,458
Purchase of investments	(9,733,398)	(20,308,942)
Investment income, net	74,667	108,391
Net cash provided (used) by investing activities	249,809	(15,093)
Net Increase (Decrease) in Cash and Cash Equivalents	206,955	(21,051)
Cash and Cash Equivalents at Beginning of Year	467,817	488,868
Cash and Cash Equivalents at End of Year	\$ 674,772	\$ 467,817

University of Minnesota
Consolidated Statements of Cash Flows (Excluding Component Units)
Years ended June 30, 2020 and 2019 (in thousands)

	2020	2019
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used by Operating Activities		
Operating loss	\$ (1,313,803)	\$ (937,480)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	215,954	214,336
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Receivables, net	18,495	(17,022)
Inventories	(2,460)	69
Prepaid and other items	9,415	5,721
Deferred outflows of resources	244,945	272,668
Accounts payable	(11,824)	8,430
Accrued liabilities	52,948	(173,357)
Unearned income	(9,244)	(4,255)
Deferred inflows of resources	(264,205)	(374,631)
Net cash used by operating activities	<u>\$ (1,059,779)</u>	<u>\$ (1,005,521)</u>
Noncash Investing, Capital, and Financing Activities		
Capital assets on account	\$ 26,148	\$ 21,773
Realized gains on investments for stock distributions	22,645	24,654
Amortization of bond discount/premium	8,553	7,024
Contribution of capital assets	5,698	3,192
Capital assets acquired with capital lease	2,091	22,420
Net unsettled investment trades	(13,595)	5,173
Net unrealized gains (losses) on investments	(4,517)	9,782
Net gain on retirement of debt		519
Cash and Cash Equivalents at End of Year		
Cash and cash equivalents	\$ 659,943	\$ 405,247
Restricted cash and cash equivalents	14,829	62,570
Total cash and cash equivalents at end of year	<u>\$ 674,772</u>	<u>\$ 467,817</u>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

As of and for the years ended June 30, 2020 and 2019 (in thousands)

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Organization

The University of Minnesota (University) is both a state land-grant university with a strong tradition of education and public service, and a major research institution serving the state of Minnesota (the State). The University has five campuses: Crookston, Duluth, Morris, Rochester, and Twin Cities.

The University is considered a constitutional corporation and an agency of the State. As a result of this unique status, authority to govern the University is reserved to the Board of Regents (Board) rather than state law. The University complies with state law when specifically included by statute or when compliance does not conflict with the University's ability to accomplish its mission and purpose as established by the constitution of the State.

Tax Status—The Internal Revenue Service (IRS) has ruled that the University is an integral part of the State. Therefore, the University is generally exempt from federal income taxes, although certain activities are subject to federal unrelated business income tax.

Reporting Entity

The financial reporting entity for the University includes the financial results of the five campuses and, as required under Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (GASB 61), its legally separate component units. The component units are included in the University's reporting entity because of the significance of their operational or financial relationships with the University or its other component units.

Blended Component Units—The University has component units that provide services entirely for the University's own benefit. GASB 61 requires blended presentation—combining the component units and University financial information together, displayed as one entity.

RUMINCO, Ltd.

RUMINCO, Ltd. is a wholly owned single parent captive insurance company. Although it is legally separate from the University, RUMINCO, Ltd. is reported as if it were part of the University because its sole purpose is to administer medical malpractice, general liability, directors' and officers' liability, and automobile liability on behalf of the University. Coverage includes: commercial general and professional liability, non-profit organization liability, business auto liability and excess automobile liability. RUMINCO insurance agreements limit the exposure to loss on a per-occurrence and annual aggregate basis.

2515 University Ave SE, LLC

2515 University Ave SE, LLC (University Village) is a wholly owned company of the University. Although it is legally separate from the University, University Village is reported as if it were part of the University. University Village provides spacious, affordable living on the Twin Cities campus.

Discretely Presented Component Units—The University’s consolidated financial statements include the financial data of two tax-exempt component units. They are reported in separate columns on separate pages. GASB 61 requires discrete presentation of component units when either the resources held by these entities can only be used by, or for the benefit of, the University or its component units; or the component units are closely related to, or financially integrated with the University.

The University’s discretely presented component units are nonprofit organizations, organized under IRS Code Section 501(c)(3). These units report under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, and do not meet the criteria of a blended component unit. The component units’ financial data has been aggregated into like categories for presentation purposes.

University of Minnesota Foundation

The University of Minnesota Foundation (UMF) is a legally separate, tax-exempt organization dedicated to raising and managing private gifts to benefit the University. The Board of Trustees of UMF consists of between 30 and 45 members and includes the President of the University. One-fourth of the members of the Board of Trustees are appointed by the University. Although UMF is an independent organization, the majority of resources that it holds and invests, including income from its investments, are restricted by donors to the activities of the University. The factor that contributes to UMF being classified as a discretely presented component unit relates to the significant resources UMF holds on behalf of the University. The University has access to these resources.

During fiscal years 2020 and 2019, UMF distributed \$245,174 and \$248,480, respectively, to the University. Complete financial statements for UMF can be obtained from the UMF office, McNamara Alumni Center, 200 Oak Street S.E., Suite 500, Minneapolis, MN 55455.

University of Minnesota Physicians

University of Minnesota Physicians (UMP) is a legally separate, tax-exempt clinical practice organization for the faculty of the University Medical School. The Board of UMP consists of at least 25 and not more than 29 voting directors, ex-officio voting directors, and ex-officio non-voting directors. Included in the composition of UMP’s board of directors is the dean of the University Medical School, faculty, and department heads of the University Medical School totaling 19 members. Based on the University appointing a voting majority of board members, the University has the ability to impose its will on UMP, as management and direction of the business and affairs of UMP is vested in the board. As a result, this contributes to UMP being classified as a discretely presented component unit.

During fiscal years 2020 and 2019, UMP distributed \$112,717 and \$105,828, respectively, to the University. Complete financial statements for UMP can be obtained from the Chief Financial Officer, 720 Washington Ave S.E., Suite 200, Minneapolis, MN 55414.

Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which participants retain an ongoing financial interest or an ongoing financial responsibility.

2407 University Investment, LLC

The University is a participant in a joint venture, 2407 University Investment, LLC with United Properties Investment, LLC. The joint venture owns and operates a hotel and acts as a lessor of a restaurant on property adjacent to the Twin Cities campus. The joint venture also provides the University the opportunity to plan with United Properties Investment, LLC future redevelopment of the parcel of land. It is governed by a five member board of governors, for which the University shall have the right to appoint two of the governors. In addition, the University has a 49 percent membership with an equity interest of \$1,193 and \$1,458 as of June 30, 2020 and 2019, respectively. During the fiscal year ended June 30, 2014, the University provided an interest-bearing loan to the joint venture in the amount of \$8,750, which is expected to be repaid over a period of 20 years. During fiscal years 2020 and 2019, the University received \$404 and \$415, respectively, in interest income. Principal outstanding is \$8,342 and \$8,617, respectively, as of June 30, 2020 and 2019. Complete financial statements can be obtained from 2407 University Investment, LLC, c/o United Properties Investment, LLC, 3600 American Blvd, Ste. 750, Minneapolis, MN 55431.

Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles prescribed by GASB. These statements are prepared on a consolidated, entity-wide basis. All significant inter-fund balances have been eliminated upon consolidation.

Basis of Accounting

The University is considered to be a special purpose government engaged primarily in business type activities (BTA). As a BTA, the University prepares its financial statements using the accrual basis of accounting and the economic-resources-measurement focus. Under the accrual basis of accounting, revenues and expenses are recognized when earned or incurred, respectively.

Significant Accounting Policies

Cash and Cash Equivalents—For purposes of the statement of cash flows, the University defines cash and cash equivalents as highly liquid, short-term (90 days or less) investments that bear little or no market risk. The intent of the Consolidated Endowment Fund (CEF), the Group Income Pool (GIP), and the Separately Invested Funds (SIF) is long-term appreciation. Any cash balances held at the date of the statements are due to the timing of reinvesting the proceeds within the funds.

Investments—Investments are reported at fair value, which represents the price that would be received to sell the investment in an orderly transaction between market participants. The University's investments are valued using a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace in accordance with GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). Observable inputs reflect market data obtained from sources independent of the University and unobservable inputs reflect the University's own assumptions about how market participants would value the investment based on the best information available. The University uses various industry standard valuation techniques that are appropriate under the circumstances and for which sufficient information is available to determine fair value—maximizing the use of observable inputs, while minimizing the use of unobservable inputs. Purchases and sales of investments are recorded on a trade date basis. Investment income includes: interest income; realized and unrealized gains and losses; and investment related expenses.

The University may use derivative instruments for a variety of purposes. Financial futures are used to maintain investment portfolio asset allocations in accordance with institutional policy and to enhance the investment returns of certain asset classes. Forward foreign exchange contracts are used to protect against foreign currency exposure; gas commodity forward contracts are used to synthetically fix the price of other physical gas purchases used for University consumption; and interest rate swaps are used to manage the cost of debt. Financial futures and forward foreign exchange contracts are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value. The University is required to post collateral, typically U.S. Treasury bills, for derivative contracts held. Collateral required by these contracts is monitored daily and required deposits or withdrawals are made as necessary. In general, the University follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Minnesota, for donor-restricted endowments. Under UPMIFA, the Board determines the prudent amount of realized and unrealized endowment appreciation to be allocated to fund current operations. Investment of the realized or unrealized appreciation in excess of the annual spending limits is discussed in Note 2.

Inventories—Inventories held for resale are carried at the lower of cost (first-in, first-out) or market value. Other inventories are carried primarily at cost, which approximates market value.

Receivables and Student Loan Receivables, Net—Receivables and student loan receivables are shown net of estimated allowance for uncollectible accounts.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent unspent bond proceeds, which are externally restricted for the construction or purchase of buildings or other capital assets. Although these funds meet the University's definition of cash and cash equivalents, they are recorded as long-term assets, as these funds are required to be used for long-term capital projects.

Capital Assets, Net—Land, buildings, and other property are recorded at cost, if purchased or constructed or at market value on the date of gift, if received by gift or bequest. Depreciation is determined using the straight-line method, based on the estimated useful lives of the assets. Interest that qualified for interest capitalization is \$0 and \$1,268 for fiscal years 2020 and 2019, respectively. The University prospectively adopted GASB Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*, during fiscal year 2020. As a result, interest expense incurred will no longer be included in the historical cost of a capital asset.

The University entered into a direct financing lease in fiscal year 2016, related to the Clinic and Surgery Center with Fairview and UMP. The term of the lease is 30 years. The University has elected to report this under capital assets, as the University retained title to the building. The current portion of the lease is recorded as a current receivable. See Note 3 and Note 4 for additional information.

The following schedule summarizes the useful lives and capitalization thresholds:

Asset category	Useful life (in years)	Capitalization threshold
Capitalized software (intangible asset)	Shorter of legal life or 5 years	\$500,000
Licenses (intangible asset)	License term	500,000
Non income-producing intellectual property (intangible asset)	Legal life	500,000
All other intangible assets	5	500,000
Buildings and improvements	10-40	50,000
Infrastructure	10-40	50,000
Leasehold improvements	Lease term	50,000
Equipment	3-20	5,000
Direct financing lease - building	Indefinite	
Land	Indefinite	
Museums and collections	Indefinite	
Library and reference books	10	
Permanent right-of-way easements (intangible asset)	Indefinite	

Deferred Outflows of Resources—Deferred outflows of resources represent current fiscal year contributions made to the University’s participation in certain State cost-sharing, multiple employer defined benefit plans, as well as changes in actuarial assumptions and methods and differences between expected and actual experience related to the measurement of the respective plan’s net pension liability (NPL) and changes in the University’s proportionate share in the NPL. Additional information regarding pensions is discussed in Note 6. In addition, a portion of the balance is attributed to the University’s other postemployment benefits (OPEB) offered through the UPlan for changes in actuarial assumptions and methods and differences between expected and actual experience related to the measurement of the OPEB liability. Additional information regarding other postemployment benefits is discussed in Note 10. The last portion of the balance represents a loss related to the defeasance of long-term debt. Additional information regarding long-term debt is discussed in Note 5.

Unearned Income—Unearned income represents amounts received from tuition, auxiliary services, and grants and contracts prior to fiscal year-end but not yet earned.

Noncurrent Liabilities—Noncurrent liabilities represent the principal portion of bonds, notes, and capital lease obligations as well as estimated amounts of accrued compensated absences, other postemployment benefits, and other liabilities that will not be paid within the next fiscal year.

Deferred Inflows of Resources—Deferred inflows of resources represent the changes in the actuarial assumptions and methods used to calculate the NPL related to the University’s participation in the State’s cost-sharing, multiple employer defined benefit plans, as well as changes in the University’s proportionate share in the NPL. Additional information regarding pensions is discussed in Note 6. In addition, a portion of the balance is attributed to the University’s OPEB offered through the UPlan for changes in actuarial assumptions and methods and differences between expected and actual experience related to the measurement of the OPEB liability. Additional information regarding other postemployment benefits is discussed in Note 10. The last portion of the balance represents a gain related to the defeasance of long-term debt. Additional information regarding long-term debt is discussed in Note 5.

Net Position—Net position is reported in the following three components:

- **Unrestricted:** Net position that has no external restriction imposed is classified as unrestricted. Unrestricted net position may be designated for specific purposes by the Board or subject to contractual limitations, but generally are designated to fund the academic, research, and public service mission of the University.

- **Restricted:**

Expendable—Net position that is restricted for specific purposes by grantors, donors, or law is classified as restricted - expendable. Restrictions on these assets are released when the University complies with the stipulations required by the grantor, donor, or legislative act.

Nonexpendable—Net position that is required to be retained permanently by the University is classified as restricted - nonexpendable. These assets represent the principal portion (historical value) of gifts to the University's true and life endowment funds, and institutional contributions to refundable loan programs.

- **Net investment in capital assets:** Net investment in capital assets represents capital assets net of accumulated depreciation and outstanding debt used to purchase, construct, or improve such assets. If debt has been incurred but not yet expended for capital assets, these unspent proceeds are classified as restricted-expendable net position.

If both restricted and unrestricted resources are to be used for the same purpose, the resources are used in accordance with applicable instructions of the grantor, donor, or law.

Revenue Recognition—The University recognizes exchange revenue when the University receives something and gives something with essentially equal value and recognizes nonexchange revenue when the University receives something of value without directly giving something of equal value in exchange. Revenue is recognized in accordance with GASB Statement No. 34 (GASB 34), *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and GASB Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*.

Revenue and Expense Classifications—The University has classified revenues and expenses as operating or nonoperating based upon the following criteria:

- **Operating revenues:** Operating revenues result from exchange activities that contribute to the University's mission of Research and Discovery; Teaching and Learning; and Outreach and Public Service. Exchange activities are transactions where the amount received approximates the fair market value of the goods or services given up. The University considers student tuition and fees (net of scholarship allowances), most grants and contracts, interest on student loans, and sales and services of auxiliary and educational activities (net of scholarship allowances) to be exchange transactions.
- **Nonoperating revenues:** Nonoperating revenues represent nonexchange activities. The primary sources of these revenues are federal and state appropriations, gifts, capital grants, federal and state financial aid grants (such as Pell and Supplemental Educational Opportunity Grants), and other nonexchange grants and contracts. Although the University relies upon these revenue sources to fund the cost of operations, the grantor or donor is not the direct recipient of the goods or services

delivered under the grant or gift terms. Insurance recovery proceeds and legal settlements are classified as nonoperating revenues as part of other nonoperating revenues, net. Insurance recovery revenue recorded was \$1,604 and \$965 for fiscal years 2020 and 2019, respectively.

- **Operating expenses:** Operating expenses are paid to acquire or produce goods and services in return for operating revenues. The University has classified operating expenses based upon their functional classification. Operating expenses by natural classification are presented in Note 11.

During fiscal years 2020 and 2019, nonsponsored departmental research of \$251,207 and \$240,918, respectively, were recorded in both research expense and depreciation expense.

- **Nonoperating expenses:** Nonoperating expenses are incurred in the performance of activities that are not directly related to generating University operating revenues, such as interest on capital asset-related debt.

