University of Minnesota

Driven to Discover®

Crookston Duluth Morris Rochester Twin Cities

2023 Annual Financial Report

Consolidated Financial Statements
as of and for the Years Ended June 30, 2023 and 2022,
Independent Auditor's Reports, and Management's Discussion and Analysis

Deloitte & Touche LLP
Suite 2800
50 South Sixth Street
Minneapolis, MN 55402-1538
USA

Tel: +1 612 397 4000
Fax: +1 612 397 4450
www.deloitte.com

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, 2023 and June 30, 2022 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, 2023 and June 30, 2022, and the financial statements of the discretely presented component units as of and for the years ended June 30, 2023 and June 30, 2022, 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.

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 26, 2023 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 26, 2023

Deloitte.

Deloitte & Touche LLP
Suite 2800
50 South Sixth Street
Minneapolis, MN 55402-1538
USA

Tel: +1 612 397 4000
Fax: +1 612 397 4450
www.deloitte.com

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, 2023, 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 26, 2023. Our report, which 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 26, 2023

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 (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 $953.1 million, $849.6 million, and $780.1 million in fiscal years 2023, 2022, and 2021, 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 55,000 students. The Twin Cities campus is among the nation's top public research universities, with award-winning faculty, state-of-the-art facilities, and world-class academics.

Duluth Campus

The Duluth campus is a comprehensive, highly ranked regional research and liberal arts university that offers instruction through the doctoral degree and has a global reputation for research in natural and freshwater resources. The Duluth campus consistently ranks among the top Midwestern regional universities with student enrollment of approximately 9,700 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 1,100 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 68,600 students;

- graduates approximately 16,000 students, 31 percent with graduate or first professional degrees on the Twin Cities campus;

- commits to the success of 13,400 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 (the Board) 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 each serve for a six-year term. Every two years, one-third of the Board seats are up for election. A joint convention of the State legislature elects one Regent from each of the State's eight congressional districts and four from the State at large. One of the four at-large Regents must be a University 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, 2023, 2022, and 2021. 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 8 and GASB 68 and GASB 71.

The University adopted GASB Statement No. 94 (GASB 94), *Public-Private Partnerships (PPP) and Availability Payment Arrangements (APA)*, and GASB Statement No. 96 (GASB 96), *Subscription-Based IT Arrangements (SBITA)* during fiscal year 2023. As a result, fiscal year 2022 Consolidated Statements of Net Position, Consolidated Statements of Revenues, Expenses and Changes in Net Position, Consolidated 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 subscription 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 $8.7 billion, a decrease of $11.6 million from fiscal year 2022. Liabilities increased $224.2 million from fiscal year 2022 to $3.2 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 $5.3 billion as of June 30, 2023, compared to $5.1 billion as of June 30, 2022. The University's net position increased $146.4 million in fiscal year 2023 compared to an increase of $509.0 million in fiscal year 2022, reflecting continued solid financial results.

The University experienced an increase in total operating revenue for fiscal year 2023 of $148.7 million or 5.8 percent due to increases in grants and contracts, as well as auxiliary enterprises and student tuition and fees. Total expenses increased for fiscal year 2023 by $434.8 million or 12.4 percent due primarily to $380.7 million in additional compensation expense as a result of a return to pre-pandemic levels including increases in headcount, salary, merit increases and a $186.5 million increase in expenses due to the impact of the actuarial calculations for pension expenses as required by GASB 68 and GASB 71.

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, 2023, 2022, and 2021 is summarized in the table below:

	2023	2022 (Restated)	2021
Assets			
Current assets	$ 1,391,402	$ 1,551,769	$ 1,375,216
Noncurrent assets, excluding capital assets	3,947,860	3,766,406	3,271,267
Capital assets, net	3,315,278	3,347,929	3,396,708
Total assets	8,654,540	8,666,104	8,043,191
Deferred outflows of resources	224,875	252,530	62,864
Liabilities			
Current liabilities, excluding long-term debt	577,054	563,791	619,730
Noncurrent liabilities, excluding long-term debt	581,236	376,832	564,300
Long-term debt	1,991,735	1,985,203	1,498,551
Total liabilities	3,150,025	2,925,826	2,682,581
Deferred inflows of resources	464,030	873,891	813,540
Net position			
Unrestricted	1,579,690	1,426,431	1,012,960
Restricted—expendable	1,787,246	1,745,875	1,597,786
Restricted—nonexpendable	325,535	319,387	319,257
Net investment in capital assets	1,572,889	1,627,224	1,679,931
Total net position	$ 5,265,360	$ 5,118,917	$ 4,609,934

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, 2023, 2022, and 2021:

						Increase (Decrease)				
						From 2022 (Restated) to 2023			From 2021 to 2022 (Restated)	
		2023		2022 (Restated)		2021		Amount	Percent		Amount	Percent
Current assets										
Cash and cash equivalents	$	544,510	$	742,260	$	663,912	$	(197,750)	(26.6%)	$	78,348	11.8%
Receivables, net		490,183		483,941		428,368		6,242	1.3%		55,573	13.0%
Investments		313,477		280,334		240,923		33,143	11.8%		39,411	16.4%
Other assets		43,232		45,234		42,013		(2,002)	(4.4%)		3,221	7.7%
Total current assets		1,391,402		1,551,769		1,375,216		(160,367)	(10.3%)		176,553	12.8%
Noncurrent assets												
Capital assets, net		3,315,278		3,347,929		3,396,708		(32,651)	(1.0%)		(48,779)	(1.4%)
Other noncurrent assets												
Cash and cash equivalents & other assets		149,580		88,553		29,279		61,027	68.9%		59,274	202.4%
Receivables, net		380,428		399,294		400,914		(18,866)	(4.7%)		(1,620)	(0.4%)
Investments		3,417,852		3,278,559		2,841,074		139,293	4.2%		437,485	15.4%
Total other noncurrent assets		3,947,860		3,766,406		3,271,267		181,454	4.8%		495,139	15.1%
Total assets	$	8,654,540	$	8,666,104	$	8,043,191	$	(11,564)	(0.1%)	$	622,913	7.7%

As of June 30, 2023, total assets decreased $11.6 million primarily due to decreases in cash and cash equivalents, receivables, net, and capital assets, net, offset by an increase in investments. As of June 30, 2022, total assets increased $622.9 million due to increases in cash and cash equivalents, investments and receivables, net, offset by a reduction in capital assets, net. Noncurrent cash and cash equivalents consist of unspent bond proceeds of $140.0 million and $76.8 million as of June 30, 2023 and 2022, respectively. Invested unspent bond proceeds of $353.7 million are included in noncurrent investments. Capital assets (net of accumulated depreciation) decreased $32.7 million primarily due to continued depreciation of buildings in service and disposals of equipment assets, partially offset by increased building acquisitions and renovations. Refer to Note 4 for additional information related to capital assets.

Capital Assets and Related Debt Activities

Capital additions totaled $215.9 million, $174.8 million, and $197.9 million in fiscal years 2023, 2022, and 2021, respectively. Fiscal year 2023 spending included real property purchases totaled $16.5 million, capital equipment purchases totaled $55.0 million, and various on-going construction projects totaled $112.8 million. Project spending continuing in fiscal year 2024 is projected to be $137.3 million and $62.1 million for the construction of the Fraser Hall Chemistry Undergraduate Teaching Facility and Collections Facility, 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 2023 debt activity included the issuance of the Commercial Paper Notes Series H and Commercial Paper Taxable Notes Series I. Refer to Note 7 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, 2023, the deferred outflows of resources decreased $27.7 million compared to June 30, 2022, primarily due to the balances and related activity of the University's net pension liability related to the State retirement plans. Refer to Note 8 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, 2023, 2022, and 2021:

				Increase (Decrease)			
				From 2022 (Restated) to 2023		From 2021 to 2022 (Restated)	
	2023	2022 (Restated)	2021	Amount	Percent	Amount	Percent
Current liabilities							
Accounts payable	$ 136,597	$ 123,017	$ 156,688	$ 13,580	11.0%	$ (33,671)	(21.5%)
Accrued liabilities and other	373,534	380,389	376,611	(6,855)	(1.8%)	3,778	1.0%
Unearned income	66,923	60,385	86,431	6,538	10.8%	(26,046)	(30.1%)
Long-term debt	347,086	273,833	249,098	73,253	26.8%	24,735	9.9%
Total current liabilities	924,140	837,624	868,828	86,516	10.3%	(31,204)	(3.6%)
Noncurrent liabilities							
Accrued liabilities and other	574,815	369,298	556,954	205,517	55.7%	(187,656)	(33.7%)
Unearned income	6,421	7,534	7,346	(1,113)	(14.8%)	188	2.6%
Long-term debt	1,644,649	1,711,370	1,249,453	(66,721)	(3.9%)	461,917	37.0%
Total noncurrent liabilities	2,225,885	2,088,202	1,813,753	137,683	6.6%	274,449	15.1%
Total Liabilities	$ 3,150,025	$ 2,925,826	$ 2,682,581	$ 224,199	7.7%	$ 243,245	9.1%

As of June 30, 2023, total liabilities increased $224.2 million primarily due to an increase in accrued liabilities of $198.7 million, as a result of pension actuarial assumption changes of the single discount rate increase of

0.25 percent. The University's long-term debt represents 63.2 percent of total liabilities or $2.0 billion as of June 30, 2023 compared to 67.9 percent or $2.0 billion as of June 30, 2022.

Long-term debt increased $6.5 million or 0.3 percent. The University issued Commercial Paper Notes in the amount of $91.5 million in fiscal year 2023. Additions from the current year issuances were offset by normal amortization of the bonds, premiums, and discounts, as well as payments of outstanding debt. Refer to Note 7 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, 2023, the deferred inflows of resources decreased $409.9 million compared to June 30, 2022, primarily due to the balances and related activity of the University's net pension liability related to the State retirement plans. Refer to Note 8 for additional information related to State retirement pension plans.

Net Position

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

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

- Restricted net position, which is divided into two categories—

    - Expendable assets are available for expenditure by the University, but only in accordance with restrictions placed on their use by donors and other external entities.

    - Nonexpendable assets are also externally restricted, but are required to be retained in perpetuity, including the University's true endowments and institutional contributions to refundable loan programs.

- Net investment in capital assets—Includes property, plant, and equipment, net of accumulated depreciation, reduced by the outstanding balances of debt attributable to these capital assets.

