

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2017 AND 2016

**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, 2017 and 2016, 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.

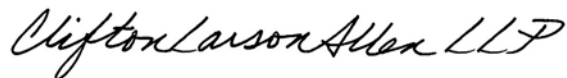
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016, 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 12, 2017

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 23,037,146	\$ 44,556,225
Investments	2,483,444,538	2,330,568,306
Receivables from Pending Liquidations	22,102,384	15,352,659
Investment Sale Receivable from a Related Party	-	25,000,000
Pledges Receivable, Net	199,837,550	183,825,146
Other Receivables, Primarily Interest	5,464,519	5,071,454
Split Interest Agreements:		
Beneficial Interest in Perpetual Trusts	63,287,040	65,258,721
Assets Held in Charitable Trusts	21,243,667	21,612,864
Beneficial Interest in Trusts	3,312,957	3,325,531
Gift Annuities	32,162,667	34,347,032
Office Property and Equipment, Net	2,707,189	2,435,420
University of Minnesota Foundation Real Estate Advisors:		
Property and Equipment, Net	29,162,385	30,080,587
University Gateway Corporation:		
Property and Equipment, Net	30,315,747	27,555,375
Net Investment in Direct Financing Leases	13,302,732	14,988,985
	\$ 2,929,380,521	\$ 2,803,978,305
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 23,998,751	\$ 31,132,646
Gift Annuities Payable	17,419,246	18,680,884
Liability Under Charitable Trust Agreements	11,173,373	10,490,914
Investments Held for Custody of Others	256,808,683	242,985,625
University Gateway Corporation:		
Derivative Financial Instrument	1,773,966	2,712,665
Capital Lease Payable	179,699	194,901
Bonds Payable	48,481,760	49,284,755
Total Liabilities	359,835,478	355,482,390
NET ASSETS		
Unrestricted	105,600,870	90,305,759
Noncontrolling Interest in Subsidiary	10,183,436	8,695,370
Total Unrestricted Net Assets	115,784,306	99,001,129
Temporarily Restricted	1,281,095,870	1,277,783,786
Permanently Restricted	1,172,664,867	1,071,711,000
Total Net Assets	2,569,545,043	2,448,495,915
Total Liabilities and Net Assets	\$ 2,929,380,521	\$ 2,803,978,305

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES				
Contributions	\$ 1,598,337	\$ 121,466,810	\$ 100,954,380	\$ 224,019,527
Investment Income, Net of Investment Expenses of \$5,039,796	3,215,048	6,806,852	90,116	10,112,016
Net Realized and Unrealized Gains on Investments	6,142,348	153,685,141	-	159,827,489
Change in Carrying Value of Trusts	(29,929)	923,548	(90,629)	802,990
Support Services Revenue	7,242,500	-	-	7,242,500
University of Minnesota Foundation Real Estate Advisors:				
Rental Revenue	5,982,985	-	-	5,982,985
University Gateway Corporation Revenue	4,462,518	-	-	4,462,518
Miscellaneous Revenue	2,324,779	-	-	2,324,779
Net Assets Released from Restriction	279,570,267	(279,570,267)	-	-
Total Revenues	310,508,853	3,312,084	100,953,867	414,774,804
EXPENSES				
Program Services:				
Distributions for University Purposes	235,963,832	-	-	235,963,832
Support Services:				
Management and General:				
Operational Expenses	8,999,177	-	-	8,999,177
Legal and Accounting Fees	207,083	-	-	207,083
Depreciation	595,753	-	-	595,753
Other Expenses	502,624	-	-	502,624
Fundraising:				
Promotion and Development	35,775,245	-	-	35,775,245
University of Minnesota Foundation Real Estate Advisors:				
Operational Expenses	4,833,466	-	-	4,833,466
Depreciation	1,878,747	-	-	1,878,747
University Gateway Corporation:				
Operational Expenses	5,022,267	-	-	5,022,267
Depreciation	886,181	-	-	886,181
Change in Derivative Financial Instrument	(938,699)	-	-	(938,699)
Total Expenses	293,725,676	-	-	293,725,676
CHANGE IN NET ASSETS	16,783,177	3,312,084	100,953,867	121,049,128
Net Assets - Beginning of Year	99,001,129	1,277,783,786	1,071,711,000	2,448,495,915
NET ASSETS - END OF YEAR	\$ 115,784,306	\$ 1,281,095,870	\$ 1,172,664,867	\$ 2,569,545,043