Use of Estimates—To prepare the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The COVID-19 pandemic has had a significant effect on society, the economy, and government at all levels. Actual results could differ from those estimates, including assumptions related to and the impacts of the duration and severity of the COVID-19 pandemic. The most significant areas that require the use of management’s estimates relate to investment valuations, accounts payable, receivables, allowances for uncollectible accounts, self-insurance reserves, scholarship discounts and allowances, arbitrage rebates, and vacation pay and pension accruals.

New Accounting Pronouncements

GASB has issued new accounting standards that may be applicable to the University effective in future fiscal years. During fiscal year 2020, the GASB issued GASB Statement No. 95 (GASB 95), *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective immediately for application, which provides temporary relief by allowing the option to delay implementation of certain GASB statements as a result of the COVID-19 pandemic. The effective dates below have been updated in accordance with GASB 95.

GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) when the University is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria apply to identify fiduciary component units and postemployment benefit arrangements. An activity meeting the criteria will require the University to present a statement of fiduciary net position and a statement of changes in fiduciary net position. GASB 84 also provides guidance on recognition of a liability to the beneficiaries in a fiduciary fund when the University is obligated to disburse fiduciary resources. The provisions of GASB 84 are effective for fiscal year 2021.

GASB Statement No. 87 (GASB 87), *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources (revenues) or outflows of resources (expenses) based on the payment provisions of the contract. Under GASB 87, a lessee is required to recognize a lease liability and an intangible

right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The provisions of GASB 87 are effective for fiscal year 2022.

GASB Statement No. 90 (GASB 90), *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the University’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held for fiduciary purposes or in an endowment. The provisions of GASB 90 are effective for fiscal year 2021.

GASB Statement No. 91 (GASB 91), *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice. These objectives are achieved by clarifying the definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of GASB 91 are effective for fiscal year 2023.

GASB Statement No. 92 (GASB 92), *Omnibus 2020*, enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASBs. The provisions of GASB 92 are effective for fiscal year 2022

GASB Statement No. 93 (GASB 93), *Replacement of Interbank Offered Rates (IBOR)*, addresses the accounting and financial reporting effects that result from the replacement of an IBOR as a reference rate in agreements where variable payments are made or received. The provisions of GASB 93 have effective dates of fiscal years 2021 through 2023 depending on the applicable section of GASB 93.

GASB Statement No. 94 (GASB 94), *Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements (APA)*, improves financial reporting by addressing issues related to PPPs and also provides guidance for accounting and financial reporting for APAs. GASB 94 refers to a PPP as an arrangement in which the University (the transferor) contracts with an operator to provide public services by conveying control of the right to operate and use a nonfinancial asset, such as infrastructure or other capital assets for a period of time in an exchange transaction. An APA is an arrangement in which the University would compensate an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange transaction. The provisions of GASB 94 are effective for fiscal year 2023

GASB Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements (SBITA)*, defines a SBITA; establishes that a SBITA results in a right-to use subscription assets—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and required note disclosures. The provisions of GASB 96 are effective for fiscal year 2023.

GASB Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—An Amendment of GASB Statements No. 14 and No. 85, and a Supersession of GASB Statement No. 32*, clarifies how the absence of a governing board should be considered in determining whether the University is financially accountable for purposes of evaluating potential component units and modifies the applicability of certain component unit criteria as they relate to defined contribution pension and OPEB plans and other employee benefit plans. GASB

97 also establishes accounting and financial reporting requirements for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans and modifies the investment valuation requirements for all Section 457 plans. GASB 97 is substantially effective for fiscal year 2022 with one immediate application in fiscal year 2020 with no financial statement impact to the University.

Management is in the process of evaluating whether these GASB statements will be applicable to the University and the impact these statements may have on the University's consolidated financial statements.

2. Cash and Investments

Summary

The University maintains centralized management of substantially all of its cash and investments which are held in several investment pools. Each pool has a specific set of guidelines designed to meet its respective investment objectives within risk parameters established for that pool. Securities held in these portfolios are exposed to various types of risk such as credit, interest rates, foreign currency and other capital market risks. Material changes in the value of securities subsequent to June 30, 2020 could affect the market values reported in the consolidated financial statements.

The following table summarizes cash and investments, including RUMINCO, Ltd., a wholly-owned captive insurance company as of June 30, 2020:

	Temporary Investment Pool	Consolidated Endowment Fund	Group Income Pool	Separately Invested Funds and Other	Invested Assets Related to Indebtedness	RUMINCO, Ltd. Insurance Subsidiary	Total
Cash and cash equivalents	\$ 653,856	\$ 5,233	\$ 465			\$ 389	\$ 659,943
Short-term investments	125,255	17,177	1,301				143,733
Total current assets	779,111	22,410	1,766			389	803,676
Restricted cash and cash equivalents					\$ 14,829		14,829
Long-term investments							
Fixed income	407,589	278,890	67,624			15,459	769,562
Public equity		308,246				35,453	343,699
Private capital		629,112		\$ 8,560			637,672
Inflation hedges		130,021					130,021
Other	12,926	116,678		10			129,614
Total noncurrent investments	420,515	1,462,947	67,624	8,570		50,912	2,010,568
Total cash and investments	\$ 1,199,626	\$ 1,485,357	\$ 69,390	\$ 8,570	\$ 14,829	\$ 51,301	\$ 2,829,073

The following table summarizes cash and investments, including RUMINCO, Ltd., a wholly-owned captive insurance company as of June 30, 2019:

	Temporary Investment Pool	Consolidated Endowment Fund	Group Income Pool	Separately Invested Funds and Other	Invested Assets Related to Indebtedness	RUMINCO, Ltd. Insurance Subsidiary	Total
Cash and cash equivalents	\$ 383,976	\$ 20,670	\$ 505			\$ 96	\$ 405,247
Short-term investments	253,695	17,034	889				271,618
Total current assets	637,671	37,704	1,394			96	676,865
Restricted cash and cash equivalents					\$ 62,570		62,570
Long-term investments							
Fixed income	484,697	306,357	64,035			16,773	871,862
Public equity		357,069				34,676	391,745
Private capital		523,989		\$ 8,402			532,391
Inflation hedges		141,254					141,254
Other		115,827		13		90	115,930
Total noncurrent investments	484,697	1,444,496	64,035	8,415		51,539	2,053,182
Total cash and investments	\$ 1,122,368	\$ 1,482,200	\$ 65,429	\$ 8,415	\$ 62,570	\$ 51,635	\$ 2,792,617

Fair Value Measurements

GASB 72 establishes the framework for measuring investments at fair value and associated hierarchy that categorizes the valuation inputs. In accordance with GASB 72, the University has categorized its investments based on the priority of the inputs into a three-level fair value hierarchy.

Fair Value Hierarchy—The three levels of the fair value hierarchy are described below:

- **Level 1:** Inputs for quoted prices (unadjusted) for identical investments in active markets that the University can access at June 30.
- **Level 2:** Inputs, other than quoted prices included within Level 1, that are observable for an investment.
- **Level 3:** Inputs that are unobservable for an investment.

The hierarchy gives the highest priority to Level 1 inputs and lowest priority to Level 3 inputs. If a price for an identical investment is not observable, the University measures fair value using a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

Per GASB 72, in instances where the University does not have a readily determinable fair value, the University is permitted to establish fair value by using the net asset value (NAV) per share (or its equivalent) if it is calculated in a manner that is consistent with FASB measurement principles for investment companies.

The following table summarizes investments according to the fair value hierarchy and NAV as of June 30, 2020:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Fixed income				
US agency		\$ 309,933		\$ 309,933
US Treasury		45,284		45,284
Corporate Bonds		39,896		39,896
Mortgage-backed securities		66,161		66,161
Return generating fixed income	\$ 15,446	25,678		41,124
Risk mitigating fixed income	82,791			82,791
Listed equity				
Global developed equity	72,059			72,059
Diversifiers	29,402	17,188		46,590
Private capital			\$ 8,560	8,560
Other	13,991	12,936		26,927
Total	213,689	517,076	8,560	739,325
Investments measured at net asset value (NAV)				1,414,976
Total investments				<u>\$ 2,154,301</u>

The following table summarizes investments according to the fair value hierarchy and NAV as of June 30, 2019:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Fixed income				
US agency		\$ 317,495		\$ 317,495
US Treasury		274,137		274,137
Mortgage-backed securities		79,569		79,569
Return generating fixed income	\$ 61,294	23,741		85,035
Risk mitigating fixed income	76,811			76,811
Listed equity				
Global developed equity	108,656			108,656
Diversifiers	30,342	17,042		47,384
Private capital			\$ 8,402	8,402
Other	3,219	2,693		5,912
Total	280,322	714,677	8,402	1,003,401
Investments measured at net asset value (NAV)				1,321,399
Total investments				<u>\$ 2,324,800</u>

GASB 72 also requires additional disclosure information related to investments valued using NAV.

The following table summarizes NAV investments as of June 30, 2020:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private capital	\$ 629,112	\$ 230,504	None or monthly	None; 1 day
Fixed income	310,930	91,493	None or annually	None; 60 days
Global equity	199,029		Monthly, quarterly, or semi-annually	1, 2, 30, 45, or 60 Days
Hedge fund	115,904		None, monthly, quarterly, semi-annually, or annually	None; 20, 30, 45, 60, 65, 75, or 90 Days
Real estate	47,152	20,573	None	None
Natural resources	51,499	17,137	None	None
Other	61,350	17,070	None, daily, weekly, or quarterly	None; 2 days, 5 days, or 45 Days
Total	\$ 1,414,976	\$ 376,777		

The following table summarizes NAV investments as of June 30, 2019:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private capital	\$ 520,771	\$ 219,034	None	None
Fixed income	209,034	90,223	None, monthly, or annually	None; 15 or 60 days
Global equity	208,645		Monthly	1 day, 2 days, or 30 days
Hedge fund	115,828		None, semi-monthly, monthly, quarterly, semi-annually, or annually	None; 20, 30, 45, 60, 65, 75, or 90 days
Real estate	67,617	27,151	None or quarterly	None or 30 days
Natural resources	57,300	15,238	None	None
Other	142,204	18,542	None, daily, weekly, or quarterly	None; 2 days, 5 days, or 45 days
Total	\$ 1,321,399	\$ 370,188		

Private Capital—This category includes investments in private capital funds, generally through limited partnerships that invest in private companies and venture capital. These investments cannot be redeemed at the University’s discretion. It is estimated that the underlying assets of the fund would be liquidated over time.

Fixed Income—This category includes investments in private funds that invest in debt securities. Distributions from each fund are received when the underlying investments in the funds generate distributable cash flows or when the underlying investments are liquidated.

Global Equity—This category includes investments in funds that invest in listed equity securities of companies. Distributions from each fund are received when the underlying investments in the funds generate distributable cash flows or when the underlying investments are sold. The managers of the funds have the flexibility to change their exposure based on their view of particular securities, and the overall market.

Hedge Funds—This category includes investments in hedge funds that invest in equity and debt. Debt securities include corporate debt, mortgage debt, and derivative securities. The managers of the funds have the flexibility to change their exposure based on their view of particular securities, and the overall market. Some of these investments have lock-up and / or gate provisions that restrict the University’s ability to redeem these investments.

Real Estate—This category includes investments in real asset funds that invest in real estate.

Natural Resources—This category includes investments in funds that invest in energy firms and forestry product firms. Distributions from each fund are received when the underlying investments in the funds generate distributable cash flows or when the underlying investments are liquidated. It is estimated that the underlying assets of the fund would be liquidated over time.

Other Investments—This category includes investments in other pooled fund interests.

Authorizations

The Board establishes the investment policies and objectives for all University funds. RUMINCO, Ltd., a wholly-owned captive insurance company, has a separate Board of Directors that establishes the investment policies and objectives for its reserves. Guidelines to manage the investment pools are described below:

Temporary Investment Pool (TIP)—Short-Term Reserves—The TIP funds are intended to meet the current obligations of the University. The investment objectives for the TIP are to maximize current income and investment returns, maintain sufficient liquidity for University operations, and provide backup liquidity for certain University short-term or variable-rate debt obligations. The pool may invest in money market funds, corporate obligations, and U.S. government and agency securities, within specified credit quality and term constraints.

The Board's Investment of Reserves policy allows for up to 30 percent of the pool to be invested in the Consolidated Endowment Fund (CEF) or other illiquid fixed income securities. As of June 30, 2020 and 2019, the market value of the TIP assets invested in the CEF was \$143,330 and \$144,106, respectively. These assets are reported in the total cash and investments of the CEF. In addition, the Investment of Reserves policy guidelines include the following: average duration of four years or less for the entire pool and maximum duration of seven years for any individual holding; average credit quality of A1/A+ or better; no use of leverage; and credit ratings of investment grade defined as Baa3/BBB- or better by Moody's or Standard & Poor's. Retention of a lower rated security requires approval by the President or delegate with notification to the Board.

As of June 30, 2020 and 2019, the Standard & Poor's credit rating for instruments held in TIP was AA-.

Consolidated Endowment Fund (CEF)—The CEF represents the pooling of funds from both public and private sources for which donor intent, law, or institutional decree determines the principal amount that must be invested in perpetuity or other specified time frames. The funds are invested to achieve an inflation-adjusted rate of return, after expenses are deducted, that exceeds the current payout rate of 4.5 percent of the average of the endowment's trailing month-end market values for the prior 60 months. The Board reserves the authority to approve asset allocation ranges for this pool. For fiscal years ended June 30, 2020 and 2019, \$62,461 and \$60,508, respectively, was made available for departmental spending.

Minnesota State Chapter 309, Section 745, governs the expenditure or accumulation of endowment funds. An institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent.

The University makes distributions from the CEF for activities targeted by the individual endowments. When the CEF investment return is less than the payout rate, accumulated capital gains are used to supplement the distribution payout to meet the spending policy. If investment income exceeds the amount needed for distribution the excess remains as a capital gain in the respective endowment.

The CEF is a diversified portfolio that utilizes external investment managers. The CEF assets are held in separately managed accounts, commingled pools, and limited partnerships (LP). Each of these fund structures has different risk and return characteristics and different liquidity characteristics. LP investments are privately negotiated transactions with very restricted liquidity. LPs are required to conduct an external audit annually in accordance with the FASB or the International Accounting Standards Board.

Group Income Pool (GIP)—Long-Term Reserves—The GIP represents assets invested for the benefit of various University units for long-term capital purposes. The investment objective of the GIP is to maximize the total investment return while preserving capital balances until such time as the principal is required to fund the intended use. The GIP is invested in fixed-income funds through external investment managers. Additionally, up to 50 percent of the pool can be invested in the CEF. As of June 30, 2020 and 2019, the fair value of the GIP assets invested in the CEF was \$15,064 and \$15,772, respectively. These assets are reported in the total cash and investments of the CEF.

Separately Invested Funds (SIF) and Other—The SIF primarily represents investments in private equity companies that were acquired through University-developed technology, as well as investments in start-up companies through the University’s Discovery Capital Investment Program.

Invested Assets Related to Indebtedness—Invested Assets Related to Indebtedness are internally managed and held in custodial accounts. These assets are invested in high quality, short-term fixed income securities until needed for capital projects for which the debt was issued.

Regents of the University of Minnesota Insurance Company, Ltd. (RUMINCO)—RUMINCO is a wholly-owned captive insurance company (Notes 1 and 9) whose principal activities are the insurance of certain risks to the University. The investment objectives for the liability reserves, which cover specific known and expected claims, are capital preservation and near-term liquidity. The investment objectives for the capital surplus in excess of the liability reserves are to maximize the total return within acceptable risk parameters and to achieve at least 400 basis points of return above the inflation rate over multiple year periods.

Components of the Net Investment Income—Components of the net investment income, net include interest, dividends, realized and unrealized gains or losses and all changes in fair market value on investments. Investment income is current year investment income that could include net increases or decreases in fair market values of investments from prior years.

Investment Risks

Credit and Interest Rate Risk—Credit risk is the risk that company specific events may cause a bond issuer to default, which results in a failure to repay principal or interest owed to the University in a timely manner. The Board’s Investment of Reserves policy affecting the assets of the TIP limits investments in fixed income instruments to those with credit ratings of investment grade as a means of managing its exposure to market value losses arising from credit deterioration or defaults.