The following schedule summarizes the University's net position as of June 30, 2023, 2022, and 2021:

				Increase (Decrease)			
				From 2022 (Restated) to 2023		From 2021 to 2022 (Restated)	
	2023	2022 (Restated)	2021	Amount	Percent	Amount	Percent
Unrestricted	$ 1,579,690	$ 1,426,431	$ 1,012,960	$ 153,259	10.7%	$ 413,471	40.8%
Restricted:							
Expendable	1,787,246	1,745,875	1,597,786	41,371	2.4%	148,089	9.3%
Nonexpendable	325,535	319,387	319,257	6,148	1.9%	130	0.0%
Net investment in capital assets	1,572,889	1,627,224	1,679,931	(54,335)	(3.3%)	(52,707)	(3.1%)
Total net position	$ 5,265,360	$ 5,118,917	$ 4,609,934	$ 146,443	2.9%	$ 508,983	11.0%

The University's unrestricted net position increased $153.3 million in fiscal year 2023, driven by the current results of operations of which $100.3 million in fiscal year 2023 is due primarily to the impact of recording adjustments to the University's net pension liability. The University's restricted expendable net position increased $41.4 million in fiscal year 2023 due primarily to changes in the University's net pension liability. The University's net investment in capital assets decreased $54.3 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 5.8 percent in fiscal year 2023 and accounted for 65.3 percent, 63.1 percent, and 52.0 percent of total revenues for fiscal years 2023, 2022, and 2021, respectively.

The following schedule summarizes the University's Operating, Nonoperating, and Other revenue for the years ended June 30, 2023, 2022, and 2021:

				Increase (Decrease)			
				From 2022 (Restated) to		From 2021 to 2022	
	2023	2022 (Restated)	2021	Amount	Percent	Amount	Percent
Operating revenues							
Grants and contracts	$ 1,256,184	$ 1,160,631	$ 1,025,298	$ 95,553	8.2%	$ 135,333	13.2%
Student tuition and fees, net	794,652	764,030	772,781	30,622	4.0%	(8,751)	(1.1%)
Auxiliary enterprises, net	494,290	474,665	377,171	19,625	4.1%	97,494	25.8%
Educational activities	168,134	165,287	150,887	2,847	1.7%	14,400	9.5%
Other operating revenue	177	105	158	72	68.6%	(53)	(33.5%)
Total operating revenues	2,713,437	2,564,718	2,326,295	148,719	5.8%	238,423	10.2%
Nonoperating revenues							
Federal appropriations	18,541	16,318	18,572	2,223	13.6%	(2,254)	(12.1%)
State appropriations	716,341	727,857	696,935	(11,516)	(1.6%)	30,922	4.4%
Grants, gifts, and other nonoperating, net	533,565	629,297	589,236	(95,732)	(15.2%)	40,061	6.8%
Net investment gain	109,829	656	762,946	109,173	16642.2%	(762,290)	(99.9%)
Total nonoperating revenues	1,378,276	1,374,128	2,067,689	4,148	0.3%	(693,561)	(33.5%)
Total other revenues	60,614	122,661	80,695	(62,047)	(50.6%)	41,966	52.0%
Total revenues (noncapital)	$ 4,152,327	$ 4,061,507	$ 4,474,679	$ 90,820	2.2%	$ (413,172)	(9.2%)

Total revenues increased in fiscal year 2023 by $90.8 million primarily due to an increase in net investment gain in nonoperating revenues and increases in student tuition and fees, net and auxiliary enterprises, net, partially offset by a decrease in state and capital appropriations revenue. Operating revenues increased $148.7 million or 5.8 percent mainly due to increases in grants and contracts, student tuition and fees, net, and auxiliary enterprises, net. Revenues from grants and contracts increased $95.6 million due to new and existing federal, state, and non-governmental awards. Revenues from student tuition and fees, net increased $30.6 million due to tuition increases. Revenues from auxiliary enterprises, net increased $19.6 million due to the incremental return to pre-pandemic operations.

Nonoperating revenues increased $4.1 million or 0.3 percent due to increases in net investment gain, offset by decreases in grants, gifts and other nonoperating revenues and state appropriations. Net investment gain increased $109.2 million in 2023, relative to the significant decreases in the valuation of investments in fiscal year 2022.

For the year ended June 30, 2023, other revenues, which consist of capital appropriations, and capital endowments gifts and grants decreased $62.0 million or 50.6 percent. Capital appropriation revenue is received as project expenses are incurred. The University experienced a slow-down in capital projects during fiscal year 2023 resulting in a decrease 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, 2023, 2022, and 2021:

				Increase (Decrease)			
				From 2022 (Restated) to 2023		From 2021 to 2022 (Restated)	
	2023	2022 (Restated)	2021	Amount	Percent	Amount	Percent
Education and general							
Instruction	$831,791	$783,386	$799,352	$ 48,405	6.2%	($15,966)	(2.0%)
Research	953,072	849,632	780,587	103,440	12.2%	69,045	8.8%
Public service	299,880	255,884	315,145	43,996	17.2%	(59,261)	(18.8%)
Academic support	493,082	400,483	408,166	92,599	23.1%	(7,683)	(1.9%)
Student services	143,828	117,508	126,114	26,320	22.4%	(8,606)	(6.8%)
Institutional support	305,875	256,692	257,104	49,183	19.2%	(412)	(0.2%)
Operation and maintenance of plant	280,675	224,701	236,706	55,974	24.9%	(12,005)	(5.1%)
Scholarships and fellowships	64,370	82,042	71,212	(17,672)	(21.5%)	10,830	15.2%
Depreciation	245,832	247,070	236,456	(1,238)	(0.5%)	10,614	4.5%
Total education and general	3,618,405	3,217,398	3,230,842	401,007	12.5%	(13,444)	(0.4%)
Other operating expenses							
Auxiliary enterprises	318,143	284,376	272,172	33,767	11.9%	12,204	4.5%
Other operating expenses, net	21	0	1,477	21	100.0%	(1,477)	(100.0%)
Total other operating expenses	318,164	284,376	273,649	33,788	11.9%	10,727	3.9%
Total operating expenses	$3,936,569	$3,501,774	$3,504,491	$ 434,795	12.4%	$ (2,717)	(0.1%)

Total operating expenses increased $434.8 million or 12.4 percent in fiscal year 2023 compared to a decrease of $2.7 million or 0.1 percent in fiscal year 2022. Across almost all functional categories, salaries and compensation-related expenditures continued to represent the most significant expense to the University at $2.5 billion or 64.4 percent, $2.2 billion or 61.8 percent, and $2.3 billion or 66.8 percent of operating expenses in fiscal years 2023, 2022, and 2021, respectively. See Note 13 for additional information. Compensation related expenditures increased $380.7 million or 17.6 percent in 2023, and decreased $181.8 million or 7.8 percent, and $109.9 million or 4.5 percent in fiscal years 2022, and 2021, respectively. The fiscal year 2023 increase is due to the actuarial driven calculation for pension expense of $186.5 million and increases in salary. Most functional categories experienced increases primarily as the result of increases in compensation and the elimination of furlough and pay reduction programs and other cost savings efforts in response to the COVID-19 pandemic. Supplies and services related expenditures increased $88.9 million or 8.8 percent across most functional categories due to the incremental shift to pre-pandemic operations offset by a reduction in Scholarships and Fellowships expenditures of $16.7 million driven primarily by the end or Higher Education Emergency Relief Fund (HEERF) funding.

Consolidated Statements of Cash Flows

The following schedule summarizes the University's cash flows for the years ended June 30, 2023, 2022, and 2021 (Restated):

				Increase (Decrease)			
				From 2022 (Restated) to 2023		From 2021 to 2022 (Restated)	
	2023	2022 (Restated)	2021	Amount	Percent	Amount	Percent
Cash (used) provided by							
Operating activities	$ (1,127,945)	$ (1,078,285)	$ (937,841)	$ (49,660)	(4.6%)	$ (140,444)	(15.0%)
Noncapital financing activities	1,283,255	1,322,147	1,312,922	(38,892)	(2.9%)	9,225	0.7%
Capital and related financing activities	(217,628)	363,228	(193,317)	(580,856)	(159.9%)	556,545	287.9%
Investing activities	(72,249)	(475,970)	(168,609)	403,721	84.8%	(307,361)	(182.3%)
Net increase (decrease) in cash	(134,567)	131,120	13,155	(265,687)	(202.6%)	117,965	896.7%
Cash, beginning of year	819,047	687,927	674,772	131,120	19.1%	13,155	1.9%
Cash, end of year	$ 684,480	$ 819,047	$ 687,927	$ (134,567)	(16.4%)	$ 131,120	19.1%

The University's cash and cash equivalents decreased $134.6 million compared to fiscal year 2022 due to cash used by operating activities, noncapital financing activities, and capital related financing activities, partially offset by cash provided by investing activities.

Cash used by operating activities increased by $49.6 million compared to fiscal year 2022. There was an increase in cash outflows for payments to employees for services and fringe benefits of $155.1 million primarily driven by a continued return to pre-pandemic conditions. Cash inflows from grants and contracts revenue increased $78.3 million due to continued focus on this activity. Cash flows increased by $23.6 million in student tuition and fees revenue due to an increase of tuition rates.

Cash provided by noncapital financing activities decreased $38.9 million compared to an increase of $9.2 million of cash provided in fiscal year 2022. The most significant sources of cash provided included State appropriations totaling $715.6 million and $727.9 million, grants totaling $300.3 million and $351.7 million, and gifts totaling $252.4 million and $199.6 million in 2023 and 2022, respectively.

Cash used by capital and related financing activities increased $580.9 million primarily due to a decrease in cash flows related to a decrease of proceeds from capital debt of $664.6 million, partially offset by an increase of $172.4 million in principal payments on debt. During fiscal year 2023, the University issued $0 million and $91.5 million in new bond issuances and commercial paper, respectively, compared to $688.1 million and $68.0 million in new bond issuances and commercial paper, respectively, in fiscal year 2022. 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 $109.8 million, $0.7 million, and $762.9 million, in fiscal years 2023, 2022, and 2021 respectively. The Consolidated Endowment Fund (CEF) and Group Income Pool (GIP) supported annual income distributions to departments in the amount of $82.5 million, $74.5 million, and $66.7 million in fiscal years 2023, 2022, and 2021 respectively. The income distribution amounts are primarily from the CEF pool, in the amounts of $80.6 million, $72.5 million, and $64.9 million in fiscal years 2023, 2022, and 2021, 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 2023, 2022, and 2021.