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 STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 121,049,128	\$ 7,698,691
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Realized and Unrealized Gains on Investments	(159,827,489)	(32,347,517)
Change in Net Carrying Value of Trusts	3,958,638	7,646,882
Change in Derivative Financial Instrument	(938,699)	692,003
Depreciation and Amortization Expense	3,360,681	3,259,373
University Gateway Corporation Gift to University	-	4,955,814
Noncash Contributions	(8,730,277)	(8,612,530)
Contributions Restricted for Long-Term Investment	(87,531,538)	(59,126,240)
Changes in Operating Assets and Liabilities:		
Pledges Receivable	(16,012,404)	(9,497,001)
Other Receivables	(393,065)	(2,073,740)
Accounts Payable, Accrued Expenses, and Other Liabilities	(7,133,895)	1,148,074
Net Cash Used by Operating Activities	(152,198,920)	(86,256,191)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(5,474,620)	(4,681,924)
Investments Held for Custody of Others	13,823,058	(9,915,847)
Change in Receivables from Pending Liquidations	(6,749,725)	46,021,399
Investment Sale Receivable from a Related Party	25,000,000	(25,000,000)
Proceeds from Sales of Investments	2,783,609,072	2,599,573,537
Purchase of Investments	(2,767,927,538)	(2,570,288,604)
Principal Payments on Direct Financing Leases	1,686,253	1,291,190
Net Cash Provided by Investing Activities	43,966,500	36,999,751
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Investment	87,531,538	59,126,240
Payments on Bonds Payable	(802,995)	(947,994)
Payments Under Capital Lease Obligation	(15,202)	(14,423)
Net Cash Provided by Financing Activities	86,713,341	58,163,823
NET CHANGE IN CASH AND CASH EQUIVALENTS	(21,519,079)	8,907,383
Cash and Cash Equivalents - Beginning of Year	44,556,225	35,648,842
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 23,037,146	\$ 44,556,225
NONCASH ACTIVITIES		
Contributions of Securities and Property	\$ 8,730,277	\$ 8,612,530
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, 2017 AND 2016

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 accounting principles generally accepted in the United States of America. 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. The Foundation has 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, 2017 AND 2016

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, 2017, the Foundation had 868 contracts outstanding and contract exposure amounts of \$115,146,609 of long positions in bond index futures, 38 contracts outstanding and contract exposure amounts of \$6,235,469 of short positions in bond index futures, 67 contracts outstanding and contract exposure amounts of \$6,330,160 of long positions in equity index futures, 1,146 contracts outstanding and contract exposure amounts of \$114,956,180 of short positions in equity index futures and 151 contracts outstanding and contract exposure amounts of \$22,380,031 of short positions in currency futures.

In addition, the Foundation had 62,027 contracts outstanding and contract exposure amounts of \$802,748,730 of long positions in equity index call options, 60,198 contracts outstanding and contract exposure amounts of \$713,425,000 of short positions in equity index call options, 60,198 contracts outstanding and contract exposure amounts of \$682,610,000 of short positions in equity put options and 2,000 contracts outstanding and contract exposure amounts of \$10,000 of short positions in equity call options.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 \$72,343,746 were recognized for the year ended June 30, 2017.

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.

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.

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, 2017 and 2016, UGC recognized an unrealized gain of \$938,699 and unrealized loss of \$692,003 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, 2017 AND 2016

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 \$34,529,512 and \$36,695,623 at June 30, 2017 and 2016, respectively.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 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 (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 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.

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.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

UMFREA Property and Equipment (Continued)

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.

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, 2017 and 2016, investments held for custody of others were \$256,808,683 and \$242,985,625, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

During the year ended June 30, 2017, the entity adopted a provision of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This provision requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. As such, the entity has updated this disclosure for the years ended June 30, 2017 and 2016. The adoption of this provision did not have an impact on the entity's results of operations. The impact on the statement of financial position is shown in Note 13.

