

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2016 AND 2015

**UNIVERSITY OF MINNESOTA FOUNDATION
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INDEPENDENT AUDITORS' REPORT

Audit Committee of the Board of Trustees
University of Minnesota Foundation
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of University of Minnesota Foundation (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

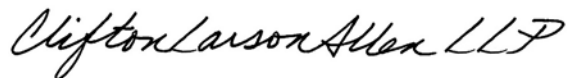
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University of Minnesota Foundation as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statements of financial position and consolidating statements of activities are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 11, 2016

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 44,556,225	\$ 35,648,842
Investments, at Fair Value	2,330,568,306	2,330,755,805
Receivables from Pending Liquidations	15,352,659	61,374,058
Investment Sale Receivable from a Related Party	25,000,000	-
Pledges Receivable, Net	183,825,146	174,328,145
Other Receivables, Primarily Interest	5,071,454	2,997,714
Split Interest Agreements:		
Beneficial Interest in Perpetual Trusts	65,258,721	66,896,925
Assets Held in Charitable Trusts	21,612,864	27,128,806
Beneficial Interest in Trusts	3,325,531	3,864,781
Gift Annuities	34,347,032	35,971,918
Office Property and Equipment, Net	2,435,420	1,593,340
University of Minnesota Foundation Real Estate Advisors:		
Property and Equipment, Net	30,080,587	31,285,812
University Gateway Corporation:		
Property and Equipment, Net	27,555,375	30,725,493
Net Investment in Direct Financing Leases	14,988,985	16,280,175
Debt Issuance Costs, Net of Accumulated Amortization	807,370	854,980
	\$ 2,804,785,675	\$ 2,819,706,794
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 31,132,646	\$ 29,984,572
Gift Annuities Payable	18,680,884	19,155,547
Liability Under Charitable Trust Agreements	10,490,914	11,687,651
Investments Held for Custody of Others	242,985,625	252,901,472
Securities Purchased but Not Settled	-	11,862,613
University Gateway Corporation:		
Derivative Financial Instrument	2,712,665	2,020,662
Capital Lease Payable	194,901	209,324
Bonds Payable	50,092,125	51,087,729
Total Liabilities	356,289,760	378,909,570
NET ASSETS		
Unrestricted	90,305,759	93,117,886
Noncontrolling Interest in Subsidiary	8,695,370	8,805,737
Total Unrestricted Net Assets	99,001,129	101,923,623
Temporarily Restricted	1,277,783,786	1,330,078,473
Permanently Restricted	1,071,711,000	1,008,795,128
Total Net Assets	2,448,495,915	2,440,797,224
Total Liabilities and Net Assets	\$ 2,804,785,675	\$ 2,819,706,794

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Contributions	\$ 514,974	\$ 160,774,762	\$ 62,289,094	\$ 223,578,830
Investment Income, Net of Investment Expenses of \$4,554,069	931,806	4,337,152	95,403	5,364,361
Net Realized and Unrealized Gains on Investments	1,671,753	28,654,833	2,020,931	32,347,517
Change in Carrying Value of Trusts	33,843	(772,516)	(1,489,556)	(2,228,229)
Support Services Revenue	7,212,410	-	-	7,212,410
University of Minnesota Foundation Real Estate Advisors:				
Rental Revenue	5,896,122	-	-	5,896,122
University Gateway Corporation Revenue	4,518,769	-	-	4,518,769
Miscellaneous Revenue	2,015,094	-	-	2,015,094
Net Assets Released from Restriction	245,288,918	(245,288,918)	-	-
Total Revenues	<u>268,083,689</u>	<u>(52,294,687)</u>	<u>62,915,872</u>	<u>278,704,874</u>
EXPENSES				
Program Services:				
Distributions for University Purposes	212,036,181	-	-	212,036,181
Support Services:				
Management and General:				
Operational Expenses	7,947,725	-	-	7,947,725
Legal and Accounting Fees	295,325	-	-	295,325
Depreciation	601,431	-	-	601,431
Other Expenses	613,978	-	-	613,978
Fundraising:				
Promotion and Development	32,118,693	-	-	32,118,693
University of Minnesota Foundation Real Estate Advisors:				
Operational Expenses	4,348,286	-	-	4,348,286
Depreciation	1,804,779	-	-	1,804,779
University Gateway Corporation:				
Operational Expenses	4,738,805	-	-	4,738,805
Depreciation	853,163	-	-	853,163
Change in Derivative Financial Instrument	692,003	-	-	692,003
Gift to University	4,955,814	-	-	4,955,814
Total Expenses	<u>271,006,183</u>	<u>-</u>	<u>-</u>	<u>271,006,183</u>
CHANGE IN NET ASSETS	(2,922,494)	(52,294,687)	62,915,872	7,698,691
Net Assets - Beginning of Year	<u>101,923,623</u>	<u>1,330,078,473</u>	<u>1,008,795,128</u>	<u>2,440,797,224</u>
NET ASSETS - END OF YEAR	<u>\$ 99,001,129</u>	<u>\$ 1,277,783,786</u>	<u>\$ 1,071,711,000</u>	<u>\$ 2,448,495,915</u>

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Contributions	\$ 6,083,756	\$ 207,089,736	\$ 58,132,530	\$ 271,306,022
Investment Income, Net of Investment Expenses of \$3,728,062	1,778,052	6,734,355	104,665	8,617,072
Net Realized and Unrealized Gains on Investments	2,586,634	88,583,125	-	91,169,759
Change in Carrying Value of Trusts	(10,014)	(182,522)	(867,902)	(1,060,438)
Support Services Revenue	7,355,562	-	-	7,355,562
University of Minnesota Foundation Real Estate Advisors:				
Rental Revenue	6,001,199	-	-	6,001,199
University Gateway Corporation Revenue	4,414,512	-	-	4,414,512
Miscellaneous Revenue	797,871	-	-	797,871
Net Assets Released from Restriction	238,410,059	(238,410,059)	-	-
Total Revenues	<u>267,417,631</u>	<u>63,814,635</u>	<u>57,369,293</u>	<u>388,601,559</u>
EXPENSES				
Program Services:				
Distributions for University Purposes	195,469,109	-	-	195,469,109
Support Services:				
Management and General:				
Operational Expenses	7,590,064	-	-	7,590,064
Legal and Accounting Fees	248,630	-	-	248,630
Depreciation	619,743	-	-	619,743
Other Expenses	418,628	-	-	418,628
Fundraising:				
Promotion and Development	29,512,585	-	-	29,512,585
University of Minnesota Foundation Real Estate Advisors:				
Operational Expenses	4,307,217	-	-	4,307,217
Depreciation	1,797,662	-	-	1,797,662
University Gateway Corporation:				
Operational Expenses	5,428,718	-	-	5,428,718
Depreciation	792,072	-	-	792,072
Change in Derivative Financial Instrument	109,556	-	-	109,556
Total Expenses	<u>246,293,984</u>	<u>-</u>	<u>-</u>	<u>246,293,984</u>
CHANGE IN NET ASSETS	21,123,647	63,814,635	57,369,293	142,307,575
Net Assets - Beginning of Year	<u>80,799,976</u>	<u>1,266,263,838</u>	<u>951,425,835</u>	<u>2,298,489,649</u>
NET ASSETS - END OF YEAR	<u>\$ 101,923,623</u>	<u>\$ 1,330,078,473</u>	<u>\$ 1,008,795,128</u>	<u>\$ 2,440,797,224</u>