Factors Affecting Future Financial Position and/or Results of Operations

The University is Minnesota's flagship research institution and 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 the University continues to enjoy a strong credit rating, which enables a low cost of borrowing. Maintaining these competitive advantages 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, a downturn in U.S. and world economic conditions or other factors occur that might negatively impact the University's revenues and expenses.

Strong state support – Continued strong State support is an important component of future fiscal health for the University. The State's financial situation improved dramatically throughout fiscal year 2023. During the 2023 legislative session, the Governor and Legislature (all controlled by Democrats) considered uses for a projected $17.5 billion state budget surplus. As a result, legislation was enacted that increased the University's fiscal year 2024-2025 biennium base funding to $1.345 billion, an 8.3 percent increase from the previous biennial base appropriation. The State also provided $136.0 million in capital funding to the University for a new chemistry teaching facility ($92.6 million) and Higher Education Asset Preservation and Replacement funds ($43.4 million).

Recognizing the value of the strong ties between the University and the State, the University hired Melisa Lopez Franzen, a retired state senator, as the University's Executive Director for Government and Community Relations. Ms. Franzen will focus on maintaining and strengthening relations between the University and the State.

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 for fiscal year 2023 of 3.5% for the Twin Cities campus, and 1.75% for the Crookston, Duluth, Morris, and Rochester campuses. Future tuition and fee revenue will be impacted by many factors, including the Board's 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.

Research Enterprise – The University consistently ranks among the top ten public research universities in the United States in federal funding for research and development, thanks to the productivity and ingenuity of its faculty. For fiscal year 2023 the University received $1.125 billion in sponsored project awards, a 7.1 percent increase from fiscal year 2022.

Growth in technology commercialization is a University priority, and an integral part of the MPact 2025 Strategic Plan. For fiscal year 2023, the University reported 360 invention disclosures, 234 patents were issued to the University and its faculty, 231 new commercialization licenses were entered into, and 23 new startup companies were created based on University intellectual property. These statistics demonstrate the vitality and economic potential of the University's research enterprise.

The University's partnership with Fairview Health Services – The University has an academic affiliation agreement (the "1997 Academic Affiliation Agreement") with Fairview Health Services (Fairview), the health care organization that acquired the University's on-campus hospital effective January 1, 1997. The initial term of the 1997 Academic Affiliation Agreement is January 1, 1997 through December 31, 2026. If a party does not intend to renew the 1997 Academic Affiliation Agreement after 2026, it must give notice to the other party of that intent by December 31, 2023.

In 2018, the University and Fairview entered into additional agreements that built on the 1997 Academic Affiliation Agreement, creating a joint clinical enterprise operated under the brand M Health Fairview and providing increased academic support to the University from Fairview (the "2018 M Health Fairview Agreements"). The 2018 M Health Fairview Agreements are coterminous with the 1997 Academic Affiliation Agreement.

A strong partnership with Fairview is vital to supporting research, outreach, and medical education missions of the University of Minnesota Medical School. For the University's fiscal year ended June 30, 2023, all scheduled payments to the University under the 2018 M Health Fairview Agreements have been made by Fairview.

For 2022, Fairview reported an operating loss of $315.4 million. The University and Fairview are engaged in regular meetings around a post-2026 affiliation, with a focus on the public and nonprofit missions of the organizations and the assets used in delivery of academic medicine in Minnesota. The financial performance of Fairview is part of those discussions.

In August 2023 Minnesota Governor Tim Walz announced the creation of the Governor's Task Force on Academic Health at the University of Minnesota. The Task Force will meet throughout the fall of 2023 and provide a report to the Governor by January 15, 2024. The Task Force's report may inform state lawmakers and policymakers as they consider alternatives for state support of academic medicine at the University.

University of Minnesota
Consolidated Statements of Net Position (Excluding Component Units)
As of June 30, 2023 and 2022 (in thousands)

		2023	2022 (Restated)
Assets			
Current assets			
Cash and cash equivalents		$ 544,510	$ 742,260
Short-term investments		313,477	280,334
Receivables, net		472,861	466,229
Lease receivables		10,266	10,235
Inventories		22,818	22,080
Student loans receivable, net		7,056	7,477
Prepaid expenses		20,383	23,124
Other assets		31	30
	Total current assets	1,391,402	1,551,769
Noncurrent assets			
Restricted cash and cash equivalents		139,970	76,787
Restricted investments		353,686	440,872
Investments		3,064,166	2,837,687
Receivables, net		1,738	10,119
Lease receivables		337,311	344,977
Student loan receivables, net		41,379	44,198
Prepaid expenses		7,474	8,833
Other assets		2,136	2,933
Capital assets, net		3,315,278	3,347,929
	Total noncurrent assets	7,263,138	7,114,335
Total assets		8,654,540	8,666,104
Deferred Outflows of Resources		224,875	252,530
Liabilities			
Current liabilities			
Accounts payable		136,597	123,017
Accrued liabilities and other		346,334	353,687
Unearned income		66,923	60,385
Long-term debt		347,086	273,833
Lease liabilities		18,301	17,608
Subscription liabilities		8,899	9,094
	Total current liabilities	924,140	837,624
Noncurrent liabilities			
Accrued liabilities and other		370,987	152,234
Unearned income		6,421	7,534
Long-term debt		1,644,649	1,711,370
Lease liabilities		185,627	199,768
Subscription liabilities		18,201	17,296
	Total noncurrent liabilities	2,225,885	2,088,202
Total liabilities		3,150,025	2,925,826
Deferred Inflows of Resources		464,030	873,891
Net Position			
Unrestricted		1,579,690	1,426,431
Restricted	Expendable	1,787,246	1,745,875
	Nonexpendable	325,535	319,387
Net investment in capital assets		1,572,889	1,627,224
Total net position		$ 5,265,360	$ 5,118,917

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, 2023 and 2022 (in thousands)

	2023				2022			
Assets	Restricted for pension (and other employee benefit) Trust Funds		Custodial Funds		Restricted for pension (and other employee benefit) Trust Funds		Custodial Funds	
Short-term investments	$	468			$	286		
Trade receivables			$	620			$	2,381
Student receivables				852				954
Prepaid expenses								134
Total assets		468		1,472		286		3,469
Liabilities								
Accounts payable				1,734				4,407
Accrued liabilities				205				283
Total liabilities				1,939				4,690
Net Position (Deficit)								
Unrestricted		468		(467)		286		(1,221)
Total net position (deficit)	$	468	$	(467)	$	286	$	(1,221)

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, 2023 and 2022 (in thousands)

	University of Minnesota Foundation		University of Minnesota Physicians	
	2023	2022	2023	2022 (Restated)
Assets				
Cash and cash equivalents	$ 35,163	$ 33,644	$ 119,659	$ 126,947
Investments, substantially at fair market value	3,962,461	3,817,528	44,377	36,412
Other investments	6			
Pledges receivable, net	200,826	224,690		
Investments loans receivable	68,425			
Accounts and other receivables	37,931	14,542	147,526	115,261
Interest in charitable lead trusts, unitrusts, pooled income, and trus	91,054	88,566		
Gift annuities	48,888	48,312		
Property and equipment, net	74,870	76,125	11,078	11,364
Prepaids and other assets	3,326	2,537	11,446	2,596
Total assets	4,522,950	4,305,944	334,086	292,580
Liabilities				
Accounts payable and accrued liabilities	34,439	34,219	214,989	193,483
Gift annuities payable	20,555	20,366		
Unitrusts, pooled income, and annuity trusts payable	12,300	12,640		
Investments held for custody of others	403,965	355,435		
Long-term debt	43,189	44,152		
Lease liabilities	3,583	2,721	10,315	
Total liabilities	518,031	469,533	225,304	193,483
Net Assets				
Without donor restrictions	226,403	226,339	108,782	99,097
With donor restrictions	3,778,516	3,610,072		
Total net assets	4,004,919	3,836,411	108,782	99,097
Total liabilities and net assets	$ 4,522,950	$ 4,305,944	$ 334,086	$ 292,580

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, 2023 and 2022 (in thousands)

			2023	2022 (Restated)
Revenues				
Operating revenues	Student tuition and fees, net of scholarship allowances of $346,151 in 2023; $352,188 in 2022		$ 794,652	$ 764,030
	Federal grants and contracts		611,552	548,336
	State and other government grants		117,494	106,756
	Nongovernmental grants and contracts		527,138	505,539
	Student loan interest income		177	244
	Sales and services of educational activities, net of scholarship allowances of $82 in 2023; $101 in 2022		167,957	165,043
	Auxiliary enterprises, net of scholarship allowances of $16,377 in 2023; $19,832 in 2022		494,290	474,665
	Other operating revenues		177	105
Total operating revenues			2,713,437	2,564,718
Expenses				
Operating expenses	Education and general	Instruction	831,791	783,386
		Research	953,072	849,632
		Public service	299,880	255,884
		Academic support	493,082	400,483
		Student services	143,828	117,508
		Institutional support	305,875	256,692
		Operation & maintenance of plant	280,675	224,701
		Scholarships & fellowships	64,370	82,042
		Depreciation	245,832	247,070
	Auxiliary enterprises		318,143	284,376
	Other operating expenses, net		21	
Total operating expenses			3,936,569	3,501,774
Operating Loss			(1,223,132)	(937,056)
Nonoperating Revenues (Expenses)				
Federal appropriations			18,541	16,318
State appropriations			716,341	727,857
Grants, including HEERF Act Funding of $0 in 2023; $105,120 in 2022			260,405	393,282
Gifts			263,705	214,878
Investment income, net			109,829	656
Interest on capital-asset related debt			(69,315)	(50,750)
Other nonoperating revenues, net			9,455	21,137
Net nonoperating revenues			1,308,961	1,323,378
Income Before Other Revenues			85,829	386,322
Capital appropriations			46,330	80,259
Capital grants and gifts			13,038	36,092
Additions to permanent endowments			1,246	6,310
Total other revenues			60,614	122,661
Increase In Net Position			146,443	508,983
Net position at beginning of year			5,118,917	4,609,934
Net position at end of year			$ 5,265,360	$ 5,118,917

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, 2023 and 2022 (in thousands)