NOTE 2 INVESTMENTS

The investments at June 30 are summarized as follows:

	2017		Total
	Traditional Structures	Alternative Structures	
Cash and Cash Equivalents	\$ 552,244,423	\$ -	\$ 552,244,423
Fixed Income	579,107,474	427,627,152	1,006,734,626
Global Equity	1,737,851	49,976,497	51,714,348
Hedge Funds	31,166,537	57,765,865	88,932,402
Natural Resources	25,675,222	115,375,658	141,050,880
Treasure Inflation Protected Securities (TIPS)	148,396,032	-	148,396,032
Real Estate	-	55,239,072	55,239,072
Private Equity	-	464,108,396	464,108,396
Other Investments	-	5,428,364	5,428,364
Total	<u>\$ 1,338,327,539</u>	<u>\$ 1,175,521,004</u>	2,513,848,543
Less: Charitable Gift Annuities Reported Separately			(30,404,005)
Total			<u>\$ 2,483,444,538</u>

UNIVERSITY OF MINNESOTA FOUNDATION
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JUNE 30, 2017 AND 2016

NOTE 2 INVESTMENTS (CONTINUED)

	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	11,089,604	41,114,414	52,204,018
Hedge Funds	38,711,417	128,458,015	167,169,432
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	\$ 1,208,192,949	\$ 1,154,836,089	2,363,029,038
Less: Charitable Gift Annuities Reported Separately			(32,460,732)
Total			\$ 2,330,568,306

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

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, 2017 and 2016, the Foundation has \$1,175,521,004 and \$1,154,836,089 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.

UNIVERSITY OF MINNESOTA FOUNDATION
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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.

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.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the Foundation's financial assets and other liabilities measured at fair value on a recurring basis at June 30, 2017 and 2016:

	2017			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Fixed Income:				
Asset Backed Securities	\$ -	\$ 8,398,652	\$ -	\$ 8,398,652
Mortgages	-	3,747,827	-	3,747,827
Corporate Bonds	-	39,512,545	-	39,512,545
Government	-	516,701,674	-	516,701,674
Small Cap	21,529	-	-	21,529
Other	4,550,612	6,174,635	2,767,500	13,492,747
Global Equity:				
Small Cap	1,737,851	-	-	1,737,851
Large Cap	-	-	-	-
Closed End/Exchange Traded Funds	-	-	-	-
Hedge Funds:				
Long/Short Non-Equity	31,166,537	-	3,378,723	34,545,260
Natural Resources	25,675,222	-	-	25,675,222
Treasury Inflation Protected Securities (TIPS)	-	148,396,032	-	148,396,032
Total Investments	<u>\$ 63,151,751</u>	<u>\$ 722,931,365</u>	<u>\$ 6,146,223</u>	<u>792,229,339</u>
Cash and Cash Equivalents				552,244,423
Investments Measured at Net Asset Value or its Equivalent				1,121,296,801
Private Partnerships Invested in Nonmarketable Receivables and Loans Measured at Cost				48,077,980
Total Investments and Cash				<u>\$ 2,513,848,543</u>
Gift Annuities not Categorized Above	\$ 1,758,662	\$ -	\$ -	\$ 1,758,662
Beneficial Interest in Perpetual Trusts	-	-	63,287,040	63,287,040
Assets Held in Charitable Trusts	21,243,667	-	-	21,243,667
Beneficial Interest in Trusts	-	-	3,312,957	3,312,957
UGC Derivative Financial Instrument	-	(1,773,966)	-	(1,773,966)

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

	2016			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
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
Hedge Funds:				
Long/Short Non-Equity	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>	997,592,331
Cash and Cash Equivalents				229,397,700
Investments Measured at Net Asset Value or its Equivalent				1,136,039,007
Private Partnerships Invested in Nonmarketable Receivables and Loans Measured at Cost				-
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)

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, 2016	Investment Income	Net Realized and Unrealized Gain (Loss)	Purchases	Sales	Ending Balance at June 30, 2017
Fixed Income:						
Other	\$ 14,518,650	\$ -	\$ (2,078,083)	\$ 28,150,831	\$ (37,823,898)	\$ 2,767,500
Global Equity:						
Alternative Structures	-	-	-	-	-	-
Hedge Funds:						
Long/Short Non-Equity	4,278,432	59,420	141,616	204,688	(1,305,433)	3,378,723
Total	<u>\$ 18,797,082</u>	<u>\$ 59,420</u>	<u>\$ (1,936,467)</u>	<u>\$ 28,355,519</u>	<u>\$ (39,129,331)</u>	<u>\$ 6,146,223</u>
	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
Hedge Funds:						
Long/Short Non-Equity	-	-	(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>