Interest rate risk is the risk that changes in interest rates will adversely affect the market value of the University’s fixed income investments. The Board’s Investment of Reserves policy affecting assets in the TIP limits investment duration as a means of managing its exposure to market value losses arising from increasing interest rates.

The following table summarizes the TIP, CEF, GIP, and RUMINCO credit and interest rate exposures as of June 30, 2020:

Fixed income securities	Value	Maturity (years)	AA or better	BBB to A	BB or lower	Not rated
Cash & equivalents	\$ 240,293		100	%		
Mortgage-backed securities	66,161	15.9	100			
US agency	309,934	1.5	100			
US Treasury	45,284	0.9	100			
Corporate Bonds	39,896	2.5	100			
Mutual funds	209,651	5.2	70	23 %	7 %	
Total marketable fixed income securities	911,219	3.0				
Private fixed income securities	232,617					
Total fixed income securities	\$ 1,143,836					

The following table summarizes the TIP, CEF, GIP, and RUMINCO credit and interest rate exposures as of June 30, 2019:

Fixed income securities	Value	Maturity (years)	AA or better	BBB to A	BB or lower	Not rated
Cash & equivalents	\$ 231,439		100	%		
Mortgage-backed securities	79,569	16.9	100			
US agency	317,495	2.1	100			
US Treasury	274,136	1.0	100			
Mutual funds	274,753	5.8	58	22 %	20 %	
Total marketable fixed income securities	1,177,392	3.3				
Private fixed income securities	177,458					
Total fixed income securities	\$ 1,354,850					

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the exposure of the University’s investment in a single issuer. The Board’s Endowment Fund policy prohibits investing directly in individual issuers in the CEF and places limits on exposures to individual managers and funds. The Board’s Investment of Reserves policy places limits on concentrations to a single corporate issuer in the TIP of no more than 5 percent. As of June 30, 2020, and 2019, all securities held in the pools were in compliance with policy guidelines.

Foreign Currency Risk—The University invests in foreign currency denominated assets. Fluctuations in exchange rates may adversely affect the fair market value of such investments when expressed in US dollar equivalents.

The following table summarizes the University's exposure to foreign currency risk, stated in U.S. dollar equivalents, as of June 30, 2020 and 2019:

Investment Type	Foreign Currency	Market Value 2020	Market Value 2019
Equity/Debt/RE	Euro	\$ 36,017	\$ 52,739
Equity	British Pound Sterling	15,596	26,705
Equity	Japanese Yen		26,726
Equity/Debt	Hong Kong Dollar		6,176
Equity	Australian Dollar		6,097
Equity	Canadian Dollar		3,992
Equity/Debt	Swedish Krona		3,922
Equity	Israeli Shekel		2,176
Equity	Singapore Dollar		1,894
Equity	South Korean Won		1,470
Equity	Swiss Franc		1,371
Equity	New Taiwan Dollar		1,080
Equity	Norwegian Krone		926
Equity	New Zealand Dollar		757
Equity/Debt	Malaysian Ringgit		380
Equity	Danish Krone		369
Equity	South African Rand		276
Equity/Debt	Mexican Peso		215
Equity	Brazilian Real		187
Equity	Thailand Baht		130
Equity/Debt	Turkish Lira		117
Equity	Qatari rial		115
Equity	Indonesian Rupiah		80
Equity	Polish Zloty		6
Total		\$ 51,613	\$ 137,906

Financial Institution Credit Risk

Deposits—Depository credit risk is the risk that in the event of a bank failure, the University's deposits may not be recovered. Deposits held in noninterest-bearing transaction accounts are now aggregated with any interest-bearing deposits that are held in the same ownership category, and the FDIC insured amount is \$250. As of June 30, 2020, the University's bank balances of \$124,005 were uninsured and uncollateralized and as of June 30, 2019 the University's bank balances of \$176,429 were uninsured and uncollateralized.

Investment Securities—Custodial credit risk is the risk that, in the event of failure of the counterparty, the University may not be able to recover the value of its investments held in custodial accounts. As of June 30, 2020 and 2019, the market value of cash and cash equivalents and investments held in the custodial accounts was \$714,494 and \$738,392 in TIP; \$77,332 and \$134,483 in CEF; and \$26,519 and \$23,741 in GIP, respectively.

3. Other Asset and Liability Information

Receivables, net, and student loans receivable as of June 30, 2020, consisted of the following:

	Current	Noncurrent	Total
State and federal appropriations	\$ 7,040		\$ 7,040
Sponsored grants and contracts	93,822		93,822
Notes receivable	1,481	\$ 9,920	11,401
Student receivables	27,825		27,825
Trade receivables	170,195		170,195
Accrued interest	914		914
Other	40,676		40,676
Allowance for uncollectible accounts	(10,202)		(10,202)
Total receivables, net	\$ 331,751	\$ 9,920	\$ 341,671
Student loans receivable	12,792	53,474	66,266
Allowance for uncollectible accounts	(3,555)	(535)	(4,090)
Student loans receivable, net	\$ 9,237	\$ 52,939	\$ 62,176

Accrued liabilities as of June 30, 2020, consisted of the following:

	Current	Noncurrent	Total
Trade liabilities	\$ 17,325		\$ 17,325
Compensation and benefits	254,913	\$ 250,310	505,223
Self-insurance reserves	49,030	6,804	55,834
Accrued interest	16,150		16,150
Refundable advances		49,332	49,332
Other	59,963	13,270	73,233
Total accrued liabilities	\$ 397,381	\$ 319,716	\$ 717,097

Activity for certain liabilities consisted of the following as of June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated balances	\$ 479,127	\$ 235,274	\$ (209,178)	\$ 505,223	\$ 254,913
Self-insurance reserves (see Note 9)	59,557	310,409	(314,132)	55,834	49,030
Refundable advances	56,190		(6,858)	49,332	
Other	44,521	73,233	(44,521)	73,233	59,963

Receivables, net, and student loans receivable as of June 30, 2019, consisted of the following:

	Current	Noncurrent	Total
State and federal appropriations	\$ 5,767		\$ 5,767
Sponsored grants and contracts	102,691		102,691
Notes receivable	1,278	\$ 11,266	12,544
Student receivables	28,306		28,306
Trade receivables	183,153		183,153
Accrued interest	2,926		2,926
Other	49,216	3	49,219
Allowance for uncollectible accounts	(13,658)		(13,658)
Total receivables, net	\$ 359,679	\$ 11,269	\$ 370,948
Student loans receivable	12,752	59,936	72,688
Allowance for uncollectible accounts	(3,406)	(599)	(4,005)
Student loans receivable, net	\$ 9,346	\$ 59,337	\$ 68,683

Accrued liabilities as of June 30, 2019, consisted of the following:

	Current	Noncurrent	Total
Trade liabilities	\$ 20,184		\$ 20,184
Compensation and benefits	212,469	\$ 266,658	479,127
Self-insurance reserves	48,321	11,236	59,557
Accrued interest	15,735		15,735
Refundable advances		56,190	56,190
Other	31,209	13,312	44,521
Total accrued liabilities	\$ 327,918	\$ 347,396	\$ 675,314

Activity for certain liabilities consisted of the following as of June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated balances	\$ 1,373,715	\$ 230,576	\$ (1,125,165)	\$ 479,127	\$ 212,469
Self-insurance reserves (see Note 9)	55,336	308,041	(303,820)	59,557	48,321
Refundable advances	54,744	1,446		56,190	
Other	43,080	44,521	(43,080)	44,521	31,209

4. Capital Assets

Capital assets, net as of June 30, 2020, consisted of the following:

	Beginning Balance	Additions	Transfers	Retirements & Reductions	Ending Balance
Depreciable / amortizable capital assets					
Buildings and improvements	\$ 4,515,614	\$ 17,593	\$ 210,430	\$ (11,826)	\$ 4,731,811
Leasehold improvements	16,781		3,766	(350)	20,197
Equipment	805,476	67,033	(367)	(15,594)	856,548
Infrastructure	464,994		6,402	(68)	471,328
Library and reference books	171,102	3,839			174,941
Capitalized software (intangible asset)	184,576	14,386			198,962
All other intangible assets	6,903				6,903
Total depreciable / amortizable capital assets	6,165,446	102,851	220,231	(27,838)	6,460,690
Non-depreciable / amortizable capital assets					
Land	187,316	42,691		(206)	229,801
Direct financing lease - building	155,272			(2,991)	152,281
Museums and collections	91,534	6,170	9		97,713
Construction in progress	174,429	83,689	(220,240)		37,878
Permanent right-of-way easements (intangible asset)	5				5
Total non-depreciable / amortizable capital assets	608,556	132,550	(220,231)	(3,197)	517,678
Accumulated depreciation / amortization					
Buildings and improvements	(2,284,188)	(132,575)	15	10,619	(2,406,129)
Leasehold improvements	(13,934)	(819)		350	(14,403)
Equipment	(612,687)	(55,472)		13,813	(654,346)
Infrastructure	(322,040)	(14,924)	(15)	68	(336,911)
Library and reference books	(137,634)	(3,704)			(141,338)
Capitalized software (intangible asset)	(162,230)	(8,352)			(170,582)
All other intangible assets	(6,795)	(108)			(6,903)
Total accumulated depreciation / amortization	(3,539,508)	(215,954)		24,850	(3,730,612)
Capital assets, net	\$ 3,234,494	\$ 19,447		\$ (6,185)	\$ 3,247,756
Summary					
Depreciable / amortizable capital assets	\$ 6,165,446	\$ 102,851	\$ 220,231	\$ (27,838)	\$ 6,460,690
Non-depreciable / amortizable capital assets	608,556	132,550	(220,231)	(3,197)	517,678
Total capital assets	6,774,002	235,401		(31,035)	6,978,368
Less accumulated depreciation / amortization	(3,539,508)	(215,954)		24,850	(3,730,612)
Capital assets, net	\$ 3,234,494	\$ 19,447		\$ (6,185)	\$ 3,247,756

Capital assets, net as of June 30, 2019, consisted of the following:

	Beginning Balance	Additions	Transfers	Retirements & Reductions	Ending Balance
Depreciable / amortizable capital assets					
Buildings and improvements	\$ 4,411,200	\$ 40,052	\$ 64,362		\$ 4,515,614
Leasehold improvements	16,315		466		16,781
Equipment	789,077	49,890	1,200	\$ (34,691)	805,476
Infrastructure	458,250		6,804	(60)	464,994
Library and reference books	166,666	4,436			171,102
Capitalized software (intangible asset)	179,637	4,939			184,576
All other intangible assets	6,903				6,903
Total depreciable / amortizable capital assets	6,028,048	99,317	72,832	(34,751)	6,165,446
Non-depreciable / amortizable capital assets					
Land	162,735	24,904		(323)	187,316
Direct financing lease - building	158,170			(2,898)	155,272
Museums and collections	88,138	3,407	5	(16)	91,534
Construction in progress	105,616	141,650	(72,837)		174,429
Permanent right-of-way easements (intangible asset)	3	2			5
Total non-depreciable / amortizable capital assets	514,662	169,963	(72,832)	(3,237)	608,556
Accumulated depreciation / amortization					
Buildings and improvements	(2,155,015)	(129,173)			(2,284,188)
Leasehold improvements	(13,205)	(729)			(13,934)
Equipment	(591,877)	(52,975)		32,165	(612,687)
Infrastructure	(307,747)	(14,349)		56	(322,040)
Library and reference books	(132,711)	(4,923)			(137,634)
Capitalized software (intangible asset)	(150,338)	(11,892)			(162,230)
All other intangible assets	(6,500)	(295)			(6,795)
Total accumulated depreciation / amortization	(3,357,393)	(214,336)		32,221	(3,539,508)
Capital assets, net	\$ 3,185,317	\$ 54,944		\$ (5,767)	\$ 3,234,494
Summary					
Depreciable / amortizable capital assets	\$ 6,028,048	\$ 99,317	\$ 72,832	\$ (34,751)	\$ 6,165,446
Non-depreciable / amortizable capital assets	514,662	169,963	(72,832)	(3,237)	608,556
Total capital assets	6,542,710	269,280		(37,988)	6,774,002
Less accumulated depreciation / amortization	(3,357,393)	(214,336)		32,221	(3,539,508)
Capital assets, net	\$ 3,185,317	\$ 54,944		\$ (5,767)	\$ 3,234,494

5. Long-Term Debt

Long-term debt as of June 30, 2020, consisted of the following:

	Original issued amount (par)	Fiscal year issued	Coupon rates	Due at various dates through fiscal year	FY 2020 beginning balance	Additions	Reductions	FY 2020 ending balance	Current portion
General obligation bonds									
Series 2019A (tax-exempt)	\$ 104,215	2019	5.00%	2044	\$ 104,215		\$ 2,855	\$ 101,360	\$ 2,275
Series 2019B (tax-exempt)	51,240	2019	5.00%	2030	51,240		1,525	49,715	1,460
Series 2019C (taxable)	20,000	2019	2.466%-3.621%	2044	20,000		470	19,530	555
Series 2017A (tax-exempt)	117,095	2018	2.00%-5.00%	2043	114,510		2,690	111,820	2,810
Series 2017B (tax-exempt)	292,955	2018	2.00%-5.00%	2037	222,470		21,515	200,955	22,320
Series 2017C (taxable)	13,240	2018	1.375%-2.915%	2029	11,060		1,000	10,060	1,020
Series 2016A (tax-exempt)	122,475	2016	3.00%-5.00%	2041	114,150		3,045	111,105	3,205
Series 2015B (taxable)	10,110	2016	0.799%-4.039%	2032	8,520		545	7,975	560
Series 2014B (tax-exempt)	145,760	2015	2.00%-5.00%	2044	137,100		3,040	134,060	3,160
Series 2013D (taxable)	12,760	2014	0.60%-4.848%	2039	11,100		370	10,730	380
Series 2013B (taxable)	13,780	2013	2.60%-3.75%	2038	11,430		445	10,985	460
Series 2013A (tax-exempt)	73,570	2013	2.00%-5.00%	2038	61,785		2,195	59,590	2,285
Series 2011C (taxable)	19,335	2012	0.90%-4.56%	2037	15,725		605	15,120	625
Series 2010B (taxable)	41,720	2011	0.74%-5.02%	2036	31,390		1,445	29,945	1,480
Commercial paper notes									
Series A (tax-exempt)	159,100	2006	0.20%-0.22%	2021	54,000		16,000	38,000	38,000
Series B (tax-exempt)	61,000	2007	0.20%-0.22%	2021	24,800		3,100	21,700	21,700
Series C (tax-exempt)	70,000	2008	0.16%-0.18%	2021	29,500		3,500	26,000	26,000
Series D (tax-exempt)	25,000	2010	0.18%	2021	12,128		100	12,028	12,028
Series E (taxable)	51,620	2015	0.17%-0.24%	2021	45,020		2,200	42,820	42,820
Series F (tax-exempt)	50,100	2017	0.18%-0.20%	2021	46,100		2,000	44,100	44,100
Series G (tax-exempt)	33,372	2018	0.18%-0.20%	2021	33,372		7,925	25,447	25,447
Series I (taxable)	64,000	2019	0.20%-0.28%	2021	5,000	\$ 48,000		53,000	53,000
Infrastructure development bonds	109,234	1995-2006	3.55%-5.29%	2025	6,142		2,095	4,047	1,722
Note Payable	4,500	2020	1.90%	2025		4,500		4,500	
Special purpose revenue bonds									
Series 2015A (tax-exempt)	90,075	2016	2.00%-5.00%	2032	75,750		5,245	70,505	5,515
Series 2013C (tax-exempt)	35,395	2014	2.00%-5.00%	2039	31,510		975	30,535	1,025
Series 2011B (tax-exempt)	52,485	2012	3.00%-5.00%	2037	44,170		1,565	42,605	1,640
Series 2010A (tax-exempt)	111,400	2011	3.00%-5.00%	2036	90,180		3,550	86,630	3,715
Unamortized premiums and discounts	181,181	2009-2020		2045	157,138		8,553	148,585	8,553
Capital leases and other		1999-2020	2.78%-4.21%	2028	43,977	2,091	7,180	38,888	6,668
Total	\$ 2,136,717				\$ 1,613,482	\$ 54,591	\$ 105,733	\$ 1,562,340	\$ 334,529

