UNIVERSITY OF MINNESOTA

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2022 Annual Financial Report

Consolidated Financial Statements
as of and for the Years Ended June 30, 2022 and 2021,
Independent Auditor's' Report, and Management's Discussion and Analysis

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INDEPENDENT AUDITOR'S REPORT

The Board of Regents
University of Minnesota
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying consolidated statements of net position and the statements of fiduciary net position of the University of Minnesota (the "University"), the related consolidated statements of revenues, expenses, and changes in net position, the statements of changes in fiduciary net position and the consolidated statements of cash flows as of and for the years ended June 30, 2022 and June 30, 2021 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.

In our opinion, based on our audits and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position and the respective changes in net position and cash flows of the University as of and for the years ended June 30, 2022 and June 30, 2021, and the financial statements of the discretely presented component units as of and for the years ended June 30, 2022 and June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the discretely presented component units are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Basic Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 5 to the basic consolidated financial statements, in 2022, the University adopted new accounting guidance *GASB Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Basic Consolidated Financial Statements

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

In preparing the basic consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Basic Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the basic consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit 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 31, 2022 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 31, 2022

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INDEPENDENT AUDITOR'S 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 (*Government Auditing Standards*), the consolidated statement of net position and the statement of fiduciary net position, the consolidated statement of revenues, expenses, and changes in net position, the statement of changes in fiduciary net position, and the consolidated statement of cash flows of the University of Minnesota (the "University") as of and for the year ended June 30, 2022, 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 31, 2022. Our report, which includes an emphasis of matter paragraph related to the adoption of a new accounting standard, 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.

Report on 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 opinions 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.

Report on 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 31, 2022

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 ten public research institutions nationally. The University is the State's major research institution with research expenditures of approximately $849.9 million, $781.9 million, and $776.1 million in fiscal years 2022, 2021, and 2020, 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 52,400 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 9,900 students.

Crookston Campus

The Crookston campus is known for its focus on experiential learning and is one of the nation's pioneers in online and distance education with a student enrollment of approximately 2,300 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, 31 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's 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, 2022, 2021, and 2020. 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 7 and GASB 68 and GASB 71.

The University adopted GASB Statement No. 87 (GASB 87), *Leases*, during fiscal year 2022. As a result, fiscal year 2021 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 reflect the reporting requirements for comparative purposes. The Consolidated Statements of Net Position include lease receivables for lessor arrangements and lease liabilities for lessee arrangements. See Note 6 for additional information.

Financial Highlights

While the University continued to play a key role in partnering with the State in responding to and suppressing the spread of COVID-19 during fiscal year 2022, the University experienced a shift to pre-pandemic operations. The University continued to see increases in revenues related to grants from federal and state sources, as well as nongovernmental sources. Auxiliary enterprises revenues have increased year-over-year as University performances, museums, retail spaces, and athletic events have reopened operations and returned to in-person events.

The University's financial position remains strong with assets of $8.6 billion, an increase of $591.6 million from fiscal year 2021. Liabilities increased $216.9 million from fiscal year 2021 to $2.9 billion. 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 $5.1 billion as of June 30, 2022, compared to $4.6 billion as of June 30, 2021. The University's net position increased $507.6 million in fiscal year 2022 compared to an increase of $913.4 million in fiscal year 2021, reflecting continued strong financial results.

The University experienced an increase in total operating revenue in fiscal year 2022 of $238.4 million or 10.2 percent due to increases in grants and contracts, as well as auxiliary enterprises and educational services, partially offset by decreases in student tuition and fees. Total expenses were relatively flat for fiscal year 2022; however, significant increases were experienced for salaries, research expenses, repairs and maintenance, and travel, with a significant offsetting decrease in expenses due to the impact of the actuarial calculations for pension expenses as required by GASB 68 and GASB 71.

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, 2022, 2021, and 2020 is summarized in the table below:

	2022	2021 (Restated)	2020
Assets			
Current assets	$ 1,551,697	$ 1,375,216	$ 1,202,046
Noncurrent assets, excluding capital assets	3,764,735	3,271,267	2,097,192
Capital assets, net	3,318,373	3,396,708	3,247,756
Total assets	8,634,805	8,043,191	6,546,994
Deferred outflows of resources	252,530	62,864	339,573
Liabilities			
Current liabilities, excluding long-term debt	554,697	619,730	577,434
Noncurrent liabilities, excluding long-term debt	359,536	564,300	319,780
Long-term debt	1,985,203	1,498,551	1,562,340
Total liabilities	2,899,436	2,682,581	2,459,554
Deferred inflows of resources	870,384	813,540	730,511
Net position			
Unrestricted	1,428,131	1,012,960	580,728
Restricted—expendable	1,745,940	1,597,786	1,105,949
Restricted—nonexpendable	319,387	319,257	316,573
Net investment in capital assets	1,624,057	1,679,931	1,693,252
Total net position	5,117,515	4,609,934	3,696,502

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, 2022, 2021, and 2020:

	2022	2021 (Restated)	2020	Increase (Decrease) From 2021 (Restated) to 2022 Amount	Increase (Decrease) From 2021 (Restated) to 2022 Percent	Increase (Decrease) From 2020 to 2021 (Restated) Amount	Increase (Decrease) From 2020 to 2021 (Restated) Percent
Current assets							
Cash and cash equivalents	$ 742,260	$ 663,912	$ 659,943	$ 78,348	11.8%	$ 3,969	0.6%
Receivables, net	482,977	428,368	346,706	54,609	12.7%	81,662	23.6%
Investments	280,334	240,923	143,338	39,411	16.4%	97,585	68.1%
Other assets	46,126	42,013	52,059	4,113	9.8%	(10,046)	(19.3%)
Total current assets	1,551,697	1,375,216	1,202,046	176,481	12.8%	173,170	14.4%
Noncurrent assets							
Capital assets, net	3,318,373	3,396,708	3,247,756	(78,335)	(2.3%)	148,952	4.6%
Other noncurrent assets							
Cash and cash equivalents & other assets	89,440	29,279	23,765	60,161	205.5%	5,514	23.2%
Receivables, net	396,736	400,914	62,859	(4,178)	(1.0%)	338,055	537.8%
Investments	3,278,559	2,841,074	2,010,568	437,485	15.4%	830,506	41.3%
Total other noncurrent assets	3,764,735	3,271,267	2,097,192	493,468	15.1%	1,174,075	56.0%
Total assets	$ 8,634,805	$ 8,043,191	$ 6,546,994	$ 591,614	7.4%	$ 1,496,197	22.9%

As of June 30, 2022, total assets increased $591.6 million primarily due to increases in investments, cash and cash equivalents, and receivables, net. As of June 30, 2021, total assets increased $1.5 billion primarily due to increases in cash and cash equivalents and net receivables. Noncurrent cash and cash equivalents consist of unspent bond proceeds of $76.8 million and $24.0 million as of June 30, 2022 and 2021, respectively. Invested unspent bond proceeds of $440.9 million are included in noncurrent investments. Capital assets (net of accumulated depreciation) decreased $78.3 million primarily due to continued depreciation of buildings in service partially offset by an increase in capital equipment purchases. Refer to Note 4 for additional information related to capital assets.

Capital Assets and Related Debt Activities

Capital additions totaled $162.6 million, $197.9 million, and $235.4 million in fiscal years 2022, 2021, and 2020, respectively. Fiscal year 2022 spending included real estate purchases of the Theta Dental Fraternity Building in Minneapolis and a Running Room store in Rochester, capital equipment purchases including a supercomputer cluster and an electron microscope, and various on-going construction projects. Project spending continuing in fiscal year 2023 is projected to be $80.5 million and $23.3 million for the construction of the Microbial Cell Production Facility and Main Energy Plant Chilled Water Plant, 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 structures long-term debt so that principal is paid annually, which frees up capacity to issue new debt. The University also utilizes a commercial paper program with authority to issue up to $400 million. The rating agencies factor in the maximum authorization when determining ratings, even when the outstanding commercial paper is less than the maximum authorized amount.

Fiscal year 2022 debt activity included the issuance of the General Obligation Taxable Bond Series 2022, Commercial Paper Notes Series H and Commercial Paper Taxable Notes Series I. Refer to Note 6 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, 2022, the deferred outflows of resources increased $189.7 million compared to June 30, 2021, primarily due to the balances and related activity of the University's net pension liability related to the State retirement plans. Refer to Note 7 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.

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

The following schedule summarizes the University's current and noncurrent liabilities as of June 30, 2022, 2021, and 2020:

				Increase (Decrease)			
				From 2021 (Restated) to 2022		From 2020 to 2021 (Restated)	
	2022	2021 (Restated)	2020	Amount	Percent	Amount	Percent
Current liabilities							
Accounts payable	$ 123,017	$ 156,688	$ 115,720	$ (33,671)	(21.5%)	$ 40,968	35.4%
Accrued liabilities and other	371,295	376,611	397,134	(5,316)	(1.4%)	(20,523)	(5.2%)
Unearned income	60,385	86,431	64,580	(26,046)	(30.1%)	21,851	33.8%
Long-term debt	273,833	249,098	334,529	24,735	9.9%	(85,431)	(25.5%)
Total current liabilities	828,530	868,828	911,963	(40,298)	(4.6%)	(43,135)	(4.7%)
Noncurrent liabilities							
Accrued liabilities and other	352,002	556,954	319,705	(204,952)	(36.8%)	237,249	74.2%
Unearned income	7,534	7,346	75	188	2.6%	7,271	9694.7%
Long-term debt	1,711,370	1,249,453	1,227,811	461,917	37.0%	21,642	1.8%
Total noncurrent liabilities	2,070,906	1,813,753	1,547,591	257,153	14.2%	266,162	17.2%
Total Liabilities	$ 2,899,436	$ 2,682,581	$ 2,459,554	$ 216,855	8.1%	$ 223,027	9.1%

As of June 30, 2022, total liabilities increased $216.9 million primarily due to an increase in long-term debt of $486.7 million, offset by decreases in accrued liabilities of $210.3 million, accounts payable of $33.7 and unearned income of $25.9 million. As a result of the CARES Act, the University was able to defer payment of the employer portion of FICA, half of which was paid in fiscal year 2022, driving the decrease in accrued liabilities. The University's long-term debt represents 68.5 percent of total liabilities or $2.0 billion as of June 30, 2022 compared to 55.9 percent or $1.5 billion as of June 30, 2021.

Long-term debt increased $486.7 million or 24.5 percent. The University issued General Obligation (GO) Bonds in the amount of $536.9 million, Special Purpose Revenue Bonds in the amount of $123.5 million, and Commercial Paper Notes in the amount of $68.0 million in fiscal year 2022. Additions from the current year issuances were offset by normal amortization of the bonds, premiums, and discounts. Refer to Note 6 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, 2022, the deferred inflows of resources increased $57.2 million compared to June 30, 2021, primarily due to the balances and related activity of the University's net pension liability related to the State retirement plans. Refer to Note 7 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, 2022, 2021, and 2020:

	2022	2021 (Restated)	2020	Increase (Decrease) From 2021 (Restated) to 2022 Amount	Increase (Decrease) From 2021 (Restated) to 2022 Percent	Increase (Decrease) From 2020 to 2021 (Restated) Amount	Increase (Decrease) From 2020 to 2021 (Restated) Percent
Unrestricted	$ 1,428,131	$ 1,012,960	$ 580,728	$ 415,171	41.0%	$ 432,232	74.4%
Restricted:							
Expendable	1,745,940	1,597,786	1,105,949	148,154	9.3%	491,837	44.5%
Nonexpendable	319,387	319,257	316,573	130	0.0%	2,684	0.8%
Net investment in capital assets	1,624,057	1,679,931	1,693,252	(55,874)	(3.3%)	(13,321)	(0.8%)
Total net position	$ 5,117,515	$ 4,609,934	$ 3,696,502	$ 507,581	11.0%	$ 913,432	24.7%

The University's unrestricted net position increased $415.2 million in fiscal year 2022, driven by the current results of operations of which $242.5 million in fiscal year 2022 is due primarily to the impact of recording adjustments to the University's net pension liability. The University's restricted expendable net position increased $148.2 million in fiscal year 2022 due primarily to changes in the University's net pension liability. The University's net investment in capital assets decreased $55.9 million primarily due to a decrease in net capital assets as a result of depreciation out pacing new capital assets in recent years in response to the pandemic, as well as an increase in long-term debt which reduces the net investment in capital assets. The decrease is partially offset by an increase in 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 increased 10.2 percent in fiscal year 2022 as a result of a shift to pre-pandemic operations and accounted for 63.4 percent, 52.0 percent, and 62.9 percent of total revenues for fiscal years 2022, 2021, and 2020, respectively.