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2016	Change in Carrying Value of Trusts	Ending Balance at June 30, 2017
Beneficial Interest in Trusts	\$ 3,325,531	\$ (12,574)	\$ 3,312,957
Beneficial Interest in Perpetual Trusts	65,258,721	(1,971,681)	63,287,040

	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

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:

	2017			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments:				
Fixed Income (a)	\$ 376,781,672	\$ 356,358,788	None	None
Global Equity (b)	49,976,497	-	None or Annually	None or 0-30 Days
Hedge Funds (c)	54,387,142	-	None or Monthly to Annually	None or 30-180 Days
Natural Resources (d)	115,375,658	29,987,619	None	None
Real Estate (e)	55,239,072	36,240,257	None	None
Private Equity (f)	464,108,396	151,611,624	None	None
Other Investments (g)	5,428,364	-	None	None
Total	<u>\$ 1,121,296,801</u>	<u>\$ 574,198,288</u>		

	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, 2017 AND 2016

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

In addition to the unfunded commitments noted above, the Foundation has entered into investment commitments of \$132,500,000 since June 30, 2017 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 stock. 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.
- (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 1 to 10 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.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

- (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 1 to 10 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.

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable, net of unamortized discount (at rates of 1.49% to 9%) of \$19,112,701 and \$22,440,872 are summarized as follows at June 30:

	2017	2016
Unconditional Promises Expected to be Collected in:		
Less than One Year	\$ 54,551,847	\$ 43,266,638
One Year to Five Years	120,137,059	104,247,747
Greater than Five Years	29,948,644	40,510,761
Total	204,637,550	188,025,146
Reserve for Uncollectible Pledges	(4,800,000)	(4,200,000)
Pledges Receivable	\$ 199,837,550	\$ 183,825,146

In addition, the Foundation has received conditional promises to give in the amount of \$28,055,980 and \$11,205,385 as of June 30, 2017 and 2016, respectively. These gifts are primarily conditioned on completion of building or fundraising projects, evaluation of progress on projects, or matching funds.

At June 30, 2017 and 2016, 32% and 48%, respectively, of the Foundation’s gross pledges receivable balance was related to one and two donors, respectively.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 5 OFFICE PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Leasehold Improvements	\$ 3,007,936	\$ 2,658,151
Furniture and Fixtures	3,891,674	3,563,578
Less: Accumulated Depreciation	(4,192,421)	(3,786,309)
Total	<u>\$ 2,707,189</u>	<u>\$ 2,435,420</u>

NOTE 6 UMFREA PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Land	\$ 10,690,935	\$ 10,690,935
Property and Equipment	28,381,576	27,421,031
Less: Accumulated Depreciation	(9,910,126)	(8,031,379)
Total	<u>\$ 29,162,385</u>	<u>\$ 30,080,587</u>

NOTE 7 UGC PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Building	\$ 15,589,781	\$ 15,584,203
Plaza Exterior Features	1,765,486	1,765,486
Furniture and Fixtures	4,387,265	4,266,770
Construction in Progress	3,081,947	124,352
Less: Accumulated Depreciation	(7,493,654)	(7,068,826)
Subtotal	<u>17,330,825</u>	<u>14,671,985</u>
Elimination Adjustment Due to Consolidation of UGC (Note 1)	12,984,922	12,883,390
Total	<u>\$ 30,315,747</u>	<u>\$ 27,555,375</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, 2017 and 2016 was \$8,017,120. The transaction is eliminated in consolidation.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
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	\$ 8,873,633	\$ 8,081,290
Faculty and Staff Support	11,919,561	9,012,121
Scholarships and Fellowships	137,649,848	119,791,839
Lectureships, Professorships, and Chairs	195,904,030	180,924,234
Program Support	57,636,091	58,428,484
Research and Outreach/Community Engagement	15,082,322	11,716,332
Other	2,667,862	2,229,914
Subtotal	429,733,347	390,184,214
Gifts and Other Unexpended Revenues and Gains Available for:		
Capital Improvement/Facilities	130,756,581	160,454,141
Faculty and Staff Support	21,855,640	18,395,921
Scholarships and Fellowships	135,503,973	151,450,832
Lectureships, Professorships, and Chairs	45,685,451	44,195,761
Program Support	348,853,230	348,271,858
Research and Outreach/Community Engagement	152,865,423	143,781,141
Trusts	9,013,341	10,569,674
Other	6,828,884	10,480,244
Subtotal	851,362,523	887,599,572
Total Temporarily Restricted Net Assets	\$ 1,281,095,870	\$ 1,277,783,786