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 7,698,691	\$ 142,307,575
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Realized and Unrealized Gains on Investments	(32,347,517)	(91,169,759)
Change in Net Carrying Value of Trusts	7,646,882	2,675,789
Change in Derivative Financial Instrument	692,003	109,556
Depreciation and Amortization Expense	3,259,373	3,260,832
University Gateway Corporation Gift to University	4,955,814	-
Loss on Disposal of Fixed Assets	-	3,096
Noncash Contributions	(8,612,530)	(16,735,333)
Contributions Restricted for Long-Term Investment	(59,126,240)	(55,960,454)
Change in Debt Issuance Costs and Discounts	-	(15,792)
Changes in Operating Assets and Liabilities:		
Pledges Receivable	(9,497,001)	(31,553,122)
Other Receivables	(2,073,740)	(433,623)
Unamortized Debt Issue Costs	47,610	(25,053)
Accounts Payable, Accrued Expenses, and Other Liabilities	1,148,074	8,387,309
Net Cash Used by Operating Activities	(86,208,581)	(39,148,979)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(4,681,924)	(2,180,296)
Investments Held for Custody of Others	(9,915,847)	2,725,629
Change in Receivables from Pending Liquidations	46,021,399	(61,204,804)
Investment Sale Receivable from a Related Party	(25,000,000)	-
Proceeds from Sales of Investments	2,599,573,537	2,346,774,563
Purchase of Investments	(2,570,288,604)	(2,290,402,807)
Principal Payments on Direct Financing Leases	1,291,190	1,189,231
Net Cash Provided (Used) by Investing Activities	36,999,751	(3,098,484)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Investment	59,126,240	55,960,454
Proceeds from Bond Issuance	-	18,264,595
Payments on Bonds Payable	(995,604)	(18,225,000)
Payments Under Capital Lease Obligation	(14,423)	(13,683)
Net Cash Provided by Financing Activities	58,116,213	55,986,366
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,907,383	13,738,903
Cash and Cash Equivalents - Beginning of Year	35,648,842	21,909,939
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 44,556,225	\$ 35,648,842
NONCASH ACTIVITIES		
Contributions of Securities and Property	\$ 8,612,530	\$ 16,735,333
University Gateway Corporation Gift to University	\$ 4,955,814	\$ -

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The University of Minnesota Foundation (the Foundation) was incorporated as a nonprofit corporation in the state of Minnesota in 1962 and operates exclusively for the benefit of the University of Minnesota (the University).

The accounting policies of the Foundation conform to U.S. generally accepted accounting principles. The following is a summary of the more significant accounting policies:

Principles of Consolidation

The consolidated financial statements include those of the Foundation and its related entities, the University of Minnesota Foundation Investment Advisors (UMFIA), University of Minnesota Foundation-Dinnaken Housing, LLC (dba: University of Minnesota Foundation Real Estate Advisors (UMFREA)), and University Gateway Corporation (UGC). UMFIA is a nonprofit organization established to oversee the investment and management of the investments of the Foundation. UMFREA is a limited liability corporation established primarily to provide housing to University of Minnesota students. UGC is a nonprofit organization established to construct, own, and operate a facility to be used to support its beneficiary organizations and the University in student recruiting, alumni relations, fundraising activities, and general operations. During the year ended June 30, 2015, the Foundation had a 67% voting interest in UGC. During the year ended June 30, 2016, the Foundation's voting interest was amended to a 60% voting interest in UGC. The 40% voting interest in UGC is owned by University of Minnesota Alumni Association and constitutes the noncontrolling interest. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Basis of Presentation

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

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Foundation.
- Temporarily restricted net assets consist of contributions that have been restricted by the donor for specific purposes or are time restricted.
- Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as a release from restriction.

Basis of Accounting

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents on the consolidated statement of cash flows consist of cash held in checking and temporary investments with maturities of less than three months. At times, balances may exceed federally insured limits.

Derivative Financial Instruments

The Foundation invests in various stock indexes, fixed income, foreign currency derivatives, and equity options. The Foundation uses derivatives with the objectives of reducing portfolio risk and/or lowering investment costs. Derivative uses include managing the duration of the fixed-income portfolio, gaining investment exposure to specific markets, maintaining investment policy allocation, and managing risk related to specific public companies that are within the underlying investment funds. Derivative instruments are measured at fair value and reported as assets or liabilities in the consolidated statement of financial position. Changes in the fair value of derivatives during the year are reported in the consolidated statements of activities.

As of June 30, 2016, the Foundation had 426 contracts outstanding and contract exposure amounts of \$59,556,063 of long positions in bond index futures, 155 contracts outstanding and contract exposure amounts of \$29,573,359 of short positions in bond index futures, 256 contracts outstanding and contract exposure amounts of \$11,796,535 of long positions in equity index futures, 1,375 contracts outstanding and contract exposure amounts of \$126,751,550 of short positions in equity index futures and 130 contracts outstanding and contract exposure amounts of \$19,145,125 of short positions in currency futures.

In addition, the Foundation had 23,289 contracts outstanding and contract exposure amounts of \$407,809,546 of long positions in equity index call options, 50,833 contracts outstanding and contract exposure amounts of \$657,032,950 of short positions in equity index call options, 50,433 contracts outstanding and contract exposure amounts of \$525,231,500 of short positions in equity put options.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments (Continued)

Net realized and unrealized gains and losses are recognized in the consolidated statements of activities. Net realized and unrealized losses of approximately \$583,533 were recognized for the year ended June 30, 2016.

As of June 30, 2015, the Foundation had 264 contracts outstanding and contract exposure amounts of \$38,919,634 of long positions in bond index futures, 42 contracts outstanding and contract exposure amounts of \$5,858,312 of short positions in bond index futures, 150 contracts outstanding and contract exposure amounts of \$15,843,882 of long positions in equity index futures, 298 contracts outstanding and contract exposure amounts of \$37,556,267 of short positions in equity index futures and 320 contracts outstanding and contract exposure amounts of \$64,321,481 of short positions in currency futures.

In addition, the Foundation had 620 contracts outstanding and contract exposure amounts of \$90,846,060 of long positions in equity index call options, 550 contracts outstanding and contract exposure amounts of \$971,250 of short positions in equity index call options, 550 contracts outstanding and contract exposure amounts of \$1,540,275 of short positions in equity put options.

Net realized and unrealized gains and losses are recognized in the consolidated statements of activities. Net realized and unrealized losses of approximately \$571,048 were recognized for the year ended June 30, 2015.

UGC has an interest rate swap that represents a derivative financial instrument and is recognized as either an asset or liability at its fair value in the consolidated statements of financial position, with the changes in the fair value reported in the consolidated statements of activities and changes in net assets. For the years ended June 30, 2016 and 2015, UGC recognized an unrealized loss of \$692,003 and \$109,556 on this instrument, respectively.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues on an accrual basis. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at rates of 1.49% – 9% based on when the contribution was made. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history.

