University of Minnesota

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2021 Annual Financial Report

Deloitte.

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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 and the statements of fiduciary position of the University of Minnesota (the "University") as of June 30, 2021 and 2020, the related consolidated statements of revenues, expenses, and changes in net position, the statements of changes in fiduciary position and the consolidated statements of 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, 2021 and 2020, 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, 2021 and 2020, 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 29, 2021 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 29, 2021

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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 statement of net position and the statement of fiduciary position of the University of Minnesota (the "University") as of June 30, 2021, the related consolidated statement of revenues, expenses, and changes in net position, the statement of changes in fiduciary position and the consolidated statement of 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 29, 2021. 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 29, 2021

About the University of Minnesota
(Unaudited)

The University of Minnesota (University) 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 $781.9 million, $776.1 million, and $720.6 million in fiscal years 2021, 2020 and 2019, respectively, for research under various programs funded by governmental and private sources. 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 system, with enrollment of approximately 52,000 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 10,300 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 2,530 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 1,300 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;

- commits to the success of 13,000 Minnesota resident undergraduate students through the U Promise Scholarship;

- 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 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 of Regents 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 student at the time of election.

Management's Discussion and Analysis
(Unaudited)

This discussion and analysis of the University of Minnesota's (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, 2021, 2020, and 2019. 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; Statements of Fiduciary Net Position; Statements of Changes in Fiduciary 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.

The University adopted GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, during fiscal year 2021. As a result, fiscal year 2020 Consolidated Statements of Net Position, Consolidated Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows line items, as well as related Note disclosures, have been restated to exclude fiduciary activities for comparative purposes. Statements of Fiduciary Net Position (Excluding Component Units) and Statements of Changes in Fiduciary Net Position (Excluding Component Units) have been added as required by the adoption of GASB 84.

Financial Highlights

In fiscal year 2021, while the University continued to respond to the COVID-19 pandemic operationally and financially, the University also played a key role locally and nationally in monitoring and suppressing the spread of COVID-19. The University has been a key partner with the State of Minnesota (State) in responding to and suppressing the pandemic across the State. This has included widespread testing efforts in collaboration with partners at Fairview Health Services (Fairview) and Mayo Health Systems, coordination of vaccination sites and new research and development. Research and studies have occurred related to various COVID-19 topics ranging from vaccines to the impact of inequities to socio-demographic groups.

Various safe-guards were put into place to protect students, faculty and staff, which included items such as limited visitors on campus, mask requirements, social distancing measures, and additional cleaning. Students returned to campus in the fall of 2020 and additional modes of delivery for instruction were implemented across all campuses to meet the needs of the University community. While the University adapted to the current environment, many areas continued to be adversely impacted by the pandemic and experienced significant decreases. Experiencing the largest decreases were auxiliary enterprises revenues, as well as student tuition and fees driven by a tuition freeze and decreased enrollment.

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 as reducing hiring of new employees, and offered a retirement incentive option to certain staff and faculty. The University continues to monitor the overall liquidity of assets to manage cash needs and associated risks.

The University has also sought various funding sources available due to the pandemic and recognized $69.1 million in Higher Education Emergency Relief Fund (HEERF) funding in fiscal year 2021. This included recognition of remaining revenue available under Coronavirus Aid, Relief, and Economic Security (CARES) Act, as well as Coronavirus Response and Relief Supplemental Act (CRRSAA). Both CARES and CRRSAA 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 primarily provided an offset to the loss of revenues for student tuition and fees, auxiliary revenues, and other permitted revenue losses.

Despite the impact of the pandemic, the University's financial position remains strong with assets of $7.5 billion, an increase of $959.9 million from fiscal year 2020. Liabilities remained consistent at $2.5 billion for fiscal years 2021 and 2020. 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 $4.6 billion as of June 30, 2021 compared to $3.7 billion as of June 30, 2020. The University's net position increased $924.3 million in fiscal year 2021 compared to an increase of $67.2 million in fiscal year 2020, reflecting continued strong financial results.

The University experienced an increase in total revenue in fiscal year 2021 of $171.5 million or 4.5 percent due to increases in grants and contracts, partially offset by decreases in student tuition and fees, auxiliary enterprises and educational services. Total expenses decreased $238.7 million or 6.4 percent compared to an increase in fiscal year 2020 of $388.1 million or 11.6 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, 2021, 2020 and 2019 is summarized in the table below:

	2021	2020 (Restated)	2019
Assets			
Current assets	$ 1,369,639	$ 1,202,046	$ 1,099,839
Noncurrent assets, excluding capital assets	2,936,635	2,097,192	2,201,476
Capital assets, net	3,200,696	3,247,756	3,234,494
Total assets	7,506,970	6,546,994	6,535,809
Deferred outflows of resources	62,864	339,573	618,869
Liabilities			
Current liabilities, excluding long-term debt	600,257	577,434	556,282
Noncurrent liabilities, excluding long-term debt	350,945	319,780	347,440
Long-term debt	1,531,399	1,562,340	1,613,482
Total liabilities	2,482,601	2,459,554	2,517,204
Deferred inflows of resources	466,461	730,511	1,008,147
Net position			
Unrestricted	1,007,345	580,728	602,509
Restricted—expendable	1,606,260	1,105,949	1,038,042
Restricted—nonexpendable	319,257	316,573	314,264
Net investment in capital assets	1,687,910	1,693,252	1,674,512
Total net position	4,620,772	3,696,502	3,629,327

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, 2021, 2020, and 2019:

	2021	2020 (Restated)	2019	Increase (Decrease) From 2020 (Restated) to 2021 Amount	Percent	From 2019 to 2020 (Restated) Amount	Percent
Current assets							
Cash and cash equivalents	$ 663,912	$ 659,943	$ 405,247	$ 3,969	0.6%	$ 254,696	62.8%
Receivables, net	422,791	346,706	369,025	76,085	21.9%	(22,319)	(6.0%)
Investments	240,923	143,338	271,618	97,585	68.1%	(128,280)	(47.2%)
Other assets	42,013	52,059	53,949	(10,046)	(19.3%)	(1,890)	(3.5%)
Total current assets	1,369,639	1,202,046	1,099,839	167,593	13.9%	102,207	9.3%
Noncurrent assets							
Capital assets, net	3,200,696	3,247,756	3,234,494	(47,060)	(1.4%)	13,262	0.4%
Other noncurrent assets							
Cash and cash equivalents & other assets	37,834	23,765	77,688	14,069	59.2%	(53,923)	(69.4%)
Receivables, net	57,727	62,859	70,606	(5,132)	(8.2%)	(7,747)	(11.0%)
Investments	2,841,074	2,010,568	2,053,182	830,506	41.3%	(42,614)	(2.1%)
Total other noncurrent assets	2,936,635	2,097,192	2,201,476	839,443	40.0%	(104,284)	(4.7%)
Total assets	$ 7,506,970	$ 6,546,994	$ 6,535,809	$ 959,976	14.7%	$ 11,185	0.2%

As of June 30, 2021, total assets increased $960.0 million or 14.7 percent primarily due to increases in cash and cash equivalents, net receivables, and investments, partially offset by decreases in other assets and net capital assets. Current and noncurrent investments increased $928.1 million primarily due to the unrealized gains in the CEF and GIP portfolios resulting from favorable market conditions. Current cash and cash equivalents and net receivables increased $80.1 million. Noncurrent cash and cash equivalents consist of unspent bond proceeds of $24.0 million and $14.8 million as of June 30, 2021 and 2020, respectively. Capital assets (net of accumulated depreciation) decreased $47.1 million primarily due to continued depreciation of buildings in service partially offset by increased real estate acquisitions near the Twin Cities campus. Refer to Note 4 for additional information related to capital assets.

Capital Assets and Related Debt Activities

Capital additions totaled $178.0 million, $235.4 million, and $269.3 million in fiscal years 2021, 2020 and 2019, respectively. Fiscal year 2021 spending included real estate purchases of the Stadium Village Apartments and Stadium Village Church, capital equipment including medical equipment and various on-going construction projects. Project spending continuing in fiscal year 2022 is projected to be $39.6 million and $32.1 million for the new construction of the Institute of Child Development Replacement and Lind Hall renovation, respectively. See Note 4 for more detailed information about capital assets.

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 generally structures long-term debt so that principal is paid annually over a relatively short duration, 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.

Fiscal year 2021 debt activity included the issuance of General Obligation Bond, Series 2020A, and General Obligation Taxable Bond, Series 2020B. Refer to Note 5 for additional information.

The University entered into capital leases of $1.4 million, $2.1 million and $22.4 million in fiscal year 2021, 2020 and 2019, respectively. Refer to Note 5 for additional information.

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, 2021, the deferred outflows of resources decreased $276.7 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. As of June 30, 2021, the University recorded $27.0 million in unearned income for HEERF funds that had been received by the University but have not met all eligibility requirements for revenue recognition.

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, 2021, 2020, and 2019:

				Increase (Decrease)			
				From 2020 (Restated) to 2021		From 2019 to 2020 (Restated)	
	2021	2020 (Restated)	2019	Amount	Percent	Amount	Percent
Current liabilities							
Accounts payable	$ 156,688	$ 115,720	$ 163,956	$ 40,968	35.4%	$ (48,236)	(29.4%)
Accrued liabilities and other	357,138	397,134	327,918	(39,996)	(10.1%)	69,216	21.1%
Unearned income	86,431	64,580	64,408	21,851	33.8%	172	0.3%
Long-term debt	255,752	334,529	320,119	(78,777)	(23.5%)	14,410	4.5%
Total current liabilities	856,009	911,963	876,401	(55,954)	(6.1%)	35,562	4.1%
Noncurrent liabilities							
Accrued liabilities and other	343,599	319,705	347,396	23,894	7.5%	(27,691)	(8.0%)
Unearned income	7,346	75	44	7,271	9694.7%	31	70.5%
Long-term debt	1,275,647	1,227,811	1,293,363	47,836	3.9%	(65,552)	(5.1%)
Total noncurrent liabilities	1,626,592	1,547,591	1,640,803	79,001	5.1%	(93,212)	(5.7%)
Total Liabilities	$ 2,482,601	$ 2,459,554	$ 2,517,204	$ 23,047	0.9%	$ (57,650)	(2.3%)

As of June 30, 2021, total liabilities increased $23.0 million primarily due to an increase in accounts payable of $41.0 million and unearned income of $29.1 million, partially offset by decreases in accrued liabilities of $16.1 million and long-term debt of $30.9 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 61.7 percent of total liabilities or $1.5 billion as of June 30, 2021 compared to 63.5 percent or $1.6 billion as of June 30, 2020.