		2023		2022	
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		$ 390,167		$ 379,700
	External financial aid awards		20,122		19,353
	Services provided		3,132		1,894
	Memberships collected		1,257		831
	Student fees		1,172		1,177
	Supplemental Benefit Plan Contributions	$ 190			
	Investment (loss)	(8)		$ (11)	
Total contributions		182	415,850	(11)	402,955
Deductions					
	Student aid and awards		410,124		399,117
	Other deductions to vendors		4,972		3,713
	Benefits to participants and beneficiaries			81	
Total deductions			415,096	81	402,830
Net Change in Fiduciary Net Position (Deficit)		182	754	(92)	125
Net position (deficit) at beginning of year		286	(1,221)	378	(1,346)
Net position (deficit) at end of year		$ 468	$ (467)	$ 286	$ (1,221)

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, 2023 and 2022 (in thousands)

	University of Minnesota Foundation			
	Without donor restrictions	With donor restrictions	Total 2023	Total 2022
Revenues				
Contributions	$ 1,107	$ 254,758	$ 255,865	$ 322,723
Investment income, net	5,155	36,395	41,550	13,962
Net realized and unrealized gains (losses) on investments	3,341	174,274	177,615	(193,243)
Change in value of trusts	(286)	4,031	3,745	(23,938)
Support services revenue	8,356		8,356	8,358
UMF - Real Estate Advisors rental revenue	6,347		6,347	6,659
University Gateway Corporation revenue	4,765		4,765	4,533
Other revenue	2,391		2,391	2,550
Net assets released from restriction	301,014	(301,014)		
Total revenues	332,190	168,444	500,634	141,604
Expenses				
Program services				
Distributions for University purposes	262,653		262,653	201,667
Support services				
Management and general	13,556		13,556	11,926
Promotion and development	41,726		41,726	36,168
UMF - Real Estate Advisors	7,160		7,160	7,671
University Gateway Corporation	7,030		7,030	6,166
Total expenses	332,125		332,125	263,598
Increase (decrease) in net assets	65	168,444	168,509	(121,994)
Net assets at beginning of year	226,338	3,610,072	3,836,410	3,958,405
Net assets at end of year	$ 226,403	$ 3,778,516	$ 4,004,919	$ 3,836,411

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, 2023 and 2022 (in thousands)

	University of Minnesota Physicians	
	Total (unrestricted)	
	2023	2022 (Restated)
Revenues		
Contract revenue	$ 850,195	$ 758,920
Patient service revenue	32,375	29,646
Investment income, net	1,243	319
Net realized and unrealized gains (losses) on investments	1,088	(3,049)
Loss on equity method investments	(21,204)	(23,927)
Other revenue	15,556	15,377
Other nonoperating revenues, net	3,675	
Total revenues	882,928	777,286
Expenses		
Program services		
Health care services	804,410	735,959
Support services		
Management and general	68,833	65,302
Total expenses	873,243	801,261
Increase (decrease) in net assets	9,685	(23,975)
Net assets at beginning of year	99,097	123,072
Net assets at end of year	$ 108,782	$ 99,097

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, 2023 and 2022 (in thousands)

	2023	2022 (Restated)
Cash Flows From Operating Activities		
Student tuition and fees	$ 790,456	$ 765,922
Grants and contracts (federal, state, nongovernmental, other)	1,242,007	1,163,693
Auxiliary enterprises	497,676	486,440
Sales and services of educational activities	172,483	171,674
Collection of loans to students	7,930	9,303
Other operating revenues	1,404	2,451
Payments to employees for services	(1,973,238)	(1,852,274)
Payments for fringe benefits	(718,324)	(684,142)
Payments to suppliers for goods and services	(1,074,941)	(1,057,099)
Payments for scholarships and fellowships	(67,278)	(80,181)
Loans issued to students	(6,120)	(4,072)
Net cash used by operating activities	(1,127,945)	(1,078,285)
Cash Flows From Noncapital Financing Activities		
State appropriations	715,642	727,875
Grants for other than capital purposes	300,278	351,734
Gifts for other than capital purposes	252,435	199,551
Federal appropriations	16,216	15,154
Other nonoperating revenues, net	(1,339)	21,531
Private gifts for endowment purposes	23	6,302
Direct lending receipts	315,872	312,531
Direct lending disbursements	(315,626)	(312,553)
Agency transactions	(246)	22
Net cash provided by noncapital financing activities	1,283,255	1,322,147
Cash Flows From Capital and Related Financing Activities		
Proceeds from capital debt	91,500	756,103
Capital appropriations	49,003	82,736
Capital grants and gifts	14,274	2,820
Proceeds from sale of capital assets	2,041	13,867
Principal received on notes receivable	276	788
Interest received on notes receivable	411	379
Purchases of capital assets	(182,827)	(152,962)
Principal paid on capital debt	(75,029)	(247,459)
Interest paid on capital debt	(73,748)	(66,963)
Principal paid on lease and subscription liabilities	(38,088)	(20,572)
Interest paid on lease and subscription liabilities	(5,441)	(5,509)
Net cash (used) provided by capital and related financing activities	(217,628)	363,228
Cash Flows From Investing Activities		
Investment income, net	150,113	110,525
Proceeds from sales and maturities of investments	26,007,625	8,344,278
Purchase of investments	(26,229,987)	(8,930,773)
Net cash used by investing activities	(72,249)	(475,970)
Net (Decrease) Increase in Cash and Cash Equivalents	(134,567)	131,120
Cash and Cash Equivalents at Beginning of Year	819,047	687,927
Cash and Cash Equivalents at End of Year	$ 684,480	$ 819,047

University of Minnesota
Consolidated Statements of Cash Flows (Excluding Component Units)
Years ended June 30, 2023 and 2022 (in thousands)

		2023		2022 (Restated)
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used by Operating Activities				
Operating loss	$	(1,223,132)	$	(937,056)
Adjustments to reconcile operating loss to net cash used by operating activities				
Depreciation expense		245,832		247,070
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources				
Receivables, net		11,314		13,736
Lease receivables		-		(2,114)
Inventories		(699)		(2,508)
Prepaid and other items		4,119		(7,192)
Other assets		(230)		19
Deferred outflows of resources		92,119		12,035
Accounts payable		7,601		(15,910)
Accrued liabilities		(23,221)		(28,207)
Unearned income		752		4,124
Deferred inflows of resources		(242,400)		(362,282)
Net cash used by operating activities	$	(1,127,945)	$	(1,078,285)
Noncash Investing, Capital, and Financing Activities				
Net unrealized losses on investments	$	(76,383)	$	(154,840)
Realized gains on investments for stock distributions		18,388		44,234
Net unsettled investment trades		4,599		1,143
Capital assets on account		22,440		15,868
Amortization of bond discount/premium		9,939		21,992
Contribution of capital assets		1,099		18,855
Cash and cash equivalents	$	544,510	$	742,260
Restricted cash and cash equivalents		139,970		76,787
Total cash and cash equivalents at end of year	$	684,480	$	819,047

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. The University has six blended component units. Except as noted below, the component units are immaterial to the financial statements.

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.

2407 University Investment, LLC

On October 20, 2022, the University purchased United Properties Investment, LLC's 51 percent ownership 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 and the results are presented on a blended basis in the financial statements. The company owns and operates a hotel and acts as a lessor of a restaurant on property adjacent to the Twin Cities campus. This blended component unit's results are immaterial to the financial statements.

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 2023 and 2022, the UMF distributed $295,732 and $240,786, 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 2023 and 2022, UMP distributed $107,369 and $109,543, 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.

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. Subscription assets are recorded at net present value of the subscription payments and are amortized over the subscription term.

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
Perpetual 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
Subscription assets	Subscription term	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 8. 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. A 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 7. The last portion is attributable to the purchase of the remaining 51 percent of the 2407 University Investment, LLC and represents consideration that exceeded the net position of 2407 University Investment, LLC.

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 8. 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. A 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 7. The last portion of the balance represents consideration to be received as part of a public-private partnership (PPP).

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 $4,001 and $1,440 for fiscal years 2023 and 2022, 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 2023 and 2022, nonsponsored departmental research of $289,604 and $254,235 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.

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

Adoption of New Accounting Pronouncements

GASB Statement No. 94 (GASB 94), *Public-Private 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. This pronouncement was adopted in fiscal year 2023, with retrospective application to the fiscal year ended June 30, 2022. The effect of the adoption is immaterial to the financial statements.

GASB Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements (SBITA)*, this pronouncement was adopted in fiscal year 2023, with retrospective application to the fiscal year ended June 30, 2022. The cumulative effect of the adoption is reflected in the University records as subscription liability and an underlying right-to-use subscription asset for SBITA contracts. Over the course of the SBITA contract amortization of the subscription asset will be recognized in the Statements of Revenues, Expenses, and Changes in Net Position. See Note 6, Subscription-Based Technology Arrangements, for more information.

New Accounting Pronouncements Not Yet Adopted

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, 2023, could affect the market values reported in the consolidated financial statements.

The following table summarizes cash and investments, including State Small Business Credit Initiative (SSBCI) first funded in the year ended June 30, 2023, and RUMINCO, Ltd., a wholly-owned captive insurance company as of June 30, 2023:

	Temporary Investment Pool	Consolidated Endowment Fund	Group Income Pool	Separately Invested Funds and Other	Invested Assets Related to Indebtedness	SSBCI	RUMINCO, Ltd. Insurance Subsidiary	Total
Cash and cash equivalents	$ 524,371	$ 18,417	$ 512	$ 923			$ 287	$ 544,510
Short-term investments	271,294		417		$ 41,766			313,477
Total current assets	795,665	18,417	929	923	41,766		287	857,987
Restricted cash and cash equivalents					139,970			139,970
Restricted investments					353,686			353,686
Total restricted assets					493,656			493,656
Long-term investments								
Fixed Income	763,593	359,567	60,470					1,183,630
Public Equity		340,427						340,427
Private Capital		1,147,808		12,277		$ 1,433		1,161,518
Inflation Hedges		178,359						178,359
Other	20,402	107,017		1,880			70,933	200,232
Total noncurrent investments	783,995	2,133,178	60,470	14,157		1,433	70,933	3,064,166
Total cash and investments	$ 1,579,660	$ 2,151,595	$ 61,399	$ 15,080	$ 535,422	$ 1,433	$ 71,220	$ 4,415,809

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

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, 2023:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Fixed income				
US Agency		$ 533,743		$ 533,743
Return generated fixed income	$ 4,612	352,838		357,450
US Treasury		338,239		338,239
Risk mitigating fixed income	48,375			48,375
Mortgage-backed securities		27,892		27,892
Listed equity				
Global developed equity	154,306			154,306
Diversifiers		20,167		20,167
Private capital	12,170		$ 12,277	24,447
Other	15,706	3,382		19,088
Total	235,169	1,276,261	12,277	1,523,707
Investments measured at net asset value (NAV)				2,207,622
Total investments				$ 3,731,329

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

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

The following table summarizes NAV investments as of June 30, 2023:

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Capital	$ 1,137,071	$ 343,776	None, monthly, or annually	None; 1 or 90 days
Fixed Income	565,894	121,847	None, daily, or annually	None; 2 or 60 days
Global Equity	189,866		None, daily, monthly, or quarterly	None, 2, 30, 45, or 90 days
Hedge Fund	124,972		None, monthly, quarterly, semi annually, or annually	None; 20, 30, 45, 60, 65, 75, or 90 days
Real Estate	37,615	10,213	None	None
Natural Resources	91,019	11,380	None, quarterly	None; 90 days
Other	61,185	5,919	None	None
Total	$ 2,207,622	$ 493,135		

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		

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, 2023, and 2022, the market value of the TIP assets invested in the CEF was \$230,789 and \$200,832, 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, 2023 and 2022, 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, 2023 and 2022, \$80,595 and \$72,503, 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, 2023 and 2022, the fair value of the GIP assets invested in the CEF was $26,861 and $28,246, 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.