Donated property is recorded at fair value on the date of the donation.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held in Charitable Trusts

The Foundation has entered into unitrust and annuity trust agreements as trustee that provide, among other matters, that the trustee shall pay to the beneficiaries an annual income payment until the income obligation is completed in accordance with the donor's trust agreement. The Foundation records the assets held in these trusts at fair value and the corresponding liability at the actuarially determined present value of payments to be made to the designated beneficiaries. The residual amount is recorded as contribution revenue at the time the trust is established. In subsequent periods, the liability under charitable trust agreements is adjusted and changes therein are reported as a component of the Change in Carrying Value of Trusts in the consolidated statement of activities. Upon termination of the income obligation, the assets of the trust are held by the Foundation in accordance with the donor's trust agreement.

Gift Annuity Agreements

The Foundation has entered into gift annuity agreements that provide that the Foundation shall pay to the designated beneficiaries an annual amount until the death of the designated beneficiaries. The payments continue even if the assets of the gift annuity fund have been exhausted. The Foundation records the assets received at fair value and a corresponding liability is recorded for the actuarially determined present value of payments to be made to the designated beneficiaries, with the residual amount recorded as contribution revenue. Upon the death of the beneficiaries, the assets of the gift annuity fund are held by the Foundation in accordance with the agreements.

Beneficial Interest in Trusts

The Foundation has beneficial interests in charitable remainder, lead, and perpetual trusts that are held by other entities such as banks or charitable organizations. The Foundation records its interest in these trusts, upon discovery of their existence, at fair value as determined using the present value of the estimated future cash receipts to be received from the trust. Because of the complex issues related to collecting the data for these transactions, there can be a time delay in the recording of the asset because of the time needed for discovery, verification of the Foundation's rights and the determination of the valuation of future payments.

Included within beneficial interest in perpetual trusts are two inter-related trust agreements whereby the Foundation will receive a continual stream of periodic payments equal to 5% annually of the fair value of the trusts. The present value of the future benefits to be received by the Foundation for these trusts was \$36,695,623 and \$36,560,572 at June 30, 2016 and 2015, respectively.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Internal Revenue Service has ruled that the Foundation is a publicly supported organization under Internal Revenue Code Section 170(b)(1)(A) and is not a private foundation as defined under Section 509(a)(1). The Foundation is a tax-exempt organization under Section 501(c)(3) and, as such, is subject to federal and state income tax only on net unrelated business income.

The Foundation follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the Foundation due to the implementation of this standard. The Foundation's tax returns are subject to review and examination by federal and state authorities.

Investments

Investments in cash equivalents, corporate bonds, other fixed income securities, equity securities, and Treasury inflation protected securities with readily determinable fair values are reported at fair value as set forth in Note 3 (traditional structures). Investments held in alternative structures, except those reported as Level 3 in Note 3, 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.

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 the unrestricted and restricted net assets are pooled, except for certain net assets that the board of trustees or the 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.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Office Property and Equipment

Office property and equipment are stated at cost, less accumulated depreciation, and are depreciated over their estimated useful lives ranging from 3 to 15 years using the straight-line method. The Foundation capitalizes items over \$2,500.

UMFREA Property and Equipment

UMFREA includes four student housing facilities and other property. Rental revenues are recorded as earned over the lives of the associated lease agreements related to the housing facilities and property.

UMFREA property and equipment, less accumulated depreciation, is depreciated over their estimated useful lives ranging from 3 to 27.5 years using the straight-line method. UMFREA also holds nondepreciable land and all properties are exempt from real estate taxes. UMFREA capitalizes items over \$10,000.

UGC Property and Equipment

Building, plaza, and furniture and fixtures are stated at cost, less accumulated depreciation, and are depreciated over their estimated useful lives ranging from 3 to 39 years using the straight-line method. UGC capitalizes items over \$1,500.

UGC Net Investment in Direct Financing Leases and Property and Equipment

UGC's leases with the Foundation, University of Minnesota Alumni Association, and the University of Minnesota Regents have been classified as direct financing leases. Under the direct financing method of accounting for leases, the total net rentals receivable under the lease contracts, net of unearned income, are recorded as net investment in direct financing leases, and the unearned income on each lease is recognized each month at a constant periodic rate of return on the unrecovered investment.

Upon consolidation, the net investment in direct financing leases between the Foundation and UGC was eliminated and transferred into Property and Equipment on the consolidated statements of financial position and the corresponding Depreciation expense was reflected in the consolidated statements of activities.

Distributions for University purposes

Distributions are recognized as expenses in the period the funds are requested.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments Held for Custody of Others

The Foundation manages certain investments on behalf of other charitable organizations, including the University of Minnesota Alumni Association, Minnesota 4-H Foundation, Association of Public and Land-grant Universities, Immigration History Research Center, Minnesota Landscape Arboretum Foundation, Veterans Administration Medical Center, Minnesota Lions Vision Foundation, Inc., and the Walker Art Center. The management of these investments is subject to agreements with each that govern the arrangements, including the timing of additions and redemptions. At June 30, 2016 and 2015, investments held for custody of others were \$242,985,625 and \$252,901,472, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that 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 these estimates.

New Accounting Pronouncements

During the year ended June 30, 2016, the Foundation early adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. This provision eliminates the requirement for entities, other than public business entities, to disclose the fair values of financial instruments carried at amortized cost, as previously required by Accounting Standards Codification (ASC) 825-10-50. As such, the Foundation has omitted this disclosure for the years ended June 30, 2016 and 2015. The early adoption of this provision did not have an impact on the Foundation's financial position or results of operations.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 INVESTMENTS

The investments at June 30 are summarized as follows:

	2016		
	Traditional Structures	Alternative Structures	Total
Cash and Cash Equivalents	\$ 229,397,700	\$ -	\$ 229,397,700
Fixed Income	705,222,949	246,425,213	951,648,162
Global Equity	49,801,021	45,392,846	95,193,867
Hedge Funds	-	124,179,583	124,179,583
Natural Resources	25,763,681	108,564,155	134,327,836
Treasure Inflation Protected Securities (TIPS)	198,007,598	-	198,007,598
Real Estate	-	58,322,410	58,322,410
Private Equity	-	567,165,361	567,165,361
Other Investments	-	4,786,521	4,786,521
Total	<u>\$ 1,208,192,949</u>	<u>\$ 1,154,836,089</u>	<u>2,363,029,038</u>

Less: Charitable Gift Annuities Reported Separately		<u>(32,460,732)</u>
Total		<u>\$ 2,330,568,306</u>

	2015		
	Traditional Structures	Alternative Structures	Total
Cash and Cash Equivalents	\$ 273,251,882	\$ -	\$ 273,251,882
Fixed Income	320,676,427	219,280,780	539,957,207
Global Equity	54,615,072	212,540,826	267,155,898
Hedge Funds	22,602,290	328,072,703	350,674,993
Natural Resources	28,622,619	107,028,983	135,651,602
Treasure Inflation Protected Securities (TIPS)	130,013,255	-	130,013,255
Real Estate	-	68,225,973	68,225,973
Private Equity	-	595,482,372	595,482,372
Other Investments	-	4,460,381	4,460,381
Total	<u>\$ 829,781,545</u>	<u>\$ 1,535,092,018</u>	<u>2,364,873,563</u>

Less: Charitable Gift Annuities Reported Separately		<u>(34,117,758)</u>
Total		<u>\$ 2,330,755,805</u>

Fixed income investments include high yield bonds, bank loans, mortgage, and related securitizations.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 INVESTMENTS (CONTINUED)

Investments held in traditional structures represent those held directly by the Foundation 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 Foundation's interests in the funds. At June 30, 2016 and 2015, the Foundation has \$1,154,836,089 and \$1,535,092,018, respectively, of investments in alternative structures which are reported at net asset value as a practical expedient, except those reported as Level 3 in Note 3. 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 Foundation 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.