Long-term debt decreased $30.9 million or 2.0 percent. The University issued GO Bonds Series 2020A in the amount of $31.3 million and GO Taxable Bonds Series 2020B in the amount of $84.7 million in fiscal year 2021. 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.

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, 2021, the deferred inflows of resources decreased $264.0 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 of Regents (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, 2021, 2020, and 2019:

	2021	2020 (Restated)	2019	Increase (Decrease) From 2020 (Restated) to 2021 Amount	Percent	From 2019 to 2020 (Restated) Amount	Percent
Unrestricted	$ 1,007,345	$ 580,728	$ 602,509	$ 426,617	73.5%	$ (21,781)	(3.6%)
Restricted:							
Expendable	1,606,260	1,105,949	1,038,042	500,311	45.2%	67,907	6.5%
Nonexpendable	319,257	316,573	314,264	2,684	0.8%	2,309	0.7%
Net investment in capital assets	1,687,910	1,693,252	1,674,512	(5,342)	(0.3%)	18,740	1.1%
Total net position	$ 4,620,772	$ 3,696,502	$ 3,629,327	$ 924,270	25.0%	$ 67,175	1.9%

The University's unrestricted net position increased $426.6 million in fiscal year 2021, of which $206.8 million in fiscal year 2021 is due primarily to changes in market values related to endowments. The University's restricted expendable net position increased $500.3 million in fiscal year 2021 due primarily to changes in market values related to endowments. The University's net investment in capital assets decreased $5.3 million primarily due to a decrease in net capital assets offset by an increase in long-term debt and 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 decreased 4.0 percent in fiscal year 2021 as a result of the pandemic and accounted for 52.0 percent, 62.8 percent, and 63.2 percent of total revenues for fiscal years 2021, 2020 and 2019, respectively.

The following schedule summarizes the University's Operating, Nonoperating and Other Revenue for the years ended June 30, 2021, 2020, and 2019:

							Increase (Decrease)				
							From 2020 (Restated) to 2021			From 2019 to 2020 (Restated)	
		2021		2020 (Restated)		2019		Amount	Percent		Amount	Percent
Operating revenues											
Grants and contracts	$	1,025,298	$	986,023	$	976,160	$	39,275	4.0%	$	9,863	1.0%
Student tuition and fees, net		772,781		829,277		823,690		(56,496)	(6.8%)		5,587	0.7%
Auxiliary enterprises, net		374,430		444,871		457,742		(70,441)	(15.8%)		(12,871)	(2.8%)
Educational activities		150,895		158,318		151,320		(7,423)	(4.7%)		6,998	4.6%
Other operating revenue		158		750		213		(592)	(78.9%)		537	252.1%
Total operating revenues		2,323,562		2,419,239		2,409,125		(95,677)	(4.0%)		10,114	0.4%
Nonoperating revenues												
Federal appropriations		18,572		17,146		17,883		1,426	8.3%		(737)	(4.1%)
State appropriations		696,935		694,910		674,288		2,025	0.3%		20,622	3.1%
Grants, gifts, and other nonoperating, net		582,571		497,140		453,044		85,431	17.2%		44,096	9.7%
Net investment gain		762,946		91,412		146,282		671,534	734.6%		(54,870)	(37.5%)
Total nonoperating revenues		2,061,024		1,300,608		1,291,497		760,416	58.5%		9,111	0.7%
Total other revenues		80,695		124,795		108,345		(44,100)	(35.3%)		16,450	15.2%
Total revenues (noncapital)	$	4,465,281	$	3,844,642	$	3,808,967	$	620,639	16.1%	$	35,675	0.9%

Total revenues increased in fiscal year 2021 by $171.5 million primarily due to an increase in nonoperating revenue, partially offset by a decrease in student tuition and fees as well as auxiliary enterprises revenue. Operating revenues decreased $95.7 million or 4.0 percent mainly due to decreases in auxiliary enterprises and student tuition and fees, driven by reductions in operations as a result of the pandemic. Revenues from auxiliary enterprises decreased $70.4 million due to the impact of the pandemic. Revenues from student tuition and fees decreased $56.5 million due to the reduction in enrollment and flat tuition rates. Grants and contracts increased $39.3 million or 4.0 percent primarily due to new awards related to COVID-19.

Nonoperating revenues increased $311.3 million or 23.8 percent due to increases in net investment gain and grants, gifts and other nonoperating revenues. Net investment gain increased $671.5 million as a result of the valuation of investment related activity. Other sources of nonoperating revenue to the University included gifts in support of operating expenses of $197.4 million, $190.0 million, and $214.5 million, and grants and gifts for capital purposes of $18.7 million, $26.1 million, and $24.2 million in fiscal years 2021, 2020, and 2019, respectively.

For the year ended June 30, 2021, other revenues, which consist of capital appropriations, and capital endowments gifts and grants decreased $44.1 million or 35.3 percent. Capital appropriation revenue is received as project expenses are incurred. As projects near completion, the revenue received decreases. In addition, the University experienced a slow-down of capital projects during fiscal year 2021 resulting in a reduction of capital appropriation revenue.

Total Operating Expenses

The following schedule summarizes the University's operating expenses by functional category for the years ended June 30, 2021, 2020, and 2019:

	2021	2020 (Restated)	2019	Increase (Decrease) From 2020 (Restated) to 2021 Amount	Percent	From 2019 to 2020 (Restated) Amount	Percent
Education and general							
Instruction	$ 799,230	$ 843,735	$ 801,626	$ (44,505)	(5.3%)	$ 42,109	5.3%
Research	781,887	776,095	720,614	5,792	0.7%	55,481	7.7%
Public service	315,990	276,017	243,734	39,973	14.5%	32,283	13.2%
Academic support	409,267	465,292	401,418	(56,025)	(12.0%)	63,874	15.9%
Student services	126,114	140,212	122,009	(14,098)	(10.1%)	18,203	14.9%
Institutional support	255,136	293,619	238,655	(38,483)	(13.1%)	54,964	23.0%
Operation and maintenance of plant	239,159	314,976	268,839	(75,817)	(24.1%)	46,137	17.2%
Scholarships and fellowships	71,212	68,496	64,524	2,716	4.0%	3,972	6.2%
Depreciation	215,847	215,954	214,336	(107)	(0.0%)	1,618	0.8%
Total education and general	3,213,842	3,394,396	3,075,755	(180,554)	(5.3%)	318,641	10.4%
Other operating expenses							
Auxiliary enterprises	280,734	340,786	269,780	(60,052)	(17.6%)	71,006	26.3%
Other operating expenses, net	1,477	(388)	1,070	1,865	(480.7%)	(1,458)	(136.3%)
Total other operating expenses	282,211	340,398	270,850	(58,187)	(17.1%)	69,548	25.7%
Total operating expenses	$ 3,496,053	$ 3,734,794	$ 3,346,605	$ (238,741)	(6.4%)	$ 388,189	11.6%

Total operating expenses decreased $238.7 million or 6.4 percent in fiscal year 2021 compared to an increase of $388.2 million or 11.6 percent in fiscal year 2020. Across almost all functional categories, salaries and compensation-related expenditures continued to represent the most significant expense to the University at $2.3 billion or 67.0 percent, $2.5 billion or 65.6 percent, and $2.1 billion or 62.3 percent of operating expenses in fiscal years 2021, 2020 and 2019, respectively. Compensation related expenditures decreased $109.1 million or 4.5 percent in fiscal year 2021, compared to an increase of $366.7 million or 17.6 percent and a decrease of $338.5 million or 14.0 percent in fiscal years 2020 and 2019, respectively. Decreases in most functional categories in fiscal year 2021 are primarily the result of reductions in compensation related expenses in fiscal year 2021 due to the University's pay reduction and other cost savings efforts in response to the COVID-19 pandemic. Research and Public Service experienced an increase of $45.8 million in fiscal year 2021 driven primarily by COVID related projects. 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.

Consolidated Statements of Cash Flows

The following schedule summarizes the University's cash flows for the years ended June 30, 2021, 2020, and 2019:

				Increase (Decrease)			
				From 2020 (Restated) to 2021		From 2019 to 2020 (Restated)	
	2021	2020 (Restated)	2019	Amount	Percent	Amount	Percent
Cash (used) provided by							
Operating activities	$ (957,660)	$ (1,081,272)	$ (1,005,521)	$ 123,612	(11.4%)	$ (75,751)	(7.5%)
Noncapital financing activities	1,319,801	1,239,875	1,149,795	79,926	6.4%	90,080	7.8%
Capital and related financing activities	(180,376)	(201,342)	(150,232)	20,966	10.4%	(51,110)	(34.0%)
Investing activities	(168,610)	249,694	(15,093)	(418,304)	167.5%	264,787	1754.4%
Net increase (decrease) in cash	13,155	206,955	(21,051)	(193,800)	(93.6%)	228,006	(1083.1%)
Cash, beginning of year	674,772	467,817	488,868	206,955	44.2%	(21,051)	(4.3%)
Cash, end of year	$ 687,927	$ 674,772	$ 467,817	$ 13,155	1.9%	$ 206,955	44.2%

The University's cash and cash equivalents increased $13.2 million compared to fiscal year 2020 due to cash provided by noncapital financing activities, partially offset by cash used by operating activities, investing activities, and capital and related financing activities.

Cash used by operating activities decreased $123.6 million compared to fiscal year 2020. This decrease was primarily driven by COVID-19 and institution measures implemented to offset the impact of COVID-19. There was a decrease in cash flows for payments to employees for services and fringe benefits of $131.7 million due to an institution wide pay reduction. Cash flows from grants and contracts revenue increased $166.6 million, primarily due to CARES and CRRSAA act funding for COVID-19 relief. Cash flows decreased by $201.3 million in student tuition and $59.7 million in auxiliary enterprises revenue due to a decrease in enrollment and cancellation of campus events related to COVID-19. Payments to suppliers for goods and services decreased $110.1 million primarily due to reductions in travel and repairs and maintenance due to COVID-19.