Long-term debt as of June 30, 2019, consisted of the following:

	Original issued amount (par)	Fiscal year issued	Coupon rates	Due at various dates through fiscal year	FY 2019 beginning balance	Additions	Reductions	FY 2019 ending balance	Current portion
General obligation bonds									
Series 2019A (tax-exempt)	\$ 104,215	2019	5.00%	2044		\$ 104,215		\$ 104,215	\$ 2,855
Series 2019B (tax-exempt)	51,240	2019	5.00%	2030		51,240		51,240	1,525
Series 2019C (taxable)	20,000	2019	2.466%-3.974%	2044		20,000		20,000	470
Series 2017A (tax-exempt)	117,095	2018	2.00%-5.00%	2043	\$ 117,095		\$ 2,585	114,510	2,690
Series 2017B (tax-exempt)	292,955	2018	2.00%-5.00%	2037	255,770		33,300	222,470	21,515
Series 2017C (taxable)	13,240	2018	1.375%-2.915%	2029	12,045		985	11,060	1,000
Series 2016A (tax-exempt)	122,475	2016	3.00%-5.00%	2041	117,050		2,900	114,150	3,045
Series 2015B (taxable)	10,110	2016	0.799%-4.039%	2032	9,055		535	8,520	545
Series 2014B (tax-exempt)	145,760	2015	2.00%-5.00%	2044	140,080		2,980	137,100	3,040
Series 2013D (taxable)	12,760	2014	0.60%-4.848%	2039	11,465		365	11,100	370
Series 2013B (taxable)	13,780	2013	2.60%-3.75%	2038	11,860		430	11,430	445
Series 2013A (tax-exempt)	73,570	2013	2.00%-5.00%	2038	63,915		2,130	61,785	2,195
Series 2011C (taxable)	19,335	2012	0.90%-4.56%	2037	16,310		585	15,725	605
Series 2010B (taxable)	41,720	2011	0.74%-5.02%	2036	32,800		1,410	31,390	1,445
Series 2010D (taxable)	27,200	2010	3.86%-5.768%	2030	23,980		23,980		
Series 2009D (taxable)	37,330	2009	6.30%	2029	37,330		37,330		
Commercial paper notes									
Series A (tax-exempt)	159,100	2006	1.42%-1.44%	2020	68,000		14,000	54,000	54,000
Series B (tax-exempt)	61,000	2007	1.75%-1.85%	2020	27,900		3,100	24,800	24,800
Series C (tax-exempt)	70,000	2008	1.42%-1.45%	2020	33,000		3,500	29,500	29,500
Series D (tax-exempt)	25,000	2010	1.75%	2020	14,300		2,172	12,128	12,128
Series E (taxable)	51,620	2015	2.38%-2.47%	2020	47,220		2,200	45,020	45,020
Series F (tax-exempt)	50,100	2017	1.50%	2020	48,100		2,000	46,100	46,100
Series G (tax-exempt)	33,372	2018	1.42%	2020	32,000	1,372		33,372	33,372
Series H (tax-exempt)	57,627	2019		2020		57,627	57,627		
Series I (taxable)	16,000	2019	2.47%	2020		16,000	11,000	5,000	5,000
Infrastructure development bonds	109,234	1995-2006	3.55%-5.29%	2025	8,534		2,392	6,142	2,095
Special purpose revenue bonds									
Series 2015A (tax-exempt)	90,075	2016	2.00%-5.00%	2032	80,745		4,995	75,750	5,245
Series 2013C (tax-exempt)	35,395	2014	2.00%-5.00%	2039	32,440		930	31,510	975
Series 2011B (tax-exempt)	52,485	2012	3.00%-5.00%	2037	45,660		1,490	44,170	1,565
Series 2010A (tax-exempt)	111,400	2011	3.00%-5.00%	2036	93,555		3,375	90,180	3,550
Unamortized premiums and discounts	180,848	2009-2018		2044	133,525	30,460	6,847	157,138	8,554
Capital leases and other		1999-2019	2.98%-4.28%	2028	28,056	22,420	6,499	43,977	6,470
Total	\$ 2,206,041				\$ 1,541,790	\$ 303,334	\$ 231,642	\$ 1,613,482	\$ 320,119

General Obligation Bonds

On May 21, 2019, the University issued General Obligation (GO) Bonds, Series 2019A, GO Refunding Bonds, Series 2019B, and GO Taxable Bonds, Series 2019C.

The Series 2019A was issued in the par amount of \$104,215 at coupon rates of 5.0 percent with a premium of \$21,041. Proceeds of \$57,627 were used to refund the Commercial Paper (CP) Series H outstanding. The remaining proceeds are being used to finance costs of issuance and fund portions of capital projects. Capital projects being financed include the Pioneer Hall Project; the construction of the Health Science Education Center; renovation of existing space on the third and fourth floors of the Biological Sciences Center; and a new greenhouse addition to the Plant Growth Facilities for the College of Biological Sciences—all on the Twin

Cities campus—and the construction of the Chemistry and Advanced Materials Science Building located on the Duluth campus.

The Series 2019B was issued in the par amount of \$51,240 at coupon rates of 5.0 percent with a premium of \$9,419 to current refund and defease the University's GO Taxable Bonds Series 2009D and advance refund and defease the University's GO Taxable Bonds Series 2010D. A gain of \$519 was recognized on the transaction. Debt service savings totaling a net present value of \$6,806, calculated using a discount rate of 2.257 percent to the date of refunding, will be realized over the life of the bond series.

A portion of the net proceeds of the Series 2019B was used for costs of issuance and to redeem the outstanding Series 2009D bonds on June 1, 2019. The remaining portion of the net proceeds were deposited in an escrow account to pay the principal and interest due on the Series 2010D bonds and to pay the redemption price of the refunded bonds on its redemption date of February 1, 2020.

The Series 2019C was issued in the par amount of \$20,000 at coupon rates of 2.466 – 3.974 percent. Proceeds of \$11,000 were used to refund a portion of CP Series I outstanding with the remaining \$9,000 to be used for various capital projects and costs of issuance.

The University previously had three series of Build America Bonds (BABs) – Direct Payment to Issuer outstanding: Series 2009B, Series 2010D and Series 2010B, whereby the University expected to receive a 35 percent annual interest subsidy from the Federal Government for the life of the bonds. The Series 2009B and Series 2010D were defeased in May 2019, and the Series 2010B is the only remaining outstanding BAB. Due to the implementation of federal sequestration effective with the subsidy payment received beginning June 1, 2013, the subsidies received have been reduced by 5.9 percent and 6.2 percent in the federal fiscal years ending September 30, 2020 and 2019, respectively. Interest payments for the remaining outstanding BAB, Series 2010B, are due August 1 and February 1.

All GO bonds are secured by the full faith and credit of the University and subject to mandatory sinking fund requirements set forth in the prospectuses.

Special Purpose Revenue Bonds

The University issued Special Purpose Revenue Refunding Bonds, Series 2015A to defease the Special Purpose Revenue Bonds (SPRB), Series 2006 that were originally issued to fund a portion of the TCF Bank Stadium. The amended 2015 Minnesota Session Laws authorized the refunding of the Series 2006 bonds and also provided that upon refunding, annual payments from the state of Minnesota will be the maximum annual appropriation of \$10,250 to reimburse the University for the annual debt service on these bonds and on the Series 2015B GO Taxable Bonds, and for other University purposes.

The University issued three series of SPRBs for the State Supported Biomedical Science Research Facilities Funding Program in fiscal years 2011, 2012 and 2014. The proceeds were used to fund a portion of the costs of construction of one or more biomedical science research facilities. State legislation provides for an annual appropriation to reimburse the University for the annual debt service on these bonds.

Commercial Paper Notes

On October 12, 2017, the Board authorized a revolving CP facility through which the University may issue tax-exempt and taxable CP Notes for short or long-term financing of capital projects, including the purchase of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment.

The aggregate principal amount outstanding under the facility shall not exceed \$400,000, including any previously issued Notes Series A – F still outstanding and additional Notes Series G – I to be issued.

Tax-exempt CP Notes Series G were issued as bridge funding to pay for a portion of the cost of the Athletes Village Project. The initial issuance of \$32,000 occurred on June 21, 2018 with additional Notes totaling \$1,372 issued during fiscal year 2019.

The University issued tax-exempt CP Notes Series H totaling \$57,627 during fiscal year 2019 with the first issuance occurring July 10, 2018 in the amount of \$20,000. Proceeds were used for construction costs of six specific capital projects. The total amount of Series H outstanding was refunded on May 24, 2019 with a portion of the proceeds of GO Bonds Series 2019A.

The University issued taxable CP Notes Series I totaling \$48,000 during fiscal year 2020, with the proceeds used to finance certain property acquisitions. The initial issuance of \$16,000 of Series I Notes occurred during fiscal year 2019 to pay for a portion of the Pioneer Hall project and for property acquisitions. Proceeds of GO Taxable Bonds Series 2019C were used to refund \$11,000 of Series I outstanding on May 24, 2019, leaving a \$5,000 balance outstanding as of June 30, 2019.

All of the University's outstanding CP is secured by the full faith and credit of the University and backed by the University's self-liquidity. Commercial paper is short-term in nature and classified as current liabilities in the consolidated financial statements.

Infrastructure Development Bond Obligations

Pursuant to Minnesota law, the University is obligated to pay the State one third of the debt service of infrastructure development bonds issued by the State for University capital projects. Debt was issued for this purpose between July 1990 and October 2005. The total amount of outstanding debt issued by the State on behalf of the University was \$12,141 and \$18,426 as of June 30, 2020 and 2019, respectively, of which the University owes \$4,047 and \$6,142, respectively.

Note Payable

On December 20, 2019, the University executed a long-term promissory note payable to Otto Bremer Trust in the amount of \$4,500. The proceeds were used to fund a portion of the property acquisition at 2025 East River Parkway, Minneapolis, the future home of the Masonic Institute for the Developing Brain. Interest only is due at the rate of 1.90 percent annually for four years with the final interest payment and principal due in January 2025.

Capital Leases and Other Debt

The University has five distinct capital leases. Four of the capital leases have payments being paid directly to the lessor and represent leases for building space. One of the five agreements is financed through third-party financing for purchase of fleet vehicles. As of June 30, 2020, the associated capital assets were \$76,352 for buildings and \$15,123 for vehicles with related accumulated depreciation of \$43,811 and \$8,776, respectively. The capital leases bear interest rates between 2.2 percent and 4.2 percent, with none of the leases extending beyond fiscal year 2028. The third-party financing agreement bears interest tied to the 30 Day LIBOR Index, which ranged from 2.2 - 4.2 percent during the fiscal year ended June 30, 2020. The LIBOR Index is an average yield of interbank offered rates for one-year US dollar denominated deposits.

Future Debt Service Requirements

Interest payments on CP will vary depending on current market conditions from week to week. Using rates as of June 30, 2020, debt service requirements of the University's outstanding long-term debt obligations for the next five years and in subsequent five-year periods are as follows:

Fiscal year ending June 30	Bonds and obligations	Commercial paper notes	Capital lease and other	Total principal	Interest	Total obligations
2021	\$ 64,766	\$ 263,095	\$ 6,668	\$ 334,529	\$ 53,012	\$ 387,541
2022	67,153		6,714	73,867	46,200	120,067
2023	58,256		6,807	65,063	46,823	111,886
2024	60,375		6,751	67,126	44,200	111,326
2025	66,924		4,813	71,737	41,460	113,197
2026-2030	339,888		7,136	347,024	164,096	511,120
2031-2035	294,057			294,057	97,089	391,145
2036-2040	209,027			209,027	43,695	252,722
2041-2045	99,911			99,911	9,160	109,072
2046-2051						
	\$ 1,260,357	\$ 263,095	\$ 38,888	\$ 1,562,340	\$ 545,735	\$ 2,108,075

Defeased Bonds

The University has defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt service payments on the old bonds or to immediately pay off existing debt. The defeased bonds as of June 30, 2020 are as follows:

Associated bond issue	Refunding date	Amount defeased	Refunded amount	Amount outstanding on June 30, 2020	Bond call date
General obligation bonds					
Series 2010D	5/21/2019	\$ 22,305	\$ 22,305		2/1/2020
Series 2011A	9/28/2017	204,020	204,020	\$ 134,995	12/1/2020
Series 2011D	9/28/2017	47,400	47,400	42,935	12/1/2021
Series 2009A	9/28/2017	32,505	32,505		4/1/2019
Series 2009B	9/28/2017	12,085	12,085		4/1/2019
Series 2009C	9/28/2017	20,380	20,380		6/1/2019
Series 1996A	10/2/2005	159,000	159,000	38,000	7/1/2021

The Series 2010D bonds were issued in February 2010 to finance various capital projects. They were defeased on May 21, 2019 with a recognized gain of \$519. The bonds were redeemed on February 1, 2020.

The Series 2011A bonds were issued in February 2011 to refund the Series 1999A, 2001C and 2003A, and to finance various capital projects. The Series 2011D bonds were issued in December 2011 to finance various capital projects. The Series 2009A and 2009B, Series 2009C, and Series 2011D were issued in February 2009, May 2009 and December 2011, respectively, to finance various capital projects. The Series 2011A, 2011D, 2009A, 2009B and 2009C were defeased on September 28, 2017 with a net recognized gain of \$3,799. The Series 2009A, 2009B, and 2009C were redeemed in fiscal year 2019 and are no longer outstanding.

The Series 1996A bonds were issued in January 1997 to provide funds for capital projects and to refund the GO Variable Rate Demand Bonds Series 1985F, 1985G, 1985H, and 1985I and the Commercial Paper Series 1991A and Series 1991B. As required under the terms of a put option exercised July 5, 2005, the proceeds from the issuance of Commercial Paper Notes, Series A in October 2005 were used to defease the remaining outstanding Series 1996A bonds. There was no gain or loss incurred with the defeasance of the Series 1996A bonds.

Neither the outstanding indebtedness nor the related trust account assets for the defeased bonds are included in the University's consolidated financial statements.

Arbitrage

University GO debt and SPRB issuances after the Federal Tax Reform Act of 1986 are subject to federal arbitrage regulations. This results when earnings on the invested gross proceeds of a bond issue exceed the issuer's tax-exempt borrowing rates. The University continues to monitor and report any arbitrage in accordance with the Internal Revenue Code. The University had no arbitrage liability as of June 30, 2020 or 2019.

6. Pension Plans

The University and its employees contribute to pension plans characterized as either a defined benefit (specifies the amount of pension benefits to be provided at a future date) or defined contribution (specifies how contributions are to be determined, rather than an amount) plan.

Cost-sharing, multiple-employer plans

Defined Benefit Plans

United States Government (Federal) Retirement Plans

All University employees with federal benefits work for the University of Minnesota Extension (Extension) or its partner colleges; College of Food, Agricultural and Natural Resources Science (CFANS), College of Design, and College of Education and Human Development. These employees were grandfathered in, allowing them to keep their federal benefits, which were formerly offered exclusively to Extension staff. No new participants are being accepted into the federal retirement plans listed below. An exception would be granted to allow for a new participant when an appointment transfers from another Extension service. Questions regarding the federal plans listed below, including requests for financial statements and required supplementary information can be directed to the United States Office of Personnel Management (OPM), 1900 E Street N.W., Washington, DC 20415.

Civil Service Retirement System (CSRS)

The CSRS is a federal program that provides retirement benefits for two employees who work for the University. Participation is limited to those who initially entered federal service prior to January 1, 1984, and have been continuously employed since December 31, 1983, or before, or have had a break in federal service of one year or less since 1984. It is closed to new members. Retirement benefits are based on years and months of service. CSRS provides full retirement benefits at age 55 with 30 years of service, age 60 with 20 years of service, or age 62 with 5 years of service. Deferred benefits are payable at age 62 with 5 years of service. The annuity formula provides 1.5 percent of average salary for the first five

years of service, 1.75 percent for the next five years, and 2.0 percent for any remaining service, up to a maximum of 80 percent of average salary (based on the highest three consecutive years of salary).