NOTE 3 FAIR VALUE MEASUREMENTS

The Foundation allows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Foundation 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.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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 table summarizes the Foundation's financial assets and other liabilities measured at fair value on a recurring basis at June 30, 2016 and 2015:

	2016			Total
	Level 1	Level 2	Level 3	
Investments:				
Fixed Income:				
Asset Backed Securities	\$ -	\$ 14,033,529	\$ -	\$ 14,033,529
Mortgages	-	8,096,581	-	8,096,581
Corporate Bonds	-	58,395,164	-	58,395,164
Government	-	620,604,187	-	620,604,187
Other	1,173,158	2,920,330	14,518,650	18,612,138
Global Equity:				
Small Cap	1,539,050	-	-	1,539,050
Large Cap	356,390	-	-	356,390
Closed End/Exchange Traded Funds	9,194,164	-	-	9,194,164
Other	38,711,417	-	4,278,432	42,989,849
Natural Resources	25,763,681	-	-	25,763,681
Treasury Inflation Protected Securities (TIPS)	-	198,007,598	-	198,007,598
Total Investments	<u>\$ 76,737,860</u>	<u>\$ 902,057,389</u>	<u>\$ 18,797,082</u>	<u>997,592,331</u>
Cash and Cash Equivalents				229,397,700
Investments Measured at Net Asset Value or its Equivalent				1,136,039,007
Total Investments and Cash				<u>\$ 2,363,029,038</u>
Gift Annuities not Categorized Above	\$ 1,886,300	\$ -	\$ -	\$ 1,886,300
Beneficial Interest in Perpetual Trusts	-	-	65,258,721	65,258,721
Assets Held in Charitable Trusts	21,612,864	-	-	21,612,864
Beneficial Interest in Trusts	-	-	3,325,531	3,325,531
UGC Derivative Financial Instrument	-	(2,712,665)	-	(2,712,665)

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

	2015			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Fixed Income:				
Asset Backed Securities	\$ -	\$ 46,354,843	\$ -	\$ 46,354,843
Mortgages	-	24,004,360	-	24,004,360
Corporate Bonds	54,721	31,966,566	-	32,021,287
Government	-	197,972,392	-	197,972,392
Other	16,215,225	4,108,320	27,757,813	48,081,358
Global Equity:				
Small Cap	10,588,063	-	-	10,588,063
Large Cap	44,013,425	-	-	44,013,425
Other	-	13,584	-	13,584
Hedge Funds:				
Fixed Income Arbitrage	22,602,290	-	-	22,602,290
Natural Resources	28,622,619	-	-	28,622,619
Treasury Inflation Protected Securities (TIPS)	-	130,013,255	-	130,013,255
Total Investments	<u>\$ 122,096,343</u>	<u>\$ 434,433,320</u>	<u>\$ 27,757,813</u>	<u>584,287,476</u>
Cash and Cash Equivalents				273,251,882
Investments Measured at Net Asset Value or its Equivalent				<u>1,507,334,205</u>
Total Investments and Cash				<u>\$ 2,364,873,563</u>
Gift Annuities not Categorized Above	\$ 1,854,160	\$ -	\$ -	\$ 1,854,160
Beneficial Interest in Perpetual Trusts	-	-	66,896,925	66,896,925
Assets Held in Charitable Trusts	23,384,406	3,744,400	-	27,128,806
Beneficial Interest in Trusts	-	-	3,864,781	3,864,781
UGC Derivative Financial Instrument	-	(2,020,662)	-	(2,020,662)

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

	Beginning Balance at July 1, 2015	Investment Income	Net Realized and Unrealized Gain (Loss)	Purchases	Sales	Ending Balance at June 30, 2016
Fixed Income:						
Other	\$ 27,757,813	\$ -	\$ (9,217,463)	\$ 18,591,000	\$ (22,612,700)	\$ 14,518,650
Global Equity:						
Other	-	-	(87,965)	4,366,397	-	4,278,432
Total	<u>\$ 27,757,813</u>	<u>\$ -</u>	<u>\$ (9,305,428)</u>	<u>\$ 22,957,397</u>	<u>\$ (22,612,700)</u>	<u>\$ 18,797,082</u>
	Beginning Balance at July 1, 2014	Investment Income	Net Realized and Unrealized Gain (Loss)	Purchases	Sales	Ending Balance at June 30, 2015
Fixed Income:						
Other	\$ -	\$ (3,651)	\$ (5,513)	\$ 38,766,977	\$ (11,000,000)	\$ 27,757,813

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2015	Change in Carrying Value of Trusts	Ending Balance at June 30, 2016
Beneficial Interest in Trusts	\$ 3,864,781	\$ (539,250)	\$ 3,325,531
Beneficial Interest in Perpetual Trusts	66,896,925	(1,638,204)	65,258,721

	Beginning Balance at July 1, 2014	Change in Carrying Value of Trusts	Ending Balance at June 30, 2015
Beneficial Interest in Trusts	\$ 4,341,350	\$ (476,569)	\$ 3,864,781
Beneficial Interest in Perpetual Trusts	67,575,349	(678,424)	66,896,925

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 at June 30:

	2016			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments:				
Fixed Income (a)	\$ 231,906,563	\$ 240,172,612	None	None
Global Equity (b)	41,114,414	-	None or Monthly to Quarterly	None or 0-30 Days
Hedge Funds (c)	124,179,583	-	None or Monthly to Annually	None or 30-180 Days
Natural Resources (d)	108,564,155	43,881,971	None	None
Real Estate (e)	58,322,410	43,940,648	None	None
Private Equity (f)	567,165,361	202,135,657	None	None
Other Investments (g)	4,786,521	-	None	None
Total	<u>\$ 1,136,039,007</u>	<u>\$ 530,130,888</u>		

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

	2015			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments:				
Fixed Income (a)	\$ 191,522,967	\$ 54,139,942	None or Quarterly	None
Global Equity (b)	212,540,826	-	None or Monthly to Quarterly	None or 0-30 Days
Hedge Funds (c)	328,072,703	-	None or Monthly to Annually	None or 30-180 Days
Natural Resources (d)	107,028,983	36,049,596	None	None
Real Estate (e)	68,225,973	35,717,528	None	None
Private Equity (f)	595,482,372	150,489,493	None	None
Other Investments (g)	4,460,381	-	None	None
Total	<u>\$ 1,507,334,205</u>	<u>\$ 276,396,559</u>		

In addition to the unfunded commitments noted above, the Foundation has entered into investment commitments of \$105,637,000 since June 30, 2016 which are expected to be paid within one year.