Cash provided by noncapital financing activities increased $79.9 million compared to an increase of $90.1 million in fiscal year 2020. The most significant sources of cash provided included State appropriations totaling $696.8 million and $694.9 million, grants totaling $383.0 million and $302.3 million, and gifts totaling $189.5 million and $200.5 million in 2021 and 2020, respectively.

Cash used by capital and related financing activities decreased $21.0 million primarily due to a decrease in cash flows related to a reduction of proceeds from capital debt of $72.6 million, partially offset by an increase of $51.5 million in principal payments on debt. During fiscal year 2021, the University issued $125.1 million and $0 million in new bond issuances and commercial paper, respectively, compared to $0 million and $48.0 million in new bond issuances and commercial paper, respectively, in fiscal year 2020. 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 $443.7 million, $(5.5) million, and $12.1 million in fiscal years 2021, 2020, and 2019, respectively. Annual distributions of the endowment to departments, partially offset by reinvested endowment earnings, decreased investments by $66.7 million, $63.9 million, and $62.2 million in fiscal years 2021, 2020 and 2019, 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 2021, 2020 and 2019.

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. In addition, current levels of support may be at risk if there are unfavorable changes in State and federal policy, lingering effects of the pandemic, a downturn in U.S. and world economic conditions, or other factors that might negatively impact the University's revenues and expenses.

State support for operations and maintenance – Continued strong State support is an important component of future fiscal health for the University. The Legislature fiscal year 2022-2023 biennium set base funding for the University at $1.4 billion, a 2.7 percent increase from the previous biennial base appropriation. The State of Minnesota's financial situation has improved dramatically throughout calendar year 2021, and the University may request a supplemental appropriation from the State during the 2022 legislative session, if the State's November financial forecast signals continued financial improvement. However, the Board has not determined at this time if a supplemental request will be made, and there is no guarantee that the State would approve the University's supplemental request if one were submitted.

State support for facilities and capital projects – The University's strategic plans for capital projects continue to be shaped by five key principles:

- Renew high priority buildings and right-size the overall amount of campus space
- Invest in high-demand academic programs and mission-support facilities
- Advance innovation in health sciences, agriculture, biotechnology, and other MNtersections priorities
- Enhance student-facing facilities and services
- Create spaces and places that make campuses more inclusive, accessible, and welcoming

Every other year of the State's biennial year, the University can request State funding for high-priority capital projects. The 2022 State Capital Request is a carry forward of the previous request to the State, adjusted for inflation. In total, the University is requesting $273.6 million from the State for capital projects. The University's first priority is a $200.0 million request to finance asset preservation and renewal. The other two projects include the remainder of the funding for the Chemistry Undergraduate Teaching Laboratory on the Twin Cities campus ($72.0 million), and funding of the design costs for the renewal of the Science Building (formerly the Chemistry Building) on the Duluth campus ($1.6 million). The project total for the Chemistry Undergraduate Teaching Laboratory on the Twin Cities campus has increased $3.9 million to $108.0 million since review in September due to updated cost projections that reflect changes in construction material and delivery pricing. There is no guarantee that the State will agree to finance the University's capital request.

Enrollment and tuition – Tuition revenue represents the single largest source of recurring revenue to the University, largely because the University has built a national reputation for high quality undergraduate, graduate, and professional education. The impact of the COVID-19 pandemic on enrollment has stabilized. Fall semester 2021 enrollment across the system was essentially flat as compared to Fall 2020, based on official fall enrollment census data. Total enrollment across all campuses was 66,500 compared to Fall 2020 enrollment of 66,800. As a part of the fiscal year 2022 approved budget, the Board approved a systemwide increase in tuition of 1.5 percent. The University's ability to consistently attract students who seek a world-class, affordable education will be important in the near term to maintain the tuition revenue stream.

Expenses and cost containment – The salaries and benefits paid to the University's faculty and staff represent the largest category of operating costs. For this reason, the University strives to operate as efficiently as possible. During fiscal year 2021 the University launched the Positioned for Excellence, Alignment, and Knowledge (PEAK) Initiative. The goals of the PEAK Initiative are to streamline and modernize administrative processes, improve service delivery and quality, improve end-user and customer experiences, and reduce the time staff spend on manual tasks. Through these efforts, the University aims to improve service and simultaneously reduce administrative costs. University leadership believes the PEAK Initiative holds great promise for delivering more efficient and effective services to support faculty and students. However, the expectation is that any savings from this initiative will not be realized for several years.

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. In the 2020 Higher Education Research and Development (HERD) survey the University ranked 10th among public US research universities. For fiscal year 2021, the University reported federal sponsored project awards valued at $1.15 billion, a 31 percent increase from fiscal year 2020. The record level of awards was fueled in part by $256.0 million in COVID-related projects.

In addition, during fiscal year 2020 and fiscal year 2021 the University was awarded federal funding from the CARES Act, CRRSSA Act, and the American Recovery and Reinvestment Act, all of which was intended to counter the economic impact of the COVID-19 pandemic. These federal funds were essential to the University's ability to weather the financial impacts of the pandemic but were financed primarily with federal deficit spending. As the federal government continues responding to the longer-term economic impacts from the pandemic, there is no guarantee that future funding for more traditional forms of federal programs such as research or federal student aid will be sustainable at past levels.

The University's partnership with Fairview–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 provided the University's Medical School with significant increases in financial support. Although Fairview has suffered significant revenue losses due to the COVID-19 pandemic, all scheduled payments to the University have been made.

University of Minnesota
Consolidated Statements of Net Position (Excluding Component Units)
As of June 30, 2021 and 2020 (in thousands)

		2021	2020 (Restated)
Assets			
Current assets			
Cash and cash equivalents		$ 663,912	$ 659,943
Short-term investments		240,923	143,338
Receivables, net		414,251	337,469
Inventories		19,646	21,936
Student loans receivable, net		8,540	9,237
Prepaid expenses		22,317	30,043
Other assets		50	80
	Total current assets	1,369,639	1,202,046
Noncurrent assets			
Restricted cash and cash equivalents		24,015	14,829
Investments		2,841,074	2,010,568
Receivables, net		9,079	9,920
Student loan receivables, net		48,648	52,939
Prepaid expenses		11,004	5,972
Other assets		2,815	2,964
Capital assets, net		3,200,696	3,247,756
	Total noncurrent assets	6,137,331	5,344,948
Total assets		7,506,970	6,546,994
Deferred Outflows of Resources		62,864	339,573
Liabilities			
Current liabilities			
Accounts payable		156,688	115,720
Accrued liabilities and other		357,138	397,134
Unearned income		86,431	64,580
Long-term debt		255,752	334,529
	Total current liabilities	856,009	911,963
Noncurrent liabilities			
Accrued liabilities and other		343,599	319,705
Unearned income		7,346	75
Long-term debt		1,275,647	1,227,811
	Total noncurrent liabilities	1,626,592	1,547,591
Total liabilities		2,482,601	2,459,554
Deferred Inflows of Resources		466,461	730,511
Net Position			
Unrestricted		1,007,345	580,728
Restricted	Expendable	1,606,260	1,105,949
	Nonexpendable	319,257	316,573
Net investment in capital assets		1,687,910	1,693,252
Total net position		$ 4,620,772	$ 3,696,502

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

University of Minnesota
Statements of Fiduciary Net Position (Excluding Component Units)
Years ended June 30, 2021 and 2020 (in thousands)

	2021		2020	
Assets	**Pension (and other employee benefit) Trust Funds**	**Custodial Funds**	**Pension (and other employee benefit) Trust Funds**	**Custodial Funds**
Short-Term Investments	$ 378		$ 395	
Trade Receivables		$ 1,162		$ 810
Student Receivables		900		262
Total assets	378	2,062	395	1,072
Liabilities				
Accounts Payable		3,408		5,358
Total liabilities		3,408		5,358
Net Position				
Unrestricted	378	(1,346)	395	(4,286)
Total net position	$ 378	$ (1,346)	$ 395	$ (4,286)

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, 2021 and 2020 (in thousands)

	University of Minnesota Foundation		University of Minnesota Physicians	
	2021	2020	2021	2020
Assets				
Cash and cash equivalents	$ 36,065	$ 25,702	$ 105,240	$ 142,755
Investments, substantially at fair market value	3,965,160	2,928,226	34,876	26,833
Pledges receivable, net	208,761	231,497		
Accounts and other receivables	10,740	14,174	111,551	107,620
Interest in charitable lead trusts, unitrusts, pooled income, and trusts	112,686	93,731		
Gift annuities	49,567	37,428		
Property and equipment, net	78,003	80,461	12,279	8,373
Prepaids and other assets	2,566		19,034	2,546
Total assets	4,463,548	3,411,219	282,980	288,127
Liabilities				
Accounts payable and accrued liabilities	34,089	20,675	157,942	168,804
Gift annuities payable	19,884	20,126		
Unitrusts, pooled income, and annuity trusts payable	14,335	9,733		
Investments held for custody of others	389,077	290,209		
Long-term debt	47,758	46,102	1,966	1,769
Total liabilities	505,143	386,845	159,908	170,573
Net Assets				
Without donor restrictions	221,998	140,042	123,072	117,554
With donor restrictions	3,736,407	2,884,332		
Total net assets	3,958,405	3,024,374	123,072	117,554
Total liabilities and net assets	$ 4,463,548	$ 3,411,219	$ 282,980	$ 288,127

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, 2021 and 2020 (in thousands)