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:

	2017	2016
Capital Improvement/Facilities	\$ 9,945,052	\$ 8,185,118
Faculty and Staff Support	28,183,884	20,908,980
Scholarships and Fellowships	512,367,716	460,846,966
Lectureships, Professorships, and Chairs	388,372,344	376,822,615
Program Support	96,712,237	94,799,246
Research and Outreach/Community Engagement	64,767,985	36,056,378
Trusts	68,940,667	70,447,671
Other	3,374,982	3,644,026
Total	\$ 1,172,664,867	\$ 1,071,711,000

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 accounting principles generally accepted in the United States of America, 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 the Uniform Prudent Management of Institutional Funds Act (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

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ (12,293,300)	\$ 429,733,347	\$ 1,094,037,776	\$ 1,511,477,823
Board-Designated Endowment Funds	9,748,498	-	-	9,748,498
Total	<u>\$ (2,544,802)</u>	<u>\$ 429,733,347</u>	<u>\$ 1,094,037,776</u>	<u>\$ 1,521,226,321</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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>

Changes in Endowment Net Assets

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - Beginning of Year	\$ (6,258,032)	\$ 390,184,214	\$ 1,001,313,235	\$ 1,385,239,417
Total Investment Return	4,122,989	85,750,267	90,116	89,963,372
Cash Contributions and Pledge Receipts	-	-	75,745,505	75,745,505
Change in Carrying Value of Trusts	-	-	825,180	825,180
Change in Donor Restrictions	-	2,361,984	16,063,740	18,425,724
Appropriation of Assets	(409,759)	(48,563,118)	-	(48,972,877)
Endowment Net Assets - End of Year	<u>\$ (2,544,802)</u>	<u>\$ 429,733,347</u>	<u>\$ 1,094,037,776</u>	<u>\$ 1,521,226,321</u>

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 11 ENDOWMENT FUNDS (CONTINUED)

Changes in Endowment Net Assets (Continued)

	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>

Funds with Deficiencies (Underwater Funds)

At June 30, 2017 and 2016, 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 accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets and totaled \$12,293,300 and \$15,803,360, 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, 2017 AND 2016**

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>2017</u>	<u>2016</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
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NOTE 13 BONDS PAYABLE AND LOAN GUARANTY (CONTINUED)

<u>Description</u>	<u>2017</u>	<u>2016</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>15,290,000</u>	<u>16,060,000</u>
Subtotal	48,140,000	48,910,000
Plus: Premium on Series 2015 Bonds	1,101,520	1,182,125
Less: Debt Issuance Costs, Net of Accumulated Amortization	<u>(759,760)</u>	<u>(807,370)</u>
Total	<u><u>\$ 48,481,760</u></u>	<u><u>\$ 49,284,755</u></u>

Aggregate annual maturities are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 785,000
2019	800,000
2020	825,000
2021	860,000
2022	895,000
Thereafter	<u>43,975,000</u>
Total	<u><u>\$ 48,140,000</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 had initial terms of 25 years. In May 2017, the University of Minnesota Alumni Association's lease was extended five years through September 30, 2029. These leases 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, 2017 are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 1,402,401
2019	1,402,401
2020	1,402,401
2021	1,402,401
2022	1,402,401
Thereafter	<u>22,933,201</u>
Total	<u><u>\$ 29,945,206</u></u>

