

UNIVERSITY OF MINNESOTA FOUNDATION

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2020 AND 2019

**UNIVERSITY OF MINNESOTA FOUNDATION
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION	33
CONSOLIDATING STATEMENTS OF ACTIVITIES	35



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2020 and 2019, and the related consolidated statements of activities, functional expenses 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 2020 and 2019, 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated 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 7, 2020

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	2020	2019
Cash and Cash Equivalents	\$ 25,701,306	\$ 26,721,800
Investments	2,928,226,192	2,905,797,683
Receivables from Pending Liquidations	-	680,012
Pledges Receivable, Net	231,497,328	191,366,334
Other Receivables, Primarily Interest	5,483,832	9,249,088
Split Interest Agreements:		
Beneficial Interest in Perpetual Trusts	72,212,243	64,094,236
Assets Held in Charitable Trusts	18,832,814	19,952,087
Beneficial Interest in Trusts	2,686,010	2,789,835
Gift Annuities	37,427,633	35,452,387
Office Property and Equipment, Net	1,864,968	2,074,033
University of Minnesota Foundation Real Estate Advisors:		
Property and Equipment, Net	47,734,243	48,662,410
University Gateway Corporation:		
Property and Equipment, Net	30,861,570	31,477,501
Net Investment in Direct Financing Leases	8,690,479	10,352,743
	\$ 3,411,218,618	\$ 3,348,670,149
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 18,694,206	\$ 18,682,673
Gift Annuities Payable	20,126,361	17,743,923
Liability Under Charitable Trust Agreements	9,732,854	10,615,788
Investments Held for Custody of Others	290,208,861	294,384,689
University Gateway Corporation:		
Derivative Financial Instrument	1,981,133	1,546,690
Capital Lease Payable	128,977	146,782
Bonds Payable	45,972,777	46,830,772
Total Liabilities	386,845,169	389,951,317
NET ASSETS		
Undesignated	128,396,902	121,899,947
Noncontrolling Interest in Subsidiary	11,644,664	12,058,256
Total Without Donor Restrictions	140,041,566	133,958,203
With Donor Restrictions	2,884,331,883	2,824,760,629
Total Net Assets	3,024,373,449	2,958,718,832
	\$ 3,411,218,618	\$ 3,348,670,149

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 1,802,119	\$ 259,328,280	\$ 261,130,399
Investment Income, Net of Investment Expenses of \$5,461,310	(227,207)	22,525,102	22,297,895
Net Realized and Unrealized Gains/(Losses) on Investments	(530,236)	23,288,178	22,757,942
Change in Carrying Value of Trusts	(168,126)	6,254,277	6,086,151
Support Services Revenue	7,165,000	-	7,165,000
University of Minnesota Foundation Real Estate Advisors:			
Rental Revenue	6,915,945	-	6,915,945
University Gateway Corporation Revenue	4,061,912	-	4,061,912
Miscellaneous Revenue	4,755	-	4,755
Net Assets Released from Restriction	251,824,583	(251,824,583)	-
Total Revenues	270,848,745	59,571,254	330,419,999
EXPENSES			
Distributions for University Purposes	202,039,319	-	202,039,319
Management and General	11,233,498	-	11,233,498
Promotion and Development	37,798,063	-	37,798,063
University of Minnesota Foundation Real Estate Advisors:			
Real Estate Program Expenses	5,870,924	-	5,870,924
Management and General	503,634	-	503,634
University Gateway Corporation:			
Real Estate Program Expenses	6,417,847	-	6,417,847
Management and General	902,097	-	902,097
Total Expenses	264,765,382	-	264,765,382
CHANGE IN NET ASSETS	6,083,363	59,571,254	65,654,617
Net Assets - Beginning of Year	133,958,203	2,824,760,629	2,958,718,832
NET ASSETS - END OF YEAR	\$ 140,041,566	\$ 2,884,331,883	\$ 3,024,373,449

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 684,551	\$ 223,455,460	\$ 224,140,011
Investment Income, Net of Investment Expenses of \$5,427,010	331,174	19,966,430	20,297,604
Net Realized and Unrealized Gains on Investments	808,823	187,043,175	187,851,998
Change in Carrying Value of Trusts	(9,601)	2,169,363	2,159,762
Support Services Revenue	7,165,000	-	7,165,000
University of Minnesota Foundation Real Estate Advisors:			
Rental Revenue	7,033,994	-	7,033,994
University Gateway Corporation Revenue	4,702,446	-	4,702,446
Miscellaneous Revenue	2,119	-	2,119
Net Assets Released from Restriction	253,430,961	(253,430,961)	-
Total Revenues	<u>274,149,467</u>	<u>179,203,467</u>	<u>453,352,934</u>
EXPENSES			
Distributions for University Purposes	210,433,387	-	210,433,387
Management and General	11,086,737	-	11,086,737
Promotion and Development	36,791,303	-	36,791,303
University of Minnesota Foundation Real Estate Advisors:			
Real Estate Program Expenses	6,393,553	-	6,393,553
Management and General	569,815	-	569,815
University Gateway Corporation:			
Real Estate Program Expenses	7,015,768	-	7,015,768
Management and General	722,945	-	722,945
Total Expenses	<u>273,013,508</u>	<u>-</u>	<u>273,013,508</u>
CHANGE IN NET ASSETS	1,135,959	179,203,467	180,339,426
Net Assets - Beginning of Year	<u>132,822,244</u>	<u>2,645,557,162</u>	<u>2,778,379,406</u>
NET ASSETS - END OF YEAR	<u>\$ 133,958,203</u>	<u>\$ 2,824,760,629</u>	<u>\$ 2,958,718,832</u>