- (a) Fixed Income – this category includes direct investments in private funds that invest in debt securities. The fair value of these investments has been estimated using the percentage share of the Foundation's ownership interest in partner's capital. Distributions from each fund are received when the underlying investments in the funds create distributable cash flow and when underlying investments are liquidated. These investments cannot be redeemed. It is estimated that the underlying assets of the fund will be liquidated over the next two to five years.
- (b) Global Equity – this category includes investments in funds that invest in common stocks. The managers of the funds have the flexibility to change their exposure based on their view of particular securities and the overall market. Certain of the funds have redemption and notice of redemption requirements that generally limit the ability to liquidate the positions in a short period of time. The fair values of the investments have been estimated using the net asset value per share of the investments. Distributions from the fund are received when the underlying investments in the fund create distributable cash flow and when underlying investments are liquidated.
- (c) Hedge Funds – this category includes investments in hedge funds that invest in equity, debt, structured products, and derivative securities. Debt securities include corporate debt, mortgage debt, and sovereign debt. The managers of these funds have the flexibility to change their exposure based on their view of particular securities and the overall market. The strategies of these funds include event-driven, relative value, arbitrage, and directional strategies. Certain of these funds have various redemption and notice of redemption requirements that generally limit the ability to liquidate them in a short period of time. The fair values of these investments have been estimated using the net asset value per share of the investments.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

- (d) Natural Resources – this category includes direct investments in natural resource related firms, generally through limited partnerships, that invest in private companies. The fair value of these investments has been estimated using the percentage share of the Foundation's ownership interest in partner's capital. Distributions from each fund are received when the underlying investments in the funds create distributable cash flow and when underlying investments are liquidated. These investments cannot be redeemed. It is estimated that the underlying assets of the fund will be liquidated over the next one to ten years.
- (e) Real Estate – this category includes direct investments in real asset funds, generally through limited partnerships, that invest in real estate. Certain of the funds have redemption and notice of redemption requirements that generally limit the ability to liquidate the position in a short period of time. The fair value of these investments has been estimated using the appropriate measurement for the type of investment, including net asset value per share and percentage share of the Foundation's ownership interest in partner's capital.
- (f) Private Equity – this category includes direct investments in private equity funds, generally through limited partnerships, that invest in private companies, private debt, intellectual property, structured products and special situations. The fair value of these investments has been estimated using the percentage share of the Foundation's ownership interest in partner's capital. Distributions from each fund are received when the underlying investments in the funds create distributable cash flow and when underlying investments are liquidated. These investments cannot be redeemed. It is estimated that the underlying assets of the fund will be liquidated over the next one to ten years.
- (g) Other investments – this category includes direct investments in property, limited partnerships, contract for deeds, and cash surrender value of life insurance that were gifted to the Foundation. The fair value of these investments has been estimated using the appropriate measurement for the type of investment, including fair value, appraisals, and percentage share of the Foundation's ownership interest in partner's capital.

The Foundation'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 Foundation's interest in the funds.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable, net of unamortized discount (at rates of 1.49% - 9%) of \$22,440,872 and \$25,983,867 are summarized as follows at June 30:

	2016	2015
Unconditional Promises Expected to be Collected In:		
Less than One Year	\$ 43,266,638	\$ 43,758,827
One Year to Five Years	104,247,747	92,782,805
Greater than Five Years	40,510,761	41,886,513
Total	188,025,146	178,428,145
Reserve for Uncollectible Pledges	(4,200,000)	(4,100,000)
Pledges Receivable	\$ 183,825,146	\$ 174,328,145

In addition, the Foundation has received conditional promises to give in the amount of \$11,205,385 and \$10,173,685 as of June 30, 2016 and 2015, respectively. These gifts are primarily conditioned on completion of building or fundraising projects, evaluation of progress on projects, or matching funds.

At June 30, 2016 and 2015, 48% and 57%, respectively, of the Foundation's gross pledges receivable balance was related to two donors.

NOTE 5 OFFICE PROPERTY AND EQUIPMENT

The following is a summary of office property and equipment at June 30:

	2016	2015
Leasehold Improvements	\$ 2,658,151	\$ 1,880,800
Furniture and Fixtures	3,563,578	4,057,757
Less: Accumulated Depreciation	(3,786,309)	(4,345,217)
Total	\$ 2,435,420	\$ 1,593,340

NOTE 6 UMFREA PROPERTY AND EQUIPMENT

The following is a summary of UMFREA property and equipment at June 30:

	2016	2015
Land	\$ 10,690,935	\$ 10,690,935
Property and Equipment	27,421,031	26,821,477
Less: Accumulated Depreciation	(8,031,379)	(6,226,600)
Total	\$ 30,080,587	\$ 31,285,812

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 7 UGC PROPERTY AND EQUIPMENT

The following is a summary of UGC property and equipment at June 30:

	<u>2016</u>	<u>2015</u>
Building	\$ 15,584,203	\$ 15,879,822
Plaza Exterior Features	1,765,486	1,765,486
Furniture and Fixtures	4,266,770	4,139,514
Construction in Progress	124,352	2,786,694
Less: Accumulated Depreciation	<u>(7,068,826)</u>	<u>(6,625,285)</u>
Subtotal	14,671,985	17,946,231
Elimination Adjustment Due to Consolidation of UGC (Note 1)	12,883,390	12,779,262
Total	<u>\$ 27,555,375</u>	<u>\$ 30,725,493</u>

NOTE 8 LINE OF CREDIT

UMFREA has a line of credit agreement with the Foundation which allows UMFREA to borrow up to \$20 million with interest accruing at 3%. There were no draws upon the line of credit during the year. The outstanding balance as of June 30, 2016 and 2015 was \$8,017,120. The transaction is eliminated in consolidation.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of June 30 for the following purposes:

	<u>2016</u>	<u>2015</u>
The portion of unexpended investment return generated from donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) consists of:		
Capital Improvement/Facilities	\$ 8,081,290	\$ 8,351,376
Faculty Support	9,012,121	9,189,196
Scholarships and Fellowships	119,791,839	129,475,360
Lectureships, Professorships, and Chairs	180,924,234	191,104,243
College Program Support	58,428,484	59,171,669
Research	11,716,332	12,254,600
Other	2,229,914	2,108,669
Subtotal	<u>390,184,214</u>	<u>411,655,113</u>
Gifts and Other Unexpended Revenues and Gains Available for:		
Capital Improvement/Facilities	160,454,141	152,359,428
Faculty Support	18,395,921	16,422,922
Scholarships and Fellowships	151,450,832	148,428,815
Lectureships, Professorships, and Chairs	44,195,761	40,110,976
College Program Support	348,271,858	400,399,670
Research	143,781,141	140,370,183
Trusts	10,569,674	11,351,227
Other	10,480,244	8,980,139
Subtotal	<u>887,599,572</u>	<u>918,423,360</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 1,277,783,786</u></u>	<u><u>\$ 1,330,078,473</u></u>

NOTE 10 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity. The permanently restricted net asset balances and purposes the income is expendable to support as of June 30 are as follows:

	<u>2016</u>	<u>2015</u>
Capital Improvement/Facilities	\$ 8,185,118	\$ 7,843,799
Faculty Support	20,908,980	18,840,719
Scholarships and Fellowships	460,846,966	416,216,292
Lectureships, Professorships, and Chairs	376,822,615	362,461,640
College Program Support	94,799,246	87,865,507
Research	36,056,378	35,739,825
Trusts	70,447,671	76,191,807
Other	3,644,026	3,635,539
Total	<u><u>\$ 1,071,711,000</u></u>	<u><u>\$ 1,008,795,128</u></u>

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 ENDOWMENT FUNDS

The Foundation's endowment consists of funds established for a variety of purposes. The endowment consists of donor-restricted and board designated endowment funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of trustees has interpreted UPMIFA to require that endowment fund investment and spending policies be designed with the aim of preserving the amount of each endowment fund which is prudent for the uses, benefits, purposes and duration for which each endowment fund was established. For accounting purposes only, the Foundation has classified as permanently restricted net assets the following: (a) the original value of gifts donated to its endowment funds, (b) the original value of subsequent gifts to such endowment funds, and (c) accumulations to such endowment funds made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of a donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment Net Asset Composition by Type of Fund