Civil Service Retirement System Offset Retirement (CSRS Offset)

The CSRS Offset is administered in conjunction with the standard CSRS by the OPM. It provides retirement benefits for one employee who works for the University. Participation is limited to federal employees who had at least five years of creditable civilian federal service prior to January 1, 1987, and had rejoined federal service since January 1, 1984, after a break of CSRS coverage of more than one year; or were hired before January 1, 1984, and acquired CSRS interim coverage (precursor to CSRS Offset coverage) between 1984 and 1987.

Federal Employees Retirement System (FERS)

The FERS is a federal program that provides retirement benefits for 64 employees who work for the University. In general, all civilian service employees newly hired on or after January 1, 1984, are mandatorily covered by FERS. In addition, employees rehired after January 1, 1984, who had less than five years of prior civilian service as of December 31, 1986, are mandatorily covered by FERS. Using Social Security as a base, FERS provides an additional defined benefit and a voluntary thrift savings plan. An employee who receives a new appointment can often elect FERS coverage voluntarily during the first six months of the appointment. FERS provides full retirement benefits at the “Minimum Retirement Age” (MRA) with 30 years of service, at age 60 with 20 years of service, or at age 62 with 5 years of service. The MRA is 55 for those born before 1948, and incrementally increases to 57 for those born in or after 1970. Deferred retirement benefits are available at or after the MRA with 10 years of service at reduced benefit levels. The annuity formula generally provides 1.0 percent of the employee’s average salary (based on the highest three consecutive years of salary) multiplied by the number of years of creditable service. If retirement is at age 62 or later with at least 20 years of service, a factor of 1.1 percent is used rather than 1.0 percent.

Funding Policy and Contribution Rates

	CSRS	CSRS Offset	FERS
Statutory authority			
United States code	Title 5, Chapter 83	Title 5, Chapter 83	Title 5, Chapter 84
Required contribution rates (%)			
Active plan members	7.00%	0.80%	0.80%
University	7.00%	7.00%	16.00%
Required contributions (\$)			
Employee			
2020	\$ 16	\$ 1	\$ 51
2019	39	1	51
2018	73	3	52
University			
2020	\$ 16	\$ 9	\$ 979
2019	39	10	882
2018	73	18	893
Due to plan at June 30*			
2020	\$ 1	\$ 1	\$ 66
2019	3	1	54
2018	6	1	54

*Due to plan represents a liability the University has incurred for the employer and employee portion of contributions as of fiscal year end.

Additional information related to the respective plans is presented in Required Supplementary Information (RSI) following the notes to the consolidated financial statements.

State of Minnesota Retirement Plans

Basis of Accounting and Valuation of Investments

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Minnesota State Retirement System (MSRS) and the Public Employee Police and Fire Fund (PEPFF) and additions to/deductions from MSRS' and PEPFF's fiduciary net position have been determined on the same basis as they are reported by MSRS and PEPFF, respectively. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Public Employee Police and Fire Fund (PEPFF)

The PEPFF is administered by the Public Employees Retirement Association (PERA). PEPFF, in total, provides coverage to approximately 500 local governmental subdivisions within the State. The University's participation in PEPFF covers 73 active law enforcement staff. Participation is mandatory and begins from the first day of employment. The plan provides retirement, survivor, and disability benefits. Benefit provisions are established by state statute and can only be modified by state legislature. Each participant earns service credit for each month retirement deductions are withheld from the employee's salary. Retirement benefits are based on years and months of service. Normal retirement age is 55. The annuity formula for each member is 3.0 percent of average salary for each year of service in

that plan. Benefits for members first hired after June 30, 2010, but before July 1, 2014 vest on a prorated basis from 50 percent after five years up to 100 percent after 10 years of credited service. Benefits for members first hired after June 30, 2014, vest on a pro-rated basis from 50 percent after 10 years up to 100 percent after 20 years of credited service. For members hired prior to July 1, 1989, a full annuity is available when the member's age plus years of service equal at least 90. Annual benefits increase by 1.0 percent each year to annuitants who have been receiving a benefit for at least 12 months (pro rata increase for annuitants receiving benefits for at least one month but less than 12 months). Increases for retirements after May 31, 2014 will be delayed two years. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service. Prior to 1981, these employees were not covered by a local relief association. The fund covers all those hired since 1980. A publicly available financial report, which includes financial statements and required supplementary information for this plan, can be obtained at <http://www.mnpera.org/> or by writing the Public Employees Retirement Association (PERA), 60 Empire Drive, Suite 200, St. Paul, MN 55103.

State Employees Retirement Fund (SERF)

The SERF is administered by the Minnesota State Retirement System (MSRS). SERF, in total, provides coverage to 24 employers within the State. The University's participation in SERF covers approximately 8,700 active Civil Service and non-faculty bargaining unit employees. Participation is mandatory and begins from the first day of employment. The plan provides retirement, survivor, and disability benefits. Benefit provisions are established by state statute and can only be modified by state legislature. Benefits are based on a member's age, years of allowable service, and the highest average salary for any sixty successive months of allowable service at termination of service. Benefit increases are provided to benefit recipients each January and are related to the funded ratio of the plan. Annuitants receive benefit increases of 1.0 percent each year for five years beginning January 1, 2019, and 1.5 percent each year beginning January 1, 2024 and after.

The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates if the employee was first hired before July 1, 1989, are 1.2 percent for the first 10 years of allowable service and 1.7 percent for each subsequent year. The applicable rate if the employee is first hired after June 30, 1989, is 1.7 percent of average salary for each year of allowable service. Average salary is defined as the highest salary paid in a 60 successive month period. A publicly available financial report, which includes financial statements, required supplementary information, and detailed information about the plan's fiduciary net position, can be obtained at www.msrs.state.mn.us or by writing to the MSRS, 60 Empire Drive, Suite 300, St. Paul, MN 55103.

Information pertaining to both PEPPF and SERF in accordance with GASB 68 and GASB 71 follows.

Funding Policy and Contribution Rates

	PEPPF	SERF
Statutory authority		
Minnesota chapter	353	352
Required contribution rates (%)		
Active plan members	11.300%	5.750%
University	16.950%	5.875%
Required contribution rates (\$)		
University	\$ 1,242	\$ 28,493
Non-employer contributing entity	88	

Net pension liability amounts recorded in accordance with GASB 68 and GASB 71 within the University's financial statements are reflective of the respective plan's published financial statements and actuarial valuations as of June 30, 2019. The University's proportion of the respective plans' net pension liability was based on the University's contributions to the respective plans during the measurement period July 1, 2018 through June 30, 2019, relative to the total contributions from all participating employers, as well as on-behalf state contributions paid directly to PEPPF. As a result, contributions made to the respective plans during fiscal year 2020, are recorded as deferred outflows of resources per GASB 68 and GASB 71. The State has not enacted any law that requires the University to assume the liability, as a participant of the pension plans, in the event the State were unable to continue paying benefits from the retirement plans.

Summary of Pension Amounts

	PEPPF	SERF	Total
Proportionate share of the net pension liability (\$)	\$ 6,939	\$ 199,773	\$ 206,712
Proportionate share of the net pension liability (%)			
2020	0.652%	14.200%	
2019	0.597%	14.648%	
Deferred outflows of resources	16,212	316,030	332,242
Deferred inflows of resources	18,452	705,997	724,449
Net pension expense	1,415	26,669	28,084
Non-operating grant revenue	88		88

Deferred Outflows of Resources

	PEPPF	SERF	Total
Differences between expected and actual experience	\$ 275	\$ 6,056	\$ 6,331
Changes in actuarial assumptions	5,336	281,481	286,817
Changes in proportion and contributions allocated	9,359		9,359
Contributions paid to plan subsequent to measurement date	1,242	28,493	29,735
Total	\$ 16,212	\$ 316,030	\$ 332,242

Deferred Inflows of Resources

	PEPFF	SERF	Total
Differences between expected and actual experience	\$ 982	\$ 692	\$ 1,674
Changes in actuarial assumptions	7,053	625,926	632,979
Differences between projected and actual investment earnings	1,291	48,791	50,082
Changes in proportion and contributions allocated	9,126	30,588	39,714
Total	\$ 18,452	\$ 705,997	\$ 724,449

Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense or a Reduction in Net Pension Liability

	Fiscal year	PEPFF	SERF	Total
	2021	\$ (358)	\$ 12,754	\$ 12,396
	2022	(842)	(293,842)	(294,684)
	2023	(2,484)	(135,304)	(137,788)
	2024	111	(2,068)	(1,957)
	2025	91		91
Net pension expense		\$ (3,482)	\$ (418,460)	\$ (421,942)
Contributions paid to plan subsequent to measurement date		1,242	28,493	29,735
Net deferred inflows		\$ (2,240)	\$ (389,967)	\$ (392,207)

The University's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date by the respective plans. The total pension liability was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement.

Actuarial Methods and Assumptions

	PEPFF*		SERF**	
Valuation date	6/30/2019		6/30/2019	
Actuarial cost method	Entry age normal		Entry age normal	
Asset valuation method	5-year smoothed fair market value		Fair value	
Long-term expected rate of return	7.50%		7.50%	
20-year municipal bond rate	3.13%	***	3.13%	***
Inflation	2.50%		2.50%	
Salary increases	Service related rates		Service related rates	
Payroll growth	3.25%		3.25%	
Experience study dates	2016	****	2008 - 2014	

* Mortality rates were based on RP-2014 Mortality Tables.

**Mortality rates were based on RP-2014 Mortality Tables projected with mortality improvement scale MP-2015 from a base year of 2014.

*** Based on the Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019.

**** Updated for economic assumptions in 2014.

As noted in the actuarial methods and assumptions, the long-term expected rate of return (discount rate) was used to measure the total pension liability as of June 30, 2019 of the respective plans. The actual selection of the rate was determined by looking at the asset class target allocations and long-term rate of return expectations from the State Board of Investments (SBI), along with other information, such as the Social Security Trustees Report, the U.S. Department of the Treasury yield curve rates, and historical observations of inflation statistics and investment returns.

The SBI, which manages the investments of the respective plans, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method. Best estimates of expected future real rates of return are developed for each major asset class.

These asset class estimates and target allocations are combined to produce a geometric, expected long-term rate of return as summarized in the following table:

SBI Asset Class

Asset class	Target allocation	Long-term expected real rate of return (geometric mean)
Domestic equity	36%	5.10%
International equity	17%	5.30%
Private markets	25%	5.90%
Fixed income	20%	0.75%
Cash equivalents	2%	0.00%

GASB includes a specific requirement for the discount rate that is used for the purpose of the measurement of the SERF's and PEPFF's total pension liability. This rate considers the ability of SERF

and PEPFF to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses, and investment returns are projected into the future. SERF's and PEPFF's Fiduciary Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in the future, the long-term expected rate of return is used as the discount rate. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk-free" municipal bond rate is required. The single discount rate is equivalent to applying these two rates (long-term expected rate of return and "risk-free" municipal bond rate) to the benefits that are projected to be paid during the different time periods.

The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in the statute. Based on that assumption, each of the pension plan's fiduciary net position at June 30, 2019, was projected to be available to make all projected future benefit payments of current and active employees. The long-term expected rate of return on pension plan investments of 7.5 percent was applied to all periods of projected benefit payments through June 30, 2119 for SERF and for all periods for PEPFF to determine the total pension liability.

The following presents the University's proportionate share of the net pension liability, calculated using the discount rate of 7.5 percent for SERF and 7.5 percent for PEPFF, as well as what the impact would be if the net pension liability were calculated using a discount rate that was 1.0 percentage point lower or 1.0 percentage point higher than these percentages.

Discount Rate Sensitivity

Pension plan	1.0% Decrease in discount rate	Current discount rate	1.0% Increase in discount rate
PEPFF			
Discount rate (%)	6.50%	7.50%	8.50%
Net pension liability (\$)	\$ 15,172	\$ 6,941	\$ 134
SERF			
Discount rate (%)	6.50%	7.50%	8.50%
Net pension liability (\$)	\$ 465,289	\$ 199,773	(20,634)

Additional information related to the respective plans is presented in Required Supplementary Information (RSI) following the notes to the consolidated financial statements.

Single-employer plan

Supplemental Benefits Plan (SBP)

The SBP is a closed plan sponsored by the University pursuant to the Board governing authority. This plan is in addition to the Faculty Retirement Plan (FRP), where faculty members employed prior to 1963 and female participants employed prior to July 1, 1982, may be eligible to receive additional benefits. SBP is designed to provide additional retirement benefits for certain groups of individuals who participated in the FRP, but who, due to plan design, have retirement income levels that are significantly lower than those of current participants. It accounts for 63 eligible participants. SBP is funded in an amount equal to or greater than the amount required under Minnesota Statute Chapter 356. Each plan

provides retirement, disability, and death benefits to plan members and beneficiaries. An internal faculty and staff retirement program report is prepared on a fiscal year basis. Finances related to this plan are immaterial to the overall University's financial statements. Questions regarding the SBP may be directed to Employee Benefits, 100 Donhowe Building, 319 15th Avenue S.E., Minneapolis, MN 55455.

Due to the plan being closed, required contribution rates do not apply. Contribution amounts are determined by funding status and actuarial value in compliance with state statutes. The University makes all contributions to the SBP using a variable rate.

Defined Contribution Plans

The University's defined contribution plans represent benefits to be received. They are limited to the value of the participant's account balance, depending on the plan. Accordingly, there is no unfunded actuarial accrued liability (UAAL), or actuarial accrued liability (AAL), associated with the following plans. A description of the plans and contribution information follows.

Faculty Retirement Plan (FRP)

The FRP is a mandatory retirement savings/investment plan contingent on meeting certain prescribed eligibility requirements. Pursuant to the University's Board of Regents governing authority, in compliance with Section 401(a) of the Internal Revenue Code, it authorizes the University to contribute to the plan and governs the requirements of this plan. Eligibility requirements involve an employee appointment of at least nine months; employee appointments between 67 to 99 percent time are granted prorated participation. The plan is funded through employee pre-tax contributions and University contributions. Eligible academic employees with hire dates prior to January 2, 2012 contribute 2.5 percent of covered salary and the University contributes 13.0 percent. Eligible employees with a start date (or who were rehired) on or after January 2, 2012 contribute 5.5 percent of covered salary and the University contributes 10.0 percent. The FRP covers approximately 10,100 active faculty and professional and administrative (P&A) staff. This amount includes approximately 5,800 with hire dates on or after January 2, 2012.

University of Minnesota Optional Retirement Plan (ORP)

The ORP is a voluntary retirement savings/investment plan covered under Section 403(b) of the Internal Revenue Code. All faculty and staff members who are paid on a continuous basis are eligible to participate in this plan. The plan is funded mainly through employee pre-tax contributions. However, the University may make discretionary contributions for select staff based on employment contracts. Approximately 3,800 full- and part-time employees contribute to this plan.

University of Minnesota Section 457 Deferred Compensation Plan

The 457 Deferred Compensation Plan is a voluntary retirement savings plan authorized under Section 457 of the Internal Revenue Code. This plan is funded exclusively through employee pre-tax contributions. All faculty and staff members who are paid on a continuous basis are eligible to participate in this plan. Approximately 1,200 full- and part-time employees contribute to this plan.

University of Minnesota 415(m) Retirement Plan

The 415(m) Retirement Plan is a qualified excess benefit plan authorized under Section 415(m) of the Internal Revenue Code that is administered by the University. This plan is provided to select staff based on individual employment contracts negotiated. All contributions provided by the University are negotiated on an individual employee basis and are 100 percent vested and non-forfeitable at all times. There are no assets accumulated in a trust or trust-like arrangement for this plan. Nine University employees are part of this plan.

Contributions Made for Fiscal Year 2020

	FRP	ORP	457	415(m)
Employee	\$ 39,553	\$ 41,751	\$ 17,561	N/A
University	116,628	335	N/A	\$ 621

Due to plan at June 30*

	FRP	ORP	457	415(m)
Employee	\$ 2,478	\$ 2,532	\$ 1,092	N/A
University	7,204	N/A	N/A	N/A

**Due to plan represents a liability the University has incurred for the employer and employee portion of contributions as of fiscal year end.*

7. Related Organization

The University is responsible for appointing eight members of the 15-member Board of Directors of UCare Minnesota, a licensed nonprofit health maintenance organization (HMO) that provides medical services for its members. The University's accountability for this organization, however, does not extend beyond making Board appointments. The dean of the University of Minnesota Medical School and the head of the University's Department of Family Medicine and Community Health appoint six board members; two members are automatically appointed by virtue of the University positions that they hold.