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services				Total
	Distributions for University Purposes	Real Estate Activities	Management and General	Promotion and Development	
University of Minnesota Foundation and University of Minnesota Foundation Investment Advisors					
Grants	\$ 202,039,319	\$ -	\$ -	\$ -	\$ 202,039,319
Salaries and Wages	-	-	5,997,734	17,657,261	23,654,995
Employee Benefits	-	-	2,010,314	6,012,528	8,022,842
Professional Services	-	-	941,445	1,735,571	2,677,016
Accounting Fees	-	-	87,380	-	87,380
Legal Fees	-	-	162,968	-	162,968
Advertising and Promotion	-	-	1,521	84,308	85,829
Dues and Subscriptions	-	-	157,480	251,425	408,905
Office Expenses	-	-	347,235	586,015	933,250
Information Technology	-	-	441,730	208,329	650,059
Occupancy	-	-	-	-	-
Travel	-	-	30,244	362,023	392,267
Conferences, Conventions, and Meetings	-	-	29,774	329,079	358,853
Insurance	-	-	283,386	-	283,386
Depreciation and Amortization	-	-	544,185	-	544,185
Professional Development Colleges	-	-	-	7,526,817	7,526,817
Donor Cultivation	-	-	2,266	1,648,697	1,650,963
Printing and Publications	-	-	5,221	1,370,072	1,375,293
Other	-	-	190,615	25,938	216,553
Total Expenses by Function	<u>202,039,319</u>	<u>-</u>	<u>11,233,498</u>	<u>37,798,063</u>	<u>251,070,880</u>
University of Minnesota Foundation Real Estate Advisors					
Salaries and Wages	-	725,442	114,934	-	840,376
Employee Benefits	-	389,719	43,596	-	433,315
Professional Services	-	159,068	22,338	-	181,406
Accounting Fees	-	-	22,375	-	22,375
Legal Fees	-	576,955	2,280	-	579,235
Advertising and Promotion	-	-	70,807	-	70,807
Dues and Subscriptions	-	2,828	5,598	-	8,426
Office Expenses	-	11,720	42	-	11,762
Information Technology	-	46,551	8,002	-	54,553
Travel	-	-	718	-	718
Interest	-	3,213	-	-	3,213
Insurance	-	-	197,484	-	197,484
Training and Development	-	79	1,843	-	1,922
Depreciation and Amortization	-	1,524,525	-	-	1,524,525
Building Operations	-	2,374,797	3,795	-	2,378,592
Other	-	56,027	9,822	-	65,849
Total Expenses by Function	<u>-</u>	<u>5,870,924</u>	<u>503,634</u>	<u>-</u>	<u>6,374,558</u>
University Gateway Corporation					
Grants	-	-	-	-	-
Salaries and Wages	-	690,794	23,188	-	713,982
Employee Benefits	-	114,999	3,084	-	118,083
Payroll Taxes	-	45,308	1,995	-	47,303
Management Fees	-	1,043,654	192,756	-	1,236,410
Accounting Fees	-	-	28,145	-	28,145
Legal Fees	-	-	16,725	-	16,725
Advertising and Promotion	-	-	77,267	-	77,267
Office Expenses	-	140,663	-	-	140,663
Occupancy	-	431,418	-	-	431,418
Interest	-	1,104,778	-	-	1,104,778
Insurance	-	-	87,224	-	87,224
Depreciation and Amortization	-	1,156,204	-	-	1,156,204
Building/Events/Gallery Operations	-	1,365,701	37,270	-	1,402,971
Financing - Bond Fees	-	324,328	-	-	324,328
Change in Derivative Financial Instrument	-	-	434,443	-	434,443
Total Expenses by Function	<u>-</u>	<u>6,417,847</u>	<u>902,097</u>	<u>-</u>	<u>7,319,944</u>
Total Consolidated Expenses	<u>\$ 202,039,319</u>	<u>\$ 12,288,771</u>	<u>\$ 12,639,229</u>	<u>\$ 37,798,063</u>	<u>\$ 264,765,382</u>

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019**

	Program Services				Total
	Distributions for University Purposes	Real Estate Activities	Management and General	Promotion and Development	
University of Minnesota Foundation and University of Minnesota Foundation Investment Advisors					
Grants	\$ 210,433,387	\$ -	\$ -	\$ -	\$ 210,433,387
Salaries and Wages	-	-	5,466,109	16,570,917	22,037,026
Employee Benefits	-	-	1,779,207	5,417,606	7,196,813
Professional Services	-	-	1,338,116	2,166,270	3,504,386
Accounting Fees	-	-	101,435	-	101,435
Legal Fees	-	-	134,318	-	134,318
Advertising and Promotion	-	-	7,349	43,161	50,510
Dues and Subscriptions	-	-	95,122	294,709	389,831
Office Expenses	-	-	436,246	618,599	1,054,845
Information Technology	-	-	652,514	193,606	846,120
Occupancy	-	-	14,770	-	14,770
Travel	-	-	40,851	535,644	576,495
Conferences, Conventions, and Meetings	-	-	45,328	248,057	293,385
Insurance	-	-	375,770	-	375,770
Depreciation and Amortization	-	-	534,284	-	534,284
Professional Development Colleges	-	-	-	7,575,614	7,575,614
Donor Cultivation	-	-	7,853	1,813,600	1,821,453
Printing and Publications	-	-	5,815	1,265,872	1,271,687
Other	-	-	51,650	47,648	99,298
Total Expenses by Function	210,433,387	-	11,086,737	36,791,303	258,311,427
University of Minnesota Foundation Real Estate Advisors					
Salaries and Wages	-	885,719	149,075	-	1,034,794
Employee Benefits	-	410,407	23,404	-	433,811
Professional Services	-	195,180	51,742	-	246,922
Accounting Fees	-	-	25,420	-	25,420
Legal Fees	-	243,464	14,108	-	257,572
Advertising and Promotion	-	-	20,583	-	20,583
Dues and Subscriptions	-	5,502	11,949	-	17,451
Office Expenses	-	13,421	326	-	13,747
Information Technology	-	27,664	7,575	-	35,239
Travel	-	3	843	-	846
Interest	-	-	-	-	-
Insurance	-	-	189,854	-	189,854
Training and Development	-	2,700	3,747	-	6,447
Depreciation and Amortization	-	1,868,594	-	-	1,868,594
Building Operations	-	2,679,419	9,086	-	2,688,505
Other	-	61,480	62,103	-	123,583
Total Expenses by Function	-	6,393,553	569,815	-	6,963,368
University Gateway Corporation					
Grants	-	735,108	-	-	735,108
Professional Services	-	1,576,735	103,790	-	1,680,525
Accounting Fees	-	-	27,362	-	27,362
Legal Fees	-	-	12,055	-	12,055
Advertising and Promotion	-	-	89,274	-	89,274
Office Expenses	-	129,778	-	-	129,778
Occupancy	-	506,312	-	-	506,312
Interest	-	1,160,925	-	-	1,160,925
Insurance	-	-	79,940	-	79,940
Depreciation and Amortization	-	1,162,353	-	-	1,162,353
Building/Events/Gallery Operations	-	1,409,307	-	-	1,409,307
Financing - Bond Fees	-	335,250	-	-	335,250
Change in Derivative Financial Instrument	-	-	410,524	-	410,524
Total Expenses by Function	-	7,015,768	722,945	-	7,738,713
Total Consolidated Expenses	\$ 210,433,387	\$ 13,409,321	\$ 12,379,497	\$ 36,791,303	\$ 273,013,508