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ (15,803,360)	\$ 390,184,214	\$ 1,001,313,235	\$ 1,375,694,089
Board-Designated Endowment Funds	9,545,328	-	-	9,545,328
Total	<u>\$ (6,258,032)</u>	<u>\$ 390,184,214</u>	<u>\$ 1,001,313,235</u>	<u>\$ 1,385,239,417</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-Restricted Endowment Funds	\$ (15,056,230)	\$ 411,655,113	\$ 936,886,413	\$ 1,333,485,296
Board-Designated Endowment Funds	9,741,688	-	-	9,741,688
Total	<u>\$ (5,314,542)</u>	<u>\$ 411,655,113</u>	<u>\$ 936,886,413</u>	<u>\$ 1,343,226,984</u>

Changes in Endowment Net Assets

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets - Beginning of Year	\$ (5,314,542)	\$ 411,655,113	\$ 936,886,413	\$ 1,343,226,984
Total Investment Return	(542,722)	26,357,133	2,119,388	27,933,799
Cash Contributions and Pledge Receipts	-	-	58,287,186	58,287,186
Change in Carrying Value of Trusts	-	-	4,353,624	4,353,624
Change in Donor Restrictions	-	(36,864)	(333,376)	(370,240)
Appropriation of Assets	(400,768)	(47,791,168)	-	(48,191,936)
Endowment Net Assets - End of Year	<u>\$ (6,258,032)</u>	<u>\$ 390,184,214</u>	<u>\$ 1,001,313,235</u>	<u>\$ 1,385,239,417</u>

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 ENDOWMENT FUNDS (CONTINUED)

Changes in Endowment Net Assets (Continued)

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets - Beginning of Year	\$ (6,309,105)	\$ 421,680,977	\$ 883,388,590	\$ 1,298,760,462
Total Investment Return	1,380,113	35,852,286	104,665	37,337,064
Cash Contributions and Pledge Receipts	-	239,361	52,637,333	52,876,694
Change in Carrying Value of Trusts	-	-	755,825	755,825
Change in Donor Restrictions	-	-	-	-
Appropriation of Assets	(385,550)	(46,117,511)	-	(46,503,061)
Endowment Net Assets - End of Year	<u>\$ (5,314,542)</u>	<u>\$ 411,655,113</u>	<u>\$ 936,886,413</u>	<u>\$ 1,343,226,984</u>

Funds with Deficiencies (Underwater Funds)

At June 30, 2016 and 2015, as a result of investment losses and Board authorized distributions, the fair value of certain endowment assets was less than the related donor-restricted amounts. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets and totaled \$15,803,360 and \$15,056,230, respectively. The reporting of such deficiencies as a reduction of Foundation-controlled unrestricted net assets does not legally create an affirmative obligation of the Foundation to restore the fair value of those funds from unrestricted assets.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold indefinitely or for a donor-specified period(s) as well as board-designated funds. Under this policy, the investment goal is to achieve an annualized return of five percentage points in excess of inflation; thereby providing designated programs with a revenue source that keeps pace with inflation. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 11 ENDOWMENT FUNDS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

In developing its spending policy, the Foundation considers certain of the following factors which it determines relevant:

1. The duration and preservation of the fund;
2. The purposes of the Foundation and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Foundation; and
7. The investment policies of Foundation.

The board of trustees of the Foundation has adopted a policy of appropriating for distribution each year 4.5% of its endowment funds' five-year trailing average. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 12 SUPPORT SERVICES REVENUE AND EXPENSE

The Foundation provides much of the development functions for the University. An annual amount is allocated by the University to reimburse the Foundation for a portion of the direct costs of support services provided by the Foundation on behalf of the University.

The costs of the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

NOTE 13 BONDS PAYABLE AND LOAN GUARANTY

Approximate amounts payable under bonds payable at June 30 consists of the following:

<u>Description</u>	<u>2016</u>	<u>2015</u>
City of Minneapolis revenue bonds, Series 1997-B, with interest at a variable rate, principal due in December 2027	\$ 15,000,000	\$ 15,000,000
City of Minneapolis revenue bonds, Series 2002, with interest at a variable rate, principal due in June 2032	7,350,000	7,350,000

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 13 BONDS PAYABLE AND LOAN GUARANTY (CONTINUED)

<u>Description</u>	<u>2016</u>	<u>2015</u>
City of Minneapolis revenue bonds, Series 2009, with interest at a variable rate, principal due in December 2040	\$ 10,500,000	\$ 10,500,000
City of Minneapolis revenue bonds, Series 2015, with interest ranging from 2.00% to 4.00%, maturing serially from December 2015 through December 2031	<u>16,060,000</u>	<u>16,975,000</u>
Subtotal	48,910,000	49,825,000
Plus: Premium on Series 2015 Bonds	<u>1,182,125</u>	<u>1,262,729</u>
Total	<u><u>\$ 50,092,125</u></u>	<u><u>\$ 51,087,729</u></u>

Aggregate annual maturities are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 770,000
2018	785,000
2019	800,000
2020	825,000
2021	860,000
Thereafter	<u>44,870,000</u>
Total	<u><u>\$ 48,910,000</u></u>

NOTE 14 LEASES

UGC's operations consist principally of leasing space to the University of Minnesota and to the two beneficiary organizations: the Foundation and the University of Minnesota Alumni Association. The beneficiary organizations' leases commenced on October 1, 1999 and have terms of 25 years and provide for tenants to share in the insurance, utilities, advertising, and other common-area costs. The minimum future rentals to be received from the leases in effect as of June 30 are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 1,397,586
2018	1,397,586
2019	1,397,586
2020	1,397,586
2021	1,397,586
Thereafter	<u>23,480,257</u>
Total	<u><u>\$ 30,468,187</u></u>

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 14 LEASES (CONTINUED)

UGC also leases space to the University of Minnesota (the Regents). This lease commenced on October 1, 1999 and provides for the Regents to rent approximately 125,000 square feet of the facility. The lease had an initial term of 15 years. Effective October 1, 2009, the Regents exercised their option to extend the lease to September 30, 2024. The lease provides for the Regents to share in the operating costs of the facility, as defined in the lease. The minimum future rentals to be received from the lease in effect as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 2,410,579
2018	2,410,579
2019	2,410,579
2020	2,410,579
2021	2,410,579
Thereafter	7,231,737
Total	<u>\$ 19,284,632</u>

UGC's leases with the aforementioned tenants have been classified as direct financing leases. UGC's net investment in direct financing leases consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Minimum Lease Payments:		
Payments Under Lease Agreements	\$ 30,465,319	\$ 34,273,484
Residual Value Guarantee	19,287,500	19,287,500
Minimum Lease Payments Receivable	49,752,819	53,560,984
Unearned Income	<u>(20,680,622)</u>	<u>(23,662,833)</u>
Net Investment in Direct Financing Leases	29,072,197	29,898,151
Direct Financing Leases Elimination Due to Consolidation of UGC	<u>(14,083,212)</u>	<u>(13,617,976)</u>
Total	<u>\$ 14,988,985</u>	<u>\$ 16,280,175</u>

The Regents have leased UGC the land on which the facility is constructed. The lease has an initial term of 50 years and gives UGC the option of extending the lease for a total of 10 five-year periods. The lease provides for UGC to pay rent of \$100 per year for the first 25 years and \$80,000 per year for the remaining term of the lease. The lease also includes provisions under which the rental payment of \$80,000 per year may be subject to adjustment. UGC has prepaid the first 25 years of the lease. Upon the end of the term of the land lease, both the property and any building and improvements thereon revert back to the Regents.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 15 RETIREMENT PLANS

The Foundation staff members participate in the University's retirement plans. The University manages all plan administration, payment, and disclosure obligations. The Foundation has no unfunded liabilities with respect to the plans.