State Small Business Credit Initiative (SSBCI)—The University entered into a contract with the State and performs professional services to the state-sponsored multi-fund venture capital program and direct investment venture capital program under the State Small Business Credit Initiative (SSBCI). These assets are invested in venture capital. SSBCI assets are held in custodial accounts, which are managed internally by the University's Office of Investment and Banking. The University will receive compensation for the performance of the professional services. Realized investment returns will be distributed to the State until the program funds principal is repaid, after which time, realized investment returns will be shared and distributed equally between the State and the University.

Regents of the University of Minnesota Insurance Company, Ltd. (RUMINCO)—RUMINCO is a wholly-owned captive insurance company (see Notes 1 and 11) 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, 2023:

Fixed-income securities:		Value	Maturity (years)	AA or Better	BBB to A	BB or Lower	Not Rated
Cash & equivalents	$	452,828		100 %			
Mortgage-backed securities		27,892	13.1	100			
US Agency		533,698	1.7	100			
US Treasury		338,239	2.0	100			
Mutual Funds		151,967	4.3	77	21 %	2 %	
Total marketable fixed-income securities		1,504,624	1.7				
Private fixed-income securities		423,425					
Total fixed-income securities	$	1,928,049					

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					

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, 2023 and 2022, 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, 2023 and 2022:

Investment Type	Foreign Currency	Market Value 2023	Market Value 2022
Equity/Debt/Real Estate	Euro	$ 59,031	$ 52,911
Equity	British Pound Sterling	37,495	24,832
Total		$ 96,526	$ 77,743

Financial Institution Credit Risk

Deposits—Depository credit risk is the risk that in the event of a bank failure, the University's deposits may not be recovered. Deposits held in noninterest-bearing transaction accounts are now aggregated with any interest-bearing deposits that are held in the same ownership category, and the 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 RUMICO. As of June 30, 2023, the University's bank balances subject to depository credit risk of $38,238 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, 2023 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, 2023, consisted of the following:

	Current	Noncurrent	Total
State and federal appropriations	$ 4,140		$ 4,140
Sponsored grants and contracts	131,313		131,313
Notes receivable	114	$ 139	253
Student receivables	31,067		31,067
Trade receivables	270,355		270,355
Accrued interest	3,845		3,845
Other	39,176	1,599	40,775
Allowance for uncollectible accounts	(7,149)		(7,149)
Total receivables, net	$ 472,861	$ 1,738	$ 474,599
Student loans receivable	10,435	41,379	51,814
Allowance for uncollectible accounts	(3,379)		(3,379)
Student loans receivable, net	$ 7,056	$ 41,379	$ 48,435

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	42,891	2,558	45,449
Allowance for uncollectible accounts	(6,854)		(6,854)
Total receivables, net	$ 466,229	$ 10,119	$ 476,348
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

As a result of implementing GASB 94, receivables was restated with a increase of $3,521.

Accrued liabilities as of June 30, 2023, consisted of the following:

	Current	Noncurrent	Total
Trade liabilities	$ 5,284	$ 11,331	$ 16,615
Compensation and benefits	259,567	312,314	571,881
Self-insurance reserves	47,659	12,043	59,702
Accrued interest	20,002		20,002
Refundable advances	3,113	33,273	36,386
Other	10,709	2,026	12,735
Total accrued liabilities	$ 346,334	$ 370,987	$ 717,321

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, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated balances	$ 328,660	$ 479,477	$ (236,256)	$ 571,881	$ 259,567
Self-insurance reserves (see Note 10)	58,253	391,818	(390,370)	59,702	47,659
Refundable advances	40,911		(4,525)	36,386	3,113
Other	43,866	12,735	(43,866)	12,735	10,709

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

4. Capital Assets

Capital assets, net as of June 30, 2023, consisted of the following:

	Beginning Balance	Additions	Transfers	Retirements & Reductions	Ending Balance
Depreciable / amortizable capital assets					
Buildings and improvements	$ 4,954,779	$ 2,018	$ 75,902		$ 5,032,699
Equipment	849,475	54,971		$ (48,392)	856,054
Infrastructure	458,345		425		458,770
Leased assets	261,438	5,063		(4,266)	262,235
Library and reference books	181,406	3,894			185,300
Capitalized software (intangible asset)	201,004	1,115			202,119
Subscription assets	37,090	20,288			57,378
All other intangible assets	6,903				6,903
Total depreciable / amortizable capital assets	6,950,440	87,349	76,327	(52,658)	7,061,458
Non-depreciable / amortizable capital assets					
Land	240,028	14,461			254,489
Museums and collections	119,975	1,229			121,204
Construction in progress	84,851	112,811	(76,327)		121,335
Permanent right-of-way easements (intangible asset)	5				5
Total non-depreciable / amortizable capital assets	444,859	128,501	(76,327)		497,033
Accumulated depreciation / amortization					
Buildings and improvements	(2,629,059)	(141,036)			(2,770,095)
Equipment	(670,745)	(51,283)		46,120	(675,908)
Infrastructure	(360,318)	(13,092)			(373,410)
Leased assets	(42,833)	(21,624)		3,870	(60,587)
Library and reference books	(145,819)	(1,856)			(147,675)
Capitalized software (intangible asset)	(184,159)	(5,898)			(190,057)
Subscription assets	(7,534)	(11,044)			(18,578)
All other intangible assets	(6,903)				(6,903)
Total accumulated depreciation / amortization	(4,047,370)	(245,833)		49,990	(4,243,213)
Capital assets, net	$ 3,347,929	$ (29,983)		$ (2,668)	$ 3,315,278
Summary					
Depreciable / amortizable capital assets	$ 6,950,440	$ 87,349	$ 76,327	$ (52,658)	$ 7,061,458
Non-depreciable / amortizable capital assets	444,859	128,501	(76,327)		497,033
Total capital assets	7,395,299	215,850		(52,658)	7,558,491
Less accumulated depreciation / amortization	(4,047,370)	(245,833)		49,990	(4,243,213)
Capital assets, net	$ 3,347,929	$ (29,983)		$ (2,668)	$ 3,315,278

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
Subscription assets *	24,876	12,214			37,090
All other intangible assets	6,903				6,903
Total depreciable / amortizable capital assets	6,862,338	68,368	63,190	(43,456)	6,950,440
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)
Subscription assets *		(7,534)			(7,534)
All other intangible assets	(6,903)				(6,903)
Total accumulated depreciation / amortization	(3,842,380)	(247,069)		42,079	(4,047,370)
Capital assets, net	$ 3,421,584	$ (72,254)		$ (1,401)	$ 3,347,929
Summary					
Depreciable / amortizable capital assets	$ 6,862,338	$ 68,368	$ 63,190	$ (43,456)	$ 6,950,440
Non-depreciable / amortizable capital assets	401,626	106,447	(63,190)		444,859
Total capital assets	7,263,964	174,815		(43,456)	7,395,299
Less accumulated depreciation / amortization	(3,842,380)	(247,069)		42,079	(4,047,370)
Capital assets, net	$ 3,421,584	$ (72,254)		$ (1,377)	$ 3,347,929

**Due to the GASB 96 implementation, Subscription assets are described in Note 6.*

5. Leases

The University has entered into various leasing arrangement types where the University is either the lessee or the lessor. Under GASB 87, *Leases*, the University classifies 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 in the Consolidated 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 of use lease asset for lessee arrangements. 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.

During fiscal year 2023, the University entered into two new arrangements and had additions to four ongoing arrangements in the amount of $546. The University had early terminations on five ongoing arrangements in the amount of $3,054 which primarily resulted from reduced space requirements on the University's Twin Cities East Bank with Fairview Health Services.

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 Consolidated Statements of Revenues, Expenses, and Changes in Net Position by revenue line:

	2023	2022
Sales and services of educational activities, net of scholarship allowances	$ 866	$ 826
Auxiliary enterprises, net of scholarship allowances	11,061	11,067
Other nonoperating revenues, net	12,373	12,525
Total	$ 24,300	$ 24,418

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.

During fiscal year 2023, the University entered into five new arrangements and had additions to twelve ongoing arrangements in the amount of $5,063 including the annual extension of the Hormel Foundation lease, new space within the Westgate Business Center, and new extensions of the University's Crookston student laptop program. The University had early terminations on four ongoing arrangements in the amount of $396.

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, 2049, respectively.

In fiscal year 2023, the University began making improvements to the new Student Life Center in Rochester. This lease does not begin until fiscal year 2024.