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 65,654,617	\$ 180,339,426
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Realized and Unrealized Gains on Investments	(22,757,942)	(187,851,998)
Change in Net Carrying Value of Trusts	(7,370,651)	(3,935,717)
Change in Derivative Financial Instrument	434,443	410,524
Depreciation and Amortization Expense	3,224,914	3,565,231
University Gateway Corporation Gift to University	-	735,108
Noncash Contributions	(4,183)	(559,806)
Contributions Restricted for Long-Term Investment	(58,299,472)	(63,454,515)
Changes in Operating Assets and Liabilities:		
Pledges Receivable	(40,130,994)	13,329,934
Other Receivables	3,765,256	(2,292,362)
Accounts Payable, Accrued Expenses, and Other Liabilities	11,533	(4,474,948)
Net Cash Used by Operating Activities	(55,472,479)	(64,189,123)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,471,751)	(1,230,830)
Investments Held for Custody of Others	(4,175,828)	32,776,332
Change in Receivables from Pending Liquidations	680,012	22,936,080
Proceeds from Sales of Investments	1,886,162,159	1,939,306,657
Purchase of Investments	(1,885,828,543)	(2,002,086,769)
Principal Payments on Direct Financing Leases	1,662,264	1,534,120
Net Cash Used by Investing Activities	(2,971,687)	(6,764,410)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Investment	58,299,472	63,454,515
Payments on Bonds Payable	(857,995)	(832,994)
Payments Under Capital Lease Obligation	(17,805)	(16,892)
Net Cash Provided by Financing Activities	57,423,672	62,604,629
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,020,494)	(8,348,904)
Cash and Cash Equivalents - Beginning of Year	26,721,800	35,070,704
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 25,701,306	\$ 26,721,800
NONCASH ACTIVITIES		
Contributions of Securities and Property	\$ 7,683,939	\$ 11,767,055
University Gateway Corporation Gift to University	\$ -	\$ 735,108

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 two categories:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor 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, 2020, the Foundation had the following derivative exposures:

	Long Exposure		Short Exposure	
	Contracts	Notional	Contracts	Notional
<u>Futures</u>				
Fixed Income Index	706	\$ 127,243,503	115	\$ 18,292,882
Foreign Currency				
Exchange Rate	-	-	1,002	80,656,057
Equity Index	-	-	-	-
	Long Exposure		Short Exposure	
	Contracts	Premium	Contracts	Premium
<u>Options</u>				
Fixed Income Index Calls	-	\$ -	-	\$ -
Equity Index Calls	15,320	235,633,126	4,391	2,849,677
Equity Index Puts	-	-	4,946	4,861,658
Equity Calls	1,200,000	484,314	49	17,172

Net realized and unrealized gains and losses are recognized in the consolidated statements of activities. Net realized and unrealized loss of approximately \$136,174,568 were recognized for the year ended June 30, 2020.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments (Continued)

As of June 30, 2019, the Foundation had the following derivative exposures:

	Long Exposure		Short Exposure	
	Contracts	Notional	Contracts	Notional
<u>Futures</u>				
Fixed Income Index	889	\$ 140,929,437	1,127	\$ 186,145,086
Foreign Currency				
Exchange Rate	-	-	10	2,452,250
Equity Index	659	40,271,333	464	55,920,525
	Long Exposure		Short Exposure	
	Contracts	Premium	Contracts	Premium
<u>Options</u>				
Fixed Income Index Calls	-	\$ -	-	\$ -
Equity Index Calls	29,573	229,058,525	25,512	11,597,893
Equity Index Puts	-	-	25,486	2,861,314
Equity Calls	-	-	2,300	436,000

Net realized and unrealized gains and losses are recognized in the consolidated statements of activities. Net realized and unrealized gains of approximately \$24,185,090 were recognized for the year ended June 30, 2019.

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. For the years ended June 30, 2020 and 2019, UGC recognized an unrealized loss of \$434,443 and unrealized loss of \$410,524 on this instrument, respectively.

The Foundation has a credit default 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. For the years ended June 30, 2020 and 2019, the Foundation recognized an unrealized gain of \$752,245 and unrealized loss of \$1,472,536 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 0.7% – 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, 2020 AND 2019

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 \$42,498,811 and \$34,019,376 at June 30, 2020 and 2019, respectively.

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.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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 or are investments held at cost, investments held at the equity method or are consolidated, are recorded at net asset values provided by external investment managers as a practical expedient in determining fair value. Because such investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for such investments existed.

The Foundation invests in LLC's and LLP's in which the Foundation has a majority interest and control. As a result, these investments are consolidated within the financial statements.

Donated investments are recorded at their fair values, as determined on the date of donation. Investment income and gains and losses are recorded in the period incurred.

For management efficiency, investments of net assets with and without restrictions are pooled, except for certain net assets that the board of trustees or donors have designated to be segregated and maintained separately.

Receivables from pending liquidations represent sales of investments made prior to the end of the fiscal year, but settled after the fiscal year-end.

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.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, Association of Public and Land-grant Universities, 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, 2020 and 2019, investments held for custody of others were \$290,208,861 and \$294,384,689, respectively.

Functional Expense Allocation

The costs of providing the program and supporting services have been summarized on a functional basis on the consolidated statement of functional expenses. Distributions to the University and direct costs related to real estate activities are considered program expense.

Salaries and related benefits are allocated based on department and employee job descriptions. All other costs are allocated on a direct basis.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Change in Account Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers (Topic 606)*. The Foundation adopted the standard on July 1, 2018 using the full retrospective method of transition. The ASU converged and replaced existing revenue-recognition guidance, including industry-specific guidance, and requires revenue to be recognized in an amount that reflects the consideration to which the entity expects to be entitled in an exchange of goods or services. The adoption of this ASU did not result in changes to previously reported revenue.

Additionally, in June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation's consolidated financial statements reflect the application of ASU 2018-08 guidance using the prospective approach. The adoption of this ASU did not impact the Foundation's reported revenue or expenses in total.