			2021	2020 (Restated)
Revenues				
Operating revenues	Student tuition and fees, net of scholarship allowances of $319,530 in 2021; $319,546 in 2020		$ 772,781	$ 829,277
	Federal grants and contracts		490,443	478,953
	State and other government grants		86,563	85,529
	Nongovernmental grants and contracts		448,292	421,541
	Student loan interest income		644	1,887
	Sales and services of educational activities, net of scholarship allowances of $102 in 2021; $98 in 2020		150,251	156,431
	Auxiliary enterprises, net of scholarship allowances of $13,741 in 2021; $12,508 in 2020		374,430	444,871
	Other operating revenues		158	750
Total operating revenues			2,323,562	2,419,239
Expenses				
Operating expenses	Education and general	Instruction	799,230	843,735
		Research	781,887	776,095
		Public service	315,990	276,017
		Academic support	409,267	465,292
		Student services	126,114	140,212
		Institutional support	255,136	293,619
		Operation & maintenance of plant	239,159	314,976
		Scholarships & fellowships	71,212	68,496
		Depreciation	215,847	215,954
	Auxiliary enterprises		280,734	340,786
	Other operating expenses, net		1,477	(388)
Total operating expenses			3,496,053	3,734,794
Operating Loss			(1,172,491)	(1,315,555)
Nonoperating Revenues (Expenses)				
Federal appropriations			18,572	17,146
State appropriations			696,935	694,910
Grants, including HEERF Act Funding of $69,082 in 2021; $16,818 in 2020			371,712	295,470
Gifts			197,375	190,133
Investment income, net			762,946	91,412
Interest on capital-asset related debt			(44,958)	(48,439)
Other nonoperating revenues, net			13,484	11,537
Net nonoperating revenues			2,016,066	1,252,169
Income (Loss) Before Other Revenues			843,575	(63,386)
Capital appropriations			59,712	96,263
Capital grants and gifts			18,737	26,134
Additions to permanent endowments			2,246	2,398
Total other revenues			80,695	124,795
Increase In Net Position			924,270	61,409
Change in accounting principle				5,766
Net position at beginning of year			3,696,502	3,629,327
Net position at end of year			$ 4,620,772	$ 3,696,502

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

University of Minnesota
Statements of Changes in Fiduciary Net Position (Excluding Component Units)
Years ended June 30, 2021 and 2020 (in thousands)

		2021		2020	
		Pension (and other employee benefit) Trust Funds	Custodial Funds	Pension (and other employee benefit) Trust Funds	Custodial Funds
Additions					
Contributions	Student Financial Aid and Loans		$ 377,381		$ 427,754
	External Financial Aid Awards		18,355		18,482
	Services Provided		2,456		
	Memberships Collected		653		853
	Student Fees		206		844
	Supplemental Benefit Plan Contributions			$ 10	
	Investment Income	$ (17)		24	
Total Contributions		(17)	399,051	34	447,933
Deductions					
	Student aid and awards		395,711		446,254
	Other Deductions to Vendors		400		3,183
	Benefits to Participants and Beneficiaries			125	
Total Deductions			396,111	125	449,437
Net decrease in fiduciary net position		(17)	2,940	(91)	(1,504)
Cumulative Effect of Change in Accounting Principle				486	(2,782)
Increase In Net Position		(17)	2,940	395	(4,286)
Net Position at Beginning of Year		395	(4,286)		
Net Position at End of Year		$ 378	$ (1,346)	$ 395	$ (4,286)

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, 2021 and 2020 (in thousands)

	University of Minnesota Foundation			
	Without donor restrictions	With donor restrictions	Total 2021	Total 2020
Revenues				
Contributions	$ 988	$ 230,646	$ 231,634	$ 261,130
Investment income, net	1,092	11,228	12,320	22,298
Net realized and unrealized gains on investments	10,700	887,909	898,609	22,758
Change in value of trusts	(4)	30,933	30,929	6,086
Support services revenue	8,500		8,500	7,165
UMF - Real Estate Advisors rental revenue	7,098		7,098	6,916
University Gateway Corporation revenue	3,033		3,033	4,062
Other revenue	2,265		2,265	5
Net assets released from restriction	308,642	(308,642)		
Total revenues	342,314	852,074	1,194,388	330,420
Expenses				
Program services				
Distributions for University purposes	200,662		200,662	202,039
Support services				
Management and general	11,151		11,151	11,233
Promotion and development	34,917		34,917	37,798
UMF - Real Estate Advisors	7,810		7,810	6,375
University Gateway Corporation	5,817		5,817	7,320
Total expenses	260,357		260,357	264,765
Increase in net assets	81,957	852,074	934,031	65,655
Net assets at beginning of year	140,042	2,884,332	3,024,374	2,958,719
Net assets at end of year	$ 221,999	$ 3,736,406	$ 3,958,405	$ 3,024,374

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, 2021 and 2020 (in thousands)

	University of Minnesota Physicians	
	Total (unrestricted)	
	2021	2020
Revenues		
Contract revenue	$ 691,484	$ 662,994
Patient service revenue	28,505	34,707
Investment income, net	457	897
Net realized and unrealized losses on investments	1,590	138
Loss on equity method investments	(14,035)	(25,525)
Other revenue	682	18,799
Total revenues	708,683	692,010
Expenses		
Program services		
Health care services	635,904	611,376
Support services		
Management and general	67,261	63,765
Total expenses	703,165	675,141
Increase in net assets	5,518	16,869
Net assets at beginning of year	117,554	100,685
Net assets at end of year	$ 123,072	$ 117,554

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, 2021 and 2020 (in thousands)

	2021	2020 (Restated)
Cash Flows From Operating Activities		
Grants and contracts (federal, state, nongovernmental, other)	$ 985,139	$ 818,514
Student tuition and fees	777,596	978,876
Auxiliary enterprises	376,511	436,187
Sales and services of educational activities	150,564	157,557
Other operating revenues	231	615
Payments to employees for services	(1,768,845)	(1,823,219)
Payments to suppliers for goods and services	(879,805)	(989,929)
Payments for fringe benefits	(528,059)	(605,427)
Payments for scholarships and fellowships	(76,376)	(62,442)
Loans issued to students	(5,754)	(6,034)
Collection of loans to students	11,138	14,030
Net cash used by operating activities	(957,660)	(1,081,272)
Cash Flows From Noncapital Financing Activities		
State appropriations	696,809	694,936
Grants for other than capital purposes	383,030	302,954
Gifts for other than capital purposes	189,476	201,468
Federal appropriations	25,118	15,873
Other nonoperating revenues, net	21,271	11,967
Private gifts for endowment purposes	4,097	30
Direct lending receipts	320,778	361,698
Direct lending disbursements	(320,819)	(361,806)
Agency transactions	41	12,755
Net cash provided by noncapital financing activities	1,319,801	1,239,875
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt	125,129	52,500
Capital appropriations	55,293	101,165
Capital grants and gifts	18,355	17,320
Proceeds from sale of capital assets	2,186	4,215
Principal received on notes receivable	1,406	1,796
Interest received on notes receivable	441	511
Purchases of capital assets	(180,233)	(222,903)
Principal paid on capital debt	(148,708)	(97,179)
Interest paid on capital debt	(54,245)	(56,936)
Issuance of notes receivable		(1,831)
Net cash used by capital and related financing activities	(180,376)	(201,342)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	6,284,373	9,908,540
Purchase of investments	(6,608,323)	(9,733,398)
Investment income, net	155,340	74,552
Net cash provided (used) by investing activities	(168,610)	249,694
Net Decrease in Cash and Cash Equivalents	13,155	206,955
Cash and Cash Equivalents at Beginning of Year	674,772	467,817
Cash and Cash Equivalents at End of Year	$ 687,927	$ 674,772

University of Minnesota
Consolidated Statements of Cash Flows (Excluding Component Units)
Years ended June 30, 2021 and 2020 (in thousands)

	2021	2020 (Restated)
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used by Operating Activities		
Operating loss	$ (1,172,492)	$ (1,315,555)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	215,847	215,954
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Receivables, net	(46,703)	(7,962)
Inventories	2,213	(2,460)
Prepaid and other items	2,694	10,793
Deferred outflows of resources	270,746	244,945
Accounts payable	24,866	(6,870)
Accrued liabilities	21,714	52,948
Unearned income	12,209	(8,860)
Deferred inflows of resources	(288,754)	(264,205)
Net cash used by operating activities	$ (957,660)	$ (1,081,272)
Noncash Investing, Capital, and Financing Activities		
Net unrealized gains (losses) on investments	$ 454,082	$ (4,517)
Realized gains on investments for stock distributions	149,362	22,645
Net unsettled investment trades	804	(13,595)
Capital assets on account	19,599	26,148
Amortization of bond discount/premium	8,793	8,553
Contribution of capital assets	2,886	5,698
Capital assets acquired with capital lease	1,430	2,091
Cash and cash equivalents	$ 663,912	$ 659,943
Restricted cash and cash equivalents	24,015	14,829
Total cash and cash equivalents at end of year	$ 687,927	$ 674,772

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

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

Organization

The 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 (State). The University has five campuses: Crookston, Duluth, Morris, Rochester, and Twin Cities.

The University is considered a constitutional corporation and, for purposes of Governmental Accounting Standards Board (GASB) reporting, an agency of the State. As a result of this unique status, authority to govern the University is reserved to the 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 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 the 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 the 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 the UMF being classified as a discretely presented component unit relates to the significant resources the UMF holds on behalf of the University. The University has access to these resources.

During fiscal years 2021 and 2020, the UMF distributed $232,640 and $244,218, respectively, to the University. Complete financial statements for the 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 2021 and 2020, UMP distributed $84,837 and $112,717, 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 $1,015 and $1,193 as of June 30, 2021 and 2020, respectively. During 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 2021 and 2020, the University received $391 and $404, respectively, in interest income. Principal outstanding is $8,054 and $8,342, respectively, as of June 30, 2021 and 2020. 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. The University adopted GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, during fiscal year 2021. As a result, fiscal year 2020 Consolidated Statements of Net Position, Consolidated Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows line items, as well as related Note disclosures, have been restated to exclude fiduciary activities for comparative purposes.

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 (GASB 72), *Fair Value Measurement and Application*. 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.

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 the use of net position in the current period that are applicable to a future reporting period. This includes 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 11. 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 inflow of net position in the current period that is applicable to a future reporting period. This includes 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 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 11. 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 $3,762 and $1,604 for fiscal years 2021 and 2020, 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 12.

  During fiscal years 2021 and 2020, nonsponsored departmental research of $234,920 and $251,207 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.

Change in Accounting Principle—Due to the implementation of GASB Statement No. 84 (GASB 84), *Fiduciary Activities*, the University recorded a cumulative effect of change in accounting principle of ($5,876) in fiscal year 2020. A cumulative effect of a change in accounting principle is the cumulative impact to the consolidated financial statements related to prior fiscal years.