NOTE 16 SUBSEQUENT EVENTS

In connection with the preparation of the consolidated financial statements, the Foundation evaluated subsequent events after the consolidated statements of financial position date of June 30, 2016 through October 11, 2016, which was the date the consolidated financial statements were available to be issued.

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

	University of Minnesota Foundation	University of Minnesota Foundation Investments Advisors	University of Minnesota Foundation Real Estate Advisors	University Gateway Corporation	Eliminations	Total
ASSETS						
Cash and Cash Equivalents	\$ 38,298,175	\$ 291,409	\$ 4,678,649	\$ 1,287,992	\$ -	\$ 44,556,225
Investments, at Fair Value	2,317,755,612	1,195,832	11,616,862	29,818,746	(29,818,746)	2,330,568,306
Receivables from Pending Liquidations	15,352,659	-	-	-	-	15,352,659
Investment Sale Receivable from a Related Party	25,000,000	-	-	-	-	25,000,000
Pledges Receivable, Net	183,825,146	-	-	-	-	183,825,146
Other Receivables, Primarily Interest	12,332,949	-	571,721	326,700	(8,159,916)	5,071,454
Split Interest Agreements:						
Beneficial Interest in Perpetual Trusts	65,258,721	-	-	-	-	65,258,721
Assets Held in Charitable Trusts	21,612,864	-	-	-	-	21,612,864
Beneficial Interest in Trusts	3,325,531	-	-	-	-	3,325,531
Gift Annuities	34,347,032	-	-	-	-	34,347,032
Office Property and Equipment, Net	2,414,159	21,261	-	-	-	2,435,420
University of Minnesota Foundation Real Estate Advisors:						
Property and Equipment, Net	-	-	30,080,587	-	-	30,080,587
University Gateway Corporation:						
Property and Equipment, Net	-	-	-	14,671,985	12,883,390	27,555,375
Net Investment in Direct Financing Leases	-	-	-	29,072,197	(14,083,212)	14,988,985
Debt Issuance Costs, Net of Accumulated Amortization	-	-	-	807,370	-	807,370
Total Assets	\$ 2,719,522,848	\$ 1,508,502	\$ 46,947,819	\$ 75,984,990	\$ (39,178,484)	\$ 2,804,785,675
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 26,033,069	\$ 1,301,405	\$ 10,711,213	\$ 1,246,875	\$ (8,159,916)	\$ 31,132,646
Gift Annuities Payable	18,680,884	-	-	-	-	18,680,884
Liability Under Charitable Trust Agreements	10,490,914	-	-	-	-	10,490,914
Investments Held for Custody of Others	242,985,625	-	-	-	-	242,985,625
Securities Purchased but Not Settled	-	-	-	-	-	-
University Gateway Corporation:						
Derivative Financial Instrument	-	-	-	2,712,665	-	2,712,665
Capital Lease Payable	-	-	-	194,901	-	194,901
Bonds Payable	-	-	-	50,092,125	-	50,092,125
Total Liabilities	298,190,492	1,301,405	10,711,213	54,246,566	(8,159,916)	356,289,760
NET ASSETS						
Unrestricted	71,837,570	207,097	36,236,606	13,043,054	(31,018,568)	90,305,759
Noncontrolling Interest in Subsidiary	-	-	-	8,695,370	-	8,695,370
Total Unrestricted Net Assets	71,837,570	207,097	36,236,606	21,738,424	(31,018,568)	99,001,129
Temporarily Restricted	1,277,783,786	-	-	-	-	1,277,783,786
Permanently Restricted	1,071,711,000	-	-	-	-	1,071,711,000
Total Net Assets	2,421,332,356	207,097	36,236,606	21,738,424	(31,018,568)	2,448,495,915
Total Liabilities and Net Assets	\$ 2,719,522,848	\$ 1,508,502	\$ 46,947,819	\$ 75,984,990	\$ (39,178,484)	\$ 2,804,785,675

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015**

	University of Minnesota Foundation	University of Minnesota Foundation Investments Advisors	University of Minnesota Foundation Real Estate Advisors	University Gateway Corporation	Eliminations	Total
ASSETS						
Cash and Cash Equivalents	\$ 30,181,875	\$ 311,739	\$ 4,123,709	\$ 1,031,519	\$ -	\$ 35,648,842
Investments, at Fair Value	2,319,866,869	1,058,441	9,830,495	31,338,540	(31,338,540)	2,330,755,805
Receivables from Pending Liquidations	61,374,058	-	-	-	-	61,374,058
Pledges Receivable, Net	174,328,145	-	-	-	-	174,328,145
Other Receivables, Primarily Interest	10,747,547	-	265,462	172,993	(8,188,288)	2,997,714
Split Interest Agreements:						
Beneficial Interest in Perpetual Trusts	66,896,925	-	-	-	-	66,896,925
Assets Held in Charitable Trusts	27,128,806	-	-	-	-	27,128,806
Beneficial Interest in Trusts	3,864,781	-	-	-	-	3,864,781
Gift Annuities	35,971,918	-	-	-	-	35,971,918
Office Property and Equipment, Net	1,557,794	35,546	-	-	-	1,593,340
University of Minnesota Foundation Real Estate Advisors:						
Property and Equipment, Net	-	-	31,285,812	-	-	31,285,812
University Gateway Corporation:						
Property and Equipment, Net	-	-	-	17,946,231	12,779,262	30,725,493
Net Investment in Direct Financing Leases	-	-	-	29,898,151	(13,617,976)	16,280,175
Debt Issuance Costs, Net of Accumulated Amortization	-	-	-	854,980	-	854,980
Total Assets	\$ 2,731,918,718	\$ 1,405,726	\$ 45,505,478	\$ 81,242,414	\$ (40,365,542)	\$ 2,819,706,794
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 26,297,215	\$ 1,198,629	\$ 9,172,169	\$ 1,504,847	\$ (8,188,288)	\$ 29,984,572
Gift Annuities Payable	19,155,547	-	-	-	-	19,155,547
Liability Under Charitable Trust Agreements	11,687,651	-	-	-	-	11,687,651
Investments Held for Custody of Others	252,901,472	-	-	-	-	252,901,472
Securities Purchased but Not Settled	11,862,613	-	-	-	-	11,862,613
University Gateway Corporation:						
Derivative Financial Instrument	-	-	-	2,020,662	-	2,020,662
Capital Lease Payable	-	-	-	209,324	-	209,324
Bonds Payable	-	-	-	51,087,729	-	51,087,729
Total Liabilities	321,904,498	1,198,629	9,172,169	54,822,562	(8,188,288)	378,909,570
NET ASSETS						
Unrestricted	71,140,619	207,097	36,333,309	17,614,115	(32,177,254)	93,117,886
Noncontrolling Interest in Subsidiary	-	-	-	8,805,737	-	8,805,737
Total Unrestricted Net Assets	71,140,619	207,097	36,333,309	26,419,852	(32,177,254)	101,923,623
Temporarily Restricted	1,330,078,473	-	-	-	-	1,330,078,473
Permanently Restricted	1,008,795,128	-	-	-	-	1,008,795,128
Total Net Assets	2,410,014,220	207,097	36,333,309	26,419,852	(32,177,254)	2,440,797,224
Total Liabilities and Net Assets	\$ 2,731,918,718	\$ 1,405,726	\$ 45,505,478	\$ 81,242,414	\$ (40,365,542)	\$ 2,819,706,794