Risks and Uncertainties

The Coronavirus Disease 2019 (COVID-19) has recently affected global markets, supply chains, employees of companies, and our communities. As a result, COVID-19 may impact various parts of the Foundation's 2021 operations and financial results including contributions, investment markets and various expenses, etc. Management believes that the Foundation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 INVESTMENTS

The investments at June 30 are summarized as follows:

	2020		
	Traditional Structures	Alternative Structures	Total
Cash and Cash Equivalents	\$ 847,497,736	\$ -	\$ 847,497,736
Fixed Income	523,300,779	792,116,454	1,315,417,233
Global Equity	1,344,076	16,215,213	17,559,289
Hedge Funds	21,342,064	2,292,392	23,634,456
Natural Resources	7,505,008	59,268,308	66,773,316
Treasure Inflation Protected Securities (TIPS)	54,397,409	-	54,397,409
Real Estate	-	42,030,620	42,030,620
Private Equity	-	591,593,180	591,593,180
Other Investments	-	5,270,100	5,270,100
Total	<u>\$ 1,455,387,072</u>	<u>\$ 1,508,786,267</u>	<u>2,964,173,339</u>
Less: Charitable Gift Annuities Reported Separately			(35,947,147)
Total			<u>\$ 2,928,226,192</u>

	2019		
	Traditional Structures	Alternative Structures	Total
Cash and Cash Equivalents	\$ 796,593,348	\$ -	\$ 796,593,348
Fixed Income	622,774,324	698,672,991	1,321,447,315
Global Equity	1,660,599	15,938,793	17,599,392
Hedge Funds	19,315,237	4,296,449	23,611,686
Natural Resources	8,351,803	82,194,875	90,546,678
Treasure Inflation Protected Securities (TIPS)	48,643,827	-	48,643,827
Real Estate	-	52,503,831	52,503,831
Private Equity	-	582,447,460	582,447,460
Other Investments	-	6,122,146	6,122,146
Total	<u>\$ 1,497,339,138</u>	<u>\$ 1,442,176,545</u>	<u>2,939,515,683</u>
Less: Charitable Gift Annuities Reported Separately			(33,718,000)
Total			<u>\$ 2,905,797,683</u>

Fixed income investments include high yield bonds, factored receivables, line of credit, bank loans, mortgage, and related securitizations.

Investments held in traditional structures represent those held directly by the 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.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 INVESTMENTS (CONTINUED)

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, 2020 and 2019, the Foundation has \$1,508,786,267 and \$1,442,176,545, respectively, of investments in alternative structures which are reported at net asset value as a practical expedient, except those reported as Level 3, Loans Measured at Cost and Investment Held in LLC 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.

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.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2020 and 2019:

	2020			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Fixed Income:				
Asset Backed Securities	\$ -	\$ 5,647,841	\$ -	\$ 5,647,841
Mortgages	1,119,701	1,203,819	-	2,323,520
Corporate Bonds	-	14,117,342	-	14,117,342
Government	-	493,099,801	-	493,099,801
Large Cap	-	-	-	-
Other	-	8,112,275	-	8,112,275
Global Equity:				
Small Cap	1,344,076	-	-	1,344,076
Large Cap	-	-	-	-
Hedge Funds:				
Long/Short Nonequity	21,342,064	-	1,884,327	23,226,391
Natural Resources	7,505,008	-	-	7,505,008
Treasury Inflation Protected Securities (TIPS)	-	54,397,409	-	54,397,409
Total Investments	<u>\$ 31,310,849</u>	<u>\$ 576,578,487</u>	<u>\$ 1,884,327</u>	<u>609,773,663</u>
Cash and Cash Equivalents				847,497,736
Investments Measured at Net Asset Value or its Equivalent				1,013,623,418
Investments Held at Cost				73,201,827
Investments at Equity Method				92,113,845
Consolidated Investments				<u>327,962,850</u>
Total Investments and Cash				<u>\$ 2,964,173,339</u>
Gift Annuities not Categorized Above	\$ 891,024	\$ 589,462	\$ -	\$ 1,480,486
Beneficial Interest in Perpetual Trusts	8,497,533	2,729,634	60,985,076	72,212,243
Assets Held in Charitable Trusts	18,832,814	-	-	18,832,814
Beneficial Interest in Trusts	-	-	2,686,010	2,686,010
UGC Derivative Financial Instrument	-	(1,981,133)	-	(1,981,133)

Assets Held in Charitable Trusts consist of equities, bonds, and cash.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

	2019			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Fixed Income:				
Asset Backed Securities	\$ -	\$ 2,495,713	\$ -	\$ 2,495,713
Mortgages	-	3,094,303	-	3,094,303
Corporate Bonds	-	20,221,930	-	20,221,930
Government	-	590,681,469	-	590,681,469
Large Cap	252,999	-	-	252,999
Other	-	6,027,910	-	6,027,910
Global Equity:				
Small Cap	1,660,599	-	-	1,660,599
Large Cap	-	-	-	-
Hedge Funds:				
Long/Short Nonequity	19,315,237	-	3,716,315	23,031,552
Natural Resources	8,351,803	-	-	8,351,803
Treasury Inflation Protected Securities (TIPS)	-	48,643,827	-	48,643,827
Total Investments	<u>\$ 29,580,638</u>	<u>\$ 671,165,152</u>	<u>\$ 3,716,315</u>	704,462,105
Cash and Cash Equivalents				796,593,348
Investments Measured at Net Asset Value or its Equivalent				1,016,812,244
Investments Held at Cost				23,719,978
Investments at Equity Method				92,275,460
Consolidated Investments				<u>305,652,548</u>
Total Investments and Cash				<u>\$ 2,939,515,683</u>
Gift Annuities not Categorized Above	\$ 1,146,109	\$ 588,278	\$ -	\$ 1,734,387
Beneficial Interest in Perpetual Trusts	8,757,503	2,695,087	52,641,646	64,094,236
Assets Held in Charitable Trusts	19,952,087	-	-	19,952,087
Beneficial Interest in Trusts	-	-	2,789,835	2,789,835
UGC Derivative Financial Instrument	-	(1,546,690)	-	(1,546,690)

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, 2019	Investment Income	Net Realized and Unrealized Gain (Loss)	Purchases	Sales	Ending Balance at June 30, 2020
Hedge Funds:						
Long/Short						
Nonequity	\$ 3,716,315	\$ 63,453	\$ (104,441)	\$ 81,750	\$ (1,872,750)	\$ 1,884,327
Total	<u>\$ 3,716,315</u>	<u>\$ 63,453</u>	<u>\$ (104,441)</u>	<u>\$ 81,750</u>	<u>\$ (1,872,750)</u>	<u>\$ 1,884,327</u>
	Beginning Balance at July 1, 2018	Investment Income	Net Realized and Unrealized Gain (Loss)	Purchases	Sales	Ending Balance at June 30, 2019
Hedge Funds:						
Long/Short						
Nonequity	\$ 1,830,575	\$ 117,381	\$ 36,172	\$ 3,234,125	\$ (1,501,938)	\$ 3,716,315
Total	<u>\$ 1,830,575</u>	<u>\$ 117,381</u>	<u>\$ 36,172</u>	<u>\$ 3,234,125</u>	<u>\$ (1,501,938)</u>	<u>\$ 3,716,315</u>