Fiduciary Financial Statements—Effective in the current year, fiduciary activity is presented separately from the University's consolidated financial statements and is presented in financial statements for fiduciary activity. Fiduciary activity includes custodial funds and pension and (other employee benefit) trust funds.

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. Actual results could differ from those estimates. 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 GASBs as a result of the COVID-19 pandemic. The effective dates below have been updated in accordance with GASB 95.

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. 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 will be effective for fiscal year 2023.

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.

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 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, 2021 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, 2021:

	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	$ 580,011	$ 67,739	$ 13,742			$ 2,420	$ 663,912
Short-term investments	154,903	15,726	3,788			66,506	240,923
Total current assets	734,914	83,465	17,530			68,926	904,835
Restricted cash and cash equivalents					$ 24,015		24,015
Long-term investments							
Fixed Income	667,299	317,773	64,215				1,049,287
Public Equity		334,111					334,111
Private Capital		1,063,445		$ 6,026			1,069,471
Inflation Hedges		151,542					151,542
Other	24,302	205,137		7,224			236,663
Total noncurrent investments	691,601	2,072,008	64,215	13,250			2,841,074
Total cash and investments	$ 1,426,515	$ 2,155,473	$ 81,745	$ 13,250	$ 24,015	$ 68,926	$ 3,769,924

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	906				143,338
Total current assets	779,111	22,410	1,371			389	801,285
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		130,020					130,021
Other	12,926	116,679		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	$ 68,995	$ 8,570	$ 14,829	$ 51,301	$ 2,826,682

As a result of implementing GASB 84, total cash and investments was restated with a decrease of $395.

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, 2021:

	Fair Value Measurements Using			
	Level 1	**Level 2**	**Level 3**	**Total**
Fixed income				
US Agency		$ 414,070		$ 414,070
US Treasury		198,406		198,406
Risk Mitigating Fixed Income	$ 67,136			67,136
Mortgage-backed securities		50,502		50,502
Corporate Bonds		40,108		40,108
Return Generated Fixed Income	14,697	24,740		39,437
Commercial Papers		24,982		24,982
Listed equity				
Global developed equity	163,186			163,186
Diversifiers	21,991	15,726		37,717
Private capital	56,092		$ 6,026	62,118
Other	66,285	24,305		90,590
Total	389,387	792,839	6,026	1,188,252
Investments measured at net asset value (NAV)				1,893,745
Total investments				$ 3,081,997

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

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
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	$ 15,404	25,531		40,935
Risk mitigating fixed income	82,585			82,585
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	213,441	516,929	8,560	738,930
Investments measured at net asset value (NAV)				1,414,976
Total investments				$ 2,153,906

As a result of implementing GASB 84, total investments was restated with a decrease of $395.

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

The following table summarizes NAV investments as of June 30, 2021:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Capital	$ 1,007,355	$ 200,064	None, monthly, or annually	None; 1 or 90 days
Fixed Income	392,163	115,115	None, daily, or annually	None; 2 or 60 days
Global Equity	196,613	2,445	None, daily, monthly, quarterly, or semi-annually	None; 1, 2, 30, 45, 60, or 90 days
Hedge Fund	163,606		None, monthly, quarterly, semi-annually, or annually	None; 20, 30, 45, 60, 65, 75, or 90 days
Real Estate	45,924	19,226	None	None
Natural Resources	58,133	12,707	None	None
Other	29,951	12,778	None, weekly	None; 5 days
Total	$ 1,893,745	$ 362,335		

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		

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, 2021 and 2020, the market value of the TIP assets invested in the CEF was $202,223 and $143,330, 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, 2021 and 2020, the Standard & Poor's credit rating for instruments held in TIP was AA and AA-, respectively.

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, 2021 and 2020, $64,925 and $62,461, 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, 2021 and 2020, the fair value of the GIP assets invested in the CEF was $22,308 and $15,064, 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 (see 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, 2021:

Fixed income securities	Value	Maturity (years)	AA or better	BBB to A	BB or lower	Not rated
Cash & equivalents	$ 236,872		100 %			
Commercial paper	24,982	2.4	100			
Mortgage-backed securities	50,502	15.8	100			
US Agency	414,070	3.4	100			
US Treasury	198,406	3.9	100			
Corporate Bonds	40,108	1.9	100			
Mutual Funds	188,330	5.1	78	16 %	6 %	
Total marketable fixed-income securities	1,153,270	3.5				
Private fixed-income securities	329,299					
Total fixed-income securities	$ 1,482,569					

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					

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, 2021, and 2020, 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, 2021 and 2020:

Investment Type	Foreign Currency	Market Value 2021	Market Value 2020
Equity/Debt/RE	Euro	$ 57,645	$ 36,017
Equity	British Pound Sterling	25,436	15,596
Total		$ 83,081	$ 51,613

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, 2021, the University's bank balances of $215,081 were uninsured and uncollateralized and as of June 30, 2020 the University's bank balances of $124,005 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, 2021 and 2020, the market value of cash and cash equivalents and investments held in the custodial accounts was $1,007,375 and $714,494 in TIP; $133,363 and $77,332 in CEF; and $27,185 and $26,519 in GIP, respectively.

3. Other Asset and Liability Information

Receivables, net, and student loans receivable as of June 30, 2021, consisted of the following:

	Current	Noncurrent	Total
State and federal appropriations	$ 2,579		$ 2,579
Sponsored grants and contracts	136,568		136,568
Notes receivable	924	$ 9,079	10,003
Student receivables	27,826		27,826
Trade receivables	209,428		209,428
Accrued interest	777		777
Other	43,612		43,612
Allowance for uncollectible accounts	(7,463)		(7,463)
Total receivables, net	$ 414,251	$ 9,079	$ 423,330
Student loans receivable	12,686	48,648	61,334
Allowance for uncollectible accounts	(4,146)		(4,146)
Student loans receivable, net	$ 8,540	$ 48,648	$ 57,188

Accrued liabilities as of June 30, 2021, consisted of the following:

	Current	Noncurrent	Total
Trade liabilities	$ 5,155	$ 10,142	$ 15,297
Compensation and benefits	245,618	$ 272,359	517,977
Self-insurance reserves	39,708	13,529	53,237
Accrued interest	16,026		16,026
Refundable advances	4,970	41,552	46,522
Other	45,661	6,017	51,678
Total accrued liabilities	$ 357,138	$ 343,599	$ 700,737

Activity for certain liabilities consisted of the following as of June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated balances	$ 505,175	$ 258,048	$ (245,246)	$ 517,977	$ 245,618
Self-insurance reserves (see Note 9)	55,834	330,674	(333,271)	53,237	39,708
Refundable advances	49,332		(2,810)	46,522	4,970
Other	73,357	51,678	(73,357)	51,678	45,661

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	197,058		197,058
Accrued interest	914		914
Other	20,229		20,229
Allowance for uncollectible accounts	(10,900)		(10,900)
Total receivables, net	$ 337,469	$ 9,920	$ 347,389
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

As a result of implementing GASB 84, receivables was restated with an increase of $5,718.

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

	Current	Noncurrent	Total
Trade liabilities	$ 16,991		$ 16,991
Compensation and benefits	254,876	$ 250,299	505,175
Self-insurance reserves	49,030	6,804	55,834
Accrued interest	16,150		16,150
Refundable advances		49,332	49,332
Other	60,087	13,270	73,357
Total accrued liabilities	$ 397,134	$ 319,705	$ 716,839

As a result of implementing GASB 84, accrued liabilities was restated with a decrease of $258.

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	$ 245,342	$ (219,294)	$ 505,175	$ 254,876
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	73,357	(44,521)	73,357	60,087

4. Capital Assets

Capital assets, net as of June 30, 2021, consisted of the following:

	Beginning Balance	Additions	Transfers	Retirements & Reductions	Ending Balance
Depreciable / amortizable capital assets					
Buildings and improvements	$ 4,731,811	$ 22,776	$ 60,851	$ (27,775)	$ 4,787,663
Leasehold improvements	20,197		2,298	(770)	21,725
Equipment	856,548	48,440	(1,078)	(48,888)	855,022
Infrastructure	471,328		2,638	(3,559)	470,407
Library and reference books	174,941	3,454			178,395
Capitalized software (intangible asset)	198,962	2,043			201,005
All other intangible assets	6,903				6,903
Total depreciable / amortizable capital assets	6,460,690	76,713	64,709	(80,992)	6,521,120
Non-depreciable / amortizable capital assets					
Land	229,801	7,742			237,543
Direct financing lease - building	152,281			(3,105)	149,176
Museums and collections	97,713	3,008			100,721
Construction in progress	37,878	90,539	(64,709)		63,708
Permanent right-of-way easements (intangible asset)	5				5
Total non-depreciable / amortizable capital assets	517,678	101,289	(64,709)	(3,105)	551,153
Accumulated depreciation / amortization					
Buildings and improvements	(2,406,129)	(138,681)	(32)	25,405	(2,519,437)
Leasehold improvements	(14,403)	(938)		770	(14,571)
Equipment	(654,346)	(54,878)		46,155	(663,069)
Infrastructure	(336,911)	(12,207)	32	2,552	(346,534)
Library and reference books	(141,338)	(2,789)			(144,127)
Capitalized software (intangible asset)	(170,582)	(6,354)			(176,936)
All other intangible assets	(6,903)				(6,903)
Total accumulated depreciation / amortization	(3,730,612)	(215,847)		74,882	(3,871,577)
Capital assets, net	$ 3,247,756	$ (37,845)		$ (9,215)	$ 3,200,696

	Beginning Balance	Additions	Transfers	Retirements & Reductions	Ending Balance
Summary					
Depreciable / amortizable capital assets	$ 6,460,690	$ 76,713	$ 64,709	$ (80,992)	$ 6,521,120
Non-depreciable / amortizable capital assets	517,678	101,289	(64,709)	(3,105)	551,153
Total capital assets	6,978,368	178,002		(84,097)	7,072,273
Less accumulated depreciation / amortization	(3,730,612)	(215,847)		74,882	(3,871,577)
Capital assets, net	$ 3,247,756	$ (37,845)		$ (9,215)	$ 3,200,696

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

5. Long-Term Debt

Long-term debt as of June 30, 2021, consisted of the following:

