

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2021 AND 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

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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, 2021 and 2020, 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, 2021 and 2020, 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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 28, 2021

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

| | 2021 | 2020 |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 36,063,857 | \$ 25,701,306 |
| Investments | 3,965,160,402 | 2,928,226,192 |
| Pledges Receivable, Net | 208,760,918 | 231,497,328 |
| Other Receivables, Primarily Interest | 3,851,259 | 5,483,832 |
| Split Interest Agreements: | | |
| Beneficial Interest in Perpetual Trusts | 85,692,468 | 72,212,243 |
| Assets Held in Charitable Trusts | 24,934,124 | 18,832,814 |
| Beneficial Interest in Trusts | 2,059,762 | 2,686,010 |
| Gift Annuities | 49,567,299 | 37,427,633 |
| Office Property and Equipment, Net | 1,466,788 | 1,864,968 |
| University of Minnesota Foundation Real Estate Advisors: | | |
| Property and Equipment, Net | 46,363,273 | 47,734,243 |
| University Gateway Corporation: | | |
| Property and Equipment, Net | 30,172,817 | 30,861,570 |
| Right of Use Asset - Leases | 2,566,378 | - |
| Net Investment in Direct Financing Leases | 6,889,326 | 8,690,479 |
| | \$ 4,463,548,671 | \$ 3,411,218,618 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts Payable, Accrued Expenses, and Other Liabilities | \$ 32,664,400 | \$ 18,694,206 |
| Gift Annuities Payable | 19,884,232 | 20,126,361 |
| Liability Under Charitable Trust Agreements | 14,334,627 | 9,732,854 |
| Investments Held for Custody of Others | 389,077,427 | 290,208,861 |
| University Gateway Corporation: | | |
| Derivative Financial Instrument | 1,425,120 | 1,981,133 |
| Lease Liability | 2,678,355 | 128,977 |
| Bonds Payable | 45,079,783 | 45,972,777 |
| Total Liabilities | 505,143,944 | 386,845,169 |
| NET ASSETS | | |
| Undesignated | 205,746,562 | 128,396,902 |
| Noncontrolling Interest in Subsidiary | 16,251,412 | 11,644,664 |
| Total Without Donor Restrictions | 221,997,974 | 140,041,566 |
| With Donor Restrictions | 3,736,406,753 | 2,884,331,883 |
| Total Net Assets | 3,958,404,727 | 3,024,373,449 |
| | \$ 4,463,548,671 | \$ 3,411,218,618 |

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|------------------|
| REVENUES | | | |
| Contributions | \$ 988,053 | \$ 230,646,493 | \$ 231,634,546 |
| Investment Income, Net of Investment Expenses of \$5,899,236 | 1,092,210 | 11,227,553 | 12,319,763 |
| Net Realized and Unrealized Gains on Investments | 10,700,314 | 887,909,151 | 898,609,465 |
| Change in Carrying Value of Trusts | (3,961) | 30,933,474 | 30,929,513 |
| Support Services Revenue | 8,500,000 | - | 8,500,000 |
| University of Minnesota Foundation Real Estate Advisors: | | | |
| Rental Revenue | 7,097,710 | - | 7,097,710 |
| University Gateway Corporation Revenue | 3,032,526 | - | 3,032,526 |
| Miscellaneous Revenue | 2,265,349 | - | 2,265,349 |
| Net Assets Released from Restriction | 308,641,801 | (308,641,801) | - |
| Total Revenues | 342,314,002 | 852,074,870 | 1,194,388,872 |
| EXPENSES | | | |
| Distributions for University Purposes | 200,661,671 | - | 200,661,671 |
| Management and General | 11,151,264 | - | 11,151,264 |
| Promotion and Development | 34,917,426 | - | 34,917,426 |
| University of Minnesota Foundation Real Estate Advisors: | | | |
| Real Estate Program Expenses | 7,147,355 | - | 7,147,355 |
| Management and General | 663,286 | - | 663,286 |
| University Gateway Corporation: | | | |
| Real Estate Program Expenses | 5,310,956 | - | 5,310,956 |
| Management and General | 505,636 | - | 505,636 |
| Total Expenses | 260,357,594 | - | 260,357,594 |
| CHANGE IN NET ASSETS | 81,956,408 | 852,074,870 | 934,031,278 |
| Net Assets - Beginning of Year | 140,041,566 | 2,884,331,883 | 3,024,373,449 |
| NET ASSETS - END OF YEAR | \$ 221,997,974 | \$ 3,736,406,753 | \$ 3,958,404,727 |