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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, 2019	Change in Carrying Value of Trusts	Ending Balance at June 30, 2020
Beneficial Interest in Trusts	\$ 2,789,835	\$ (103,825)	\$ 2,686,010
Beneficial Interest in Perpetual Trusts	52,641,646	8,343,430	60,985,076

	Beginning Balance at July 1, 2018	Change in Carrying Value of Trusts	Ending Balance at June 30, 2019
Beneficial Interest in Trusts	\$ 3,002,723	\$ (212,888)	\$ 2,789,835
Beneficial Interest in Perpetual Trusts	52,177,642	464,004	52,641,646

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:

	2020			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments:				
Fixed Income (a)	\$ 319,268,333	\$ 70,480,071	None or Quarterly	None or 60 Days
Global Equity (b)	2,415,131	-	None or Daily to Quarterly	None or 0-60 Days
Hedge Funds (c)	408,065	-	None or Monthly to Quarterly	None or 0-90 Days
Natural Resources (d)	59,268,308	6,696,593	None	None
Real Estate (e)	42,030,620	16,340,970	None	None
Private Equity (f)	584,962,861	128,312,032	None	None
Other Investments (g)	5,270,100	-	None	None
Total	<u>\$ 1,013,623,418</u>	<u>\$ 221,829,666</u>		

	2019			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments:				
Fixed Income (a)	\$ 300,639,780	\$ 192,153,830	None or Quarterly	None or 60 Days
Global Equity (b)	2,138,711	-	None or Daily to Quarterly	None or 0-60 Days
Hedge Funds (c)	580,134	-	None or Monthly to Quarterly	None or 0-90 Days
Natural Resources (d)	82,194,875	11,535,900	None	None
Real Estate (e)	52,503,831	24,294,375	None	None
Private Equity (f)	572,632,767	143,728,902	None	None
Other Investments (g)	6,122,146	-	None	None
Total	<u>\$ 1,016,812,244</u>	<u>\$ 371,713,007</u>		

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

- (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, 2020 AND 2019

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.

Investment Commitments

As of June 30, 2020, the Foundation also had unfunded commitments for Investments Held at Cost of \$13,401,313, unfunded commitments for Investments at Equity Method of \$68,469,877, and unfunded commitments for Consolidated Investments of \$137,566,543.

The Foundation had unfunded commitments for investments held at June 30, 2020 which are allowed to be cancelled by the Foundation. This was approximately \$175.3 million and is included in the commitment disclosure above.

In addition to the unfunded commitments noted above, the Foundation has entered into investment commitments of \$94,300,000 since June 30, 2020 which are expected to be paid within one year.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable, net of unamortized discount (at rates of 0.7% to 9%) of \$10,475,563 and \$12,562,678 are summarized as follows at June 30:

	<u>2020</u>	<u>2019</u>
Unconditional Promises Expected to be Collected in:		
Less than One Year	\$ 76,579,316	\$ 64,327,195
One Year to Five Years	122,320,269	107,493,552
Greater than Five Years	<u>37,697,743</u>	<u>24,445,587</u>
Total	236,597,328	196,266,334
Reserve for Uncollectible Pledges	<u>(5,100,000)</u>	<u>(4,900,000)</u>
Pledges Receivable	<u>\$ 231,497,328</u>	<u>\$ 191,366,334</u>

In addition, the Foundation has received conditional promises to give in the amount of \$38,991,505 and \$29,020,168 as of June 30, 2020 and 2019, respectively. These gifts are primarily conditioned on completion of building or fundraising projects, evaluation of progress on projects, or matching funds.

At June 30, 2020 and 2019, 27% and 18%, respectively, of the Foundation's gross pledges receivable balance was related to one donor.

NOTE 5 OFFICE PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Leasehold Improvements	\$ 2,318,586	\$ 2,318,586
Furniture and Fixtures	4,362,973	4,025,022
Less: Accumulated Depreciation	<u>(4,816,591)</u>	<u>(4,269,575)</u>
Total	<u>\$ 1,864,968</u>	<u>\$ 2,074,033</u>

NOTE 6 UMFREA PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 31,847,713	\$ 31,847,713
Property and Equipment	31,114,552	30,518,194
Less: Accumulated Depreciation	<u>(15,228,022)</u>	<u>(13,703,497)</u>
Total	<u>\$ 47,734,243</u>	<u>\$ 48,662,410</u>

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 UGC PROPERTY AND EQUIPMENT

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

	2020	2019
Building	\$ 20,434,061	\$ 20,379,005
Plaza Exterior Features	1,765,486	1,765,486
Furniture and Fixtures	5,796,078	5,686,195
Construction in Progress	255,592	19,779
Less: Accumulated Depreciation	(9,648,644)	(8,876,368)
Subtotal	18,602,573	18,974,097
Elimination Adjustment Due to Consolidation of UGC (Note 1)	12,258,997	12,503,404
Total	\$ 30,861,570	\$ 31,477,501

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 on the line of credit during the year. There was an outstanding balance of \$20,000,000 as of June 30, 2020 and 2019. The transaction is eliminated in consolidation.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30 are restricted for the following purposes:

	2020	2019
Gifts and Other Unexpended Revenues and Gains Available for:		
Capital Improvement/Facilities	\$ 146,816,375	\$ 133,711,466
Faculty and Staff Support	20,645,616	20,667,820
Scholarships and Fellowships	140,505,887	151,744,492
Lectureships, Professorships, and Chairs	44,281,053	45,703,171
Program Support	563,757,275	486,034,038
Research and Outreach/Community Engagement	161,601,895	160,654,693
Trusts	7,162,407	7,401,391
Other	7,795,013	8,768,129
Total	1,092,565,521	1,014,685,200
Endowments:		
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity:		
Restricted by Donors for:		
Capital Improvement/Facilities	9,968,720	9,933,978
Faculty and Staff Support	33,316,975	33,376,528
Scholarships and Fellowships	623,081,671	588,187,754
Lectureships, Professorships, and Chairs	436,167,211	418,321,364
Program Support	97,714,887	95,701,898
Research and Outreach/Community Engagement	78,448,225	73,822,878
Trusts	15,391,684	15,635,231
Other	3,537,316	3,072,239
Total	1,297,626,689	1,238,051,870