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, 2023, consisted of the following:

	Beginning Balance	Additions	Retirements & Reductions	Ending Balance
Depreciable / amortizable capital assets				
Buildings and improvements	$ 257,320	$ 3,531	$ (3,335)	$ 257,516
Equipment	3,605	1,316	(925)	3,996
Land	513	216	(6)	723
Total depreciable / amortizable capital assets	261,438	5,063	(4,266)	262,235
Accumulated depreciation / amortization				
Buildings and improvements	(41,707)	(20,519)	2,973	(59,253)
Equipment	(942)	(1,012)	895	(1,059)
Land	(184)	(93)	2	(275)
Total accumulated depreciation / amortization	(42,833)	(21,624)	3,870	(60,587)
Leased assets, net	$ 218,605	$ (16,561)	$ (396)	$ 201,648

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

	Beginning Balance	Additions	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)
Leased assets, net	$ 236,391	$ (17,731)	$ (55)	$ 218,605

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			
2024	$ 17,827	$ 4,879	$ 22,706
2025	17,958	4,644	22,602
2026	17,030	4,408	21,438
2027	17,330	4,173	21,503
2028	17,224	3,937	21,161
2029-2033	34,610	17,355	51,965
2034-2038	4,798	15,703	20,501
2039-2043	3,932	15,041	18,973
2044-2048	3,337	14,396	17,733
2049-2053	3,365	13,699	17,064
2054-2058	2,904	13,015	15,919
2059-2063	2,199	12,569	14,768
2064-2068	3,179	12,027	15,206
2069-2073	4,393	11,263	15,656
2074-2078	5,895	10,224	16,119
2079-2083	7,683	8,854	16,537
2084-2088	9,953	7,073	17,026
2089-2093	12,747	4,781	17,528
2094-2098	16,185	1,859	18,044
2099-2103	905	3	908
Total	$ 203,454	$ 179,903	$ 383,357

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 $780 and $1,276 for fiscal years ended June 30, 2023 and 2022, respectively. Whereas amounts recognized as variable payments in the form of outflows not included in the measurement of the lease liability are $6,189 and $5,963 for fiscal years ended June 30, 2023 and 2022, respectively.

6. Subscription-Based Information Technology Arrangements

The University adopted GASB Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements (SBITA)*, effective for the fiscal year ended June 30, 2023, with retrospective application to the fiscal year ended June 30, 2022. GASB 96 establishes a single model for SBITA accounting based on the foundational principle that SBITA contracts are financings of the right to use an information technology (IT) software subscription asset. As a result, it requires the University to classify SBITA contracts that are 12 months or greater in length at the commencement of the SBITA term, including the evaluation of options to extend the SBITA contract, to the Statements of Net Position. The University records a subscription liability and an underlying right-to-use subscription asset for SBITA contracts. Over the course of the SBITA contract amortization of the subscription asset will be recognized in the Statements of Revenues, Expenses, and Changes in Net Position.

The University has entered into various SBITA contracts with external vendors to use the vendor's IT software as specified in the contracts. These contracts range from two to eight point five years of service. The nature of the subscription contracts includes firewall services, customer relationship manager solutions, and online solutions for creating, fulfilling, and viewing course reading lists. The University does not consider content-subscription agreements that allow authorized University users only access to search, browse, view, download, print, and store the subscribed products which include books, databases, and conference proceedings from a number of publishers to be software subscriptions. Non-software subscription contracts are excluded from being reported as subscription assets. The University has applied a threshold based on the minimum net present value (NPV) of payments for the SBITA contracts. The NPV calculation is determined by the total payments over the noncancelable SBITA term and an interest rate that is stated within the SBITA 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 SBITA term at the commencement of the SBITA term.

See Note 4 for a summary of the University's right-to-use subscription assets.

The following table reflects the total principal and interest payments for the subscription liability:

	Principal	Interest	Total obligations
Fiscal year ending June 30			
2024	$ 8,664	$ 410	$ 9,074
2025	6,835	287	7,122
2026	4,792	181	4,973
2027	3,766	91	3,857
2028	1,684	24	1,708
2029-2033	1,124	1	1,125
Total	$ 26,865	$ 994	$ 27,859

Variable Payments

There are no amounts recognized as variable payments in the form of outflows not included in the measurement of the subscription liability for fiscal years ended June 30, 2023 and 2022, respectively.

7. Long-Term Debt

Long-term debt as of June 30, 2023, consisted of the following:

	Original issued amount (par)	Fiscal year issued	Coupon rates	Due at various dates through fiscal year	FY2023 beginning balance	Additions	Reductions	FY2023 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	35,185		$ 2,240	32,945	$ 2,245
Series 2020A (tax-exempt)	31,310	2021	5.000%	2046	30,660		690	29,970	725
Series 2020B (taxable)	84,690	2021	0.400%-2.875%	2046	81,830		2,875	78,955	2,890
Series 2019A (tax-exempt)	104,215	2019	5.000%	2044	96,690		2,510	94,180	2,635
Series 2019B (tax exempt)	51,240	2019	5.000%	2030	46,720		5,465	41,255	5,735
Series 2019C (taxable)	20,000	2019	2.466%-3.974%	2044	18,405		580	17,825	600
Series 2017A (tax-exempt)	117,095	2018	2.000%-5.000%	2043	106,100		2,970	103,130	3,075
Series 2017B (tax-exempt)	292,955	2018	2.000%-5.000%	2037	154,730		10,130	144,600	10,540
Series 2017C (taxable)	13,240	2018	1.375%-2.915%	2029	8,000		1,060	6,940	1,085
Series 2016A (tax-exempt)	122,475	2016	3.000%-5.000%	2041	104,540		3,530	101,010	3,710
Series 2015B (taxable)	10,110	2016	0.799%-4.039%	2032	6,845		585	6,260	605
Series 2014B (tax-exempt)	145,760	2015	2.000%-5.000%	2044	127,580		3,485	124,095	3,660
Series 2013D (taxable)	12,760	2014	0.600%-4.848%	2039	9,955		405	9,550	420
Series 2013B (taxable)	13,780	2013	2.600%-3.750%	2038	10,050		490	9,560	510
Series 2013A (tax-exempt)	73,570	2013	2.000%-5.000%	2038	54,930		2,495	52,435	2,620
Series 2011C (taxable)	19,335	2012	0.900%-4.560%	2037	13,850		670	13,180	695
Series 2010B (taxable)	41,720	2011	0.740%-5.020%	2036	26,945		1,560	25,385	1,610
Commercial paper notes									
Series B (tax-exempt)	61,000	2007	3.600% - 4.150%	2024	15,500		3,100	12,400	12,400
Series C (tax-exempt)	70,000	2008	3.600% - 4.150%	2024	19,000		3,500	15,500	15,500
Series D (tax-exempt)	25,000	2010	3.100%	2024	11,977			11,977	11,977
Series E (taxable)	51,620	2015	5.170%-5.190%	2024	38,420		2,200	36,220	36,220
Series F (tax-exempt)	50,100	2017	3.170%	2024	40,100		2,000	38,100	38,100
Series G (tax-exempt)	33,372	2018	3.220%	2024	16,124		3,956	12,168	12,168
Series H (tax-exempt)	34,000	2022	3.100%-3.150%	2024	34,000	$ 25,900		59,900	59,900
Series I (taxable)	34,000	2022	5.100%-5.350%	2024	34,000	65,600	5,500	94,100	94,100
Infrastructure development bonds	109,234	1995-2006	3.550%-5.290%	2025	1,220		653	567	532
Note Payable	4,500	2020	1.900%	2025	4,500			4,500	
Special purpose revenue bonds									
Series 2021A (tax exempt)	92,385	2022	4.000%-5.000%	2036	92,385		4,635	87,750	4,825
Series 2021B (taxable)	31,100	2022	0.210%-2.630%	2038	31,100		1,650	29,450	1,655
Series 2015A (tax-exempt)	90,075	2016	2.000%-5.000%	2032	59,190		6,095	53,095	6,410
Unamortized premiums and discounts	218,054	2009-2023		2046	154,672		9,939	144,733	9,939
Total	$ 2,595,570				$ 1,985,203	$ 91,500	$ 84,968	$ 1,991,735	$ 347,086

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	5.000%	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	5.000%	2044	99,085		2,395	96,690	2,510
Series 2019B (tax exempt)	51,240	2019	5.000%	2030	48,255		1,535	46,720	5,465
Series 2019C (taxable)	20,000	2019	2.466%-3.974%	2044	18,975		570	18,405	580
Series 2017A (tax-exempt)	117,095	2018	2.000%-5.000%	2043	109,010		2,910	106,100	2,970
Series 2017B (tax-exempt)	292,955	2018	2.000%-5.000%	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	3.000%-5.000%	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	2.000%-5.000%	2044	130,900		3,320	127,580	3,485
Series 2013D (taxable)	12,760	2014	0.600%-4.848%	2039	10,350		395	9,955	405
Series 2013B (taxable)	13,780	2013	2.600%-3.750%	2038	10,525		475	10,050	490
Series 2013A (tax-exempt)	73,570	2013	2.000%-5.000%	2038	57,305		2,375	54,930	2,495
Series 2011C (taxable)	19,335	2012	0.900%-4.560%	2037	14,495		645	13,850	670
Series 2010B (taxable)	41,720	2011	0.740%-5.020%	2036	28,465		1,520	26,945	1,560
Commercial paper notes									
Series A (tax-exempt)	159,100	2006	0.120%	2023	20,000		20,000		
Series B (tax-exempt)	61,000	2007	0.900%-1.080%	2023	18,600		3,100	15,500	15,500
Series C (tax-exempt)	70,000	2008	0.900%-1.080%	2023	22,500		3,500	19,000	19,000
Series D (tax-exempt)	25,000	2010	1.080%	2023	11,977			11,977	11,977
Series E (taxable)	51,620	2015	1.510%-1.600%	2023	40,620		2,200	38,420	38,420
Series F (tax-exempt)	50,100	2017	1.150%-1.200%	2023	42,100		2,000	40,100	40,100
Series G (tax-exempt)	33,372	2018	0.950%-1.120%	2023	22,273		6,149	16,124	16,124
Series H (tax-exempt)	34,000	2022	1.090%-1.100%	2023		34,000		34,000	34,000
Series I (taxable)	34,000	2022	0.870%	2023		34,000		34,000	34,000
Infrastructure development bonds	109,234	1995-2006	3.550%-5.290%	2025	2,325		1,105	1,220	653
Note Payable	4,500	2020	1.900%	2025	4,500			4,500	
Special purpose revenue bonds									
Series 2021A (tax exempt)	92,385	2022	4.000%-5.000%	2036		92,385		92,385	4,635
Series 2021B (taxable)	31,100	2022	0.210%-2.630%	2038		31,100		31,100	1,650
Series 2015A (tax-exempt)	90,075	2016	2.000%-5.000%	2032	64,990		5,800	59,190	6,095
Series 2013C (tax-exempt)	35,395	2014	2.000%-5.000%	2039	29,510		29,510		
Series 2011B (tax-exempt)	52,485	2012	3.000%-5.000%	2037	40,965		40,965		
Series 2010A (tax-exempt)	111,400	2011	3.000%-5.000%	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

General Obligation Bonds

The University did not issue any new General Obligation (GO) Bonds during the fiscal year 2023.