The following schedule summarizes the University's Operating, Nonoperating, and Other revenue for the years ended June 30, 2022, 2021, and 2020:

				Increase (Decrease)			
				From 2021 (Restated) to 2022		From 2020 to 2021 (Restated)	
	2022	2021 (Restated)	2020	Amount	Percent	Amount	Percent
Operating revenues							
Grants and contracts	$ 1,160,631	$ 1,025,298	$ 986,023	$ 135,333	13.2%	$ 39,275	4.0%
Student tuition and fees, net	764,030	772,781	829,277	(8,751)	(1.1%)	(56,496)	(6.8%)
Auxiliary enterprises, net	474,682	377,171	444,871	97,511	25.9%	(67,700)	(15.2%)
Educational activities	165,287	150,887	158,318	14,400	9.5%	(7,431)	(4.7%)
Other operating revenue	105	158	750	(53)	(33.5%)	(592)	(78.9%)
Total operating revenues	2,564,735	2,326,295	2,419,239	238,440	10.2%	(92,944)	(3.8%)
Nonoperating revenues							
Federal appropriations	16,318	18,572	17,146	(2,254)	(12.1%)	1,426	8.3%
State appropriations	727,857	696,935	694,910	30,922	4.4%	2,025	0.3%
Grants, gifts, and other nonoperating, net	629,265	589,236	497,140	40,029	6.8%	92,096	18.5%
Net investment gain	656	762,946	91,412	(762,290)	(99.9%)	671,534	734.6%
Total nonoperating revenues	1,374,096	2,067,689	1,300,608	(693,593)	(33.5%)	767,081	59.0%
Total other revenues	122,662	80,695	124,795	41,967	52.0%	(44,100)	(35.3%)
Total revenues (noncapital)	$ 4,061,493	$ 4,474,679	$ 3,844,642	$ (413,186)	(9.2%)	$ 630,037	16.4%

Total revenues decreased in fiscal year 2022 by $413.2 million primarily due to a decrease in net investment gains in nonoperating revenue, partially offset by an increase in grants and contracts as well as auxiliary enterprises revenue. Operating revenues increased $238.4 million or 10.2 percent mainly due to increases in grants and contracts and auxiliary enterprises, driven by an incremental increase to pre-pandemic operations. Revenues from grants and contracts increased $135.3 million due to increases of state and non-government COVID-19 testing and new federal awards. Revenues from auxiliary enterprises increased $97.5 million due to the incremental return to pre-pandemic operations.

Nonoperating revenues decreased $693.6 million or 33.5 percent due to decreases in net investment gain, offset by increases in grants, gifts and other nonoperating revenues and state appropriations. Net investment gain decreased $762.3 million in 2022, relative to the significant increases in the valuation of investments in fiscal year 2021. Other sources of nonoperating revenue to the University included gifts in support of operating expenses of $214.9 million, $197.4 million, and $190.0 million in fiscal years 2022, 2021, and 2020, respectively.

For the year ended June 30, 2022, other revenues, which consist of capital appropriations, and capital endowments gifts and grants increased $42.0 million or 52.0 percent. Capital appropriation revenue is received as project expenses are incurred. The University experienced a ramp-up in capital projects during fiscal year 2022 resulting in an increase 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, 2022, 2021, and 2020:

				Increase (Decrease)			
				From 2021 (Restated) to 2022		From 2020 to 2021 (Restated)	
	2022	2021 (Restated)	2020	Amount	Percent	Amount	Percent
Education and general							
Instruction	$783,386	$799,352	$843,735	$ (15,966)	(2.0%)	($44,383)	(5.3%)
Research	849,920	780,587	776,095	69,333	8.9%	4,492	0.6%
Public service	255,884	315,145	276,017	(59,261)	(18.8%)	39,128	14.2%
Academic support	405,655	408,166	465,292	(2,511)	(0.6%)	(57,126)	(12.3%)
Student services	117,633	126,114	140,212	(8,481)	(6.7%)	(14,098)	(10.1%)
Institutional support	259,734	257,104	293,619	2,630	1.0%	(36,515)	(12.4%)
Operation and maintenance of plant	225,226	236,706	314,976	(11,480)	(4.8%)	(78,270)	(24.8%)
Scholarships and fellowships	82,042	71,212	68,496	10,830	15.2%	2,716	4.0%
Depreciation	239,535	236,456	215,954	3,079	1.3%	20,502	9.5%
Total education and general	3,219,015	3,230,842	3,394,396	(11,827)	(0.4%)	(163,554)	(4.8%)
Other operating expenses							
Auxiliary enterprises	284,431	272,172	340,786	12,259	4.5%	(68,614)	(20.1%)
Other operating expenses, net		1,477	(388)	(1,477)	(100.0%)	1,865	(480.7%)
Total other operating expenses	284,431	273,649	340,398	10,782	3.9%	(66,749)	(19.6%)
Total operating expenses	$3,503,446	$3,504,491	$3,734,794	$ (1,045)	(0.0%)	$ (230,303)	(6.2%)

Total operating expenses remained relatively flat with a $1.0 million decrease in fiscal year 2022 compared to a decrease of $230.3 million or 6.2 percent in fiscal year 2021. Across almost all functional categories, salaries and compensation-related expenditures continued to represent the most significant expense to the University at $2.2 billion or 61.6 percent, $2.3 billion or 66.8 percent, and $2.5 billion or 65.6 percent of operating expenses in fiscal years 2022, 2021, and 2020, respectively. See Note 13 for additional information. Compensation related expenditures decreased $181.8 million or 7.8 percent, $109.1 million or 4.5 percent, and increased $366.7 million or 17.6 percent in fiscal years 2022, 2021, and 2020, respectively. The fiscal year 2022 decrease is due to the actuarial driven calculation for pension expense of $323.7 million, partially offset by increases related to salary and elimination of furlough and pay reduction programs. In fiscal year 2021, most functional categories experienced decreases primarily as the result of reductions in compensation related expenses due to the University's pay reduction and other cost savings efforts in response to the COVID-19 pandemic. These savings were offset by increases in supplies and services in most functional categories due to the incremental shift to pre-pandemic operations. Research and Public Service experienced an increase of $45.8 million in fiscal year 2021 driven primarily by COVID-19 related projects.

Consolidated Statements of Cash Flows

The following schedule summarizes the University's cash flows for the years ended June 30, 2022, 2021 (Restated), and 2020:

	2022	2021 (Restated)	2020	Increase (Decrease) From 2021 (Restated) to 2022 Amount	Percent	From 2020 to 2021 (Restated) Amount	Percent
Cash (used) provided by							
Operating activities	$ (1,089,269)	$ (937,840)	$ (1,081,272)	$ (151,429)	16.1%	$ 143,432	13.3%
Noncapital financing activities	1,322,147	1,312,922	1,239,875	9,225	0.7%	73,047	5.9%
Capital and related financing activities	374,212	(193,317)	(201,342)	567,529	293.6%	8,025	4.0%
Investing activities	(475,970)	(168,610)	249,694	(307,360)	(182.3%)	(418,304)	167.5%
Net increase (decrease) in cash	131,120	13,155	206,955	117,965	896.7%	(193,800)	(93.6%)
Cash, beginning of year	687,927	674,772	467,817	13,155	1.9%	206,955	44.2%
Cash, end of year	$ 819,047	$ 687,927	$ 674,772	$ 131,120	19.1%	$ 13,155	1.9%

The University's cash and cash equivalents increased $131.1 million compared to fiscal year 2021 due to cash provided by noncapital financing activities and capital related financing activities, partially offset by cash used by operating activities and investing activities.

Cash used by operating activities increased by $151.4 million compared to fiscal year 2021. This increase was primarily driven by a return to pre-pandemic conditions. There was an increase in cash outflows for payments to employees for services and fringe benefits of $239.5 million primarily due to the ending of the hiring freeze. Payments to suppliers for goods and services increased by $208.1 million primarily due to returning to pre-pandemic activities. Cash inflows from grants and contracts revenue increased $178.6 million, primarily due Higher Education Emergency Relief Fund (HEERF) funding for COVID-19 relief as well as COVID-19 related grant activity. Cash flows increased by $110.0 million in auxiliary enterprises revenue due to an increase of campus events.

Cash provided by noncapital financing activities increased $9.2 million compared to an increase of $73.0 million in fiscal year 2021. The most significant sources of cash provided included State appropriations totaling $727.9 million and $696.8 million, grants totaling $351.7 million and $383.0 million, and gifts totaling $199.6 million and $189.5 million in 2022 and 2021, respectively.

Cash provided by capital and related financing activities increased $567.5 million primarily due to an increase in cash flows related to an increase of proceeds from capital debt of $631.0 million, partially offset by an increase of $106.2 million in principal payments on debt. During fiscal year 2022, the University issued $756.1 million and $0 million in new bond issuances and commercial paper, respectively, compared to $125.1 million and $0 million in new bond issuances and commercial paper, respectively, in fiscal year 2021. 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 assessed over a full market cycle, usually five to ten years, and monitored over shorter-term time periods by comparing the risk and return posture of the endowment to a globally diversified mix of representative private and public equity and fixed income proxies.

Investments supporting long-term endowments, as well as other investment pools had investment income, net of unrealized gains of $0.7 million, $762.9 million, and $91.4 million in fiscal years 2022, 2021, and 2020, respectively. The Consolidated Endowment Fund (CEF) and Group Income Pool (GIP) supported annual income distributions to departments in the amount of $74.5 million, $66.7 million, and $63.9 million in fiscal years 2022, 2021, and 2020, respectively. The income distribution amounts are primarily from the CEF pool, in the amounts of $72.5 million, $64.9 million, and $62.6 million in fiscal years 2022, 2021, and 2020, 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 CEF distribution rate was 4.5% percent in fiscal years 2022, 2021, and 2020.

Factors Affecting Future Financial Position and/or Results of Operations

The University is the flagship research institution in the State and it has received historically strong support from the State. Its academic quality attracts record numbers of applications, a diversified mix of revenue streams augment tuition and State support, and continues to enjoy a strong credit rating, which enables a low cost of borrowing. Maintaining these competitive advantages, managing operating costs, and growing alternative revenue sources, is more important than ever to the overall results of operations. In addition, current levels of support may be at risk if unfavorable changes occur in state and federal policy, the effects of the pandemic linger, a downturn in U.S. and world economic conditions or other factors occur 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 State Legislature's fiscal year 2022-2023 biennium budget set base funding for the University at $1.4 billion, a 2.7 percent increase from the previous biennial base appropriation. The State's financial situation improved dramatically throughout calendar year 2021 and 2022. In February 2022, the State forecasted the biennium would end with a general fund surplus of $9.3 billion. The University requested a supplemental appropriation of $250 million from the State during the 2022 legislative session, but the State Legislature and Governor Tim Walz were unable to agree on priorities for using the surplus. The State's financial situation has continued to improve during the first half of fiscal year 2023.

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 supporting a systemwide strategic plan
- Enhance student-facing facilities and services including libraries, student unions, recreation, wellness, Academic support, and student counseling facilities
- 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. Considering the previously noted historically large state surplus, the University submitted a request to the State for $685.6 million in capital funding. Had it been approved, the funding would have financed $400 million in deferred maintenance systemwide and provided funding for many priority investments at the University. The State Legislature and Governor Tim Walz were unable to agree on priorities for financing capital needs across the State, either by using the $9.3 billion surplus or by issuing state bonds. No state bonding bill has been approved during the last two legislative sessions.

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 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. The Board approved tuition increases effective fall 2022 (fiscal year 2023) of 3.5% for the Twin Cities campus, and 1.75% for the Crookston, Duluth, Morris, and Rochester campuses. Overall, the approved tuition increases along with other factors (such as enrollment, fees, and financial aid) are projected to generate an estimated $34.5 million in new tuition for fiscal year 2023. Future tuition and fee revenue will be impacted by many factors, including Board of Regents decisions on tuition rates, resident and non-resident enrollments, room and board rates, and course fees, as well as other factors such as demographics, federal policies on immigration, and competition from other higher educational institutions for students.

Expenses and cost containment – The salaries and benefits paid to the University's faculty and staff represent the largest category of operating costs, and for this reason the University strives to use its human capital as efficiently as possible. In fiscal year 2021, the University launched the PEAK Initiative (Positioned for Excellence, Alignment, and Knowledge). 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 provide better career opportunities for administrative staff. Through these efforts, the University aims to improve service and simultaneously reduce administrative costs. In the coming years PEAK will redesign the delivery of financial, human resource, information technology, and marketing and communications administrative services for the first phase of units. Over several years the new service model will be implemented in four phases across the institution. University leadership does not expect savings from the PEAK initiative until it is fully implemented.

Research Enterprise – 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. For fiscal year 2021 (the most recent year such data is available), the University reported federal sponsored project awards valued at $1.15 billion, a 31 percent increase from fiscal year 2020.

The University also experiences strong technology commercialization activity. For fiscal year 2021 (the most recent data available), the University reported 332 new invention disclosures, 181 patents issued to the University and its faculty, 236 new commercialization licenses, and the formation of 20 new startup companies based on University intellectual property. Growth in technology commercialization is a University priority, and an integral part of the MPact 2025 Strategic Plan.