8. Commitments and Contingencies

Construction projects in progress, principally buildings, approximated \$37,878 as of June 30, 2020. The estimated cost to complete these facilities is \$160,399, which is to be funded from plant fund assets and \$18,555 in appropriations available from the State as of June 30, 2020.

The University owns steam production facilities that produce steam for heating and cooling the Twin Cities campus, which by agreement are managed, operated, and maintained by an unaffiliated company. The original agreement was for five years and began May 17, 2019, with a contract end date of May 2024. Under the agreement, the University must make minimum fixed payments for certain operating and maintenance costs, as well as contingent payments based upon performance requirements.

The University is obligated under various operating leases for the use of real property and equipment. Total operating lease expenditures for the years ended June 30, 2020 and 2019, were \$24,387 and \$25,740, respectively, of which \$20,617 and \$22,032 were for real property and \$3,770 and \$3,708 were for equipment, respectively.

The future steam plant and operating lease commitments as of June 30, 2020, for the next five years and in subsequent five-year periods are as follows:

Fiscal year ending June 30	Steam plant	Operating leases	Total
2021	279	14,499	\$ 14,778
2022	279	13,434	13,713
2023	279	5,113	5,392
2024	279	3,772	4,051
2025		2,999	2,999
2026-2030		14,787	14,787
2031-2035		11,672	11,672
2036-2040		306	306
2041-2045		301	301
Total commitments	\$ 1,116	\$ 66,883	\$ 67,999

The University receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. Management is not aware of any material disallowed claims at this time.

The University is a defendant in cases involving claims of medical malpractice, personal injuries, breach of contract, and other civil matters. While any litigation has an element of uncertainty and the University cannot, therefore, predict how these cases will be finally resolved, management and its general counsel believe the outcomes of the cases, individually and combined, will not have a material adverse effect on the overall financial position of the University.

9. Self-Insurance Programs

The University is self-insured for medical malpractice, general liability, non-profit organization liability, and automobile liability through RUMINCO, Ltd., a wholly owned, single parent captive insurance company (see Note 1). Claims are reported to a third-party administrator, which pays expenses and estimates claim liabilities. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In addition, an actuarial liability is established for incurred but not reported (IBNR) claims using a discount rate based on a rate of return of 0.18 percent.

The University is also self-insured for workers' compensation through an internally maintained fund, and excess claims insurance is maintained through the Workers' Compensation Reinsurance Association (WCRA). The internal fund for workers' compensation is maintained only to fund the current year's expected payouts. Each year, an actuarial estimate of the University's liability for workers' compensation is compiled and recorded within the consolidated statements of net position, but the liability is not separately funded.

The University's medical (health) coverage for faculty and staff and their dependents is a self-insured program (UPlan). Under UPlan Medical, the University pays claims and establishes reserves, and the administration of the program is handled by two independent administrators: Medica for medical plan administration, and Prime Therapeutics for pharmacy benefit management. The University also carries stop-loss coverage, which protects the University against the risk that an individual participant will incur medical expenses greater than \$1,000

in a single year. An annual actuarial estimate of the University's liability for medical claims, including IBNR, is recorded within the consolidated statements of net position.

The University's dental coverage for faculty and staff and their dependents is also a self-insured program (UPlan). Under UPlan Dental, the University pays claims and establishes reserves, and the administration of the program is handled by one independent administrator, Delta Dental. An annual actuarial estimate of the University's liability for dental claims, including IBNR, is recorded within the consolidated statements of net position.

Medical coverage for eligible graduate assistants is a self-insured program. Under the graduate assistant medical plan, the University pays claims and establishes reserves. The program is administered by Blue Cross and Blue Shield of Minnesota. The University also carries stop-loss coverage, which protects the University against the risk that an individual participant will incur medical expenses greater than \$400 in a single year in addition to aggregate stop-loss coverage for claims totals over 115 percent of plan year claims. An annual actuarial estimate of the University's liability for medical claims, including IBNR, is recorded within the consolidated statements of net position. The Graduate Assistant Plan also offers self-insured Dental Plan benefits at Boynton Health Service without a third-party administrator.

The University's medical (health) coverage for eligible students and their dependents is a self-insured program (Student Health Benefit Plan). Under the Student Health Benefit Plan (SHBP), the University pays claims and establishes reserves, and the administration of the program is handled by Blue Cross and Blue Shield of Minnesota. The administrator offers medical conversion policies to eligible University students who are able to convert their SHBP coverage to single coverage after graduation. The University also carries stop-loss coverage, which protects the University against the risk that an individual participant will incur medical expenses greater than \$400 in a single year in addition to aggregate stop-loss coverage for claims totals over 115 percent of plan year claims. An annual actuarial estimate of the University's liability for medical claims, including IBNR, is recorded within the consolidated statements of net position. The SHBP also offers self-insured Dental Plan benefits at Boynton Health Service without a third-party administrator.

Medical coverage for eligible Medical Residents and Fellows is a self-insured program. Under the Medical & Resident medical plan, the University pays claims and establishes reserves. The program is administered by Blue Cross and Blue Shield of Minnesota. An annual actuarial estimate of the University's liability for medical claims, including IBNR, is recorded within the consolidated statements of net position. The Medical & Resident group also offers a fully insured Dental Benefit Plan through Delta Dental.

Reported liabilities as of June 30, 2020, are shown below:

	Liability beginning of year	New claims	Claim payments	Other adjustments	Liability end of year
RUMINCO, Ltd.	\$ 7,246	\$ 1,465	\$ (1,266)	\$ 169	\$ 7,614
Workers' compensation	12,050	3,493	(3,493)	109	12,159
UPlan medical	27,537	264,278	(266,968)	(1,097)	23,750
UPlan dental	1,193	15,723	(15,766)	(723)	427
Graduate assistant health plan	4,938	25,307	(25,307)	488	5,426
Student health plan	6,100			(279)	5,821
Medical residents & fellows	493			144	637

Other adjustments reflect reserve changes on prior years' claims and changes in estimated IBNR.

Reported liabilities as of June 30, 2019, are shown below:

	Liability beginning of year	New claims	Claim payments	Other adjustments	Liability end of year
RUMINCO, Ltd.	\$ 9,374	\$ 814	\$ (2,719)	\$ (223)	\$ 7,246
Workers' compensation	12,349	2,325	(2,325)	(299)	12,050
UPlan medical	22,509	262,146	(262,549)	5,431	27,537
UPlan dental	1,016	18,070	(17,736)	(157)	1,193
Graduate assistant health plan	4,277	23,690	(23,690)	661	4,938
Student health plan	5,108			992	6,100
Medical residents & fellows	703			(210)	493

Other adjustments reflect reserve changes on prior years' claims and changes in estimated IBNR.

10. Other Postemployment Benefits

Description of Plan

The University administers the UPlan—a self-insured, single-employer, defined benefit healthcare plan. It is a partnership between the University and its employees to provide quality, cost-effective health benefits to employees, retirees, and their families. Pursuant to the University's Board governing authority, non-Medicare retirees and former employees can purchase medical and dental insurance coverage. The benefit provision process is initiated through the Benefits Advisory Committee (BAC). The BAC comprises representatives from all employee groups who advise the University administration on health program benefit offerings. An internal UPlan financial report is prepared on a calendar year basis. Questions regarding the UPlan may be directed to Total Compensation, 100 Donhowe Building, 319 15th Avenue S.E., Minneapolis, MN 55455.

Contributions and Benefits Provided

The UPlan is currently financed on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria prescribed in GASB 75. The University has established that a former employee must pay the entire premium for continuation coverage, except as otherwise provided in a collective bargaining agreement or personnel policy. Non-Medicare retirees and eligible participants under the Academic Disability Plan (ADP) can purchase medical and dental insurance coverage at the full premium rate. These rates are based on a blended active and pre-Medicare retiree rate. With the University being self-insured, the University becomes liable for the actual cost of retiree and disability related healthcare costs in excess of premiums collected. As a result, an implicit subsidy is created, which is reflected in the OPEB liability that is recorded.

UPlan Membership Covered by Benefit Terms

UPlan membership	June 30, 2020	June 30, 2019
Active plan members	19,742	19,742
Inactive plan members or beneficiaries currently receiving benefits	416	416
Total	20,158	20,158

OPEB Liability

The University's OPEB liability was measured and determined as of June 30, 2020 and 2019, respectively, in accordance with GASB 75.

The components that contributed to the change in the University's OPEB liability are as follows:

	June 30, 2020	June 30, 2019
OPEB liability—Beginning of year	\$ 40,283	\$ 34,936
Changes in net OPEB liability:		
Service cost	3,682	3,870
Interest	1,496	1,361
Differences between expected and actual experience	1,148	(344)
Changes of actuarial assumptions or other inputs	3,683	2,879
Benefit payments	(3,606)	(2,419)
Increase in OPEB liability	6,403	5,347
OPEB liability—End of year	\$ 46,686	\$ 40,283

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan, the plan as understood by the employer and plan members. This includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions applied to the measurement of the OPEB liability are as follows:

Actuarial Methods and Assumptions

Valuation date	6/30/2020	6/30/2019
Actuarial cost method	Entry age normal, level percent of pay	Entry age normal, level percent of pay
Asset valuation method	N/A	N/A
Discount rate	2.21% *	3.50% *
Inflation	2.75%	2.75%
Salary increases	4.00% average including inflation	4.00% average including inflation
Mortality	PubT-2010.H for Faculty and PubG-2010.H for all others	PubT-2010.H for Faculty and PubG-2010.H for all others
Experience applied	2019	2018

* Based on a AA/Aa or higher rated 20-year tax exempt municipal bond rate.

The University's OPEB liability is sensitive to changes in the discount rate and healthcare cost trends rates.

The following presents the OPEB liability of the University, as well as what the University's OPEB liability would be if it were calculated using a discount rate that is 1.0 percentage point lower and or 1.0 percentage point higher than the current discount rate:

Discount Rate Sensitivity

	1.0% Decrease (1.21%)	Discount rate (2.21%)	1.0% Increase (3.21%)
OPEB liability (\$)	\$ 49,622	\$ 46,686	\$ 43,793

The following presents the OPEB liability of the University, as well as what the University's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0 percentage point lower (5.75 percent decreasing to 3.50 percent) or 1.0 percentage point higher (7.75 percent decreasing to 5.50 percent) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate Sensitivity

	1.0% Decrease (5.75% decreasing to 3.50%)	Healthcare cost trend rates (6.75% decreasing to 4.50%)	1.0% Increase (7.75% decreasing to 5.50%)
OPEB liability (\$)	\$ 40,545	\$ 46,686	\$ 54,038

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

In accordance with GASB 75, the University recorded \$7,417 and \$7,214 in OPEB expense for the fiscal years ended June 30, 2020 and 2019, respectively. In addition, the University reported the following deferred outflows of resources and deferred inflows of resources from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,023	\$ 322
Changes in assumptions	5,767	46
Total	\$ 7,790	\$ 368

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,072	\$ 416
Changes in assumptions	3,243	71
Total	\$ 5,315	\$ 487

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB as expense as follows:

Net Deferred Outflows (Inflows) of Resources Recognized as Pension Expense or a Reduction in OPEB Liability

	Fiscal year	Total
	2021	\$ 1,403
	2022	1,200
	2023	762
	2024	762
	2025	762
	After 2025	2,533
Net deferred outflows	\$	7,422

Additional information related to OPEB is presented in Required Supplementary Information (RSI) following the notes to the consolidated financial statements.

11. Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2020, are summarized as follows:

Function	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	\$ 747,988	\$ 95,739			\$ 843,727
Research	535,351	239,759			775,110
Public service	184,897	91,030			275,927
Academic support	376,945	88,346			465,291
Student services	112,300	24,913			137,213
Institutional support	229,586	64,902			294,488
Operation and maintenance of plant	125,440	189,536			314,976
Scholarships and fellowships	10,170	1,587	\$ 56,632		68,389
Depreciation				\$ 215,954	215,954
Auxiliary enterprises	127,788	164,568			292,356
Other operating expense			(388)		(388)
	\$ 2,450,465	\$ 960,380	\$ 56,244	\$ 215,954	\$ 3,683,043

Operating expenses by natural classification for the year ended June 30, 2019, are summarized as follows:

Function	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	\$ 701,443	\$ 100,183			\$ 801,626
Research	460,379	260,235			720,614
Public service	144,603	99,131			243,734
Academic support	302,268	99,150			401,418
Student services	94,048	27,961			122,009
Institutional support	181,772	56,883			238,655
Operation and maintenance of plant	90,430	178,409			268,839
Scholarships and fellowships	9,210	2,375	\$ 52,939		64,524
Depreciation				\$ 214,336	214,336
Auxiliary enterprises	99,642	170,138			269,780
Other operating expense			1,070		1,070
	\$ 2,083,795	\$ 994,465	\$ 54,009	\$ 214,336	\$ 3,346,605

12. Subsequent Events

On July 24, 2020, the University entered into a 364-day credit agreement with a major bank providing the University a \$150,000 line of credit for general operating purposes and as liquidity support for University indebtedness. No funds have been drawn to date under this agreement.

On September 14, 2020, the University completed the acquisition of the 1015 Essex Street Southeast, Minneapolis, MN property; otherwise, known as Classic City - Stadium Village Apartments. The property includes 1.32 acres of land with a 121-unit, five building apartment complexes with parking. The total purchase price for the property is \$25,000 with \$250 in earnest money. Funding for the purchase will be University-issued long-term debt.

On October 14, 2020, the University priced its GO Bonds, Series 2020A and GO Taxable Bonds, Series 2020B. The Series 2020A, in the par amount of \$31,310, priced at coupon rates of 5.0 percent with a premium of

\$9,129. Proceeds will be used to finance various capital projects including the construction of and remodeling projects to various University facilities, and acquisition and installation of equipment. The Series 2020B, in the par amount of \$84,690, priced at coupon rates of 0.4 – 2.9 percent. Proceeds will be used to finance a portion of the costs of land and buildings near the Minneapolis campus to be used for University operations, including the refunding of all of the University's CP Notes Series I currently outstanding in the principal amount of \$53,000. The closing of the transactions are planned for on or about November 3, 2020.

13. Component Units

Discretely Presented Component Units

Based on significant balances reported in the University's discretely presented component units' Statements of Financial Position, the note disclosures for investments and net assets with donor restrictions, as reported in the separately issued financial statements of the University of Minnesota Foundation (UMF), are presented below.

Investments

Investments in cash equivalents, corporate bonds, other fixed income securities, equity securities, hedge funds, natural resources, and Treasury inflation protected securities with readily determinable fair values are reported at fair value as set forth in Note 3 of the UMF's annual report (traditional structures). Investments held in alternative structures, except those reported as Level 3 in Note 3 of the UMF's annual report or are investments held at cost, investments held at the equity method or are consolidated, are recorded at net asset values provided by external investment managers as a practical expedient in determining fair value. Because such investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for such investments existed.

The UMF invests in LLCs and LLPs in which the UMF has a majority interest and control. As a result, these investments are consolidated within the financial statements.

Donated investments are recorded at their fair values, as determined on the date of donation. Investment income and gains and losses are recorded in the period incurred.

For management efficiency, investments of net assets with and without restrictions are pooled, except for certain net assets that the board of trustees or donors have designated to be segregated and maintained separately.

Receivables from pending liquidations represent sales of investments made prior to the end of the fiscal year but settled after the fiscal year-end.