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 2,410,579
2019	2,410,579
2020	2,410,579
2021	2,410,579
2022	2,410,579
Thereafter	4,821,158
Total	<u><u>\$ 16,874,053</u></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>2017</u>	<u>2016</u>
Minimum Lease Payments:		
Payments Under Lease Agreements	\$ 27,531,759	\$ 30,465,319
Residual Value Guarantee	<u>19,287,500</u>	<u>19,287,500</u>
Minimum Lease Payments Receivable	46,819,259	49,752,819
Unearned Income	<u>(18,958,500)</u>	<u>(20,680,622)</u>
Net Investment in Direct Financing Leases	27,860,759	29,072,197
Direct Financing Leases Elimination Due to Consolidation of UGC	<u>(14,558,027)</u>	<u>(14,083,212)</u>
Total	<u><u>\$ 13,302,732</u></u>	<u><u>\$ 14,988,985</u></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, 2017 AND 2016

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, 2017 through October 12, 2017, which was the date the consolidated financial statements were available to be issued.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

	University of Minnesota Foundation	University of Minnesota Foundation Investment Advisors	University of Minnesota Foundation Real Estate Advisors	University Gateway Corporation	Eliminations	Total
ASSETS						
Cash and Cash Equivalents	\$ 18,795,219	\$ 79,508	\$ 3,887,182	\$ 275,237	\$ -	\$ 23,037,146
Investments	2,469,680,399	1,401,808	12,362,331	31,368,032	(31,368,032)	2,483,444,538
Receivables from Pending Liquidations	22,102,384	-	-	-	-	22,102,384
Investment Sale Receivable from a Related Party	-	-	-	-	-	-
Pledges Receivable, Net	199,837,550	-	-	-	-	199,837,550
Other Receivables, Primarily Interest	12,901,486	116,222	291,580	318,506	(8,163,275)	5,464,519
Split Interest Agreements:						
Beneficial Interest in Perpetual Trusts	63,287,040	-	-	-	-	63,287,040
Assets Held in Charitable Trusts	21,243,667	-	-	-	-	21,243,667
Beneficial Interest in Trusts	3,312,957	-	-	-	-	3,312,957
Gift Annuities	32,162,667	-	-	-	-	32,162,667
Office Property and Equipment, Net	2,695,822	11,367	-	-	-	2,707,189
University of Minnesota Foundation Real Estate Advisors:						
Property and Equipment, Net	-	-	29,162,385	-	-	29,162,385
University Gateway Corporation:						
Property and Equipment, Net	-	-	-	17,330,825	12,984,922	30,315,747
Net Investment in Direct Financing Leases	-	-	-	27,860,759	(14,558,027)	13,302,732
Total Assets	\$ 2,846,019,191	\$ 1,608,905	\$ 45,703,478	\$ 77,153,359	\$ (41,104,412)	\$ 2,929,380,521
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 19,475,403	\$ 1,401,808	\$ 10,025,471	\$ 1,259,344	\$ (8,163,275)	\$ 23,998,751
Gift Annuities Payable	17,419,246	-	-	-	-	17,419,246
Liability Under Charitable Trust Agreements	11,173,373	-	-	-	-	11,173,373
Investments Held for Custody of Others	256,808,683	-	-	-	-	256,808,683
University Gateway Corporation:						
Derivative Financial Instrument	-	-	-	1,773,966	-	1,773,966
Capital Lease Payable	-	-	-	179,699	-	179,699
Bonds Payable	-	-	-	48,481,760	-	48,481,760
Total Liabilities	304,876,705	1,401,808	10,025,471	51,694,769	(8,163,275)	359,835,478
NET ASSETS						
Unrestricted	87,381,749	207,097	35,678,007	15,275,154	(32,941,137)	105,600,870
Noncontrolling Interest in Subsidiary	-	-	-	10,183,436	-	10,183,436
Total Unrestricted Net Assets	87,381,749	207,097	35,678,007	25,458,590	(32,941,137)	115,784,306
Temporarily Restricted	1,281,095,870	-	-	-	-	1,281,095,870
Permanently Restricted	1,172,664,867	-	-	-	-	1,172,664,867
Total Net Assets	2,541,142,486	207,097	35,678,007	25,458,590	(32,941,137)	2,569,545,043
Total Liabilities and Net Assets	\$ 2,846,019,191	\$ 1,608,905	\$ 45,703,478	\$ 77,153,359	\$ (41,104,412)	\$ 2,929,380,521