The University's partnership with Fairview – The University has had a long-term academic affiliation agreement with Fairview Health System (Fairview), the health care organization that purchased the University's on-campus hospital in 1996. The initial term of the affiliation agreements between Fairview and the University is January 1, 1997 through December 31, 2026. A strong partnership with Fairview is vital to supporting and strengthening the research, outreach, and medical education mission of the University of Minnesota Medical School. Although Fairview suffered significant revenue losses due to the COVID-19 pandemic, all scheduled payments to the University under the 2019 amended agreement between Fairview and the University have been made. Factors that could have a future impact on the University include the financial health of Fairview, and the term, conditions, and duration of any affiliation renewal.

University of Minnesota
Consolidated Statements of Net Position (Excluding Component Units)
As of June 30, 2022 and 2021 (in thousands)

		2022	2021 (Restated)
Assets			
Current assets			
Cash and cash equivalents		$ 742,260	$ 663,912
Short-term investments		280,334	240,923
Receivables, net		465,265	409,917
Lease receivables		10,235	9,911
Inventories		22,080	19,646
Student loans receivable, net		7,477	8,540
Prepaid expenses		24,016	22,317
Other assets		30	50
	Total current assets	1,551,697	1,375,216
Noncurrent assets			
Restricted cash and cash equivalents		76,787	24,015
Restricted investments		440,872	
Investments		2,837,687	2,841,074
Receivables, net		7,561	9,079
Lease receivables		344,977	343,187
Student loan receivables, net		44,198	48,648
Prepaid expenses		9,720	2,449
Other assets		2,933	2,815
Capital assets, net		3,318,373	3,396,708
	Total noncurrent assets	7,083,108	6,667,975
Total assets		8,634,805	8,043,191
Deferred Outflows of Resources		252,530	62,864
Liabilities			
Current liabilities			
Accounts payable		123,017	156,688
Accrued liabilities and other		353,687	356,231
Unearned income		60,385	86,431
Long-term debt		273,833	249,098
Lease liabilities		17,608	20,380
	Total current liabilities	828,530	868,828
Noncurrent liabilities			
Accrued liabilities and other		152,234	343,599
Unearned income		7,534	7,346
Long-term debt		1,711,370	1,249,453
Lease liabilities		199,768	213,355
	Total noncurrent liabilities	2,070,906	1,813,753
Total liabilities		2,899,436	2,682,581
Deferred Inflows of Resources		870,384	813,540
Net Position			
Unrestricted		1,428,131	1,012,960
Restricted	Expendable	1,745,940	1,597,786
	Nonexpendable	319,387	319,257
Net investment in capital assets		1,624,057	1,679,931
Total net position		$ 5,117,515	$ 4,609,934

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)
As of June 30, 2022 and 2021 (in thousands)

	2022		2021	
Assets	**Pension (and other employee benefit) Trust Funds**	**Custodial Funds**	**Pension (and other employee benefit) Trust Funds**	**Custodial Funds**
Short-term investments	$ 286		$ 378	
Trade receivables		$ 2,381		$ 1,162
Student receivables		954		900
Prepaid expenses		134		
Total assets	286	3,469	378	2,062
Liabilities				
Accounts payable		4,407		3,408
Accrued liabilities		283		
Total liabilities		4,690		3,408
Net Position (Deficit)				
Unrestricted	286	(1,221)	378	(1,346)
Total net position (deficit)	$ 286	$ (1,221)	$ 378	$ (1,346)

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, 2022 and 2021 (in thousands)

	University of Minnesota Foundation		University of Minnesota Physicians	
	2022	2021	2022	2021
Assets				
Cash and cash equivalents	$ 33,644	$ 36,065	$ 126,947	$ 105,240
Investments, substantially at fair market value	3,817,528	3,965,160	36,412	34,876
Pledges receivable, net	224,690	208,761		
Accounts and other receivables	14,542	10,740	115,261	111,551
Interest in charitable lead trusts, unitrusts, pooled income, and trusts	88,566	112,686		
Gift annuities	48,312	49,567		
Property and equipment, net	76,125	78,003	11,364	12,279
Prepaids and other assets	2,537	2,566	2,596	19,034
Total assets	4,305,944	4,463,548	292,580	282,980
Liabilities				
Accounts payable and accrued liabilities	34,219	34,089	193,483	157,942
Gift annuities payable	20,366	19,884		
Unitrusts, pooled income, and annuity trusts payable	12,640	14,335		
Investments held for custody of others	355,435	389,077		
Long-term debt	46,873	47,758		1,966
Total liabilities	469,533	505,143	193,483	159,908
Net Assets				
Without donor restrictions	226,339	221,998	99,097	123,072
With donor restrictions	3,610,072	3,736,407		
Total net assets	3,836,411	3,958,405	99,097	123,072
Total liabilities and net assets	$ 4,305,944	$ 4,463,548	$ 292,580	$ 282,980

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, 2022 and 2021 (in thousands)

			2022	2021 (Restated)
Revenues				
Operating revenues	Student tuition and fees, net of scholarship allowances of $352,188 in 2022; $319,530 in 2021		$ 764,030	$ 772,781
	Federal grants and contracts		548,336	490,443
	State and other government grants		106,756	86,563
	Nongovernmental grants and contracts		505,539	448,292
	Student loan interest income		244	644
	Sales and services of educational activities, net of scholarship allowances of $101 in 2022; $102 in 2021		165,043	150,243
	Auxiliary enterprises, net of scholarship allowances of $19,832 in 2022; $13,741 in 2021		474,682	377,171
	Other operating revenues		105	158
Total operating revenues			2,564,735	2,326,295
Expenses				
Operating expenses	Education and general	Instruction	783,386	799,352
		Research	849,920	780,587
		Public service	255,884	315,145
		Academic support	405,655	408,166
		Student services	117,633	126,114
		Institutional support	259,734	257,104
		Operation & maintenance of plant	225,226	236,706
		Scholarships & fellowships	82,042	71,212
		Depreciation	239,535	236,456
	Auxiliary enterprises		284,431	272,172
	Other operating expenses, net			1,477
Total operating expenses			3,503,446	3,504,491
Operating Loss			(938,711)	(1,178,196)
Nonoperating Revenues (Expenses)				
Federal appropriations			16,318	18,572
State appropriations			727,857	696,935
Grants, including HEERF Act Funding of $105,120 in 2022; $69,082 in 2021			393,282	371,712
Gifts			214,878	197,375
Investment income, net			656	762,946
Interest on capital-asset related debt			(50,465)	(49,231)
Other nonoperating revenues, net			21,105	20,149
Net nonoperating revenues			1,323,631	2,018,458
Income (Loss) Before Other Revenues			384,920	840,262
Capital appropriations			80,259	59,712
Capital grants and gifts			36,092	18,737
Additions to permanent endowments			6,310	2,246
Total other revenues			122,661	80,695
Increase In Net Position			507,581	920,957
Change in accounting principle				(7,525)
Net position at beginning of year			4,609,934	3,696,502
Net position at end of year			$ 5,117,515	$ 4,609,934

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, 2022 and 2021 (in thousands)

		2022		2021	
Additions		**Pension (and other employee benefit) Trust Funds**	**Custodial Funds**	**Pension (and other employee benefit) Trust Funds**	**Custodial Funds**
Contributions	Student financial aid and loans		$ 379,700		$ 377,381
	External financial aid awards		19,353		18,355
	Services provided		1,894		2,456
	Memberships collected		831		653
	Student fees		1,177		206
	Investment income	$ (11)		(17)	
Total contributions		(11)	402,955	(17)	399,051
Deductions					
	Student aid and awards		399,117		395,711
	Other deductions to vendors		3,713		400
	Benefits to participants and beneficiaries	81			
Total deductions		81	402,830		396,111
Net Change in Fiduciary Net Position (Deficit)		(92)	125	(17)	2,940
Net position (deficit) at beginning of year		378	(1,346)	395	(4,286)
Net position (deficit) at end of year		$ 286	$ (1,221)	$ 378	$ (1,346)

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, 2022 and 2021 (in thousands)

	University of Minnesota Foundation			
	Without donor restrictions	With donor restrictions	Total 2022	Total 2021
Revenues				
Contributions	$ 1,865	$ 320,858	$ 322,723	$ 231,634
Investment income, net	1,379	12,583	13,962	12,320
Net realized and unrealized gains (losses) on investments	(8,744)	(184,499)	(193,243)	898,609
Change in value of trusts	(78)	(23,860)	(23,938)	30,929
Support services revenue	8,358		8,358	8,500
UMF - Real Estate Advisors rental revenue	6,659		6,659	7,098
University Gateway Corporation revenue	4,533		4,533	3,033
Other revenue	2,550		2,550	2,265
Net assets released from restriction	251,418	(251,418)		
Total revenues	267,940	(126,336)	141,604	1,194,388
Expenses				
Program services				
Distributions for University purposes	201,667		201,667	200,662
Support services				
Management and general	11,926		11,926	11,151
Promotion and development	36,168		36,168	34,917
UMF - Real Estate Advisors	7,671		7,671	7,810
University Gateway Corporation	6,166		6,166	5,817
Total expenses	263,598		263,598	260,357
Increase (decrease) in net assets	4,342	(126,336)	(121,994)	934,031
Net assets at beginning of year	221,998	3,736,407	3,958,405	3,024,374
Net assets at end of year	$ 226,340	$ 3,610,071	$ 3,836,411	$ 3,958,405

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, 2022 and 2021 (in thousands)

	University of Minnesota Physicians	
	Total (unrestricted)	
	2022	2021
Revenues		
Contract revenue	$ 758,920	$ 691,484
Patient service revenue	29,638	28,505
Investment income, net	319	457
Net realized and unrealized gains (losses) on investments	(3,049)	1,590
Loss on equity method investments	(23,927)	(14,035)
Other revenue	15,602	682
Total revenues	777,503	708,683
Expenses		
Program services		
Health care services	736,176	635,904
Support services		
Management and general	65,302	67,261
Total expenses	801,478	703,165
Increase (decrease) in net assets	(23,975)	5,518
Net assets at beginning of year	123,072	117,554
Net assets at end of year	$ 99,097	$ 123,072

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, 2022 and 2021 (in thousands)

	2022	2021 (Restated)
Cash Flows From Operating Activities		
Student tuition and fees	$ 765,922	$ 777,596
Grants and contracts (federal, state, nongovernmental, other)	1,163,693	985,139
Auxiliary enterprises	486,472	376,511
Sales and services of educational activities	171,674	150,564
Collection of loans to students	9,303	11,138
Other operating revenues	2,419	231
Payments to employees for services	(1,852,274)	(1,768,845)
Payments for fringe benefits	(684,142)	(528,059)
Payments to suppliers for goods and services	(1,068,083)	(859,985)
Payments for scholarships and fellowships	(80,181)	(76,376)
Loans issued to students	(4,072)	(5,754)
Net cash used by operating activities	(1,089,269)	(937,840)
Cash Flows From Noncapital Financing Activities		
State appropriations	727,875	696,809
Grants for other than capital purposes	351,734	383,030
Gifts for other than capital purposes	199,551	189,476
Federal appropriations	15,154	25,118
Other nonoperating revenues, net	21,531	14,392
Private gifts for endowment purposes	6,302	4,097
Direct lending receipts	312,531	320,778
Direct lending disbursements	(312,553)	(320,819)
Agency transactions	22	41
Net cash provided by noncapital financing activities	1,322,147	1,312,922
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt	756,103	125,129
Capital appropriations	82,736	55,293
Capital grants and gifts	2,820	18,355
Proceeds from sale of capital assets	13,867	2,186
Principal received on notes receivable	788	1,406
Interest received on notes receivable	379	405
Purchases of capital assets	(142,261)	(176,693)
Principal paid on capital debt	(247,459)	(141,237)
Interest paid on capital debt	(66,963)	(53,292)
Principal paid on lease liabilities	(20,572)	(19,643)
Interest paid on lease liabilities	(5,226)	(5,226)
Net cash provided (used) by capital and related financing activiti	374,212	(193,317)
Cash Flows From Investing Activities		
Investment income, net	110,525	155,340
Proceeds from sales and maturities of investments	8,344,278	6,284,373
Purchase of investments	(8,930,773)	(6,608,323)
Net cash used by investing activities	(475,970)	(168,610)
Net Increase in Cash and Cash Equivalents	131,120	13,155
Cash and Cash Equivalents at Beginning of Year	687,927	674,772
Cash and Cash Equivalents at End of Year	$ 819,047	$ 687,927

University of Minnesota
Consolidated Statements of Cash Flows (Excluding Component Units)
Years ended June 30, 2022 and 2021 (in thousands)

	2022	2021 (Restated)
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used by Operating Activities		
Operating loss	$ (938,711)	$ (1,178,197)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	239,535	236,456
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources		
Receivables, net	10,214	(46,703)
Lease receivables	(2,114)	(2,734)
Inventories	(2,508)	2,213
Prepaid and other items	(8,971)	11,252
Other assets	19	
Deferred outflows of resources	12,035	270,746
Accounts payable	(15,910)	24,866
Accrued liabilities	(28,207)	20,806
Unearned income	4,124	12,209
Deferred inflows of resources	(358,775)	(288,754)
Net cash used by operating activities	$ (1,089,269)	$ (937,840)
Noncash Investing, Capital, and Financing Activities		
Net unrealized gains (losses) on investments	$ (154,840)	$ 454,082
Realized gains on investments for stock distributions	44,234	149,362
Net unsettled investment trades	1,143	804
Capital assets on account	15,868	19,599
Amortization of bond discount/premium	21,992	8,793
Contribution of capital assets	18,855	2,886
Cash and cash equivalents	$ 742,260	$ 663,912
Restricted cash and cash equivalents	76,787	24,015
Total cash and cash equivalents at end of year	$ 819,047	$ 687,927

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 their exclusion would cause the University's financial statements to be misleading to the University's level of financial accountability and significance of their operational 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, excess automobile liability, and property 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 2022 and 2021, the UMF distributed $240,786 and $232,640, 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 2022 and 2021, UMP distributed $109,543 and $84,837, 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 $1,027 and $1,015 as of June 30, 2022 and 2021, 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 2022 and 2021, the University received $346 and $391, respectively, in interest income. Principal outstanding is $7,751 and $8,054, respectively, as of June 30, 2022 and 2021. 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. See Note 14 for additional information.