The UMF investments as of June 30 are summarized as follows:

	2020		
	Traditional structures	Alternate structures	Total
Cash and cash equivalents	\$ 847,498		\$ 847,498
Fixed income	523,301	\$ 792,117	1,315,418
Global equity	1,344	16,215	17,559
Hedge funds	21,342	2,292	23,634
Natural resources	7,505	59,268	66,773
Treasury inflation protected securities (TIPS)	54,397		54,397
Real estate		42,031	42,031
Private equity		591,593	591,593
Other investments		5,270	5,270
Subtotal	1,455,387	1,508,786	2,964,173
Less charitable gift annuities reported separately			(35,947)
Total			\$ 2,928,226

	2019		
	Traditional structures	Alternate structures	Total
Cash and cash equivalents	\$ 796,593		\$ 796,593
Fixed income	622,774	\$ 698,673	1,321,447
Global equity	1,661	15,939	17,600
Hedge funds	19,315	4,297	23,612
Natural resources	8,352	82,195	90,547
Treasury inflation protected securities (TIPS)	48,644		48,644
Real estate		52,504	52,504
Private equity		582,447	582,447
Other investments		6,122	6,122
Subtotal	1,497,339	1,442,177	2,939,516
Less charitable gift annuities reported separately			(33,718)
Total			\$ 2,905,798

Fixed income investments include high yield bonds, factored receivables, line of credit, bank loans, mortgage, and related securitizations.

Investments held in traditional structures represent those held directly by the UMF in custodial accounts with financial institutions. Investments held in alternative structures include those held through interests in collective trust funds, limited partnerships, commingled funds, and limited liability companies.

Net asset values provided by external investment managers for alternative structures include estimates, appraisals, assumptions, and methods that are reviewed by management. It is possible that the redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the net asset value of the funds and, consequently, the fair value of the UMF's interests in the funds. At June 30, 2020 and 2019, the UMF has \$1,508,786 and \$1,442,177 respectively, of investments in alternative structures which are reported at net asset value as a practical expedient, except those reported as Level 3, loans measured at cost and investment held in

LLC in Note 3 of the UMF's annual report. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the UMF were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

Fair Value Measurements

The UMF allows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the UMF has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- **Level 1:** Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access.
- **Level 2:** Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fixed income securities are generally traded in the over-the-counter market and are valued at a price that reflects fair value as quoted by dealers in these securities or by an independent pricing service. These prices are based on observable market data for the same or similar securities, including quoted prices in markets that are not active, or matrix pricing or other similar techniques that use observable market inputs, such as benchmark yields, expected prepayment speeds and volumes, and issuer ratings.
- **Level 3:** Inputs that are unobservable inputs for the asset or liability, including bankruptcy claims and auction rate securities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables summarize the UMF's financial assets and other liabilities measured at fair value on a recurring basis as of June 30, 2020 and 2019:

	2020			
	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Investments				
Fixed income				
Asset backed securities		\$ 5,648		\$ 5,648
Mortgages	\$ 1,120	1,204		2,324
Corporate bonds		14,117		14,117
Government		493,100		493,100
Large cap				-
Other		8,112		8,112
Global equity				
Small cap	1,344			1,344
Large cap				
Hedge funds				
Long/short non-equity	21,342		\$ 1,884	23,226
Natural resources				
	7,505			7,505
Treasury inflation protected securities (TIPS)				
		54,397		54,397
Total investments	\$ 31,311	\$ 576,578	\$ 1,884	609,773
Cash and cash equivalents				847,498
Investments measured at net asset value or its equivalent				1,013,623
Investments held at cost				73,202
Investments at equity method				92,114
Consolidated investments				327,963
Total investments and cash				\$ 2,964,173
Gift annuities not categorized above	\$ 891	\$ 589		\$ 1,480
Beneficial interest in perpetual trusts	8,498	2,730	\$ 60,985	72,213
Assets held in charitable trusts	18,833			18,833
Beneficial interest in trusts			2,686	2,686
UGC derivative financial instrument		(1,981)		(1,981)

Assets held in charitable trusts consist of equities, bonds, and cash.

2019

	Fair value measurements using			Total
	Level 1	Level 2	Level 3	
Investments				
Fixed income				
Asset backed securities		\$ 2,496		\$ 2,496
Mortgages		3,094		3,094
Corporate bonds		20,222		20,222
Government		590,681		590,681
Large cap	\$ 253			253
Other		6,028		6,028
Global equity				
Small cap	1,661			1,661
Large cap				-
Hedge funds				
Long/short non-equity	19,315		\$ 3,716	23,031
Natural resources				
	8,352			8,352
Treasury inflation protected securities (TIPS)				
		48,644		48,644
Total investments	\$ 29,581	\$ 671,165	\$ 3,716	704,462
Cash and cash equivalents				796,593
Investments measured at net asset value or its equivalent				1,016,813
Investments held at cost				23,720
Investments at equity method				92,275
Consolidated investments				305,653
Total investments and cash				\$ 2,939,516
Gift annuities not categorized above	\$ 1,146	\$ 588		\$ 1,734
Beneficial interest in perpetual trusts	8,757	2,695	\$ 52,642	64,094
Assets held in charitable trusts	19,952			19,952
Beneficial interest in trusts			2,790	2,790
UGC derivative financial instrument		(1,547)		(1,547)

The changes in investments measured at fair value on a recurring basis included as Level 3 measurements are summarized as follows as of June 30:

	Beginning balance at July 1, 2019	Investment income	Net realized and unrealized gain (loss)	Purchases	Sales	Ending balance at June 30, 2020
Hedge funds						
Long/short non-equity	\$ 3,716	\$ 63	\$ (104)	\$ 82	\$ (1,873)	\$ 1,884
	\$ 3,716	\$ 63	\$ (104)	\$ 82	\$ (1,873)	\$ 1,884

	Beginning balance at July 1, 2018	Investment income	Net realized and unrealized gain (loss)	Purchases	Sales	Ending balance at June 30, 2019
Hedge funds						
Long/short non-equity	1,831	117	36	\$ 3,234	(1,502)	\$ 3,716
	\$ 1,831	\$ 117	\$ 36	\$ 3,234	\$ (1,502)	\$ 3,716

The changes in other investments or financial assets measured at fair value on a recurring basis included as Level 3 measurements are summarized as follows:

	Beginning balance at July 1, 2019	Change in carrying value of trusts	Ending balance at June 30, 2020
Beneficial interest in trusts	\$ 2,790	\$ (104)	\$ 2,686
Beneficial interest in perpetual trusts	52,642	8,343	60,985

	Beginning balance at July 1, 2018	Change in carrying value of trusts	Ending balance at June 30, 2019
Beneficial interest in trusts	\$ 3,003	\$ (213)	\$ 2,790
Beneficial interest in perpetual trusts	52,178	464	52,642

The following is a summary of the investments whose net asset value approximates fair value and the related unfunded commitments and redemption restrictions associated with each major category as of June 30:

	2020			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Alternative investments				
Fixed income	\$ 319,268	\$ 70,480	None or quarterly None or daily to	None or 60 days
Global equity	2,415		quarterly None or monthly to	None or 0-60 days
Hedge funds	408		quarterly	None or 0-90 days
Natural resources	59,268	6,697	None	None
Real estate	42,031	16,341	None	None
Private equity	584,963	128,312	None	None
Other investments	5,270		None	None
Total	<u>\$ 1,013,623</u>	<u>\$ 221,830</u>		

	2019			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Alternative investments				
Fixed income	\$ 300,640	\$ 192,154	None or quarterly None or daily to	None or 60 days
Global equity	2,139		quarterly None or monthly to	None or 0-60 days
Hedge funds	580		quarterly	None or 0-90 days
Natural resources	82,195	11,536	None	None
Real estate	52,504	24,294	None	None
Private equity	572,633	143,729	None	None
Other investments	6,122		None	None
Total	<u>\$ 1,016,813</u>	<u>\$ 371,713</u>		

The UMF's alternative investments which are redeemable at net asset value under the original terms of the partnership agreements and/or subscription agreements and operations of the underlying funds may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the UMF's interest in the funds.

Investment Commitments

As of June 30, 2020, the UMF also had unfunded commitments for investments held at cost of \$13,401, unfunded commitments for investments at equity method of \$68,470, and unfunded commitments for consolidated investments of \$137,567.

The UMF had unfunded commitment for investments held at June 30, 2020, which are allowed to be cancelled by the UMF. This was approximately \$175,300 and is included in the commitment disclosure above.

In addition to the unfunded commitments noted above, the UMF has entered into investment commitments of \$94,300 since June 30, 2020, which are expected to be paid within one year.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the UMF and changes therein are classified into the following categories:

- **Net Assets with Donor Restrictions:** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.
- **Net Assets without Donor Restrictions:** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 are restricted for the following purposes:

Gifts and other unexpended revenues and gains available for:

	2020	2019
Capital improvement/facilities	\$ 146,816	\$ 133,711
Faculty and staff support	20,646	20,668
Scholarships and fellowships	140,506	151,745
Lectureships, professorships, and chairs	44,281	45,703
Program support	563,757	486,034
Research and outreach/community engagement	161,602	160,655
Trusts	7,162	7,401
Other	7,795	8,768
Subtotal	\$ 1,092,565	\$ 1,014,685

Endowments:

Original donor-restricted gift amount and amounts required to be maintained in perpetuity:

Restricted by donors for:

Capital improvement/facilities	\$ 9,969	\$ 9,934
Faculty and staff support	33,317	33,377
Scholarships and fellowships	623,082	588,188
Lectureships, professorships, and chairs	436,167	418,321
Program support	97,715	95,702
Research and outreach/community engagement	78,448	73,823
Trusts	15,392	15,635
Other	3,537	3,072
Subtotal	\$ 1,297,627	\$ 1,238,052

Subject to foundation endowment spending policy and appropriation:

Capital improvement/facilities	\$ 9,225	\$ 9,953
Faculty and staff support	11,506	14,292
Scholarships and fellowships	128,488	172,652
Lectureships, professorships, and chairs	193,300	229,015
Program support	43,292	53,995
Research and outreach/community engagement	18,974	24,017
Other	2,513	2,917
Subtotal	407,298	506,841
Total endowments	\$ 1,704,925	\$ 1,744,893

Not subject to spending policy or appropriation:

Capital improvement/facilities	\$ 291	\$ 68
Faculty and staff support	2,799	
Scholarships and fellowships	5,857	1,570
Lectureships, professorships, and chairs	328	
Program support	11,149	6,953
Research and outreach	2,949	1,035
Trusts	62,574	54,466
Other	895	1,091
Subtotal	86,842	65,183
Total net assets with donor restrictions	\$ 2,884,332	\$ 2,824,761

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

Net assets released for purpose:

	2020	2019
Capital improvement/facilities	\$ 17,282	\$ 21,970
Faculty and staff support	3,742	4,582
Scholarships and fellowships	57,930	50,304
Lectureships, professorships, and chairs	31,150	28,609
Program support	83,225	84,795
Research and outreach/community engagement	42,274	62,666
Other	16,223	505
Total net assets released from donor restrictions	\$ 251,826	\$ 253,431

Blended Component Units

Condensed statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows for fiscal years ended June 30, 2020 and 2019 for RUMINCO, Ltd, are as follows:

Condensed statements of net position	2020	2019
Current assets	\$ 430	\$ 158
Noncurrent assets	50,911	51,538
Total assets	51,341	51,696
Deferred outflows of resources		
Total assets & deferred outflows of resources	51,341	51,696
Current liabilities	1,621	1,401
Noncurrent liabilities	2,367	2,112
Total liabilities	3,988	3,513
Deferred inflows of resources		
Total liabilities & deferred inflows of resources	3,988	3,513
Unrestricted net position	\$ 47,353	\$ 48,183

Condensed statements of revenues, expenses, and changes in net position	2020	2019
Operating revenues:		
Net underwriting income	\$ 2,600	\$ 3,515
Operating expenses	1,545	1,501
Operating income (loss)	1,055	2,014
Nonoperating revenues:		
Investment income, net	2,115	3,019
Increase in net position	3,170	5,033
Net position at beginning of year	48,183	43,150
Dividends paid	(4,000)	
Net position at end of year	\$ 47,353	\$ 48,183

Condensed statements of cash flows	2020	2019
Net cash provided (used) by:		
Operating activities	\$ 2,033	\$ 687
Noncapital financing activities	(4,000)	
Investing activities	2,006	(640)
Net increase in cash	39	47
Cash at beginning of year	96	49
Cash at end of year	\$ 135	\$ 96

Condensed statement of net position; statement of revenues, expenses, and changes in net position; and statement of cash flows for fiscal year ended June 30, 2020 for 2515 University Ave SE, LLC (University Village), is as follows:

Condensed statement of net position	2020	2019
Current assets:		
Cash and cash equivalents	\$ 1,245	\$ 185
Accounts and other receivables	54	530
Noncurrent assets:		
Capital assets, net	42,311	42,757
Total assets	43,610	43,472
Deferred outflows of resources		
Total assets & deferred outflows of resources	43,610	43,472
Current liabilities	707	569
Noncurrent liabilities	43,500	43,500
Total liabilities	44,207	44,069
Deferred inflows of resources		
Total liabilities & deferred inflows of resources	44,207	44,069
Unrestricted net position	\$ (597)	\$ (597)
Condensed statement of revenues, expenses, and changes in net position	2020	2019
Operating revenues:		
Rental income	\$ 4,477	\$ 1,069
Other revenue	90	20
Operating expenses:		
General operating expenses	1,792	852
Depreciation expense	513	250
Operating loss	2,262	(13)
Nonoperating expenses	2,262	584
Increase (decrease) in net position		(597)
Net position at beginning of year	(597)	
Net position at end of year	\$ (597)	\$ (597)
Condensed statement of cash flows	2020	2019
Net cash provided (used) by:		
Operating activities	\$ 3,389	\$ 783
Capital and related financing activities	(2,329)	(598)
Net increase in cash	1,060	185
Cash at beginning of year	185	
Cash at end of year	\$ 1,245	\$ 185

Required Supplementary Information (Unaudited)

- 83 Schedule of Employer's Contributions for Other Postemployment Benefits
- 83 Schedule of Changes in Total Other Postemployment Benefits Liability
- 84 Schedules of the Employer's Share of Net Pension Liability
- 85 Schedules of Employer's Contributions for Pension

Required Supplementary Information (RSI) (Unaudited)

Years ended June 30, 2020 and 2019 (in thousands)

Other Postemployment Benefits (OPEB)

Schedule of Employer's Contributions

Year Ended June 30	OPEB Liability (a)	University's Covered- Employee Payroll (b)	Contributions as a Percentage of Covered- Employee Payroll (c) = a / b
2020	\$ 46,686	\$ 1,485,066	3.14%
2019	40,283	1,427,948	2.82%
2018	34,936	1,439,621	2.43%
2017	32,461	1,384,251	2.35%
2016	32,447	1,350,645	2.40%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Changes in Total OPEB Liability

Total OPEB Liability at June 30	2020	2019	2018	2017	2016
Service cost	\$ 3,682	\$ 3,870	\$ 3,763	\$ 3,446	\$ 2,961
Interest	1,496	1,361	1,202	973	1,150
Differences between expected and actual experience	1,148	(344)	2,596	(281)	3,374
Changes of actuarial assumptions or other inputs	3,683	2,879	(120)	1,023	1,674
Benefit payments	(3,606)	(2,419)	(4,966)	(5,147)	(5,794)
Increase in OPEB liability	6,403	5,347	2,475	14	3,365
Total OPEB liability—beginning	40,283	34,936	32,461	32,447	29,082
Total OPEB liability—ending	\$ 46,686	\$ 40,283	\$ 34,936	\$ 32,461	\$ 32,447

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information

No assets are accumulated in a trust that meets the criteria prescribed in GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Schedules of the Employer's Share of Net Pension Liability

Public Employee Police and Fire Fund (PEPFF)*

Actuarial valuation date	University's Proportion of the Net Pension Liability (%) (a)	University's Proportionate Share of the Net Pension Liability (\$) (b)	University's Covered-Employee Payroll (c)	University's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (d) = (b)/(c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (e)
6/30/2019	0.652%	\$ 6,939	\$ 6,723	103.213%	89.26%
6/30/2018	0.597%	6,367	6,295	101.144%	88.84%
6/30/2017	0.589%	7,952	6,046	131.525%	85.43%
6/30/2016	0.604%	24,240	5,818	416.638%	63.88%
6/30/2015	0.613%	6,965	5,781	120.481%	86.61%
6/30/2014	0.608%	6,567	5,255	124.967%	87.07%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

State Employees Retirement Fund (SERF)*

Actuarial valuation date	University's Proportion of the Net Pension Liability (%) (a)	University's Proportionate Share of the Net Pension Liability (\$) (b)	University's Covered-Employee Payroll (c)	University's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (d) = (b)/(c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (e)
6/30/2019	14.200%	\$ 199,773	\$ 442,079	45.189%	90.73%
6/30/2018	14.648%	203,027	437,428	46.414%	90.56%
6/30/2017	14.906%	1,105,713	428,771	257.880%	62.73%
6/30/2016	15.200%	1,884,630	417,703	451.189%	47.51%
6/30/2015	15.424%	237,436	451,306	52.611%	88.32%
6/30/2014	16.031%	259,954	410,364	63.347%	87.64%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information

In the fiscal years ended June 30, 2019 and 2018, there were changes in actuarial assumptions for both PEPFF and SERF that affected the measurement of the total pension liability since the prior actuarial valuation. Part of the assumption changes included changes to the single discount rates. For PEPFF, the single discount rate remained unchanged at 7.5 percent in fiscal year 2019, and changed from 5.6 percent to 7.5 percent in fiscal year 2018. For SERF, the single discount rate changed from 5.42 percent to 7.50 percent in fiscal year 2019, and from 4.17 percent to 5.42 percent in fiscal year 2018. Refer to Note 6 for additional information related to PEPFF and SERF.