On April 19, 2022, the University issued 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 0.130 – 2.590 percent. Proceeds are being used to finance the costs of design, land acquisition, site preparation, and preconstruction services for a clinical research facility 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.

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, 2023 and 2022. 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 official statements.

Special Purpose Revenue Bonds

On September 30, 2021, the University issued Special Purpose Revenue (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 4.000 – 5.000 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 0.210 – 2.630 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, as well as for certain operating purposes. 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 2023, the University issued a combined total of $91,500 in CP Notes Series H and CP Taxable Notes Series I for purposes of funding new capital projects in fiscal year 2023, ongoing capital projects from fiscal year 2022, and operating purposes.

The initial issuance on November 17, 2021 of Series H was in the amount of $18,000. Additional Series H Notes totaling $16,000 were issued during fiscal year 2022 and $25,900 in fiscal year 2023. The entire outstanding principal balance of $59,900 of the Series H at the end of the fiscal year 2023 was fully paid off in July 2023.

The initial issuance on November 17, 2021 of Series I was in the amount of $34,000. Of this total, $20,800 was issued for the Athletics COVID-19 operating loan. Additional Series I Notes totaling $65,600 were issued during fiscal year 2023.

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 $1,702 and $3,660 as of June 30, 2023 and 2022, respectively, of which the University owes $567 and $1,220, 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 1.900 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, 2023, 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					
2024	$ 66,721	$ 280,365	$ 347,086	$ 76,959	$ 424,045
2025	73,155		73,155	63,130	136,285
2026	71,059		71,059	60,494	131,553
2027	73,869		73,869	57,773	131,642
2028	76,635		76,635	54,895	131,530
2029-2033	350,874		350,874	232,196	583,070
2034-2038	283,687		283,687	172,740	456,427
2039-2043	176,943		176,943	127,602	304,545
2044-2048	38,427		38,427	102,967	141,394
2049-2053	500,000		500,000	80,960	580,960
	$ 1,711,370	$ 280,365	$ 1,991,735	$ 1,029,716	$ 3,021,451

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, 2023 are as follows:

Associated bond issue	Refunding date	Amount defeased	Refunded amount	Amount outstanding on June 30, 2023	Bond call date
General obligation bonds					
Series 2011D	9/28/2017	$ 47,400	$ 47,400	$ 37,750	12/1/2021
Special purpose revenue bonds					
Series 2013C	9/30/2021	28,430	28,430	27,295	8/1/2023

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 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, 2023 or 2022.

8. 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 69 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 https://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 https://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 contributions		
University		
2023	$ 1,652	$ 30,321
2022	$ 1,455	$ 27,915
Non-employer contributing entity		
2023	$ 61	
2022	$ 56	

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, 2022. 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, 2021 through June 30, 2022, 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 2023, 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 ($)	$ 29,443	$ 215,664	$ 245,107
Proportionate share of the net pension liability (%)	0.677%	13.124%	
Deferred outflows of resources	22,124	189,942	212,066
Deferred inflows of resources	448	108,689	109,137
Net pension expense			
2023	2,400	(107,629)	(105,229)
2022	(289)	(294,070)	(294,359)
Non-operating grant revenue			
2023	61		61
2022	56		56

Deferred Outflows of Resources

	PEPFF	SERF	Total
Differences between expected and actual experience	$ 1,798	$ 1,682	$ 3,480
Changes in actuarial assumptions	17,332	147,659	164,991
Differences between projected and actual investment	395	10,276	10,671
Changes in proportion and contributions allocated	947	4	951
Contributions paid to plan subsequent to measurement date	1,652	30,321	31,973
Total	$ 22,124	$ 189,942	$ 212,066

Deferred Inflows of Resources

	PEPFF	SERF	Total
Differences between expected and actual experience		$ 1,384	$ 1,384
Changes in actuarial assumptions	$ 177	78,415	78,592
Changes in proportion and contributions allocated	271	28,890	29,161
Total	$ 448	$ 108,689	$ 109,137

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

	Fiscal year	PEPFF	SERF	Total
	2024	$ 3,959	$ 123	$ 4,082
	2025	3,934	2,307	6,241
	2026	3,399	5,094	8,493
	2027	6,160	43,408	49,568
	2028	2,572		2,572
Net pension expense		$ 20,024	$ 50,932	$ 70,956
Contributions paid to plan subsequent to measurement date		1,652	30,321	31,973
Net deferred outflows		$ 21,676	$ 81,253	$ 102,929

The University's net pension liability was measured as of June 30, 2022, 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	6/30/2022		6/30/2022	
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%		6.75%	
20-year municipal bond rate	3.69%	***	3.69%	***
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-2021.*

***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, 2022.*

***** Updated for economic assumptions in 2022.*

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, 2022 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, 2022, 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 6.75 percent was applied to all periods of projected benefit payments through June 30, 2122 for SERF and the long-term expected rate of return on pension plan investments of 6.50 percent was applied to all periods of projected benefit payments through June 30, 2060 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 6.75 percent for SERF and 5.40 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	4.40%	5.40%	6.40%
Net pension liability	$ 44,558	$ 29,443	$ 17,223
SERF			
Discount rate	5.75%	6.75%	7.75%
Net pension liability (benefit)	$ 506,119	$ 215,664	$ (24,605)

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's 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 26 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 9,800 active faculty and professional and administrative (P&A) staff. This amount includes approximately 6,600 with hire dates on or after January 2, 2012.

FRP Contributions Made

	2023	2022
Employee	$ 46,330	$ 42,006
University	124,007	116,786

Due to plan at June 30*

	2023	2022
Employee	$ 1,876	$ 1,502
University	4,945	4,120

**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 5,700 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 2,600 full- and part-time employees contribute to this plan.

9. 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.

On August 31, 2023, the University entered into a settlement and release agreement (the agreement) with UCare Minnesota which allows UCare to change its bylaws eliminating the University's ability to serve on the UCare board of directors. See Note 14, Subsequent Events, for additional information.

10. Commitments and Contingencies

Construction projects in progress, principally buildings, approximated $121,335 as of June 30, 2023. The estimated cost to complete these facilities is $323,140, which is to be funded from plant fund assets and $96,096 in appropriations available from the State as of June 30, 2023.

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 payment for steam plant operations as of June 30, 2023, for the next year is $304.

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.

The University is currently a defendant in nine lawsuits relating to a data security incident identified in July 2023 related to unauthorized access to a University database in 2021. This incident has not affected University operations. An adverse outcome in these lawsuits, including a judgment or settlement, may cause a material adverse effect on the overall financial position of the University.

The University is a defendant in other claims. 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 other cases, individually and combined, will not have a material adverse effect on the overall financial position of the University.

11. 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 4.76 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, 2023, are shown below:

	Liability beginning of year	New claims	Claim payments	Other adjustments	Liability end of year
RUMINCO, Ltd.	$ 9,890	$ 5,265	$ (3,437)	$ 118	$ 11,836
Workers' compensation	9,542	2,754	(2,754)	(255)	9,287
UPlan medical	25,050	329,309	(331,603)	3,200	25,956
UPlan dental	1,051	20,666	(20,868)	(12)	837
Graduate assistant health plan	5,287	30,328	(30,328)	(73)	5,214
Student health plan	6,580			(1,041)	5,539
Medical residents & fellows	853			179	1,032

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

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.

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 Board's 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 Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* 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, 2023	June 30, 2022
Active plan members	19,755	19,493
Inactive plan members or beneficiaries currently receiving benefits	484	465
Total	20,239	19,958

OPEB Liability

The University's OPEB liability was measured and determined as of June 30, 2023 and 2022, respectively, in accordance with GASB 75.

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

	June 30, 2023	June 30, 2022
OPEB liability—Beginning of year	$ 51,399	$ 54,111
Changes in net OPEB liability:		
Service cost	4,054	4,700
Interest	1,888	1,227
Differences between expected and actual experience	(69)	297
Changes of actuarial assumptions or other inputs	(5,368)	(5,183)
Benefit payments	(4,300)	(3,753)
(Decrease) in OPEB liability	(3,795)	(2,712)
OPEB liability—End of year	$ 47,604	$ 51,399

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	6/30/2023		6/30/2022	
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	3.65%	*	3.54%	*
Inflation	2.75%		2.75%	
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	2015-2017		2015-2017	

** 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 (2.65%)	Discount rate (3.65%)	1.0% Increase (4.65%)
OPEB liability	$ 50,974	$ 47,604	$ 44,417

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 (5.00 percent decreasing to 3.50 percent) or 1.0 percentage point higher (7.00 percent decreasing to 5.50 percent) than the current healthcare cost trend rates:

Healthcare Cost Trend Rate Sensitivity

	1% Decrease (5.00% decreasing to 3.5%)	Healthcare cost trend rates (6.00% decreasing to 4.50%)	1% Increase (7.00% decreasing to 5.50%)
OPEB liability	$ 42,028	$ 47,604	$ 54,233

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

In accordance with GASB 75, the University recorded $6,132 and $7,136 in OPEB expense for the fiscal years ended June 30, 2023 and 2022, 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, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,986	$ 228
Changes in assumptions	4,884	8,898
Total	$ 7,870	$ 9,126

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

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
	2024	$ 190
	2025	190
	2026	190
	2027	190
	2028	105
	After 2028	(2,121)
Net deferred inflows		$ (1,256)

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, 2023, are summarized as follows:

Function	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	$ 763,560	$ 68,231			$ 831,791
Research	600,133	352,939			953,072
Public service	184,965	114,915			299,880
Academic support	400,152	92,930			493,082
Student services	113,004	30,824			143,828
Institutional support	234,071	71,804			305,875
Operation and maintenance of plant	117,939	162,736			280,675
Scholarships and fellowships			$ 64,370		64,370
Depreciation				$ 245,832	245,832
Auxiliary enterprises	126,366	191,777			318,143
Other operating expense		21			21
	$ 2,540,190	$ 1,086,177	$ 64,370	$ 245,832	$ 3,936,569

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	523,046	326,586			849,632
Public service	151,126	104,758			255,884
Academic support	319,826	80,657			400,483
Student services	92,234	25,274			117,508
Institutional support	182,076	74,616			256,692
Operation and maintenance of plant	86,606	138,095			224,701
Scholarships and fellowships	32	907	$ 81,103		82,042
Depreciation				$ 247,070	247,070
Auxiliary enterprises	104,594	179,782			284,376
	$ 2,159,531	$ 1,014,070	$ 81,103	$ 247,070	$ 3,501,774

14. Subsequent Events

On August 31, 2023, the University entered into the agreement with UCare Minnesota. Under the terms of the agreement, the University relinquishes all rights to ownership, control, or influence in UCare. UCare agreed to payments of $100,000 to the University, $96,000 of which will be to fund University of Minnesota Medical School projects that assist traditionally underserved populations for health care services. A payment of $25,000 was received on September 1, 2023. Three additional payments of $25,000 will be received on December 31, 2023, 2024, and 2025.