Financial Statement Presentation

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

Basis of Accounting

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

Significant Accounting Policies

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

Investments—Investments are reported at fair value, which represents the price that would be received to sell the investment in an orderly transaction between market participants. The University's investments are valued using a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace in accordance with GASB Statement No. 72 (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 noncurrent assets, as these funds are required to be used for long-term capital projects.

Restricted Investments—Restricted investments also 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 investments, they are recorded as noncurrent assets, as these funds are required to be used for long-term capital projects and are not available for current operations.

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. Leased assets are recorded at net present value of the lease payments and are amortized over the shorter of life of the lease or asset.

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
Equipment	3-20	5,000
Leased assets	Lease term	
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 7. 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 12. 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 6.

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 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 7. 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 12. 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 6.

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

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

- **Restricted**:

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

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

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

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

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

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

- **Operating revenues**: Operating revenues result from exchange activities that contribute to the University's mission of Research and Discovery; Teaching and Learning; and Outreach and Public Service. Exchange activities are transactions where the amount received approximates the fair market value of the goods or services given up. The University considers student tuition and fees (net of scholarship allowances), most grants and contracts, interest on student loans, and sales and services of auxiliary and educational activities (net of scholarship allowances) to be exchange transactions.

- **Nonoperating revenues**: Nonoperating revenues represent nonexchange activities. The primary sources of these revenues are federal and State appropriations, gifts, capital grants, federal and State financial aid grants (such as Pell and Supplemental Educational Opportunity Grants), and other nonexchange grants and contracts. Although the University relies upon these revenue sources to fund the cost of operations, the grantor or donor is not the direct recipient of the goods or services delivered under the grant or gift terms. Insurance recovery proceeds and legal settlements are classified as nonoperating revenues as part of other nonoperating revenues, net. Insurance recovery revenue recorded was $1,440 and $3,762 for fiscal years 2022 and 2021, 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 13.

  During fiscal years 2022 and 2021, nonsponsored departmental research of $254,235 and $234,920 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. 87 (GASB 87), Leases, the University recorded a cumulative effect of change in accounting principle of ($7,525) in fiscal year 2021. A cumulative effect of a change in accounting principle is the cumulative impact to the consolidated financial statements related to prior fiscal years.

The following table summarizes the impact of the change in accounting principle by financial statement line item:

	Change in accounting principle	
Capital assets, net	$	38,825
Prepaid assets		7,588
Long-term debt		(32,541)
Lease liabilities		(6,347)
Total	$	(7,525)

See Notes 4, 5, and 6 for additional information for capital assets, leases, and long-term debt, respectively.

Fiduciary Financial Statements—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 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. 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.

GASB Statement No. 99 (GASB 99), Omnibus 2022, 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. Different provisions of GASB 99 will be effective for fiscal years 2022, 2023, and 2024.

GASB Statement No. 100 (GASB 100), Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62; defines accounting changes; prescribes accounting and financial reporting for accounting changes and error corrections; and required note disclosures. The provisions of GASB 100 are effective for fiscal year 2025.

GASB Statement No. 101 (GASB 101), Compensated Absences, defines when liabilities are required to be established for certain types of absences; establishes guidance for reporting and measuring a liability for leave that has not been used; and required note disclosures. The provisions of GASB 101 are effective for fiscal year 2025.

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, 2022, 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, 2022:

	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	$ 674,071	$ 56,847	$ 11,277			$ 65	$ 742,260
Short-term investments	217,859		420			62,055	280,334
Total current assets	891,930	56,847	11,697			62,120	1,022,594
Restricted cash and cash equivalents					$ 76,787		76,787
Restricted investments					440,872		440,872
Total restricted assets					517,659		517,659
Long-term investments							
Fixed Income	657,027	338,369	60,095				1,055,491
Public Equity		259,178					259,178
Private Capital		1,140,798		$ 6,257			1,147,055
Inflation Hedges		183,270					183,270
Other	20,609	168,239		3,845			192,693
Total noncurrent investments	677,636	2,089,854	60,095	10,102			2,837,687
Total cash and investments	$ 1,569,566	$ 2,146,701	$ 71,792	$ 10,102	$ 517,659	$ 62,120	$ 4,377,940

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

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, 2022:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Fixed income				
Risk mitigating fixed income	$ 52,101	$ 420,872		$ 472,973
US Agency		336,981		336,981
US Treasury		267,310		267,310
Commercial papers		79,765		79,765
Return generated fixed income	4,370	20,278		24,648
Mortgage-backed securities		36,475		36,475
Corporate bonds		19,928		19,928
Listed equity				
Global developed equity	135,238			135,238
Private capital	24,814		$ 6,257	31,071
Other	20,639	3,144		23,783
Total	237,162	1,184,753	6,257	1,428,172
Investments measured at net asset value (NAV)				2,130,721
Total investments				$ 3,558,893

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

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

The following table summarizes NAV investments as of June 30, 2022:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Capital	$ 1,131,231	$ 276,225	None, monthly, or annually	None; 1 or 90 days
Fixed Income	496,625	119,977	None, daily, or annually	None; 2 or 60 days
Global Equity	165,934	1,740	None, daily, monthly, or quarterly	None, 2, 30, 45, or 90 days
Hedge Fund	171,189		None, monthly, quarterly, semi annually, or annually	None; 20, 30, 45, 60, 65, 75, or 90 days
Real Estate	46,888	17,494	None	None
Natural Resources	83,852	15,958	None, quarterly	None; 90 days
Other	35,002	9,921	None	None
Total	$ 2,130,721	$ 441,315		

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		

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, 2022, and 2021, the market value of the TIP assets invested in the CEF was $200,832 and $202,223, 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, 2022 and 2021, 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, 2022 and 2021, $72,503 and $64,925, 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, 2022 and 2021, the fair value of the GIP assets invested in the CEF was \$28,246 and \$22,308, 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 held in custodial accounts, which are managed both internally by the University's Office of Investment and Banking and externally by investment managers. These assets are invested in high quality, short-term and long-term fixed income investments 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 10) 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, 2022:

Fixed income securities		Value	Maturity (years)	AA or better	BBB to A	BB or lower	Not rated
Cash & equivalents	$	521,277		100 %			
Commercial paper		79,765	0.3	100			
Mortgage-backed securities		36,475	13.9	100			
US Agency		336,981	2.3	100			
US Treasury		267,310	2.0	100			
Corporate Bonds		19,928	0.9	100			
Mutual Funds		154,427	4.6	77	20 %	3 %	
Total marketable fixed-income securities		1,416,163	1.8				
Private fixed-income securities		768,069					
Total fixed-income securities	$	2,184,232					

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					

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, 2022 and 2021, 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, 2022 and 2021:

Investment Type	Foreign Currency		Market Value 2022		Market Value 2021
Equity/Debt/Real Estate	Euro	$	52,911	$	57,645
Equity	British Pound Sterling		24,832		25,436
Total		$	77,743	$	83,081

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 aggregated with interest-bearing deposits that are held in the same ownership category, and the Federal Deposit Insurance Corporation (FDIC) insured amount is $250 for bank balances held in the United States and Bermuda Deposit Insurance Corporation (BDIC) insured amount of $25 for bank balances held in Bermuda that relate to RUMINCO. As of June 30, 2022, the University's bank balances subject to depository credit risk of $158,203 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. The University is not exposed to custodial credit risk as of June 30, 2022 because the investment securities are held by the University and not by a counterparty.

3. Other Asset and Liability Information

Receivables, net, and student loans receivable as of June 30, 2022, consisted of the following:

	Current	Noncurrent	Total
State and federal appropriations	$ 1,657		$ 1,657
Sponsored grants and contracts	122,238		122,238
Notes receivable	768	$ 7,561	8,329
Student receivables	28,908		28,908
Trade receivables	275,520		275,520
Accrued interest	1,101		1,101
Other	41,928		41,928
Allowance for uncollectible accounts	(6,855)		(6,855)
Total receivables, net	$ 465,265	$ 7,561	$ 472,826
Student loans receivable	11,109	44,198	55,307
Allowance for uncollectible accounts	(3,632)		(3,632)
Student loans receivable, net	$ 7,477	$ 44,198	$ 51,675

Accrued liabilities as of June 30, 2022, consisted of the following:

	Current	Noncurrent	Total
Trade liabilities	$ 4,317	$ 11,009	$ 15,326
Compensation and benefits	241,350	87,310	328,660
Self-insurance reserves	45,089	13,164	58,253
Accrued interest	18,905		18,905
Refundable advances	4,212	36,699	40,911
Other	39,814	4,052	43,866
Total accrued liabilities	$ 353,687	$ 152,234	$ 505,921

Activity for certain liabilities consisted of the following as of June 30, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated balances	$ 517,977	$ 250,863	$ (440,180)	$ 328,660	$ 241,350
Self-insurance reserves (see Note 10)	53,237	357,682	(352,666)	58,253	45,089
Refundable advances	46,522		(5,611)	40,911	4,212
Other	51,678	43,866	(51,678)	43,866	39,814

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	(307)	$ 9,079	8,772
Student receivables	27,826		27,826
Trade receivables	209,428		209,428
Accrued interest	777		777
Other	40,508		40,508
Allowance for uncollectible accounts	(7,462)		(7,462)
Total receivables, net	$ 409,917	$ 9,079	$ 418,996
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

As a result of implementing GASB 87, receivables was restated with a decrease of $4,334.

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

	Current	Noncurrent	Total
Trade liabilities	$ 4,248	$ 10,142	$ 14,390
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	$ 356,231	$ 343,599	$ 699,830

As a result of implementing GASB 87, accrued liabilities was restated with a decrease of $907.

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 10)	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

4. Capital Assets

Capital assets, net as of June 30, 2022, consisted of the following:

	Beginning Balance	Additions	Transfers	Retirements & Reductions	Ending Balance
Depreciable / amortizable capital assets					
Buildings and improvements	$ 4,879,554		$ 75,252	$ (27)	$ 4,954,779
Equipment	843,188	$ 48,929		(42,642)	849,475
Infrastructure	470,407		(12,062)		458,345
Leased assets	258,012	4,213		(787)	261,438
Library and reference books	178,394	3,012			181,406
Capitalized software (intangible asset)	201,004				201,004
All other intangible assets	6,903				6,903
Total depreciable / amortizable capital assets	6,837,462	56,154	63,190	(43,456)	6,913,350
Non-depreciable / amortizable capital assets					
Land	237,543	2,509		(24)	240,028
Museums and collections	100,721	19,254			119,975
Construction in progress	63,357	84,684	(63,190)		84,851
Permanent right-of-way easements (intangible asset)	5				5
Total non-depreciable / amortizable capital assets	401,626	106,447	(63,190)	(24)	444,859
Accumulated depreciation / amortization					
Buildings and improvements	(2,489,173)	(140,830)	(6)	950	(2,629,059)
Equipment	(657,087)	(54,055)		40,397	(670,745)
Infrastructure	(346,533)	(13,791)	6		(360,318)
Leased assets	(21,621)	(21,944)		732	(42,833)
Library and reference books	(144,127)	(1,692)			(145,819)
Capitalized software (intangible asset)	(176,936)	(7,223)			(184,159)
All other intangible assets	(6,903)				(6,903)
Total accumulated depreciation / amortization	(3,842,380)	(239,535)		42,079	(4,039,836)
Capital assets, net	$ 3,396,708	$ (76,934)		$ (1,401)	$ 3,318,373
Summary					
Depreciable / amortizable capital assets	$ 6,837,462	$ 56,154	$ 63,190	$ (43,456)	$ 6,913,350
Non-depreciable / amortizable capital assets	401,626	106,447	(63,190)	(24)	444,859
Total capital assets	7,239,088	162,601		(43,480)	7,358,209
Less accumulated depreciation / amortization	(3,842,380)	(239,535)		42,079	(4,039,836)
Capital assets, net	$ 3,396,708	$ (76,934)		$ (1,401)	$ 3,318,373