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

	2020	2019
Subject to Foundation Endowment Spending Policy and Appropriation:		
Capital Improvement/Facilities	\$ 9,224,977	\$ 9,952,901
Faculty and Staff Support	11,505,905	14,291,675
Scholarships and Fellowships	128,488,382	172,652,213
Lectureships, Professorships, and Chairs	193,299,485	229,014,931
Program Support	43,292,036	53,995,497
Research and Outreach/Community Engagement	18,974,405	24,016,617
Other	2,512,969	2,917,129
Total	407,298,159	506,840,963
Total Endowments	1,704,924,848	1,744,892,833
Not Subject to Spending Policy or Appropriation:		
Capital Improvement/Facilities	290,880	68,320
Faculty and Staff Support	2,799,141	
Scholarships and Fellowships	5,856,591	1,570,034
Lectureships, Professors, and Chairs	328,219	
Program Support	11,148,996	6,953,240
Research and Outreach	2,948,663	1,034,539
Trusts	62,574,058	54,466,031
Other	894,966	1,090,432
Total	86,841,514	65,182,596
Total Net Assets with Donor Restrictions	\$ 2,884,331,883	\$ 2,824,760,629

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	2020	2019
Net Assets Released for Purpose:		
Capital Improvement/Facilities	\$ 17,281,611	\$ 21,970,120
Faculty and Staff Support	3,741,726	4,582,149
Scholarships and Fellowships	57,929,597	50,303,707
Lectureships, Professorships, and Chairs	31,149,733	28,609,039
Program Support	83,224,646	84,795,475
Research and Outreach/Community Engagement	42,273,774	62,665,501
Other	16,223,496	504,970
Total Net Assets Released from Donor Restrictions	\$ 251,824,583	\$ 253,430,961

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 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 net assets with donor restrictions that are perpetual in nature 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 perpetual in nature is classified as net assets with donor restrictions that are temporary in nature 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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 9,688,416	\$ -	\$ 9,688,416
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	1,297,626,689	1,297,626,689
Accumulated Investment Gains	-	407,298,159	407,298,159
Total	<u>\$ 9,688,416</u>	<u>\$ 1,704,924,848</u>	<u>\$ 1,714,613,264</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 10,171,679	\$ -	\$ 10,171,679
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	1,238,051,870	1,238,051,870
Accumulated Investment Gains	-	506,840,963	506,840,963
Total	<u>\$ 10,171,679</u>	<u>\$ 1,744,892,833</u>	<u>\$ 1,755,064,512</u>

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Changes in Endowment Net Assets

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 10,171,679	\$ 1,744,892,833	\$ 1,755,064,512
Total Investment Return	(179,301)	(37,269,685)	(37,448,986)
Cash Contributions and Pledge Receipts	-	55,507,100	55,507,100
Change in Carrying Value of Trusts	-	(243,547)	(243,547)
Change in Donor Restrictions	-	5,090,639	5,090,639
Appropriation of Assets	(303,962)	(63,052,492)	(63,356,454)
Endowment Net Assets - End of Year	<u>\$ 9,688,416</u>	<u>\$ 1,704,924,848</u>	<u>\$ 1,714,613,264</u>

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 9,974,536	\$ 1,639,973,209	\$ 1,649,947,745
Total Investment Return	624,174	94,627,734	95,251,908
Cash Contributions and Pledge Receipts	-	60,123,785	60,123,785
Change in Carrying Value of Trusts	-	666,474	666,474
Change in Donor Restrictions	-	4,846,242	4,846,242
Appropriation of Assets	(427,031)	(55,344,611)	(55,771,642)
Endowment Net Assets - End of Year	<u>\$ 10,171,679</u>	<u>\$ 1,744,892,833</u>	<u>\$ 1,755,064,512</u>

Funds with Deficiencies (Underwater Funds)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2020, funds with original gift values of \$186,571,401 and fair values of \$173,122,635, and the deficiencies of \$13,448,766 were reported in net assets with donor restrictions. As of June 30, 2019, funds with original gift values of \$75,166,252 and fair values of \$68,087,872, and the deficiencies of \$7,078,380 were reported in net assets with donor restrictions. These deficiencies, which the Foundation believes are temporary, resulted from unfavorable market fluctuations. Appropriations during the years ended June 30, 2020 and 2019 were made in accordance with the board of trustees underwater fund policy.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

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.

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.

Board-Designated Endowment Fund

There are two board-designated endowment funds that have been designated by the University of Minnesota Foundation Executive Committee. One fund allows spending of 4.5% of the average balance and is restricted for Foundation operations. The other fund provides 5% of the average balance as annual grants designated by the Foundation board of trustees primarily for University of Minnesota presidential spending for strategic initiatives.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 11 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.

NOTE 12 BONDS PAYABLE AND LOAN GUARANTY

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

<u>Description</u>	<u>2020</u>	<u>2019</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
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>12,880,000</u>	<u>13,705,000</u>
Subtotal	45,730,000	46,555,000
Plus: Premium on Series 2015 Bonds	859,708	940,312
Less: Debt Issuance Costs, Net of Accumulated Amortization	<u>(616,931)</u>	<u>(664,540)</u>
Total	<u>\$ 45,972,777</u>	<u>\$ 46,830,772</u>

Aggregate annual maturities are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 860,000
2022	895,000
2023	930,000
2024	965,000
2025	1,005,000
Thereafter	<u>41,075,000</u>
Total	<u>\$ 45,730,000</u>

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 13 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 below includes the residual value guarantee amount of \$2,037,500 in 2024 and \$17,250,000 included in thereafter. The minimum future rentals to be received from the leases in effect as of June 30, 2020 are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,402,401
2022	1,402,401
2023	1,402,401
2024	1,402,401
2025	3,439,901
Thereafter	16,688,501
Total	<u>\$ 25,738,006</u>

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, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 2,410,579
2022	2,410,579
2023	2,410,579
2024	2,410,579
Total	<u>\$ 9,642,316</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>2020</u>	<u>2019</u>
Minimum Lease Payments:		
Payments Under Lease Agreements	\$ 16,092,822	\$ 19,905,801
Residual Value Guarantee	19,287,500	19,287,500
Minimum Lease Payments Receivable	35,380,322	39,193,301
Unearned Income	(11,716,657)	(14,006,893)
Net Investment in Direct Financing Leases	23,663,665	25,186,408
Direct Financing Leases Elimination Due to Consolidation of UGC	(14,973,186)	(14,833,665)
Total	<u>\$ 8,690,479</u>	<u>\$ 10,352,743</u>

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 13 LEASES (CONTINUED)

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.