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	University of Minnesota Foundation	University of Minnesota Foundation Investment Advisors	University of Minnesota Foundation Real Estate Advisors	University Gateway Corporation	Eliminations	Total
REVENUES						
Contributions	\$ 223,578,830	\$ -	\$ -	\$ -	\$ -	\$ 223,578,830
Investment Income, Net of Investment Expenses of \$4,554,069	5,330,675	-	33,686	-	-	5,364,361
Net Realized and Unrealized Gains on Investments	32,216,010	-	131,507	-	-	32,347,517
Change in Carrying Value of Trusts	(2,228,229)	-	-	-	-	(2,228,229)
Support Services Revenue	7,212,410	2,350,105	-	-	(2,350,105)	7,212,410
University of Minnesota Foundation Real Estate Advisors:						
Rental Revenue	-	-	6,056,029	-	(159,907)	5,896,122
University Gateway Corporation Revenue	-	-	-	6,427,478	(1,908,709)	4,518,769
Miscellaneous Revenue	2,754,354	584,510	-	-	(1,323,770)	2,015,094
Net Assets Released from Restriction	-	-	-	-	-	-
Total Revenues	<u>268,864,050</u>	<u>2,934,615</u>	<u>6,221,222</u>	<u>6,427,478</u>	<u>(5,742,491)</u>	<u>278,704,874</u>
EXPENSES						
Program Services:						
Distributions for University Purposes	213,986,181	-	-	-	(1,950,000)	212,036,181
Support Services:						
Management and General:						
Operational Expenses	9,870,719	2,920,330	-	-	(4,843,324)	7,947,725
Legal and Accounting Fees	295,325	-	-	-	-	295,325
Depreciation	587,146	14,285	-	-	-	601,431
Other Expenses	687,850	-	-	-	(73,872)	613,978
Fundraising:						
Promotion and Development	32,118,693	-	-	-	-	32,118,693
University of Minnesota Foundation Real Estate Advisors:						
Operational Expenses	-	-	4,513,146	-	(164,860)	4,348,286
Depreciation	-	-	1,804,779	-	-	1,804,779
University Gateway Corporation:						
Operational Expenses	-	-	-	5,399,240	(660,435)	4,738,805
Depreciation	-	-	-	492,055	361,108	853,163
Change in Derivative Financial Instrument	-	-	-	692,003	-	692,003
Change in the Interest in the Net Assets of Related Parties	-	-	-	(430,206)	430,206	-
Gift to University	-	-	-	4,955,814	-	4,955,814
Total Expenses	<u>257,545,914</u>	<u>2,934,615</u>	<u>6,317,925</u>	<u>11,108,906</u>	<u>(6,901,177)</u>	<u>271,006,183</u>
CHANGE IN NET ASSETS	11,318,136	-	(96,703)	(4,681,428)	1,158,686	7,698,691
Net Assets - Beginning of Year	<u>2,410,014,220</u>	<u>207,097</u>	<u>36,333,309</u>	<u>26,419,852</u>	<u>(32,177,254)</u>	<u>2,440,797,224</u>
NET ASSETS - END OF YEAR	<u>\$ 2,421,332,356</u>	<u>\$ 207,097</u>	<u>\$ 36,236,606</u>	<u>\$ 21,738,424</u>	<u>\$ (31,018,568)</u>	<u>\$ 2,448,495,915</u>

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	University of Minnesota Foundation	University of Minnesota Foundation Investment Advisors	University of Minnesota Foundation Real Estate Advisors	University Gateway Corporation	Eliminations	Total
REVENUES						
Contributions	\$ 271,306,022	\$ -	\$ -	\$ -	\$ -	\$ 271,306,022
Investment Income, Net of Investment Expenses of \$3,728,062	8,563,300	-	53,772	-	-	8,617,072
Net Realized and Unrealized Gains on Investments	91,010,373	-	159,386	-	-	91,169,759
Change in Carrying Value of Trusts	(1,060,438)	-	-	-	-	(1,060,438)
Support Services Revenue	7,355,562	2,213,827	-	-	(2,213,827)	7,355,562
University of Minnesota Foundation Real Estate Advisors:						
Rental Revenue	-	-	6,001,199	-	-	6,001,199
University Gateway Corporation Revenue	-	-	-	6,201,054	(1,786,542)	4,414,512
Miscellaneous Revenue	1,570,597	609,355	310	-	(1,382,391)	797,871
Net Assets Released from Restriction	-	-	-	-	-	-
Total Revenues	<u>378,745,416</u>	<u>2,823,182</u>	<u>6,214,667</u>	<u>6,201,054</u>	<u>(5,382,760)</u>	<u>388,601,559</u>
EXPENSES						
Program Services:						
Distributions for University Purposes	195,869,109	-	-	-	(400,000)	195,469,109
Support Services:						
Management and General:						
Operational Expenses	9,391,677	2,808,111	-	-	(4,609,724)	7,590,064
Legal and Accounting Fees	248,630	-	-	-	-	248,630
Depreciation	604,672	15,071	-	-	-	619,743
Other Expenses	466,542	-	-	-	(47,914)	418,628
Fundraising:						
Promotion and Development	29,512,585	-	-	-	-	29,512,585
University of Minnesota Foundation Real Estate Advisors:						
Operational Expenses	-	-	4,366,492	-	(59,275)	4,307,217
Depreciation	-	-	1,797,662	-	-	1,797,662
University Gateway Corporation:						
Operational Expenses	-	-	-	6,094,565	(665,847)	5,428,718
Depreciation	-	-	-	442,893	349,179	792,072
Change in Derivative Financial Instrument	-	-	-	109,556	-	109,556
Change in the Interest in the Net Assets of Related Parties	-	-	-	(1,562,780)	1,562,780	-
Total Expenses	<u>236,093,215</u>	<u>2,823,182</u>	<u>6,164,154</u>	<u>5,084,234</u>	<u>(3,870,801)</u>	<u>246,293,984</u>
CHANGE IN NET ASSETS	142,652,201	-	50,513	1,116,820	(1,511,959)	142,307,575
Net Assets - Beginning of Year	<u>2,267,362,019</u>	<u>207,097</u>	<u>36,282,796</u>	<u>25,303,032</u>	<u>(30,665,295)</u>	<u>2,298,489,649</u>
NET ASSETS - END OF YEAR	<u>\$ 2,410,014,220</u>	<u>\$ 207,097</u>	<u>\$ 36,333,309</u>	<u>\$ 26,419,852</u>	<u>\$ (32,177,254)</u>	<u>\$ 2,440,797,224</u>