	Original issued amount (par)	Fiscal year issued	Coupon rates	Due at various dates through fiscal year	FY 2021 beginning balance	Additions	Reductions	FY 2021 ending balance	Current portion
General obligation bonds									
Series 2020A (tax-exempt)	$ 31,310	2021	5.00%	2046		$ 31,310		$ 31,310	$ 650
Series 2020B (taxable)	84,690	2021	0.400%-2.875%	2046		84,690		84,690	2,860
Series 2019A (tax-exempt)	104,215	2019	5.00%	2044	$ 101,360		$ 2,275	99,085	2,395
Series 2019B (tax exempt)	51,240	2019	5.00%	2030	49,715		1,460	48,255	1,535
Series 2019C (taxable)	20,000	2019	2.466%-3.621%	2044	19,530		555	18,975	570
Series 2017A (tax-exempt)	117,095	2018	2.00%-5.00%	2043	111,820		2,810	109,010	2,910
Series 2017B (tax-exempt)	292,955	2018	2.00%-5.00%	2037	200,955		22,320	178,635	23,905
Series 2017C (taxable)	13,240	2018	1.375%-2.915%	2029	10,060		1,020	9,040	1,040
Series 2016A (tax-exempt)	122,475	2016	3.00%-5.00%	2041	111,105		3,205	107,900	3,360
Series 2015B (taxable)	10,110	2016	0.799%-4.039%	2032	7,975		560	7,415	570
Series 2014B (tax-exempt)	145,760	2015	2.00%-5.00%	2044	134,060		3,160	130,900	3,320
Series 2013D (taxable)	12,760	2014	0.60%-4.848%	2039	10,730		380	10,350	395
Series 2013B (taxable)	13,780	2013	2.60%-3.75%	2038	10,985		460	10,525	475
Series 2013A (tax-exempt)	73,570	2013	2.00%-5.00%	2038	59,590		2,285	57,305	2,375
Series 2011C (taxable)	19,335	2012	0.90%-4.56%	2037	15,120		625	14,495	645
Series 2010B (taxable)	41,720	2011	0.74%-5.02%	2036	29,945		1,480	28,465	1,520
Commercial paper notes									
Series A (tax-exempt)	159,100	2006	0.12%	2022	38,000		18,000	20,000	20,000
Series B (tax-exempt)	61,000	2007	0.12%-0.13%	2022	21,700		3,100	18,600	18,600
Series C (tax-exempt)	70,000	2008	0.12%-0.13%	2022	26,000		3,500	22,500	22,500
Series D (tax-exempt)	25,000	2010	0.12%	2022	12,028		51	11,977	11,977
Series E (taxable)	51,620	2015	0.09%-0.11%	2022	42,820		2,200	40,620	40,620
Series F (tax-exempt)	50,100	2017	0.08%	2022	44,100		2,000	42,100	42,100
Series G (tax-exempt)	33,372	2018	0.09%	2022	25,447		3,174	22,273	22,273
Series I (taxable)	64,000	2019	0.00%	2022	53,000		53,000		
Infrastructure development bonds	109,234	1995-2006	3.55%-5.29%	2025	4,047		1,722	2,325	1,105
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	70,505		5,515	64,990	5,800
Series 2013C (tax-exempt)	35,395	2014	2.00%-5.00%	2039	30,535		1,025	29,510	1,080
Series 2011B (tax-exempt)	52,485	2012	3.00%-5.00%	2037	42,605		1,640	40,965	1,715
Series 2010A (tax-exempt)	111,400	2011	3.00%-5.00%	2036	86,630		3,715	82,915	3,885
Unamortized premiums and discounts	190,311	2009-2021		2046	148,585	9,129	8,793	148,921	8,919
Capital leases and other		1999-2021	2.03%-4.21%	2028	38,888	1,430	7,470	32,848	6,654
Total	$ 2,261,847				$ 1,562,340	$ 126,559	$ 157,500	$ 1,531,399	$ 255,752

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

General Obligation Bonds

On November 3, 2020, the University issued General Obligation (GO) Bonds, Series 2020A, and GO Taxable Bonds, Series 2020B.

The Series 2020A was issued in the par amount of $31,310 at coupon rates of 5.0 percent with a premium of $9,129. Proceeds are being used to finance portions of various capital projects including purchases of land and buildings, construction of and remodeling projects to various University facilities, acquisition and installation of equipment, and certain costs of issuance. Capital projects being partially financed by the Series 2020A include the renovation of Pillsbury Hall, renovation and additional space at the Center for Magnetic Resonance Research Building, renovation and addition to the Child Development Center, and a new spare turbine for the Main Energy Plant all on the Twin Cities campus; renovations of Owen Hall and Dowell Hall on the Crookston campus; and conversion of Blakely Hall on the Morris campus into classrooms and collaboration space.

The Series 2020B was issued in the par amount of $84,690 at coupon rates of 0.400 – 2.875 percent. Proceeds were primarily 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 Commercial Paper (CP) Notes Series I currently outstanding in the principal amount of $53,000, and certain costs of issuance.

The University has one remaining series of Build America Bonds (BABs) – Direct Payment to Issuer outstanding, Series 2010B, whereby the University expected to receive a 35 percent annual interest subsidy from the Federal Government for the life of the bonds. Due to the implementation of federal sequestration effective with the subsidy payment received beginning June 1, 2013, the subsidies received have been reduced by 5.7 percent and 5.9 percent in the federal fiscal years ending September 30, 2021 and 2020, respectively. Interest payments for the 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 Huntington Bank Stadium (formerly 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 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 has three series of SPRBs, Series 2010A, 2011B and 2013C, for the State Supported Biomedical Science Research Facilities Funding Program. 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

The University issues tax-exempt and taxable CP Notes through a revolving CP facility 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 still outstanding and additional CP Notes 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. Pledged gifts received since that time have reduced the principal to its current outstanding balance at fiscal year end.

During fiscal year 2021, proceeds from the GO Taxable Bonds Series 2020B were used to pay off the outstanding balance of $53,000 of CP Notes Series I. The taxable CP Notes Series I totaling $48,000 were issued 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.

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 $6,975 and $12,141 as of June 30, 2021 and 2020, respectively, of which the University owes $2,325 and $4,047, 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 the purchase of fleet vehicles. As of June 30, 2021, the associated capital assets were $76,352 for buildings and $13,265 for vehicles with related accumulated depreciation of $48,724 and $8,045, respectively. The capital leases bear interest at rates between 2.03 percent and 4.21 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 2.03 - 2.15 percent during the fiscal year ended June 30, 2021. 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, 2021, 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:

	Bonds and obligations	Commercial paper notes	Capital lease and other	Total principal	Interest	Total obligations
Fiscal year ending June 30						
2022	$ 71,028	$ 178,070	$ 6,654	$ 255,752	$ 49,457	$ 305,209
2023	62,187		6,825	69,012	49,882	118,894
2024	64,355		6,871	71,226	47,221	118,447
2025	70,954		5,003	75,957	44,432	120,389
2026	68,984		3,705	72,689	41,492	114,181
2027-2031	360,100		3,790	363,890	163,254	527,144
2032-2036	311,568			311,568	96,105	407,673
2037-2041	209,904			209,904	42,653	252,557
2042-2046	101,401			101,401	7,909	109,310
2047-2051						
	$ 1,320,481	$ 178,070	$ 32,848	$ 1,531,399	$ 542,405	$ 2,073,804

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, 2021 are as follows:

Associated bond issue	Refunding date	Amount defeased	Refunded amount	Amount outstanding on June 30, 2021	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		12/1/2020
Series 2011D	9/28/2017	47,400	47,400	$ 41,290	12/1/2021
Series 1996A	10/2/2005	159,000	159,000	20,000	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 and 2011D were defeased on September 28, 2017 with a net recognized gain of $3,794. A portion of the Series 2011A bonds issued in February 2011 was used to refund the Series 1999A, 2001C and 2003A. The Series 2011D was issued in December 2011 to finance various capital projects. The Series 2011A was redeemed on December 1, 2020 and is 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 CP 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, 2021 or 2020.

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.

Defined Benefit Plans

Cost-sharing, multiple-employer plans

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 430 local governmental subdivisions within the State. The University's participation in PEPFF covers 66 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 prorated 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 25 employers within the State. The University's participation in SERF covers approximately 8,200 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 60 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

	PEPFF	SERF
Statutory authority		
Minnesota chapter	353	352
Required contribution rates (%)		
Active plan members	11.80%	6.00%
University	17.70%	6.25%
Required contribution rates ($)		
University	$ 1,305	$ 27,104
Non-employer contributing entity	57	

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, 2020. 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, 2019 through June 30, 2020, relative to the total contributions from all participating employers, as well as on-behalf State contributions paid directly to PEPFF. As a result, contributions made to the respective plans during fiscal year 2021, 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

	PEPFF	SERF	Total
Proportionate share of the net pension liability ($)	$ 8,371	$ 185,543	$ 193,914
Proportionate share of the net pension liability (%)			
2021	0.635%	13.970%	
2020	0.652%	14.200%	
Deferred outflows of resources	12,351	39,284	51,635
Deferred inflows of resources	12,839	448,101	460,940
Net pension expense	1,059	31,724	32,783
Non-operating grant revenue	57		57

Deferred Outflows of Resources

	PEPFF	SERF	Total
Differences between expected and actual experience	$ 362	$ 3,330	$ 3,692
Changes in actuarial assumptions	2,668		2,668
Differences between projected and actual investment earnings	340	8,850	9,190
Changes in proportion and contributions allocated	7,676		7,676
Contributions paid to plan subsequent to measurement date	1,305	27,104	28,409
Total	$ 12,351	$ 39,284	$ 51,635

Deferred Inflows of Resources

	PEPFF	SERF	Total
Differences between expected and actual experience	$ 378	$ 1,905	$ 2,283
Changes in actuarial assumptions	4,862	418,871	423,733
Changes in proportion and contributions allocated	7,599	27,325	34,924
Total	$ 12,839	$ 448,101	$ 460,940

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

	Fiscal year	PEPFF	SERF	Total
	2022	$ (503)	$ (292,079)	$ (292,582)
	2023	(2,145)	(136,063)	(138,208)
	2024	450	(4,936)	(4,486)
	2025	429	(2,843)	(2,414)
	2026	(24)		(24)
Net pension expense		$ (1,793)	$ (435,921)	$ (437,714)
Contributions paid to plan subsequent to measurement date		1,305	27,104	28,409
Net deferred inflows		$ (488)	$ (408,817)	$ (409,305)