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	$ 4,823,702	$ 22,776	$ 60,851	$ (27,775)	$ 4,879,554
Equipment	846,247	48,440	(1,079)	(50,420)	843,188
Infrastructure	471,328		2,638	(3,559)	470,407
Leased assets	235,586	22,589		(163)	258,012
Library and reference books	174,940	3,454			178,394
Capitalized software (intangible asset)	198,961	2,043			201,004
All other intangible assets	6,903				6,903
Total depreciable / amortizable capital assets	6,757,667	99,302	62,410	(81,917)	6,837,462
Non-depreciable / amortizable capital assets					
Land	229,801	7,742			237,543
Museums and collections	97,713	3,008			100,721
Construction in progress	37,877	87,890	(62,410)		63,357
Permanent right-of-way easements (intangible asset)	5				5
Total non-depreciable / amortizable capital assets	365,396	98,640	(62,410)		401,626
Accumulated depreciation / amortization					
Buildings and improvements	(2,374,499)	(140,046)	(32)	25,404	(2,489,173)
Equipment	(649,870)	(53,402)		46,185	(657,087)
Infrastructure	(336,910)	(12,207)	32	2,552	(346,533)
Leased assets		(21,658)		37	(21,621)
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	(3,680,102)	(236,456)		74,178	(3,842,380)
Capital assets, net	$ 3,442,961	$ (38,514)		$ (7,739)	$ 3,396,708
Summary					
Depreciable / amortizable capital assets	$ 6,757,667	$ 99,302	$ 62,410	$ (81,917)	$ 6,837,462
Non-depreciable / amortizable capital assets	365,396	98,640	(62,410)		401,626
Total capital assets	7,123,063	197,942		(81,917)	7,239,088
Less accumulated depreciation / amortization	(3,680,102)	(236,456)		74,178	(3,842,380)
Capital assets, net	$ 3,442,961	$ (38,514)		$ (7,739)	$ 3,396,708

**Due to GASB 87 implementation, Leasehold Improvements are included in Note 5.*

5. Leases

The University adopted GASB Statement No. 87 (GASB 87), Leases, effective for the fiscal year ended June 30, 2022, with retrospective application to the fiscal ended June 30, 2021. GASB 87 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, it requires the University to classify leases that are 12 months or greater in length at the commencement of the lease term, including the evaluation of options to extend the lease, to the Statements of Net Position. The University records a lease receivable and deferred inflow of resources for lessor arrangements. The University records a lease liability and an underlying right-to-use lease asset for lessee arrangements. Over the course of the lease, inflows and outflows are recognized and recorded in the Statements of Revenues, Expenses, and Changes in Net Position.

The University has entered into various leasing arrangement types where the University is either the lessee or the lessor. The University has applied a threshold based on the minimum net present value (NPV) of receipts for lessor arrangements and payments for lessee arrangements. The NPV calculation is determined by the total receipts or payments over the noncancelable lease term and an interest rate that is stated within the lease contract or, when an interest rate is not stated, the University's incremental borrowing rate as determined by an independent third party. The incremental borrowing rate is applied based on the noncancelable lease term at the commencement of the lease term.

Lessor Arrangements

The University has various lessor arrangements for buildings spanning the University system, including for the University of Minnesota Health Clinics and Surgery Center (Clinics and Surgery Center) and building space on the University's Twin Cities/Minneapolis-East Bank Campus.

The Clinics and Surgery Center leasing arrangement is with the University of Minnesota Physicians and Fairview Health Services in support of the M Health Fairview collaboration with the University. This leasing arrangement has options to extend through December 31, 2061. Semi-annual installments of base rent payable by the tenant are calculated based on interest and principal payments that the University must pay on the long-term debt issued to build the Clinics and Surgery Center. There are certain termination clauses in the event of default or bankruptcy; however, that does not absolve the tenant of its liabilities and obligations under the leasing arrangement.

Various building space on the University's Twin Cities East Bank is between the University and Fairview Health Services. This leasing arrangement has options to extend through December 31, 2086.

The University has a lease with the Gateway Corporation for land that is associated with a corresponding lessee arrangement for the McNamara Building on the Twin Cities campus. This leasing arrangement has options to extend through September 30, 2098.

The University has other various leases for building space spanning the University system. The University also has a sale-leaseback lease arrangement where the University purchased the property and is subsequently leasing the property back to the original owner.

The following table reflects the total amount of inflows of resources reflected in the Statements of Revenues, Expenses, and Changes in Net Position by revenue line:

	2022	2021
Sales and services of educational activities, net of scholarship allowances	$ 826	$ 501
Auxiliary enterprises, net of scholarship allowances	11,067	11,039
Other nonoperating revenues, net	12,525	12,510
Total	$ 24,418	$ 24,050

Lessee Arrangements

The University has various lessee arrangements, including the McNamara Building on the Twin Cities campus, housing leases on the Twin Cities and Rochester campuses, and other Rochester use leases.

The McNamara Building lease is with the Gateway Corporation for space in the McNamara Building on the Twin Cities campus with options to extend through September 30, 2098.

The University has student housing leases located both on the Twin Cities and Rochester campuses. The Twin Cities housing lease has options to extend through July 31, 2028. Two Rochester housing leases have options to extend through July 31, 2032.

The University's Rochester campus has classroom and retail leased space with options to extend through August 31, 2032, and June 30, 2054, respectively.

The University has a sale-leaseback lease agreement between the University and the Hormel Foundation for the Hormel Institute. Based on the contract, either party can terminate the lease at any time with 24 months' notice.

In addition to these lease arrangements, the University has other leases for various building space and equipment.

The following table reflects a further disaggregation of the University's underlying right-to-use lease assets where the University is the lessee, as summarized in Note 4.

Leased assets, net as of June 30, 2022, consisted of the following:

	Beginning Balance	Additions	Transfers	Retirements & Reductions	Ending Balance
Depreciable / amortizable capital assets					
Buildings and improvements	$ 256,085	$ 1,543		$ (308)	$ 257,320
Equipment	1,414	2,670		(479)	3,605
Land	513				513
Total depreciable / amortizable capital assets	258,012	4,213		(787)	261,438
Accumulated depreciation / amortization					
Buildings and improvements	(20,897)	(21,118)		308	(41,707)
Equipment	(632)	(734)		424	(942)
Land	(92)	(92)			(184)
Total accumulated depreciation / amortization	(21,621)	(21,944)		732	(42,833)
Capital assets, net	$ 236,391	$ (17,731)		$ (55)	$ 218,605

Leased 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	$ 233,694	$ 22,391			$ 256,085
Equipment	1,379	198		$ (163)	1,414
Land	513				513
Total depreciable / amortizable capital assets	235,586	22,589		(163)	258,012
Accumulated depreciation / amortization					
Buildings and improvements		(20,897)			(20,897)
Equipment		(669)		37	(632)
Land		(92)			(92)
Total accumulated depreciation / amortization		(21,658)		37	(21,621)
Capital assets, net	$ 235,586	$ 931		$ (126)	$ 236,391

The following table reflects the total principal and interest payments where the University is the lessee:

	Principal	Interest	Total obligations
Fiscal year ending June 30			
2023	$ 17,134	$ 5,023	$ 22,157
2024	16,855	4,814	21,669
2025	16,141	4,600	20,741
2026	16,554	4,382	20,936
2027	16,977	4,158	21,135
2028-2032	48,954	18,099	67,053
2033-2037	5,954	15,978	21,932
2038-2042	3,922	15,339	19,261
2043-2047	3,148	14,731	17,879
2048-2052	4,015	14,032	18,047
2053-2057	3,782	13,159	16,941
2058-2062	2,027	12,655	14,682
2063-2067	2,966	12,151	15,117
2068-2072	4,130	11,436	15,566
2073-2077	5,569	10,457	16,026
2078-2082	7,295	9,157	16,452
2083-2087	9,461	7,467	16,928
2088-2092	12,142	5,286	17,428
2093-2097	15,440	2,500	17,940
2098-2102	4,436	106	4,542
Total	$ 216,902	$ 185,530	$ 402,432

Variable Receipts and Payments

Variable receipts for lessor arrangements and payments for lessee arrangements based on future performance of the leasing party or usage of the underlying asset are not factored into the lease receivable or liability. These types of receipts or payments are most common in building leases where it requires tenants to share in the costs of taxes, insurance, utilities, and other common area maintenance costs or includes parking usage where the occupancy is determined based on a specific event in the future. Amounts recognized as variable receipts in the form of inflows not included in the measurement of the lease receivable are $1,276 and $1,382 for fiscal years ended June 30, 2022 and 2021, respectively. Whereas amounts recognized as variable payments in the form of outflows not included in the measurement of the lease liability are $5,963 and $5,135 for fiscal years ended June 30, 2022 and 2021, respectively.

6. Long-Term Debt

Long-term debt as of June 30, 2022, consisted of the following:

	Original issued amount (par)	Fiscal year issued	Coupon rates	Due at various dates through fiscal year	FY2022 beginning balance	Additions	Reductions	FY2022 ending balance	Current portion
General obligation bonds									
Series 2022 (taxable)	$ 500,000	2022	4.048%	2052		$ 500,000		$ 500,000	
Series 2021C (taxable)	36,875	2022	0.130%-2.590%	2038		36,875	$ 1,690	35,185	$ 2,240
Series 2020A (tax-exempt)	31,310	2021	5.00%	2046	$ 31,310		650	30,660	690
Series 2020B (taxable)	84,690	2021	0.400%-2.875%	2046	84,690		2,860	81,830	2,875
Series 2019A (tax-exempt)	104,215	2019	5.00%	2044	99,085		2,395	96,690	2,510
Series 2019B (tax exempt)	51,240	2019	5.00%	2030	48,255		1,535	46,720	5,465
Series 2019C (taxable)	20,000	2019	2.466%-3.621%	2044	18,975		570	18,405	580
Series 2017A (tax-exempt)	117,095	2018	2.00%-5.00%	2043	109,010		2,910	106,100	2,970
Series 2017B (tax-exempt)	292,955	2018	2.00%-5.00%	2037	178,635		23,905	154,730	10,130
Series 2017C (taxable)	13,240	2018	1.375%-2.915%	2029	9,040		1,040	8,000	1,060
Series 2016A (tax-exempt)	122,475	2016	3.00%-5.00%	2041	107,900		3,360	104,540	3,530
Series 2015B (taxable)	10,110	2016	0.799%-4.039%	2032	7,415		570	6,845	585
Series 2014B (tax-exempt)	145,760	2015	2.00%-5.00%	2044	130,900		3,320	127,580	3,485
Series 2013D (taxable)	12,760	2014	0.60%-4.848%	2039	10,350		395	9,955	405
Series 2013B (taxable)	13,780	2013	2.60%-3.75%	2038	10,525		475	10,050	490
Series 2013A (tax-exempt)	73,570	2013	2.00%-5.00%	2038	57,305		2,375	54,930	2,495
Series 2011C (taxable)	19,335	2012	0.90%-4.56%	2037	14,495		645	13,850	670
Series 2010B (taxable)	41,720	2011	0.74%-5.02%	2036	28,465		1,520	26,945	1,560
Commercial paper notes									
Series A (tax-exempt)	159,100	2006	0.12%	2023	20,000		20,000		
Series B (tax-exempt)	61,000	2007	0.90%-1.08%	2023	18,600		3,100	15,500	15,500
Series C (tax-exempt)	70,000	2008	0.90%-1.08%	2023	22,500		3,500	19,000	19,000
Series D (tax-exempt)	25,000	2010	1.08%	2023	11,977			11,977	11,977
Series E (taxable)	51,620	2015	1.51%-1.60%	2023	40,620		2,200	38,420	38,420
Series F (tax-exempt)	50,100	2017	1.15%-1.20%	2023	42,100		2,000	40,100	40,100
Series G (tax-exempt)	33,372	2018	0.95%-1.12%	2023	22,273		6,149	16,124	16,124
Series H (tax-exempt)	34,000	2022	1.09%-1.10%	2023		34,000		34,000	34,000
Series I (taxable)	34,000	2022	0.87%	2023		34,000		34,000	34,000
Infrastructure development bonds	109,234	1995-2006	3.55%-5.29%	2025	2,325		1,105	1,220	653
Note Payable	4,500	2020	1.90%	2025	4,500			4,500	
Special purpose revenue bonds									
Series 2021A (tax exempt)	92,385	2022	4.00%-5.00%	2036		92,385		92,385	4,635
Series 2021B (taxable)	31,100	2022	0.21%-2.63%	2038		31,100		31,100	1,650
Series 2015A (tax-exempt)	90,075	2016	2.00%-5.00%	2032	64,990		5,800	59,190	6,095
Series 2013C (tax-exempt)	35,395	2014	2.00%-5.00%	2039	29,510		29,510		
Series 2011B (tax-exempt)	52,485	2012	3.00%-5.00%	2037	40,965		40,965		
Series 2010A (tax-exempt)	111,400	2011	3.00%-5.00%	2036	82,915		82,915		
Unamortized premiums and discounts	218,054	2009-2022		2046	148,921	27,743	21,992	154,672	9,939
Total	$ 2,953,950				$ 1,498,551	$ 756,103	$ 269,451	$ 1,985,203	$ 273,833

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	FY2021 beginning balance	Additions	Reductions	FY2021 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
Total	$ 2,261,847				$ 1,523,452	$ 125,129	$ 150,030	$ 1,498,551	$ 249,098

Due to GASB 87 implementation, capital leases are now included in Note 5 - Leases.