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
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
ASSETS						
Cash and Cash Equivalents	\$ 38,298,175	\$ 291,409	\$ 4,678,649	\$ 1,287,992	\$ -	\$ 44,556,225
Investments	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
Total Assets	\$ 2,719,522,848	\$ 1,508,502	\$ 46,947,819	\$ 75,177,620	\$ (39,178,484)	\$ 2,803,978,305
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
University Gateway Corporation:						
Derivative Financial Instrument	-	-	-	2,712,665	-	2,712,665
Capital Lease Payable	-	-	-	194,901	-	194,901
Bonds Payable	-	-	-	49,284,755	-	49,284,755
Total Liabilities	298,190,492	1,301,405	10,711,213	53,439,196	(8,159,916)	355,482,390
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	\$ 75,177,620	\$ (39,178,484)	\$ 2,803,978,305

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	University of Minnesota Foundation	University of Minnesota Foundation Investment Advisors	University of Minnesota Foundation Real Estate Advisors	University Gateway Corporation	Eliminations	Total
REVENUES						
Contributions	\$ 224,019,527	\$ -	\$ -	\$ -	\$ -	\$ 224,019,527
Investment Income, Net of Investment Expenses of \$5,039,796	9,948,390	-	163,626	-	-	10,112,016
Net Realized and Unrealized Gains on Investments	159,795,486	-	32,003	-	-	159,827,489
Change in Carrying Value of Trusts	802,990	-	-	-	-	802,990
Support Services Revenue	7,242,500	2,759,671	-	-	(2,759,671)	7,242,500
University of Minnesota Foundation Real Estate Advisors:						
Rental Revenue	-	-	6,134,523	-	(151,538)	5,982,985
University Gateway Corporation Revenue	-	-	-	6,441,821	(1,979,303)	4,462,518
Miscellaneous Revenue	3,024,254	597,125	-	-	(1,296,600)	2,324,779
Total Revenues	<u>404,833,147</u>	<u>3,356,796</u>	<u>6,330,152</u>	<u>6,441,821</u>	<u>(6,187,112)</u>	<u>414,774,804</u>
EXPENSES						
Program Services:						
Distributions for University Purposes	236,963,832	-	-	-	(1,000,000)	235,963,832
Support Services:						
Management and General:						
Operational Expenses	10,988,374	3,346,902	-	-	(5,336,099)	8,999,177
Legal and Accounting Fees	207,083	-	-	-	-	207,083
Depreciation	585,859	9,894	-	-	-	595,753
Other Expenses	502,624	-	-	-	-	502,624
Fundraising:						
Promotion and Development	35,775,245	-	-	-	-	35,775,245
University of Minnesota Foundation Real Estate Advisors:						
Operational Expenses	-	-	5,010,004	-	(176,538)	4,833,466
Depreciation	-	-	1,878,747	-	-	1,878,747
University Gateway Corporation:						
Operational Expenses	-	-	-	5,696,742	(674,475)	5,022,267
Depreciation	-	-	-	512,898	373,283	886,181
Change in Derivative Financial Instrument	-	-	-	(938,699)	-	(938,699)
Change in the Interest in the Net Assets of Related Parties	-	-	-	(2,549,286)	2,549,286	-
Total Expenses	<u>285,023,017</u>	<u>3,356,796</u>	<u>6,888,751</u>	<u>2,721,655</u>	<u>(4,264,543)</u>	<u>293,725,676</u>
CHANGE IN NET ASSETS	119,810,130	-	(558,599)	3,720,166	(1,922,569)	121,049,128
Net Assets - Beginning of Year	2,421,332,356	207,097	36,236,606	21,738,424	(31,018,568)	2,448,495,915
NET ASSETS - END OF YEAR	<u>\$ 2,541,142,486</u>	<u>\$ 207,097</u>	<u>\$ 35,678,007</u>	<u>\$ 25,458,590</u>	<u>\$ (32,941,137)</u>	<u>\$ 2,569,545,043</u>

**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
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	2,410,014,220	207,097	36,333,309	26,419,852	(32,177,254)	2,440,797,224
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>