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:

	2023		
	Traditional structures	Alternate structures	Total
Cash and cash equivalents	$ 917,670		$ 917,670
Fixed income	740,242	$ 1,439,507	2,179,749
Global equity	1,052	17,052	18,104
Hedge funds	23,693	205,774	229,467
Natural resources	1,936	60,155	62,091
Real estate		26,696	26,696
Private equity		572,492	572,492
Other investments		3,998	3,998
Subtotal	1,684,593	2,325,674	4,010,267
Less charitable gift annuities reported separately			(47,808)
Total			$ 3,962,459

	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

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, 2023 and 2022, the UMF has $2,325,674 and $2,366,539 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, 2023 and 2022:

	2023			
	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Investments				
Fixed income				
Asset backed securities		$ 8,335		$ 8,335
Mortgages	$ 1,537	16,443		17,980
Corporate bonds		7,472		7,472
Government		694,451		694,451
Large Cap	9,005			9,005
Other		3,000		3,000
Global equity				
Small cap	1,052			1,052
Hedge funds				
Long/short non-equity	23,693		$ 1,353	25,046
Natural resources	1,936			1,936
Total investments	$ 37,223	$ 729,701	$ 1,353	$ 768,277
Cash and cash equivalents				917,670
Investments measured at net asset value or its equivalent				1,211,713
Investments held at cost				48,819
Investments at equity method				161,920
Consolidated investments				901,870
Total investments and cash				$ 4,010,269
Gift annuities not categorized above	$ 728	$ 306		$ 1,034
Beneficial interest in perpetual trusts	9,520	7,850	$ 51,242	68,612
Assets held in charitable trusts	21,738			21,738
Beneficial interest in trusts			704	704
UGC derivative financial instrument		6		6

	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
Preferred stock	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)

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

Instrument	Fair value 2023	Fair value 2022	Principal valuation technique	Unobservable inputs
Auction rate securities	$ 1,353	$ 1,373	Price based	Weighted average transaction price
Beneficial interest in perpetual trusts	51,242	54,267	FMV of trust investments	Amount and timing of future
Beneficial interest in trusts	704	702	Discounted cash flows	Distributions discount rates duration

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, 2022	Investment income	Net realized and unrealized gain (loss)	Purchases	Sales	Ending balance at June 30, 2023
Hedge funds						
Long/short non-equity	$ 1,373	$ 95	$ (20)	$ (95)		$ 1,353
	$ 1,373	$ 95	$ (20)	$ (95)		$ 1,353

	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

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, 2022	Change in carrying value of trusts	Ending balance at June 30, 2023
Beneficial interest in trusts	$ 702	$ 2	$ 704
Beneficial interest in perpetual trusts	$ 54,267	$ (3,025)	$ 51,242

	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

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:

	2023			
	Net asset value	Unfunded commitments	Redemption frequency	Redemption notice period
Alternative investments				
Fixed income	$ 340,870	$ 299,641	None or quarterly	None or 60 days
Global equity	3,252		None or daily to quarterly	None or 0-60 days
Hedge funds	204,422		None or monthly to quarterly	None or 0-90 days
Natural resources	60,155	4,186	None	None
Real estate	26,696	9,360	None	None
Private equity	572,321	135,856	None	None
Other investments	3,997		None	None
Total	$ 1,211,713	$ 449,043		

	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		

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, 2023, the UMF also had unfunded commitments for investments held at cost of $2,500, unfunded commitments for investments at equity method of $163,804, and unfunded commitments for consolidated investments of $657,078.

The UMF had unfunded commitment for investments held as of June 30, 2023, which are allowed to be cancelled by the UMF. This was approximately $1,000,000 and is included in the commitment disclosure above.

In addition to the unfunded commitments noted above, the UMF has entered into investment commitments of $103,400 since June 30, 2023, 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:

	2023	2022
Capital improvement/facilities	$ 139,438	$ 144,670
Faculty and staff support	26,023	24,176
Scholarships and fellowships	171,661	165,990
Lectureships, professorships, and chairs	51,991	51,625
Program support	739,826	588,963
Research and outreach/community engagement	193,201	197,143
Trusts	6,417	6,422
Other	5,661	3,775
Subtotal	$ 1,334,218	$ 1,182,764
Endowments:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity:		
Restricted by donors for:		
Capital improvement/facilities	$ 8,831	$ 8,703
Faculty and staff support	44,362	40,538
Scholarships and fellowships	762,214	723,266
Lectureships, professorships, and chairs	502,134	483,742
Program support	120,738	118,138
Research and outreach/community engagement	88,665	86,939
Trusts	17,371	16,600
Other	4,811	2,044
Subtotal	$ 1,549,126	$ 1,479,970
Subject to foundation endowment spending policy and appropriation:		
Capital improvement/facilities	$ 13,283	$ 13,615
Faculty and staff support	23,208	24,171
Scholarships and fellowships	307,714	321,245
Lectureships, professorships, and chairs	347,755	361,786
Program support	82,370	91,394
Research and outreach/community engagement	43,679	45,528
Other	4,072	4,038
Subtotal	822,081	861,777
Total endowments	$ 2,371,207	$ 2,341,747
Not subject to spending policy or appropriation:		
Capital improvement/facilities	$ 99	$ 14
Faculty and staff support	1,965	2,509
Scholarships and fellowships	306	10,070
Lectureships, professorships, and chairs	847	3,146
Program support	13,194	12,107
Research and outreach	736	1,170
Trusts	55,997	53,965
Other	(53)	2,580
Subtotal	73,091	85,561
Total net assets with donor restrictions	$ 3,778,516	$ 3,610,072

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:

	2023	2022
Capital improvement/facilities	$ 22,321	$ 17,634
Faculty and staff support	4,617	5,089
Scholarships and fellowships	68,970	59,654
Lectureships, professorships, and chairs	39,285	37,070
Program support	101,939	82,042
Research and outreach/community engagement	52,003	42,944
Other	11,877	6,984
Total net assets released from donor restrictions	$ 301,012	$ 251,417

Blended Component Unit

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, 2023 and 2022 for the University's significant blended component unit, RUMINCO, Ltd, are as follows:

Condensed statements of net position	2023	2022
Current assets	$ 540	$ 88
Noncurrent assets	70,933	62,055
Total assets	71,473	62,143
Deferred outflows of resources		
Total assets & deferred outflows of resources	71,473	62,143
Current liabilities	5,057	3,118
Noncurrent liabilities	2,385	2,385
Total liabilities	7,442	5,503
Deferred inflows of resources		
Total liabilities & deferred inflows of resources	7,442	5,503
Unrestricted net position	$ 64,031	$ 56,640

Condensed statements of revenues, expenses, and changes in net position	2023	2022
Operating revenues:		
Net underwriting income	$ 1,891	$ 1,661
Operating expenses	1,859	1,635
Operating income, net	32	26
Nonoperating revenues:		
Investment income (loss), net	7,359	(7,974)
Other revenues:		
Capital contributions		2,000
Increase (decrease) in net position	7,391	(5,948)
Net position at beginning of year	56,640	62,588
Net position at end of year	$ 64,031	$ 56,640

Condensed statements of cash flows	2023	2022
Net cash provided (used) by:		
Operating activities	$ 2,564	$ 372
Noncapital financing activities		1,750
Investing activities	(2,501)	(2,224)
Net increase (decrease) in cash	63	(102)
Cash at beginning of year	26	128
Cash at end of year	$ 89	$ 26

Required Supplementary Information (Unaudited)

Required Supplementary Information (RSI) (Unaudited)

Years ended June 30, 2023 and 2022 (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
2023	$ 47,604	$ 1,654,230	2.88%
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	2023	2022	2021	2020	2019	2018	2017	2016
Service cost	$ 4,054	$ 4,700	$ 4,571	$ 3,682	$ 3,870	$ 3,763	$ 3,446	$ 2,961
Interest	1,888	1,227	1,098	1,496	1,361	1,202	973	1,150
Differences between expected and actual experience	(69)	297	3,024	1,148	(344)	2,596	(281)	3,374
Changes of actuarial assumptions or other inputs	(5,368)	(5,183)	1,940	3,683	2,879	(120)	1,023	1,674
Benefit payments	(4,300)	(3,753)	(3,208)	(3,606)	(2,419)	(4,966)	(5,147)	(5,794)
(Decrease) increase in OPEB liability	(3,795)	(2,712)	7,425	6,403	5,347	2,475	14	3,365
Total OPEB liability—beginning	51,399	54,111	46,686	40,283	34,936	32,461	32,447	29,082
Total OPEB liability—ending	$ 47,604	$ 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)
6/30/2022	0.677%	$ 29,443	$ 8,219	358.231%	70.53%
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)
6/30/2022	13.124%	$ 215,664	$ 446,644	48.285%	90.60%
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 PEPFF, the single discount rate changed from 6.5 percent to 5.4 percent for the actuarial valuation date of June 30, 2022. For SERF, the single discount rate changed from 6.50 percent to 6.75 percent for the actuarial valuation date of June 30, 2022. 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 remained unchanged at 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. Refer to Note 8 for additional information related to PEPFF and SERF.

Pensions

Schedules of Employer's Contributions – Last 10 Years

Public Employee Police and Fire Fund (PEPFF)*

Year Ended June 30	Contractually Required Contribution (a)	Contributions in Relation to the Contractually Required Contribution (b)	Contribution Deficiency (Excess) (c) = a - b	University's Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (e) = b / d
2022	$ 1,455	$ 1,455		$ 8,219	17.70%
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
2022	$ 27,915	$ 27,915		$446,644	6.25%
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*