Total long-term lease liabilities as of June 30, 2022 and 2021 consisted of the following:

	2022	2021
Beginning Balance	$ 233,735	$ 229,357
Additions	4,213	22,589
Reductions	(20,572)	(18,211)
Ending Balance	$ 217,376	$ 233,735

See Note 5 for additional information.

General Obligation Bonds

On April 19, 2022, the University issued General Obligation (GO) Taxable Bonds, Series 2022 in the par amount of $500,000 at a coupon rate of 4.048 percent. The bonds were issued as interest-only bonds, with principal due in 30 years at maturity. Proceeds are currently being invested and will be used to finance University capital projects which may include purchases of land and buildings, construction and remodeling projects, and the acquisition and installation of equipment, to pay certain costs of issuance, and to refinance existing debt outstanding.

On September 30, 2021, the University issued GO Taxable Bonds, Series 2021C (Sustainability Bonds) in the par amount of $36,875 at coupon rates of 0.13 – 2.59 percent. Proceeds are being used to finance the costs of design, land acquisition, site preparation, and preconstruction services for the Health Discovery Hub on the Twin Cities campus, and certain costs of issuance. This issuance was a result of the savings realized through the refinancing of the Special Purpose Revenue (SPR) Bonds (State Supported Biomedical Science Research Facilities Funding Program) which was allowed through an amendment of Minnesota Statutes 137.61 through 137.65.

On November 3, 2020, the University issued 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 to pay 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 the University's outstanding Commercial Paper (CP) Notes Series I in the principal amount of $53,000, and certain costs of issuance. The Series I was originally issued to finance a portion of the Pioneer Hall project and for certain property acquisitions.

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 in the federal fiscal years ending September 30, 2022 and 2021. 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

On September 30, 2021, the University issued SPR Refunding Bonds, Series 2021A, and SPR Refunding Taxable Bonds, Series 2021B. State legislation provides for an annual appropriation to reimburse the University for the annual debt service on these bonds and on the GO Taxable Bonds Series 2021C.

The Series 2021A was issued in the par amount of $92,385 at coupon rates of 4.00 – 5.00 percent with a premium of $27,743. Proceeds were used to refund, on a current basis, the outstanding maturities of the Series 2010A and Series 2011B SPR Bonds, and to pay certain costs of issuance. A gain of $9,331 was recognized on the transaction. The Series 2010A and 2011B were originally issued to finance a portion of the costs of constructing certain biomedical research facilities on the Twin Cities campus. The bonds were redeemed on October 30, 2021.

The Series 2021B was issued in the par amount of $31,100 at coupon rates of 0.21 – 2.63 percent to defease and advance refund the Series 2013C Bonds, and to pay certain costs of issuance. A gain of $73 was recognized on the transaction. The proceeds were deposited in an escrow account to pay the principal and interest due on the refunded bonds and to pay the redemption price on its redemption date. The Series 2013C was originally issued to finance a portion of the costs of constructing certain biomedical research facilities on the Twin Cities campus.

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.

During fiscal year 2022, the University issued a combined total of $68,000 in CP Notes Series H and CP Taxable Notes Series I for purposes of funding certain capital projects and for certain operating purposes. The capital projects include renovations for Lind Hall, the Main Energy Chilled Water Plant, and the Masonic Institute for the Developing Brain, and construction of the Early Childhood Learning Center and the Microbial Cell Production Facility, all in the Twin Cities.

The initial issuance on November 17, 2021 of Series H was at an initial rate of 0.090 percent in the amount of $18,000. Additional Series H Notes totaling $16,000 were issued during fiscal year 2022.

The initial issuance on November 17, 2021 of Series I was at an initial rate of 0.120 percent in the amount of $34,000. Of this total, $20,800 was issued for the Athletics COVID-19 operating loan.

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.

All 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 $3,660 and $6,975 as of June 30, 2022 and 2021, respectively, of which the University owes $1,220 and $2,325, 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.

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, 2022, 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	Total principal	Interest	Total obligations
Fiscal year ending June 30					
2023	$ 64,712	$ 209,121	$ 273,833	$ 69,109	$ 342,942
2024	66,722		66,722	65,535	132,257
2025	73,155		73,155	63,130	136,285
2026	71,060		71,060	60,494	131,554
2027	73,869		73,869	57,773	131,642
2028-2032	367,402		367,402	245,846	613,248
2033-2037	300,074		300,074	183,618	483,692
2038-2042	188,999		188,999	135,296	324,295
2043-2047	70,089		70,089	105,400	175,489
2048-2052	500,000		500,000	101,200	601,200
	$ 1,776,082	$ 209,121	$ 1,985,203	$ 1,087,401	$ 3,072,604

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. Neither the outstanding indebtedness nor the related trust account assets for the defeased bonds are included in the University's consolidated financial statements. The defeased bonds as of June 30, 2022 are as follows:

Associated bond issue	Refunding date	Amount defeased	Refunded amount	Amount outstanding on June 30, 2022	Bond call date
General obligation bonds					
Series 2011D	9/28/2017	$ 47,400	$ 47,400	$ 39,565	12/1/2022
Series 1996A	10/2/2005	159,000	159,000		7/1/2021
Special purpose revenue bonds					
Series 2013C	9/30/2021	28,430	28,430	28,430	8/1/2023
Series 2011B	9/30/2021	39,250	39,250		10/30/2021
Series 2010A	9/30/2021	79,030	79,030		10/30/2021

The Series 2011D was issued in December 2011 to finance various capital projects. It was defeased on September 28, 2017, along with the Series 2011A, with a net recognized gain of $3,794. 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. The Series 1996A was redeemed on July 1, 2021 and is no longer outstanding.

The Series 2013C SPR bonds were issued in November 2013 to finance biomedical research facilities. It was defeased on September 30, 2021 with a recognized gain of $73.

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, 2022 or 2021.

7. Pension and Other Employee Benefit Plans

The University and its employees contribute to pension and benefit 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 67 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 the 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 26 employers within the State. The University's participation in SERF covers approximately 8,300 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 the 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		
2022	$ 1,455	$ 27,915
2021	$ 1,305	$ 27,104
Non-employer contributing entity		
2022	$ 56	
2021	$ 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, 2021. 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, 2020 through June 30, 2021, 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 2022, 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 ($)	$ 4,814	$ 10,709	$ 15,523
Proportionate share of the net pension liability (%)	0.624%	13.136%	
Deferred outflows of resources	15,250	227,625	242,875
Deferred inflows of resources	17,490	489,289	506,779
Net pension expense			
2022	(289)	(294,070)	(294,359)
2021	1,059	31,724	32,783
Non-operating grant revenue			
2022	56		56
2021	57		57

Deferred Outflows of Resources

	PEPFF	SERF	Total
Differences between expected and actual experience	$ 925	$ 2,651	$ 3,576
Changes in actuarial assumptions	7,075	197,059	204,134
Changes in proportion and contributions allocated	5,795		5,795
Contributions paid to plan subsequent to measurement date	1,455	27,915	29,370
Total	$ 15,250	$ 227,625	$ 242,875

Deferred Inflows of Resources

	PEPFF	SERF	Total
Differences between expected and actual experience		$ 1,237	$ 1,237
Changes in actuarial assumptions	$ 2,513	147,541	150,054
Differences between projected and actual investment	9,164	296,176	305,340
Changes in proportion and contributions allocated	5,813	44,335	50,148
Total	$ 17,490	$ 489,289	$ 506,779

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

	Fiscal year	PEPFF	SERF	Total
	2023	$ (3,128)	$ (166,792)	$ (169,920)
	2024	(532)	(43,314)	(43,846)
	2025	(553)	(41,130)	(41,683)
	2026	(1,006)	(38,343)	(39,349)
	2027	1,524		1,524
Net pension expense		$ (3,695)	$ (289,579)	$ (293,274)
Contributions paid to plan subsequent to measurement date		1,455	27,915	29,370
Net deferred inflows		$ (2,240)	$ (261,664)	$ (263,904)

The University's net pension liability was measured as of June 30, 2021, 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	6/30/2021		6/30/2021	
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	6.50%		6.50%	
20-year municipal bond rate	1.92%	***	1.92%	***
Inflation	2.25%		2.25%	
Salary increases	Service related rates		Service related rates	
Payroll growth	3.00%		3.00%	
Experience study dates	2015 - 2019	****	2014 - 2018	****

** Mortality rates were based on Pub-2010 Mortality Tables using projection scale MP-2020.*

***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, 2021.*

***** Updated for economic assumptions in 2021.*

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, 2021 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	33.5%	5.10%
International equity	16.5%	5.30%
Private markets	25.0%	5.90%
Fixed income	25.0%	0.75%

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, 2021, 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 6.5 percent was applied to all periods of projected benefit payments through June 30, 2121 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 6.5 percent for SERF and 6.5 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	5.50%	6.50%	7.50%
Net pension liability (benefit)	$ 15,282	$ 4,814	$ (3,768)
SERF			
Discount rate	5.50%	6.50%	7.50%
Net pension liability (benefit)	$ 308,860	$ 10,709	$ (235,614)

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 37 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 on or after January 2, 2012 contribute 5.5 percent of covered salary and the University contributes 10.0 percent. The FRP covers approximately 10,200 active faculty and professional and administrative (P&A) staff. This amount includes approximately 6,300 with hire dates on or after January 2, 2012.

FRP Contributions

	2022	2021
Employee	$ 42,006	$ 39,314
University	116,786	111,949

Due to plan at June 30*

	2022	2021
Employee	$ 1,502	$ 1,250
University	4,120	3,530

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

Other Employee Benefit Plans

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, participants may elect to make after-tax Roth contributions into the plan and 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 2,200 full- and part-time employees contribute to this plan.

8. 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.

9. Commitments and Contingencies

Construction projects in progress, principally buildings, approximated $84,851 as of June 30, 2022. The estimated cost to complete these facilities is $196,935, which is to be funded from plant fund assets and $12,225 in appropriations available from the State as of June 30, 2022.

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 future minimum payments for steam plant operations as of June 30, 2022, for the next two years is as follows:

	Steam Plant
Fiscal year ending June 30	
2023	$ 279
2024	279
Total commitments	$ 558

The University receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs 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.

10. 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 2.91 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, 2022, are shown below:

	Liability beginning of year	New claims	Claim payments	Other adjustments	Liability end of year
RUMINCO, Ltd.	$ 8,052	$ 4,415	$ (2,895)	$ 318	$ 9,890
Workers' compensation	11,662	3,245	(3,245)	(2,120)	9,542
UPlan medical	21,546	297,767	(296,193)	1,930	25,050
UPlan dental	970	19,600	(19,497)	(22)	1,051
Graduate assistant health plan	4,732	28,694	(28,694)	555	5,287
Student health plan	5,584			996	6,580
Medical residents & fellows	691			162	853

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

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.

11. 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 7 and Note 12, 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 $0 and $27,170 of expenses for the years ended June 30, 2022 and 2021, respectively. The University had a balance of $0 and $13,566 recorded to accrued liabilities as of June 30, 2022 and 2021, respectively. The liability as of June 30, 2021 was undiscounted as final lump sum payments were paid in July 2021.

12. 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, 2022	June 30, 2021
Active plan members	19,493	19,493
Inactive plan members or beneficiaries currently receiving benefits	465	465
Total	19,958	19,958

OPEB Liability

The University's OPEB liability was measured and determined as of June 30, 2022 and 2021, respectively, in accordance with GASB 75.