NOTE 14 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 15 LIQUIDITY AND AVAILABILITY

Financial assets available for grants and general expenditures within one year of the statement of financial position date are comprised of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 25,701,306	\$ 26,721,800
Investments	2,928,226,192	2,905,797,683
Receivables from Pending Liquidations	-	680,012
Accounts Receivable Due Within One Year	5,483,832	9,249,088
Pledge Receivable Due Within One Year	76,579,316	64,327,195
Less Investments and Cash Unavailable for General Expenditures Within One Year Due to Donor-Imposed Time or Purpose Restrictions	<u>(2,489,520,356)</u>	<u>(2,529,882,649)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 546,470,290</u>	<u>\$ 476,893,129</u>

The assets above include donor funds subject to donor restrictions as of June 30, 2020. Donors funds are generally either permanent (endowed) or nonpermanent (demand or quasi-endowed). Demand funds may be granted out at any time, subject to terms of the fund agreement. Quasi-endowed funds may spend 20% of the fund balance each year, subject to terms of the fund agreement. Endowed funds are subject to a board approved spending policy of 4.5% of a five year trailing average balance. An estimated spendable amount of \$70,000,000 will be made available for making grants from these endowments within one year, subject to terms of the fund agreement.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 15 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets (see Notes 1-3)
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Foundation

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, 2020 through October 7, 2020, which was the date the consolidated financial statements were available to be issued.

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	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	\$ 18,182,281	\$ 173,315	\$ 5,249,333	\$ 2,096,377	\$ -	\$ 25,701,306
Investments	2,924,056,398	1,132,128	3,037,666	34,043,612	(34,043,612)	2,928,226,192
Receivables from Pending Liquidations	-	-	-	-	-	-
Pledges Receivable, Net	231,497,328	-	-	-	-	231,497,328
Other Receivables, Primarily Interest	24,945,757	887,800	460,569	249,021	(21,059,315)	5,483,832
Split Interest Agreements:						
Beneficial Interest in Perpetual Trusts	72,212,243	-	-	-	-	72,212,243
Assets Held in Charitable Trusts	18,832,814	-	-	-	-	18,832,814
Beneficial Interest in Trusts	2,686,010	-	-	-	-	2,686,010
Gift Annuities	37,427,633	-	-	-	-	37,427,633
Office Property and Equipment, Net	1,857,809	7,159	-	-	-	1,864,968
University of Minnesota Foundation Real Estate Advisors:						
Property and Equipment, Net	-	-	47,734,243	-	-	47,734,243
University Gateway Corporation:						
Property and Equipment, Net	-	-	-	18,602,573	12,258,997	30,861,570
Net Investment in Direct Financing Leases	-	-	-	23,663,665	(14,973,186)	8,690,479
Total Assets	\$ 3,331,698,273	\$ 2,200,402	\$ 56,481,811	\$ 78,655,248	\$ (57,817,116)	\$ 3,411,218,618
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 12,762,806	\$ 1,993,305	\$ 23,536,710	\$ 1,460,700	\$ (21,059,315)	\$ 18,694,206
Gift Annuities Payable	20,126,361	-	-	-	-	20,126,361
Liability Under Charitable Trust Agreements	9,732,854	-	-	-	-	9,732,854
Investments Held for Custody of Others	290,208,861	-	-	-	-	290,208,861
University Gateway Corporation:						
Derivative Financial Instrument	-	-	-	1,981,133	-	1,981,133
Capital Lease Payable	-	-	-	128,977	-	128,977
Bonds Payable	-	-	-	45,972,777	-	45,972,777
Total Liabilities	332,830,882	1,993,305	23,536,710	49,543,587	(21,059,315)	386,845,169
NET ASSETS						
Undesignated	114,535,508	207,097	32,945,101	17,466,997	(36,757,801)	128,396,902
Noncontrolling Interest in Subsidiary	-	-	-	11,644,664	-	11,644,664
Total Net Assets Without Donor Restrictions	114,535,508	207,097	32,945,101	29,111,661	(36,757,801)	140,041,566
With Donor Restrictions	2,884,331,883	-	-	-	-	2,884,331,883
Total Net Assets	2,998,867,391	207,097	32,945,101	29,111,661	(36,757,801)	3,024,373,449
Total Liabilities and Net Assets	\$ 3,331,698,273	\$ 2,200,402	\$ 56,481,811	\$ 78,655,248	\$ (57,817,116)	\$ 3,411,218,618

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	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	\$ 21,224,305	\$ 56,046	\$ 3,824,744	\$ 1,616,705	\$ -	\$ 26,721,800
Investments	2,900,380,577	1,104,081	4,313,025	33,500,024	(33,500,024)	2,905,797,683
Receivables from Pending Liquidations	680,012	-	-	-	-	680,012
Pledges Receivable, Net	191,366,334	-	-	-	-	191,366,334
Other Receivables, Primarily Interest	28,351,661	1,092,350	379,906	605,765	(21,180,594)	9,249,088
Split Interest Agreements:						
Beneficial Interest in Perpetual Trusts	64,094,236	-	-	-	-	64,094,236
Assets Held in Charitable Trusts	19,952,087	-	-	-	-	19,952,087
Beneficial Interest in Trusts	2,789,835	-	-	-	-	2,789,835
Gift Annuities	35,452,387	-	-	-	-	35,452,387
Office Property and Equipment, Net	2,064,043	9,990	-	-	-	2,074,033
University of Minnesota Foundation Real Estate Advisors:						
Property and Equipment, Net	-	-	48,662,410	-	-	48,662,410
University Gateway Corporation:						
Property and Equipment, Net	-	-	-	18,974,097	12,503,404	31,477,501
Net Investment in Direct Financing Leases	-	-	-	25,186,408	(14,833,665)	10,352,743
	<u>\$ 3,266,355,477</u>	<u>\$ 2,262,467</u>	<u>\$ 57,180,085</u>	<u>\$ 79,882,999</u>	<u>\$ (57,010,879)</u>	<u>\$ 3,348,670,149</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 13,315,869	\$ 2,055,370	\$ 23,278,913	\$ 1,213,115	\$ (21,180,594)	\$ 18,682,673
Gift Annuities Payable	17,743,923	-	-	-	-	17,743,923
Liability Under Charitable Trust Agreements	10,615,788	-	-	-	-	10,615,788
Investments Held for Custody of Others	294,384,689	-	-	-	-	294,384,689
University Gateway Corporation:						
Derivative Financial Instrument	-	-	-	1,546,690	-	1,546,690
Capital Lease Payable	-	-	-	146,782	-	146,782
Bonds Payable	-	-	-	46,830,772	-	46,830,772
Total Liabilities	<u>336,060,269</u>	<u>2,055,370</u>	<u>23,278,913</u>	<u>49,737,359</u>	<u>(21,180,594)</u>	<u>389,951,317</u>
NET ASSETS						
Undesignated	105,534,579	207,097	33,901,172	18,087,384	(35,830,285)	121,899,947
Noncontrolling Interest in Subsidiary	-	-	-	12,058,256	-	12,058,256
Total Net Assets Without Donor Restrictions	<u>105,534,579</u>	<u>207,097</u>	<u>33,901,172</u>	<u>30,145,640</u>	<u>(35,830,285)</u>	<u>133,958,203</u>
With Donor Restrictions	2,824,760,629	-	-	-	-	2,824,760,629
Total Net Assets	<u>2,930,295,208</u>	<u>207,097</u>	<u>33,901,172</u>	<u>30,145,640</u>	<u>(35,830,285)</u>	<u>2,958,718,832</u>
	<u>\$ 3,266,355,477</u>	<u>\$ 2,262,467</u>	<u>\$ 57,180,085</u>	<u>\$ 79,882,999</u>	<u>\$ (57,010,879)</u>	<u>\$ 3,348,670,149</u>