Pensions

Schedules of Employer's Contributions – Last 10 Years

Public Employee Police and Fire Fund (PEPFF)*

Year Ended June 30	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (c) = a - b	University's Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (e) = b / d
2019	\$ 1,140	\$ 1,140		\$ 6,723	16.95%
2018	1,020	1,020		6,295	16.20%
2017	979	979		6,046	16.20%
2016	943	943		5,818	16.20%
2015	885	885		5,781	15.30%
2014	804	804		5,255	15.30%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available

State Employees Retirement Fund (SERF)*

Year Ended June 30	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (c) = a - b	University's Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (e) = b / d
2019	\$ 25,972	\$ 25,972		\$ 442,079	5.88%
2018	24,059	24,059		437,428	5.50%
2017	23,582	23,582		428,771	5.50%
2016	22,974	22,974		417,703	5.50%
2015	22,565	22,565		451,306	5.00%
2014	20,518	20,518		410,364	5.00%

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available

Civil Service Retirement System (CSRS)

Year Ended June 30	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (c) = a - b	University's Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (e) = b / d
2020	\$ 16	\$ 16		\$ 229	7.00%
2019	39	39		557	7.00%
2018	73	73		1,043	7.00%
2017	97	97		1,386	7.00%
2016	109	109		1,557	7.00%
2015	139	139		1,986	7.00%
2014	152	152		2,171	7.00%
2013	172	172		2,457	7.00%
2012	226	226		3,229	7.00%
2011	271	271		3,871	7.00%

Civil Service Retirement System Offset Retirement (CSRS Offset)

Year Ended June 30	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (c) = a - b	University's Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (e) = b / d
2020	\$ 9	\$ 9		\$ 129	7.00%
2019	10	10		143	7.00%
2018	18	18		257	7.00%
2017	22	22		314	7.00%
2016	30	30		429	7.00%
2015	35	35		500	7.00%
2014	35	35		411	8.51%
2013	34	34		400	8.51%
2012	33	33		388	8.51%
2011	32	32		376	8.51%

Federal Employees Retirement System (FERS)

Year Ended June 30	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (c) = a - b	University's Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (e) = b / d
2020	\$ 979	\$ 979		\$ 6,119	16.00%
2019	881	881		6,431	13.70%
2018	893	893		6,518	13.70%
2017	892	892		6,511	13.70%
2016	1,232	1,232		8,993	13.70%
2015	938	938		7,106	13.20%
2014	894	894		7,513	11.90%
2013	878	878		7,378	11.90%
2012	900	900		7,563	11.90%
2011	957	957		8,545	11.20%

Supplemental Schedules
for the Years Ended June 30, 2020 and 2019

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- 89 Statements of Net Position by Campus
- 91 Statements of Revenues, Expenses, and Changes in Net Position by Campus



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULES

The Board of Regents
University of Minnesota
Minneapolis, Minnesota

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of the University of Minnesota (the "University") as of and for the years ended June 30, 2020 and 2019, as a whole. The accompanying schedules of net position by campus, and of revenues, expenses, and changes in net position by campus as of and for the years ended June 30, 2020 and 2019, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the University's management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion such schedules are fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

Deloitte & Touche LLP

October 21, 2020

Statements of Net Position by Campus

As of June 30, 2020 (in thousands)

(Unaudited)

	Crookston	Duluth	Morris	Rochester	Twin Cities	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 1,607	\$ 46,728	\$ 5,316	\$ 2,931	\$ 603,361	\$ 659,943
Short-term investments					143,733	143,733
Receivables, net	1,496	5,623	826	644	323,162	331,751
Inventories	80	2,133	31		19,692	21,936
Student loans receivable, net	81	1,442	138		7,576	9,237
Prepaid expenses	43	518	76	14	29,392	30,043
Other assets					80	80
Total current assets	3,307	56,444	6,387	3,589	1,126,996	1,196,723
Noncurrent assets						
Restricted cash and cash equivalents					14,829	14,829
Investments	4,282	121,169	5,210		1,879,907	2,010,568
Receivables, net			15	61	9,844	9,920
Student loan receivables, net	363	6,687	607		45,282	52,939
Prepaid expenses		8		9	5,955	5,972
Other assets					2,964	2,964
Capital assets, net	43,489	213,847	47,342	39,228	2,903,850	3,247,756
Total noncurrent assets	48,134	341,711	53,174	39,298	4,862,631	5,344,948
Total assets	51,441	398,155	59,561	42,887	5,989,627	6,541,671
Deferred Outflows of Resources					339,573	339,573
Liabilities						
Current liabilities						
Accounts payable	1,346	6,173	1,796	633	105,762	115,710
Accrued liabilities and other	1,575	10,841	2,433	595	381,937	397,381
Unearned income	1,040	6,079	184	104	57,195	64,602
Long-term debt					334,529	334,529
Total current liabilities	3,961	23,093	4,413	1,332	879,423	912,222
Noncurrent liabilities						
Accrued liabilities and other	670	9,911	1,058	305	307,772	319,716
Unearned income					75	75
Long-term debt					1,227,811	1,227,811
Total noncurrent liabilities	670	9,911	1,058	305	1,535,658	1,547,602
Total liabilities	4,631	33,004	5,471	1,637	2,415,081	2,459,824
Deferred Inflows of Resources					730,511	730,511
Net Position						
Unrestricted	(3,545)	17,308	(4,502)	(1,703)	567,676	575,234
Restricted						
Expendable	5,832	65,469	9,025	3,725	1,021,799	1,105,850
Nonexpendable	1,034	68,527	2,225		244,787	316,573
Net investment in capital assets	43,489	213,847	47,342	39,228	1,349,346	1,693,252
Total net position	\$ 46,810	\$ 365,151	\$ 54,090	\$ 41,250	\$ 3,183,608	\$ 3,690,909

Statements of Net Position by Campus

As of June 30, 2019 (in thousands)

(Unaudited)

	Crookston	Duluth	Morris	Rochester	Twin Cities	Total
Assets						
Current assets						
Cash and cash equivalents	\$ 1,634	\$ 40,317	\$ 4,374	\$ 2,775	\$ 356,147	\$ 405,247
Short-term investments					271,618	271,618
Receivables, net	1,292	5,763	1,053	501	351,070	359,679
Inventories	154	2,167	60		16,938	19,319
Student loans receivable, net	89	1,568	149		7,540	9,346
Prepaid expenses	6	655	62	5	33,552	34,280
Other assets					350	350
Total current assets	3,175	50,470	5,698	3,281	1,037,215	1,099,839
Noncurrent assets						
Restricted cash and cash equivalents					62,570	62,570
Investments	4,165	119,727	5,077		1,924,213	2,053,182
Receivables, net			20	654	10,595	11,269
Student loan receivables, net	450	8,289	741		49,857	59,337
Prepaid expenses		3		6	12,151	12,160
Other assets					2,958	2,958
Capital assets, net	45,484	217,348	50,419	41,947	2,879,296	3,234,494
Total noncurrent assets	50,099	345,367	56,257	42,607	4,941,640	5,435,970
Total assets	53,274	395,837	61,955	45,888	5,978,855	6,535,809
Deferred Outflows of Resources					618,869	618,869
Liabilities						
Current liabilities						
Accounts payable	1,205	6,366	1,550	320	154,515	163,956
Accrued liabilities and other	1,600	10,251	2,531	543	312,993	327,918
Unearned income	869	4,508	299	10	58,722	64,408
Long-term debt					320,119	320,119
Total current liabilities	3,674	21,125	4,380	873	846,349	876,401
Noncurrent liabilities						
Accrued liabilities and other	759	11,763	1,298	278	333,298	347,396
Unearned income					44	44
Long-term debt					1,293,363	1,293,363
Total noncurrent liabilities	759	11,763	1,298	278	1,626,705	1,640,803
Total liabilities	4,433	32,888	5,678	1,151	2,473,054	2,517,204
Deferred Inflows of Resources					1,008,147	1,008,147
Net Position						
Unrestricted	(3,187)	20,338	(4,899)	(510)	590,767	602,509
Restricted						
Expendable	5,526	57,015	8,628	3,300	963,573	1,038,042
Nonexpendable	1,017	68,249	2,129		242,869	314,264
Net investment in capital assets	45,485	217,347	50,419	41,947	1,319,314	1,674,512
Total net position	\$ 48,841	\$ 362,949	\$ 56,277	\$ 44,737	\$ 3,116,523	\$ 3,629,327

Statements of Revenues, Expenses, and Changes in Net Position by Campus

Year ended June 30, 2020 (in thousands)

(Unaudited)

	Crookston	Duluth	Morris	Rochester	Twin Cities	Total
Revenues						
Operating revenues						
Student tuition and fees, net	\$ 10,042	\$ 87,789	\$ 6,252	\$ 7,512	\$ 715,088	\$ 826,683
Federal grants and contracts	122	6,986	1,418	12	470,415	478,953
State and other government grants	104	3,662	188		81,575	85,529
Nongovernmental grants and contracts	271	2,265	10	106	418,889	421,541
Student loan interest income	18	278	26		1,565	1,887
Sales and services of educational activities, net	554	4,846	142	46	135,260	140,848
Auxiliary enterprises, net	3,362	33,358	5,582	2,046	368,701	413,049
Other operating revenues	5	166	22		557	750
Total operating revenues	14,478	139,350	13,640	9,722	2,192,050	2,369,240
Expenses						
Operating expenses						
Educational and general						
Instruction	11,218	71,584	13,211	2,806	744,908	843,727
Research	137	20,327	704	679	753,263	775,110
Public service	684	4,478	1,555	1	269,209	275,927
Academic support	2,848	24,054	4,093	1,781	432,515	465,291
Student services	2,997	15,801	5,170	1,922	111,323	137,213
Institutional support	2,373	18,501	3,410	4,127	266,077	294,488
Operation and maintenance of plant	4,138	27,840	9,094	(27)	273,931	314,976
Scholarships and fellowships	520	2,818	1,541	3,456	60,054	68,389
Depreciation	2,159	10,076	3,159	3,580	196,980	215,954
Auxiliary enterprises	6,530	32,618	8,020	268	244,920	292,356
Other operating expenses, net	(11)	(379)	(43)		45	(388)
Total operating expenses	33,593	227,718	49,914	18,593	3,353,225	3,683,043
Operating Loss	(19,115)	(88,368)	(36,274)	(8,871)	(1,161,175)	(1,313,803)
Nonoperating Revenues (Expenses)						
Federal appropriations					17,146	17,146
State appropriations	12,529	52,257	23,625	8,373	598,126	694,910
Grants	5,698	26,725	7,455	2,911	252,042	294,831
Gifts	1,053	5,877	1,217	172	180,851	189,170
Investment income, net	769	13,791	830	120	75,925	91,435
Interest on capital asset-related debt					(48,439)	(48,439)
Other nonoperating revenues (expenses), net		33	263		11,241	11,537
Net nonoperating revenues	20,049	98,683	33,390	11,576	1,086,892	1,250,590
Income (Loss) Before Other Revenues	934	10,315	(2,884)	2,705	(74,283)	(63,213)
Capital appropriations					96,263	96,263
Capital grants and gifts		297			25,837	26,134
Additions to permanent endowments		464	10		1,924	2,398
Transfers	498	10,295	4,806	(1,700)	(13,899)	
Other internal charges	(3,463)	(19,169)	(4,119)	(4,492)	31,243	
Total other revenues (expenses)	(2,965)	(8,113)	697	(6,192)	141,368	124,795
Increase in Net Position	(2,031)	2,202	(2,187)	(3,487)	67,085	61,582
Net position at beginning of year	48,841	362,949	56,277	44,737	3,116,523	3,629,327
Net position at end of year	\$ 46,810	\$ 365,151	\$ 54,090	\$ 41,250	\$ 3,183,608	\$ 3,690,909

Statements of Revenues, Expenses, and Changes in Net Position by Campus

Year ended June 30, 2019 (in thousands)

(Unaudited)

	Crookston	Duluth	Morris	Rochester	Twin Cities	Total
Revenues						
Operating revenues						
Student tuition and fees, net	\$ 12,194	\$ 93,829	\$ 7,637	\$ 7,473	\$ 702,557	\$ 823,690
Federal grants and contracts	131	6,996	1,097	30	471,566	479,820
State and other government grants	128	4,191	69		82,654	87,042
Nongovernmental grants and contracts	247	2,804	40	4	406,203	409,298
Student loan interest income	15	302	32		1,704	2,053
Sales and services of educational activities, net	394	5,073	257	22	143,521	149,267
Auxiliary enterprises, net	4,314	41,757	7,321	2,548	401,802	457,742
Other operating revenues					213	213
Total operating revenues	17,423	154,952	16,453	10,077	2,210,220	2,409,125
Expenses						
Operating expenses						
Educational and general						
Instruction	11,243	70,479	13,300	2,723	703,881	801,626
Research	162	22,022	850	630	696,950	720,614
Public service	477	6,442	1,324	5	235,486	243,734
Academic support	2,876	24,607	4,039	1,827	368,069	401,418
Student services	2,987	16,049	5,145	1,905	95,923	122,009
Institutional support	2,498	13,687	3,214	3,822	215,434	238,655
Operation and maintenance of plant	4,139	27,822	7,878	284	228,716	268,839
Scholarships and fellowships	291	2,587	1,138	2,901	57,607	64,524
Depreciation	2,188	14,588	3,237	3,147	191,176	214,336
Auxiliary enterprises	6,776	32,720	8,888	446	220,950	269,780
Other operating expenses, net	3	154	12		901	1,070
Total operating expenses	33,640	231,157	49,025	17,690	3,015,093	3,346,605
Operating Loss	(16,217)	(76,205)	(32,572)	(7,613)	(804,873)	(937,480)
Nonoperating Revenues (Expenses)						
Federal appropriations					17,883	17,883
State appropriations	11,848	48,966	22,653	8,284	582,537	674,288
Grants	5,217	25,359	5,971	2,194	191,316	230,057
Gifts	1,100	6,041	1,270	101	205,946	214,458
Investment income, net	429	4,916	477	106	140,354	146,282
Interest on capital asset-related debt					(50,602)	(50,602)
Other nonoperating revenues (expenses), net	(10)	21	295		8,223	8,529
Net nonoperating revenues	18,584	85,303	30,666	10,685	1,095,657	1,240,895
Income (Loss) Before Other Revenues	2,367	9,098	(1,906)	3,072	290,784	303,415
Capital appropriations					80,446	80,446
Capital grants and gifts	264	882		1,500	21,573	24,219
Additions to permanent endowments		900	10		2,770	3,680
Transfers	10,866	87,399	18,797	18,303	(135,365)	
Other internal charges	(3,362)	(18,964)	(4,155)	(4,070)	30,551	
Total other revenues (expenses)	7,768	70,217	14,652	15,733	(25)	108,345
Increase in Net Position	10,135	79,315	12,746	18,805	290,759	411,760
Net position at beginning of year	38,706	283,634	43,531	25,932	2,825,764	3,217,567
Net position at end of year	\$ 48,841	\$ 362,949	\$ 56,277	\$ 44,737	\$ 3,116,523	\$ 3,629,327