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

	June 30, 2022	June 30, 2021
OPEB liability—Beginning of year	$ 54,111	$ 46,686
Changes in net OPEB liability:		
Service cost	4,700	4,571
Interest	1,227	1,098
Differences between expected and actual experience	297	3,024
Changes of actuarial assumptions or other inputs	(5,183)	1,940
Benefit payments	(3,753)	(3,208)
(Decrease) increase in OPEB liability	(2,712)	7,425
OPEB liability—End of year	$ 51,399	$ 54,111

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	6/30/2022		6/30/2021	
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	3.54%	*	2.15%	*
Inflation	2.75%		N/A	
Salary increases	4.00%		4.00%	
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 (2.54%)	Discount rate (3.54%)	1.0% Increase (4.54%)
OPEB liability	$ 55,060	$ 51,399	$ 47,933

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 (5.25 percent decreasing to 3.50 percent) or 1.0 percentage point higher (7.25 percent decreasing to 5.50 percent) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate Sensitivity

	1.0% Decrease (5.25% decreasing to 3.50%)	Healthcare cost trend rates (6.25% decreasing to 4.50%)	1.0% Increase (7.25% decreasing to 5.50%)
OPEB liability	$ 44,962	$ 51,399	$ 59,076

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

In accordance with GASB 75, the University recorded $7,136 and $7,589 in OPEB expense for the fiscal years ended June 30, 2022 and 2021, 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, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,451	$ 202
Changes in assumptions	5,765	4,642
Total	$ 9,216	$ 4,844

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

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
	2023	$ 770
	2024	770
	2025	770
	2026	770
	2027	770
	After 2027	522
Net deferred outflows		$ 4,372

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

13. Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2022, are summarized as follows:

Function	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	$ 699,991	$ 83,395			$ 783,386
Research	523,045	326,875			849,920
Public service	151,126	104,758			255,884
Academic support	319,827	85,828			405,655
Student services	92,234	25,399			117,633
Institutional support	182,076	77,658			259,734
Operation and maintenance of plant	86,606	138,620			225,226
Scholarships and fellowships	32	907	$ 81,103		82,042
Depreciation				$ 239,535	239,535
Auxiliary enterprises	104,594	179,837			284,431
	$ 2,159,531	$ 1,023,277	$ 81,103	$ 239,535	$ 3,503,446

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	$ 79,290			$ 799,352
Research	532,764	247,823			780,587
Public service	178,464	136,681			315,145
Academic support	361,092	47,074			408,166
Student services	107,146	18,968			126,114
Institutional support	200,986	56,118			257,104
Operation and maintenance of plant	123,182	113,524			236,706
Scholarships and fellowships		588	$ 70,624		71,212
Depreciation				$ 236,456	236,456
Auxiliary enterprises	117,638	154,534			272,172
Other operating expense		1,477			1,477
	$ 2,341,334	$ 856,077	$ 70,624	$ 236,456	$ 3,504,491

As a result of implementing GASB 87, operating expenses were restated with an increase of $8,438.

14. Subsequent Events

The University evaluated events and transactions through October 31, 2022, the date the consolidated financial statements were available for issuance. On October 20, 2022, the University purchased United Properties Investment, LLC's 51 percent membership of 2407 University Investment, LLC. As of that date, the joint venture of 2407 University Investment, LLC became a wholly owned company of the University.

15. 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 and are identified as Consolidated investments in Note 3 of the UMF's annual report.

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:

	2022		
	Traditional structures	Alternate structures	Total
Cash and cash equivalents	$ 637,042		$ 637,042
Fixed income	825,906	$ 1,276,757	2,102,663
Global equity	1,151	16,657	17,808
Hedge funds	20,952	202,868	223,820
Natural resources	13,119	74,207	87,326
Real estate		28,912	28,912
Private equity		762,435	762,435
Other investments		4,703	4,703
Subtotal	1,498,170	2,366,539	3,864,709
Less charitable gift annuities reported separately			(47,181)
Total			$ 3,817,528

	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

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, 2022 and 2021, the UMF has $2,366,539 and $2,190,991 respectively, of investments in alternative structures which are reported at net asset value as a practical expedient, except those reported as Level 3, investments held at cost, investments held at the equity method and consolidated investments 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 follows 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, 2022 and 2021:

	2022			
	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Investments				
Fixed income				
Asset backed securities		$ 5,342		$ 5,342
Mortgages	$ 2,936	13,800		16,736
Corporate bonds		9,264		9,264
Government		728,749		728,749
Small Cap	60,882			60,882
Other		4,933		4,933
Global equity				
Small cap	1,151			1,151
Hedge funds				
Long/short non-equity	20,952		$ 1,373	22,325
Natural resources	13,119			13,119
Total investments	$ 99,040	$ 762,088	$ 1,373	$ 862,501
Cash and cash equivalents				637,042
Investments measured at net asset value or its equivalent				1,374,867
Investments held at cost				55,017
Investments at equity method				176,747
Consolidated investments				758,535
Total investments and cash				$ 3,864,709
Gift annuities not categorized above	$ 787	$ 344		$ 1,131
Beneficial interest in perpetual trusts	8,633	3,071	$ 54,267	65,971
Assets held in charitable trusts	21,893			21,893
Beneficial interest in trusts			702	702
UGC derivative financial instrument		(483)		(483)

	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
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	2,060
UGC derivative financial instrument		(1,425)		(1,425)

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, 2021	Investment income	Net realized and unrealized gain (loss)	Purchases	Sales	Ending balance at June 30, 2022
Hedge funds						
Long/short non-equity	$ 1,373	$ 9	$ (9)			$ 1,373
	$ 1,373	$ 9	$ (9)			$ 1,373

	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

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, 2021	Change in carrying value of trusts	Ending balance at June 30, 2022
Beneficial interest in trusts	$ 2,060	$ (1,358)	$ 702
Beneficial interest in perpetual trusts	$ 71,268	$ (17,001)	$ 54,267

	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

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:

	2022			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Alternative investments				
Fixed income	$ 304,176	$ 267,970	None or quarterly	None or 60 days
Global equity	2,857		None or daily to quarterly	None or 0-60 days
Hedge funds	201,494		None or monthly to quarterly	None or 0-90 days
Natural resources	74,208	4,729	None	None
Real estate	28,912	11,291	None	None
Private equity	758,517	139,202	None	None
Other investments	4,703		None	None
Total	$ 1,374,867	$ 423,192		

	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		

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, 2022, the UMF also had unfunded commitments for investments held at cost of $0, unfunded commitments for investments at equity method of $180,384, and unfunded commitments for consolidated investments of $716,258.

The UMF had unfunded commitment for investments held as of June 30, 2022, which are allowed to be cancelled by the UMF. This was approximately $980,000 and is included in the commitment disclosure above.

In addition to the unfunded commitments noted above, the UMF has entered into investment commitments of $200,000 since June 30, 2022, 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 two categories:

- **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 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 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:

	2022	2021
Capital improvement/facilities	$ 144,670	$ 138,798
Faculty and staff support	24,176	24,631
Scholarships and fellowships	165,990	179,168
Lectureships, professorships, and chairs	51,625	51,586
Program support	588,963	643,521
Research and outreach/community engagement	197,143	196,940
Trusts	6,422	7,832
Other	3,775	3,366
Subtotal	$ 1,182,764	$ 1,245,842
Endowments:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity:		
Restricted by donors for:		
Capital improvement/facilities	$ 8,703	$ 9,268
Faculty and staff support	40,538	39,539
Scholarships and fellowships	723,266	664,897
Lectureships, professorships, and chairs	483,742	458,012
Program support	118,138	106,815
Research and outreach/community engagement	86,939	87,043
Trusts	16,600	18,548
Other	2,044	3,713
Subtotal	$ 1,479,970	$ 1,387,835
Subject to foundation endowment spending policy and appropriation:		
Capital improvement/facilities	$ 13,615	$ 15,023
Faculty and staff support	24,171	28,551
Scholarships and fellowships	321,245	384,162
Lectureships, professorships, and chairs	361,786	415,618
Program support	91,394	105,080
Research and outreach/community engagement	45,528	53,705
Other	4,038	4,561
Subtotal	861,777	1,006,700
Total endowments	$ 2,341,747	$ 2,394,535
Not subject to spending policy or appropriation:		
Capital improvement/facilities	$ 14	$ 94
Faculty and staff support	2,509	2,901
Scholarships and fellowships	10,070	6,060
Lectureships, professorships, and chairs	3,146	837
Program support	12,107	11,198
Research and outreach	1,170	665
Trusts	53,965	73,361
Other	2,580	914
Subtotal	85,561	96,030
Total net assets with donor restrictions	$ 3,610,072	$ 3,736,407

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:

	2022	2021
Capital improvement/facilities	$ 17,634	$ 28,854
Faculty and staff support	5,089	3,698
Scholarships and fellowships	59,654	56,825
Lectureships, professorships, and chairs	37,070	31,836
Program support	82,042	136,691
Research and outreach/community engagement	42,944	42,843
Other	6,984	7,895
Total net assets released from donor restrictions	$ 251,417	$ 308,642

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, 2022 and 2021 for RUMINCO, Ltd, are as follows:

Condensed statements of net position	2022	2021
Current assets	$ 88	$ 68,967
Noncurrent assets	62,055	
Total assets	62,143	68,967
Deferred outflows of resources		
Total assets & deferred outflows of resources	62,143	68,967
Current liabilities	3,118	4,062
Noncurrent liabilities	2,385	2,317
Total liabilities	5,503	6,379
Deferred inflows of resources		
Total liabilities & deferred inflows of resources	5,503	6,379
Unrestricted net position	$ 56,640	$ 62,588

Condensed statements of revenues, expenses, and changes in net position	2022	2021
Operating revenues:		
Net underwriting income	$ 1,661	$ 3,204
Operating expenses	1,635	1,522
Operating income, net	26	1,682
Nonoperating revenues:		
Investment income, net	(7,974)	13,553
Other revenues:		
Capital contributions	2,000	
Increase (decrease) in net position	(5,948)	15,235
Net position at beginning of year	62,588	47,353
Net position at end of year	$ 56,640	$ 62,588

Condensed statements of cash flows	2022	2021
Net cash provided (used) by:		
Operating activities	$ 372	$ 3,983
Noncapital financing activities	1,750	157
Investing activities	(2,224)	(4,147)
Net decrease in cash	(102)	(7)
Cash at beginning of year	128	135
Cash at end of year	$ 26	$ 128

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, 2022 and 2021 for 2515 University Ave SE, LLC (University Village), is as follows:

Condensed statements of net position	2022	2021
Current assets:		
Cash and cash equivalents	$ 2,460	$ 1,736
Accounts and other receivables	236	210
Noncurrent assets:		
Capital assets, net	41,094	41,581
Total assets	43,790	43,527
Deferred outflows of resources		
Total assets & deferred outflows of resources	43,790	43,527
Current liabilities	904	842
Noncurrent liabilities	43,500	43,500
Total liabilities	44,404	44,342
Deferred inflows of resources		
Total liabilities & deferred inflows of resources	44,404	44,342
Unrestricted net position	$ (614)	$ (815)

Condensed statements of revenues, expenses, and changes in net position	2022	2021
Operating revenues:		
Rental income	$ 4,810	$ 4,787
Other revenue	60	102
Operating expenses:		
General operating expenses	1,920	2,390
Depreciation expense	488	455
Operating loss	2,462	2,044
Nonoperating expenses	2,262	2,262
Increase (decrease) in net position	200	(218)
Net position at beginning of year	(815)	(597)
Net position at end of year	$ (615)	$ (815)

Condensed statements of cash flows	2022	2021
Net cash provided (used) by:		
Operating activities	$ 2,986	$ 2,478
Capital and related financing activities	(2,262)	(1,987)
Net increase in cash	724	491
Cash at beginning of year	1,736	1,245
Cash at end of year	$ 2,460	$ 1,736

Required Supplementary Information (Unaudited)

Required Supplementary Information (RSI) (Unaudited)

Years ended June 30, 2022 and 2021 (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
2022	$ 51,399	$ 1,520,185	3.38%
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	2022	2021	2020	2019	2018	2017	2016
Service cost	$ 4,700	$ 4,571	$ 3,682	$ 3,870	$ 3,763	$ 3,446	$ 2,961
Interest	1,227	1,098	1,496	1,361	1,202	973	1,150
Differences between expected and actual experience	297	3,024	1,148	(344)	2,596	(281)	3,374
Changes of actuarial assumptions or other inputs	(5,183)	1,940	3,683	2,879	(120)	1,023	1,674
Benefit payments	(3,753)	(3,208)	(3,606)	(2,419)	(4,966)	(5,147)	(5,794)
(Decrease) increase in OPEB liability	(2,712)	7,425	6,403	5,347	2,475	14	3,365
Total OPEB liability—beginning	54,111	46,686	40,283	34,936	32,461	32,447	29,082
Total OPEB liability—ending	$ 51,399	$ 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)
6/30/2021	0.624%	$ 4,814	$ 7,370	65.319%	93.66%
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)
6/30/2021	13.136%	$ 10,709	$ 433,670	2.469%	99.53%
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. Part of the assumption changes included changes to the single discount rates. For both PEPFF and SERF, the discount rate changed from 7.5 percent to 6.5 percent for the actuarial valuation date of June 30, 2021, and was 7.5 percent for the actuarial valuation dates of June 30, 2020 and 2019. 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.