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	University of Minnesota Foundation	University of Minnesota Foundation Investment Advisors	University of Minnesota Foundation Real Estate Advisors	University Gateway Corporation	Eliminations	Total
REVENUES						
Contributions	\$ 261,130,399	\$ -	\$ -	\$ -	\$ -	\$ 261,130,399
Investment Income, Net of Investment Expenses of \$5,461,310	22,848,177	-	49,718	-	(600,000)	22,297,895
Net Realized and Unrealized Gains/(Losses) on Investments	23,680,107	-	(922,165)	543,588	(543,588)	22,757,942
Change in Carrying Value of Trusts	6,086,151	-	-	-	-	6,086,151
Support Services Revenue	7,165,000	3,312,953	-	-	(3,312,953)	7,165,000
University of Minnesota Foundation Real Estate Advisors:						
Rental Revenue	-	-	7,099,881	-	(183,936)	6,915,945
University Gateway Corporation Revenue	-	-	-	6,023,242	(1,961,330)	4,061,912
Miscellaneous Revenue	694,559	762,497	(11)	-	(1,452,290)	4,755
Total Revenues	<u>321,604,393</u>	<u>4,075,450</u>	<u>6,227,423</u>	<u>6,566,830</u>	<u>(8,054,097)</u>	<u>330,419,999</u>
EXPENSES						
Distributions for University Purposes	202,039,319	-	-	-	-	202,039,319
Management and General	13,194,828	4,075,450	-	-	(6,036,780)	11,233,498
Promotion and Development	37,798,063					37,798,063
University of Minnesota Foundation Real Estate Advisors:						
Real Estate Program Expenses	-	-	6,054,860	-	(183,936)	5,870,924
Management and General	-	-	1,128,634	-	(625,000)	503,634
University Gateway Corporation:						
Real Estate Program Expenses	-	-	-	6,280,382	137,465	6,417,847
Management and General	-	-	-	1,320,427	(418,330)	902,097
Total Expenses	<u>253,032,210</u>	<u>4,075,450</u>	<u>7,183,494</u>	<u>7,600,809</u>	<u>(7,126,581)</u>	<u>264,765,382</u>
CHANGE IN NET ASSETS	68,572,183	-	(956,071)	(1,033,979)	(927,516)	65,654,617
Net Assets - Beginning of Year	<u>2,930,295,208</u>	<u>207,097</u>	<u>33,901,172</u>	<u>30,145,640</u>	<u>(35,830,285)</u>	<u>2,958,718,832</u>
NET ASSETS - END OF YEAR	<u>\$ 2,998,867,391</u>	<u>\$ 207,097</u>	<u>\$ 32,945,101</u>	<u>\$ 29,111,661</u>	<u>\$ (36,757,801)</u>	<u>\$ 3,024,373,449</u>

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)**

	University of Minnesota Foundation	University of Minnesota Foundation Investment Advisors	University of Minnesota Foundation Real Estate Advisors	University Gateway Corporation	Eliminations	Total
REVENUES						
Contributions	\$ 224,140,011	\$ -	\$ -	\$ -	\$ -	\$ 224,140,011
Investment Income, Net of Investment Expenses of \$5,427,010	20,884,460	-	81,752	-	(668,608)	20,297,604
Net Realized and Unrealized Gains/(Losses) on Investments	189,381,617	-	(1,529,619)	2,825,615	(2,825,615)	187,851,998
Change in Carrying Value of Trusts	2,159,762	-	-	-	-	2,159,762
Support Services Revenue	7,165,000	3,076,552	-	-	(3,076,552)	7,165,000
University of Minnesota Foundation Real Estate Advisors:						
Rental Revenue	-	-	7,254,052	-	(220,058)	7,033,994
University Gateway Corporation Revenue	-	-	-	6,703,498	(2,001,052)	4,702,446
Miscellaneous Revenue	695,985	711,774	(11)	-	(1,405,629)	2,119
Total Revenues	<u>444,426,835</u>	<u>3,788,326</u>	<u>5,806,174</u>	<u>9,529,113</u>	<u>(10,197,514)</u>	<u>453,352,934</u>
EXPENSES						
Distributions for University Purposes	210,933,387	-	-	-	(500,000)	210,433,387
Management and General	12,980,012	3,788,326	-	-	(5,681,601)	11,086,737
Promotion and Development	36,899,080	-	-	-	(107,777)	36,791,303
University of Minnesota Foundation Real Estate Advisors:						
Real Estate Program Expenses	-	-	7,282,219	-	(888,666)	6,393,553
Management and General	-	-	594,815	-	(25,000)	569,815
University Gateway Corporation:						
Real Estate Program Expenses	-	-	-	6,885,943	129,825	7,015,768
Management and General	-	-	-	1,141,275	(418,330)	722,945
Total Expenses	<u>260,812,479</u>	<u>3,788,326</u>	<u>7,877,034</u>	<u>8,027,218</u>	<u>(7,491,549)</u>	<u>273,013,508</u>
CHANGE IN NET ASSETS	183,614,356	-	(2,070,860)	1,501,895	(2,705,965)	180,339,426
Net Assets - Beginning of Year	<u>2,746,680,852</u>	<u>207,097</u>	<u>35,972,032</u>	<u>28,643,745</u>	<u>(33,124,320)</u>	<u>2,778,379,406</u>
NET ASSETS - END OF YEAR	<u>\$ 2,930,295,208</u>	<u>\$ 207,097</u>	<u>\$ 33,901,172</u>	<u>\$ 30,145,640</u>	<u>\$ (35,830,285)</u>	<u>\$ 2,958,718,832</u>