The University's net pension liability was measured as of June 30, 2020, 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	6/30/2020		6/30/2020	
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	2.45%	***	2.45%	***
Inflation	2.50%		2.25%	
Salary increases	Service related rates		Service related rates	
Payroll growth	3.25%		3.00%	
Experience study dates	2016	****	2014 - 2018	

** Mortality rates were based on RP-2014 Mortality Tables projected with mortality improvement scale MP-2019 from a base year of 2006.*

***Mortality rates were based on Pub-2010 Mortality Tables using projection scale MP-2018.*

**** Based on the Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020.*

***** 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, 2020 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	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 as of June 30, 2020, 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, 2120 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 ($)	$ 16,685	$ 8,371	$ 1,493
SERF			
Discount rate (%)	6.50%	7.50%	8.50%
Net pension liability ($)	$ 440,420	$ 185,543	$ (26,576)

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 47 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 Board's 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 9,900 active faculty and professional and administrative (P&A) staff. This amount includes approximately 6,000 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 4,800 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 1,900 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 2021

	FRP	ORP	457	415(m)
Employee	$ 39,314	$ 55,997	$ 21,410	N/A
University	111,949	380	N/A	$ 804

Due to plan at June 30*

	FRP	ORP	457	415(m)
Employee	$ 1,250	$ 1,389	$ 700	N/A
University	3,530	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 $63,708 as of June 30, 2021. The estimated cost to complete these facilities is $200,038, which is to be funded from plant fund assets and $34,495 in appropriations available from the State as of June 30, 2021.

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, 2021 and 2020, were $25,327 and $24,387, respectively, of which $21,859 and $20,617 were for real property and $3,468 and $3,770 were for equipment, respectively.

The future steam plant and operating lease commitments as of June 30, 2021, for the next five years and in subsequent five-year periods are as follows:

	Steam plant	Operating leases	Total
Fiscal year ending June 30			
2022	279	16,462	$ 16,741
2023	279	13,933	14,212
2024	279	13,574	13,853
2025		12,219	12,219
2026		4,890	4,890
2027-2031		14,034	14,034
2032-2036		6,683	6,683
2037-2041		301	301
2042-2046		301	301
Total commitments	$ 837	$ 82,397	$ 83,234

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 insured for professional, general, non-profit organization, and automobile liability and indemnified for property insurance deductible expenditures 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 0.29 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 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 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, 2021, are shown below:

	Liability beginning of year	New claims	Claim payments	Other adjustments	Liability end of year
RUMINCO, Ltd.	$ 7,614	$ 1,468	$ (1,287)	$ 257	$ 8,052
Workers' compensation	12,159	3,472	(3,472)	(497)	11,662
UPlan medical	23,750	275,089	(281,313)	4,020	21,546
UPlan dental	427	18,373	(18,008)	178	970
Graduate assistant health plan	5,426	27,762	(27,762)	(694)	4,732
Student health plan	5,821			(237)	5,584
Medical residents & fellows	637			54	691

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

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.

10. Termination Benefits

Termination benefits are defined as benefits received for involuntarily or voluntarily terminating employment with the University in accordance with GASB Statement No. 47 (GASB 47), *Accounting for Termination Benefits*. University benefits that qualify and meet GASB 47 criteria include retirement incentives. Benefits that are otherwise offered in exchange for, or are considered conditional on, future employee services do not qualify under GASB 47; rather they qualify as a pension benefit or other postemployment benefits (OPEB) as referenced in Note 6 and Note 11, respectively.

Retirement Incentives

These incentives provide medical and dental benefits and lump sum payments to eligible employees as defined in the Retirement Incentive Option (RIO) Program. On July 8, 2020, the Board approved the RIO Program 2020, an opportunity for employees to elect voluntary retirement to minimize involuntary workforce reductions. The RIO covered Faculty, Professional and Administrative (P&A), Civil Service, and Labor Represented employees who were actively employed at 75 percent time or greater; held an appointment term of nine months or greater on the last day of employment; met the specific age and years of service requirements; and were eligible to participate in the UPlan. Eligible employees were able to enroll in the program during the time period of August 17, 2020 and October 19, 2020, or no later than the effective date of retirement, whichever occurred first. Under the program, the University deposited two amounts to the State's Health Care Savings Plan (HCSP), with the first payment shortly following the last day of employment, which could be no later than January 15, 2021, and the second payment made in July 2021. These lump sums were determined using the University subsidy amount for medical and dental coverage for 2 years, at family rates. No ongoing healthcare subsidy was provided, though retirees under the RIO could continue to participate in the University retiree medical and dental plans on the same basis as any other retiree. The University recorded $27,170 of expenses for the year ended June 30, 2021. The University had a balance of $13,566 recorded to accrued liabilities as of June 30, 2021. The remaining Liability is undiscounted as final lump sum payments are to be paid in July 2021.

11. 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, 2021	June 30, 2020
Active plan members	19,493	19,742
Inactive plan members or beneficiaries currently receiving benefits	465	416
Total	19,958	20,158

OPEB Liability

The University's OPEB liability was measured and determined as of June 30, 2021 and 2020, respectively, in accordance with GASB 75.

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

	June 30, 2021	June 30, 2020
OPEB liability—Beginning of year	$ 46,686	$ 40,283
Changes in net OPEB liability:		
Service cost	4,571	3,682
Interest	1,098	1,496
Differences between expected and actual experience	3,024	1,148
Changes of actuarial assumptions or other inputs	1,940	3,683
Benefit payments	(3,208)	(3,606)
Increase in OPEB liability	7,425	6,403
OPEB liability—End of year	$ 54,111	$ 46,686

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	6/30/2021		6/30/2020	
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	2.15%	*	2.21%	*
Inflation	N/A		2.75%	
Salary increases	4.00%		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		2019	

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

The University's OPEB liability is sensitive to changes in the discount rate and healthcare cost trend 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 (1.15%)	Discount rate (2.15%)	1.0% Increase (3.15%)
OPEB liability ($)	$ 57,783	$ 54,111	$ 50,559

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 (5.50 percent decreasing to 3.50 percent) or 1.0 percentage point higher (7.50 percent decreasing to 5.50 percent) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate Sensitivity

	1.0% Decrease (5.50% decreasing to 3.50%)	Healthcare cost trend rates (6.50% decreasing to 4.50%)	1.0% Increase (7.50% decreasing to 5.50%)
OPEB liability ($)	$ 47,344	$ 54,111	$ 62,243

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

In accordance with GASB 75, the University recorded $7,589 and $7,417 in OPEB expense for the fiscal years ended June 30, 2021 and 2020, 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, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,079	$ 237
Changes in assumptions	6,645	21
Total	$ 10,724	$ 258

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

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
	2022	$ 1,718
	2023	1,279
	2024	1,279
	2025	1,280
	2026	1,280
	After 2026	3,630
Net deferred outflows		$ 10,466

Additional information related to OPEB is presented in Required Supplementary Information (RSI) following the Notes to the Consolidated Financial Statements.

12. Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2021, are summarized as follows:

Function	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	$ 720,062	$ 79,168			$ 799,230
Research	532,764	249,123			781,887
Public service	178,464	137,526			315,990
Academic support	361,092	48,175			409,267
Student services	107,146	18,968			126,114
Institutional support	200,986	54,150			255,136
Operation and maintenance of plant	123,182	115,977			239,159
Scholarships and fellowships		588	$ 70,624		71,212
Depreciation				$ 215,847	215,847
Auxiliary enterprises	117,638	163,096			280,734
Other operating expense		1,477			1,477
	$ 2,341,334	$ 868,248	$ 70,624	$ 215,847	$ 3,496,053

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	$ 95,747			$ 843,735
Research	535,358	240,737			776,095
Public service	184,890	91,127			276,017
Academic support	376,945	88,347			465,292
Student services	112,308	27,904			140,212
Institutional support	229,587	64,032			293,619
Operation and maintenance of plant	125,440	189,536			314,976
Scholarships and fellowships	10,170	1,587	$ 56,739		68,496
Depreciation				$ 215,954	215,954
Auxiliary enterprises	128,576	212,210			340,786
Other operating expense			(388)		(388)
	$ 2,451,262	$ 1,011,227	$ 56,351	$ 215,954	$ 3,734,794

As a result of implementing GASB 84, operating expenses was restated with an increase of $51,751.

13. Subsequent Events

On July 23, 2021, the 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 matured. No funds were drawn under this agreement and the agreement was not extended or renewed.

On September 30, 2021, the University issued SPR Refunding Bonds, Series 2021A in the par amount of $92,385 at coupon rates of 4.0 – 5.0 percent. Proceeds are being used to refund, on a current refunding basis, the outstanding maturities of the Series 2010A and Series 2011B Bonds expected to occur on or around October 30, 2021, and certain costs of issuance.

On September 30, 2021, the University issued SPR Taxable Refunding Bonds, Series 2021B in the par amount of $31,100 at coupon rates of 0.21 – 2.63 percent. Proceeds are being used to defease and advance refund the Series 2013C Bonds, and certain costs of issuance.

On September 30, 2021, the University issued GO Taxable Bonds, Series 2021C in the par amount of $36,875 at coupon rates of 0.13 – 2.59 percent. Proceeds are being used to finance portions of the costs of design, land acquisition, site preparation, and preconstruction services for a clinical research facility on the Twin Cities campus, and reimbursement of certain amounts previously expended in connection with this project, and certain costs of issuance.