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
2021	$ 1,305	$ 1,305		$ 7,370	17.70%
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
2021	$ 27,104	$ 27,104		$ 433,670	6.25%
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

Supplemental Schedules

as of and for the Years Ended June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL SCHEDULES

The Board of Regents
University of Minnesota
Minneapolis, Minnesota

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements of the University of Minnesota (the "University") as of and for the years ended June 30, 2022 and 2021, as a whole. The accompanying supplemental schedules of net position by campus, and of revenues, expenses, and changes in net position by campus as of and for the years ended June 30, 2022 and 2021, are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the University's management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion such schedules are fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

Deloitte & Touche LLP

October 31, 2022

University of Minnesota
Statements of Net Position by Campus
As of June 30, 2022 (in thousands)
(Unaudited)

	Crookston	Duluth	Morris	Rochester	Twin Cities	Total
Assets						
Current assets						
Cash and cash equivalents	$ 3,034	$ 31,743	$ 8,706	$ 23,573	$ 675,204	$ 742,260
Short-term investments					280,334	280,334
Receivables, net	1,938	7,689	1,505	71	454,062	465,265
Lease receivables, net		52			10,183	10,235
Inventories	137	2,234	106		19,603	22,080
Student loans receivable, net	55	934	95		6,393	7,477
Prepaid expenses	33	591	76		23,316	24,016
Other assets					30	30
Total current assets	5,197	43,243	10,488	23,644	1,469,125	1,551,697
Noncurrent assets						
Restricted cash and cash equivalents					76,787	76,787
Restricted investments					440,872	440,872
Investments	5,543	170,600	7,264		2,654,280	2,837,687
Receivables, net			5		7,556	7,561
Lease receivables, net		357			344,620	344,977
Student loan receivables, net	220	3,795	374		39,809	44,198
Prepaid expenses	1	47	1		9,671	9,720
Other assets					2,933	2,933
Capital assets, net	41,609	200,770	42,958	61,099	2,971,937	3,318,373
Total noncurrent assets	47,373	375,569	50,602	61,099	6,548,465	7,083,108
Total assets	52,570	418,812	61,090	84,743	8,017,590	8,634,805
Deferred Outflows of Resources					252,530	252,530
Liabilities						
Current liabilities						
Accounts payable	2,367	9,063	2,702	655	108,230	123,017
Accrued liabilities and other	1,126	8,726	1,700	426	341,709	353,687
Unearned income	89	4,486	109	69	55,632	60,385
Long-term debt					273,833	273,833
Lease liability	151	590	6	3,384	13,477	17,608
Total current liabilities	3,733	22,865	4,517	4,534	792,881	828,530
Noncurrent liabilities						
Accrued liabilities and other	365	5,453	590	323	145,503	152,234
Unearned income					7,534	7,534
Long-term debt					1,711,370	1,711,370
Lease liability	106	5,960		40,892	152,810	199,768
Total noncurrent liabilities	471	11,413	590	41,215	2,017,217	2,070,906
Total liabilities	4,204	34,278	5,107	45,749	2,810,098	2,899,436
Deferred Inflows of Resources		402			869,982	870,384
Net Position						
Unrestricted	423	61,641	1,839	18,372	1,345,856	1,428,131
Restricted						
Expendable	5,605	59,765	9,103	3,799	1,667,668	1,745,940
Nonexpendable	985	68,505	2,089		247,808	319,387
Net investment in capital assets	41,353	194,221	42,952	16,823	1,328,708	1,624,057
Total net position	$ 48,366	$ 384,132	$ 55,983	$ 38,994	$ 4,590,040	$ 5,117,515

University of Minnesota
Statements of Net Position by Campus
As of June 30, 2021 (in thousands)
(Unaudited)

	Crookston	Duluth	Morris	Rochester	Twin Cities	Total
Assets						
Current assets						
Cash and cash equivalents	$ 2,242	$ 21,517	$ 7,547	$ 20,686	$ 611,920	$ 663,912
Short-term investments					240,923	240,923
Receivables, net	1,653	6,715	1,123	131	400,295	409,917
Lease receivables, net		51			9,860	9,911
Inventories	96	2,065	3		17,482	19,646
Student loans receivable, net	70	1,215	118		7,137	8,540
Prepaid expenses	28	396	18	9	21,866	22,317
Other assets					50	50
Total current assets	4,089	31,959	8,809	20,826	1,309,533	1,375,216
Noncurrent assets						
Restricted cash and cash equivalents					24,015	24,015
Investments	5,906	171,520	7,327		2,656,321	2,841,074
Receivables, net			10		9,069	9,079
Lease receivables, net		408			342,779	343,187
Student loan receivables, net	300	5,275	491		42,582	48,648
Prepaid expenses		12			2,437	2,449
Other assets					2,815	2,815
Capital assets, net	44,035	212,528	44,998	65,965	3,029,182	3,396,708
Total noncurrent assets	50,241	389,743	52,826	65,965	6,109,200	6,667,975
Total assets	54,330	421,702	61,635	86,791	7,418,733	8,043,191
Deferred Outflows of Resources					62,864	62,864
Liabilities						
Current liabilities						
Accounts payable	1,667	7,604	2,217	492	144,708	156,688
Accrued liabilities and other	1,119	8,412	1,589	774	344,337	356,231
Unearned income	556	9,486	1,584	54	74,751	86,431
Long-term debt					249,098	249,098
Lease liability	519	620	13	5,131	14,097	20,380
Total current liabilities	3,861	26,122	5,403	6,451	826,991	868,828
Noncurrent liabilities						
Accrued liabilities and other	501	7,260	799	66	334,973	343,599
Unearned income					7,346	7,346
Long-term debt					1,249,453	1,249,453
Lease liability	273	6,493	6	44,203	162,380	213,355
Total noncurrent liabilities	774	13,753	805	44,269	1,754,152	1,813,753
Total liabilities	4,635	39,875	6,208	50,720	2,581,143	2,682,581
Deferred Inflows of Resources		455			813,085	813,540
Net Position						
Unrestricted	(221)	43,843	(514)	15,572	954,280	1,012,960
Restricted						
Expendable	5,676	63,379	8,867	3,868	1,515,996	1,597,786
Nonexpendable	995	68,735	2,096		247,431	319,257
Net investment in capital assets	43,245	205,415	44,978	16,631	1,369,662	1,679,931
Total net position	$ 49,695	$ 381,372	$ 55,427	$ 36,071	$ 4,087,369	$ 4,609,934

University of Minnesota
Statements of Revenues, Expenses, and Changes in Net Position by Campus
Year ended June 30, 2022 (in thousands)
(Unaudited)

	Crookston	Duluth	Morris	Rochester	Twin Cities	Total
Revenues						
Operating revenues						
Student tuition and fees, net	$ 7,551	$ 76,156	$ 4,881	$ 8,369	$ 667,073	$ 764,030
Federal grants and contracts	111	7,957	1,292	13	538,963	548,336
State and other government grants	103	4,797	135		101,721	106,756
Nongovernmental grants and contracts	480	2,411	39	328	502,281	505,539
Student loan interest income	(1)	2	(3)		246	244
Sales and services of educational activities, net	359	4,473	165	(10)	160,056	165,043
Auxiliary enterprises, net	3,221	36,590	5,122	3,151	426,598	474,682
Other operating revenues		5	1		99	105
Total operating revenues	11,824	132,391	11,632	11,851	2,397,037	2,564,735
Expenses						
Operating expenses						
Educational and general						
Instruction	9,225	65,926	11,439	3,140	693,656	783,386
Research	79	18,869	562	724	829,686	849,920
Public service	948	5,211	1,347	3	248,375	255,884
Academic support	2,886	21,134	3,952	3,127	374,556	405,655
Student services	2,584	13,936	5,004	2,140	93,969	117,633
Institutional support	2,839	14,091	3,184	3,265	236,355	259,734
Operation and maintenance of plant	4,782	33,964	5,717	(99)	180,862	225,226
Scholarships and fellowships	976	5,133	2,497	5,171	68,265	82,042
Depreciation	2,760	13,368	2,953	5,078	215,376	239,535
Auxiliary enterprises	5,876	31,733	7,517	25	239,280	284,431
Total operating expenses	32,955	223,365	44,172	22,574	3,180,380	3,503,446
Operating Loss	(21,131)	(90,974)	(32,540)	(10,723)	(783,343)	(938,711)
Nonoperating Revenues (Expenses)						
Federal appropriations					16,318	16,318
State appropriations	12,874	55,238	25,162	8,385	626,198	727,857
Grants	7,969	42,428	9,209	4,213	329,463	393,282
Gifts	1,414	5,728	1,366	287	206,083	214,878
Investment income, net	546	(287)	252	174	(29)	656
Interest on capital asset-related debt	(7)	(108)		(906)	(49,445)	(50,466)
Other nonoperating revenues (expenses), net	18	(115)	365	747	20,090	21,105
Net nonoperating revenues	22,814	102,884	36,354	12,900	1,148,678	1,323,630
Income (Loss) Before Other Revenues	1,683	11,910	3,814	2,177	365,335	384,919
Capital appropriations					80,259	80,259
Capital grants and gifts	100	10		2,215	33,768	36,093
Additions to permanent endowments		1,558	19		4,733	6,310
Transfers	128	8,393	500	3,570	(12,591)	
Other internal charges	(3,237)	(19,112)	(3,777)	(5,039)	31,165	
Total other revenues (expenses)	(3,009)	(9,151)	(3,258)	746	137,334	122,662
Increase in Net Position	(1,326)	2,759	556	2,923	502,669	507,581
Net position at beginning of year	49,692	381,373	55,427	36,071	4,087,371	4,609,934
Net position at end of year	$ 48,366	$ 384,132	$ 55,983	$ 38,994	$ 4,590,040	$ 5,117,515

University of Minnesota
Statements of Revenues, Expenses, and Changes in Net Position by Campus
Year ended June 30, 2021 (in thousands)
(Unaudited)

	Crookston	Duluth	Morris	Rochester	Twin Cities	Total
Revenues						
Operating revenues						
Student tuition and fees, net	$ 10,909	$ 82,232	$ 5,876	$ 7,807	$ 665,957	$ 772,781
Federal grants and contracts	218	6,836	1,138	27	482,224	490,443
State and other government grants	80	4,187	165		82,131	86,563
Nongovernmental grants and contracts	337	2,129	5	76	445,745	448,292
Student loan interest income	1	24	3		616	644
Sales and services of educational activities, net	169	3,157	48	(26)	146,895	150,243
Auxiliary enterprises, net	2,265	21,795	4,445	2,188	346,478	377,171
Other operating revenues	1	10	1		146	158
Total operating revenues	13,980	120,370	11,681	10,072	2,170,192	2,326,295
Expenses						
Operating expenses						
Educational and general						
Instruction	10,153	66,957	11,991	3,080	707,171	799,352
Research	78	18,075	589	679	761,166	780,587
Public service	749	4,879	1,108	1	308,408	315,145
Academic support	2,374	20,160	3,955	1,483	380,194	408,166
Student services	2,601	12,862	4,772	1,818	104,061	126,114
Institutional support	2,207	11,603	2,897	3,493	236,904	257,104
Operation and maintenance of plant	5,482	22,353	5,733	134	203,004	236,706
Scholarships and fellowships	667	4,929	1,970	4,380	59,266	71,212
Depreciation	2,859	12,691	3,024	5,191	212,691	236,456
Auxiliary enterprises	4,894	25,455	7,092	220	234,511	272,172
Other operating expenses, net	32	559	68		818	1,477
Total operating expenses	32,096	200,523	43,199	20,479	3,208,194	3,504,491
Operating Loss	(18,116)	(80,153)	(31,518)	(10,407)	(1,038,002)	(1,178,196)
Nonoperating Revenues (Expenses)						
Federal appropriations					18,572	18,572
State appropriations	12,888	54,887	24,395	8,379	596,386	696,935
Grants	6,104	35,419	6,915	3,524	319,750	371,712
Gifts	962	5,876	1,268	161	189,108	197,375
Investment income, net	477	1,784	333	136	760,216	762,946
Interest on capital asset-related debt	(23)	(116)		(980)	(48,112)	(49,231)
Other nonoperating revenues (expenses), net	182	18	279	(9)	19,679	20,149
Net nonoperating revenues	20,590	97,868	33,190	11,211	1,855,599	2,018,458
Income (Loss) Before Other Revenues	2,474	17,715	1,672	804	817,597	840,262
Capital appropriations					59,712	59,712
Capital grants and gifts		54			18,683	18,737
Additions to permanent endowments		517			1,729	2,246
Transfers	3,804	17,541	3,660	(1,235)	(23,770)	
Other internal charges	(3,393)	(19,618)	(4,038)	(4,748)	31,797	
Total other revenues (expenses)	411	(1,506)	(378)	(5,983)	88,151	80,695
Increase in Net Position	2,885	16,209	1,294	(5,179)	905,748	920,957
Change in accounting principle					(7,525)	(7,525)
Net position at beginning of year	46,810	365,163	54,133	41,250	3,189,146	3,696,502
Net position at end of year	$ 49,695	$ 381,372	$ 55,427	$ 36,071	$ 4,087,369	$ 4,609,934