14. 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:

	2021		
	Traditional structures	Alternate structures	Total
Cash and cash equivalents	$ 1,185,731		$ 1,185,731
Fixed income	594,890	$ 850,324	1,445,214
Global equity	1,710	17,488	19,198
Hedge funds	27,393	135,800	163,193
Natural resources	12,471	72,246	84,717
Treasury inflation protected securities (TIPS)			
Real estate		33,074	33,074
Private equity		1,077,996	1,077,996
Other investments		4,063	4,063
Subtotal	1,822,195	2,190,991	4,013,186
Less charitable gift annuities reported separately			(48,024)
Total			$ 3,965,162

	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

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. As of June 30, 2021 and 2020, the UMF has $1,455,387 and $1,508,786, 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 LLCs 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, 2021 and 2020:

	2021			
	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Investments				
Fixed income				
Asset backed securities		$ 6,299		$ 6,299
Mortgages	$ 1,561	10,933		12,494
Corporate bonds		12,874		12,874
Government		555,478		555,478
Preferred Stock	738			738
Other		7,008		7,008
Global equity				
Small cap	1,710			1,710
Large cap				
Hedge funds				
Long/short non-equity	27,393		1,373	28,766
Natural resources	12,471			12,471
Treasury inflation protected securities (TIPS)				
Total investments	$ 43,873	$ 592,592	$ 1,373	637,838
Cash and cash equivalents				1,185,731
Investments measured at net asset value or its equivalent				1,592,166
Investments held at cost				82,888
Investments at equity method				155,745
Consolidated investments				358,817
Total investments and cash				$ 4,013,185
Gift annuities not categorized above	$ 1,085	$ 458		$ 1,543
Beneficial interest in perpetual trusts	10,612	3,812	$ 71,268	85,692
Assets held in charitable trusts	24,934			24,934
Beneficial interest in trusts				2,060
UGC derivative financial instrument		(1,425)		(1,425)

	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.

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

	Beginning balance at July 1, 2020	Investment income	Net realized and unrealized gain (loss)	Purchases	Sales	Ending balance at June 30, 2021
Hedge funds						
Long/short non-equity	$ 1,884	$ 5	$ (34)	$ 183	$ (665)	$ 1,373
	$ 1,884	$ 5	$ (34)	$ 183	$ (665)	$ 1,373

	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

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, 2020	Change in carrying value of trusts	Ending balance at June 30, 2021
Beneficial interest in trusts	$ 2,686	$ (626)	$ 2,060
Beneficial interest in perpetual trusts	$ 60,985	$ 10,283	$ 71,268

	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

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:

	2021			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Alternative investments				
Fixed income	$ 275,839	$ 310,383	None or quarterly	None or 60 days
Global equity	3,688		None or daily to quarterly	None or 0-60 days
Hedge funds	134,426		None or monthly to quarterly	None or 0-90 days
Natural resources	72,246	5,506	None	None
Real estate	33,073	11,994	None	None
Private equity	1,068,831	94,294	None	None
Other investments	4,063		None	None
Total	$ 1,592,166	$ 422,177		

	2020			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Alternative investments				
Fixed income	$ 319,268	$ 70,480	None or quarterly	None or 60 days
Global equity	2,415		None or daily to quarterly	None or 0-60 days
Hedge funds	408		None or monthly to 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	$ 1,013,623	$ 221,830		

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, 2021, the UMF also had unfunded commitments for investments held at cost of $40,205, unfunded commitments for investments at equity method of $94,094, and unfunded commitments for consolidated investments of $207,552.

The UMF had unfunded commitment for investments held as of June 30, 2021, which are allowed to be cancelled by the UMF. This was approximately $585,000 and is included in the commitment disclosure above.

In addition to the unfunded commitments noted above, the UMF has entered into investment commitments of $215,000 since June 30, 2021, 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:

	2021	2020
Capital improvement/facilities	$ 138,798	$ 146,816
Faculty and staff support	24,631	20,646
Scholarships and fellowships	179,168	140,506
Lectureships, professorships, and chairs	51,586	44,281
Program support	643,521	563,757
Research and outreach/community engagement	196,940	161,602
Trusts	7,832	7,162
Other	3,366	7,795
Subtotal	$ 1,245,842	$ 1,092,565

Endowments:
Original donor-restricted gift amount and amounts required to be maintained in perpetuity:
Restricted by donors for:

	2021	2020
Capital improvement/facilities	$ 9,268	$ 9,969
Faculty and staff support	39,539	33,317
Scholarships and fellowships	664,897	623,082
Lectureships, professorships, and chairs	458,012	436,167
Program support	106,815	97,715
Research and outreach/community engagement	87,043	78,448
Trusts	18,548	15,392
Other	3,713	3,537
Subtotal	$ 1,387,835	$ 1,297,627

Subject to foundation endowment spending policy and appropriation:

	2021	2020
Capital improvement/facilities	$ 15,023	$ 9,225
Faculty and staff support	28,551	11,506
Scholarships and fellowships	384,162	128,488
Lectureships, professorships, and chairs	415,618	193,299
Program support	105,080	43,292
Research and outreach/community engagement	53,704	18,974
Other	4,561	2,513
Subtotal	1,006,700	407,298
Total endowments	$ 2,394,535	$ 1,704,925

Not subject to spending policy or appropriation:

	2021	2020
Capital improvement/facilities	$ 93	$ 291
Faculty and staff support	2,901	2,799
Scholarships and fellowships	6,060	5,857
Lectureships, professorships, and chairs	837	328
Program support	11,198	11,149
Research and outreach	665	2,949
Trusts	73,361	62,574
Other	914	895
Subtotal	96,029	86,842
Total net assets with donor restrictions	$ 3,736,406	$ 2,884,332

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:

	2021	2020
Capital improvement/facilities	$ 28,854	$ 17,282
Faculty and staff support	3,698	3,742
Scholarships and fellowships	56,825	57,930
Lectureships, professorships, and chairs	31,836	31,150
Program support	136,691	83,225
Research and outreach/community engagement	42,843	42,274
Other	7,895	16,223
Total net assets released from donor restrictions	$ 308,642	$ 251,826

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, 2021 and 2020 for RUMINCO, Ltd, are as follows:

Condensed statements of net position	2021	2020
Current assets	$ 2,461	$ 430
Noncurrent assets	66,506	50,911
Total assets	68,967	51,341
Deferred outflows of resources		
Total assets & deferred outflows of resources	68,967	51,341
Current liabilities	4,062	1,621
Noncurrent liabilities	2,317	2,367
Total liabilities	6,379	3,988
Deferred inflows of resources		
Total liabilities & deferred inflows of resources	6,379	3,988
Unrestricted net position	$ 62,588	$ 47,353

Condensed statements of revenues, expenses, and changes in net position	2021	2020
Operating revenues:		
Net underwriting income	$ 3,204	$ 2,600
Operating expenses	1,522	1,545
Operating income (loss)	1,682	1,055
Nonoperating revenues:		
Investment income, net	13,553	2,115
Increase in net position	15,235	3,170
Net position at beginning of year	47,353	48,183
Dividends paid		(4,000)
Net position at end of year	$ 62,588	$ 47,353

Condensed statements of cash flows	2021	2020
Net cash provided (used) by:		
Operating activities	$ 3,983	$ 2,033
Noncapital financing activities	157	(4,000)
Investing activities	(4,147)	2,006
Net increase in cash	(7)	39
Cash at beginning of year	135	96
Cash at end of year	$ 128	$ 135

Condensed statement of net position; statement of revenues, expenses, and changes in net position; and statement of cash flows for fiscal years ended June 30, 2021 and 2020 for 2515 University Ave SE, LLC (University Village), is as follows:

Condensed statement of net position	2021	2020
Current assets:		
Cash and cash equivalents	$ 1,736	$ 1,245
Accounts and other receivables	210	54
Noncurrent assets:		
Capital assets, net	41,581	42,311
Total assets	43,527	43,610
Deferred outflows of resources		
Total assets & deferred outflows of resources	43,527	43,610
Current liabilities	842	707
Noncurrent liabilities	43,500	43,500
Total liabilities	44,342	44,207
Deferred inflows of resources		
Total liabilities & deferred inflows of resources	44,342	44,207
Unrestricted net position	$ (815)	$ (597)

Condensed statement of revenues, expenses, and changes in net position	2021	2020
Operating revenues:		
Rental income	$ 4,787	$ 4,477
Other revenue	102	90
Operating expenses:		
General operating expenses	2,390	1,792
Depreciation expense	455	513
Operating loss	2,044	2,262
Nonoperating expenses	2,262	2,262
Increase (decrease) in net position	(218)	
Net position at beginning of year	(597)	(597)
Net position at end of year	$ (815)	$ (597)

Condensed statement of cash flows	2021	2020
Net cash provided (used) by:		
Operating activities	$ 2,478	$ 3,389
Capital and related financing activities	(1,987)	(2,329)
Net increase in cash	491	1,060
Cash at beginning of year	1,245	185
Cash at end of year	$ 1,736	$ 1,245

Required Supplementary Information (Unaudited)

Required Supplementary Information (RSI) (Unaudited)
Years ended June 30, 2021 and 2020 (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
2021	$ 54,111	$ 1,461,717	3.70%
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	2021	2020	2019	2018	2017	2016
Service cost	$ 4,571	$ 3,682	$ 3,870	$ 3,763	$ 3,446	$ 2,961
Interest	1,098	1,496	1,361	1,202	973	1,150
Differences between expected and actual experience	3,024	1,148	(344)	2,596	(281)	3,374
Changes of actuarial assumptions or other inputs	1,940	3,683	2,879	(120)	1,023	1,674
Benefit payments	(3,208)	(3,606)	(2,419)	(4,966)	(5,147)	(5,794)
Increase in OPEB liability	7,425	6,403	5,347	2,475	14	3,365
Total OPEB liability—beginning	46,686	40,283	34,936	32,461	32,447	29,082
Total OPEB liability—ending	$ 54,111	$ 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)
6/30/2020	0.635%	$ 8,371	$ 7,015	119.330%	87.19%
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)
6/30/2020	13.970%	$ 185,543	$ 455,886	40.699%	91.25%
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

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 for the actuarial valuation dates of June 30, 2018 and 2017. Part of the assumption changes included changes to the single discount rates. For PEPFF, the single discount rate remained unchanged at 7.5 percent for the actuarial valuation date of June 30, 2018, and changed from 5.6 percent to 7.5 percent for the actuarial valuation date of June 30, 2017. For SERF, the single discount rate changed from 5.42 percent to 7.50 percent for the actuarial valuation date of June 30, 2018, and from 4.17 percent to 5.42 percent for the actuarial valuation date of June 30, 2017. For both PEPFF and SERF, the discount rate remained unchanged at 7.5 percent for the actuarial valuation dates of June 30, 2020 and 2019. 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
2020	$ 1,242	$ 1,242		$ 7,015	17.70%
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
2020	$ 28,493	$ 28,493		$ 455,886	6.25%
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*