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 | 3,627,469 | - | 3,627,469 |
| Miscellaneous Revenue | 4,755 | - | 4,755 |
| Net Assets Released from Restriction | 251,824,583 | (251,824,583) | - |
| Total Revenues | 270,414,302 | 59,571,254 | 329,985,556 |
| 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 | 467,654 | - | 467,654 |
| Total Expenses | 264,330,939 | - | 264,330,939 |
| 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 FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

| | 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 | \$ 200,661,671 | \$ - | \$ - | \$ - | \$ 200,661,671 |
| Salaries and Wages | - | - | 5,997,751 | 18,161,192 | 24,158,943 |
| Employee Benefits | - | - | 2,006,678 | 6,263,478 | 8,270,156 |
| Professional Services | - | - | 1,065,864 | 1,303,571 | 2,369,435 |
| Accounting Fees | - | - | 91,003 | - | 91,003 |
| Legal Fees | - | - | 429,274 | - | 429,274 |
| Advertising and Promotion | - | - | 175 | 55,589 | 55,764 |
| Dues and Subscriptions | - | - | 168,750 | 261,221 | 429,971 |
| Office Expenses | - | - | 283,379 | 378,721 | 662,100 |
| Information Technology | - | - | 407,511 | 150,495 | 558,006 |
| Travel | - | - | 7 | 8,398 | 8,405 |
| Conferences, Conventions, and Meetings | - | - | 1,786 | 184,804 | 186,590 |
| Insurance | - | - | 221,405 | - | 221,405 |
| Depreciation and Amortization | - | - | 417,142 | - | 417,142 |
| Professional Development Colleges | - | - | - | 7,067,070 | 7,067,070 |
| Donor Cultivation | - | - | 502 | 247,764 | 248,266 |
| Printing and Publications | - | - | 3,819 | 807,216 | 811,035 |
| Other | - | - | 56,218 | 27,907 | 84,125 |
| Total Expenses by Function | 200,661,671 | - | 11,151,264 | 34,917,426 | 246,730,361 |
| University of Minnesota Foundation Real Estate Advisors | | | | | |
| Salaries and Wages | - | 906,854 | 146,876 | - | 1,053,730 |
| Employee Benefits | - | 433,973 | 54,785 | - | 488,758 |
| Professional Services | - | 1,518,546 | 119,619 | - | 1,638,165 |
| Accounting Fees | - | - | 83,038 | - | 83,038 |
| Legal Fees | - | 179,813 | 5,404 | - | 185,217 |
| Advertising and Promotion | - | 9,215 | 99 | - | 9,314 |
| Dues and Subscriptions | - | 15,542 | 6,169 | - | 21,711 |
| Office Expenses | - | 16,177 | - | - | 16,177 |
| Information Technology | - | 41,878 | 5,047 | - | 46,925 |
| Travel | - | 6,133 | - | - | 6,133 |
| Interest | - | 3,524 | 8,520 | - | 12,044 |
| Insurance | - | - | 230,591 | - | 230,591 |
| Training and Development | - | 891 | 2,523 | - | 3,414 |
| Depreciation and Amortization | - | 1,634,795 | - | - | 1,634,795 |
| Building Operations | - | 2,351,612 | 615 | - | 2,352,227 |
| Other | - | 28,402 | - | - | 28,402 |
| Total Expenses by Function | - | 7,147,355 | 663,286 | - | 7,810,641 |
| University Gateway Corporation | | | | | |
| Salaries and Wages | - | 1,149,211 | 103,539 | - | 1,252,750 |
| Employee Benefits | - | 198,558 | 14,652 | - | 213,210 |
| Payroll Taxes | - | 50,111 | 38,165 | - | 88,276 |
| Management Fees | - | - | 132,970 | - | 132,970 |
| Accounting Fees | - | - | 67,779 | - | 67,779 |
| Legal Fees | - | - | 6,021 | - | 6,021 |
| Advertising and Promotion | - | - | 44,259 | - | 44,259 |
| Office Expenses | - | 46 | - | - | 46 |
| Occupancy | - | 331,569 | - | - | 331,569 |
| Interest | - | 807,704 | - | - | 807,704 |
| Insurance | - | - | 98,251 | - | 98,251 |
| Depreciation and Amortization | - | 1,193,997 | - | - | 1,193,997 |
| Building/Events/Gallery Operations | - | 933,622 | - | - | 933,622 |
| Financing - Bond Fees | - | 336,593 | - | - | 336,593 |
| Loss on Disposal of Property & Equipment | - | 309,545 | - | - | 309,545 |
| Total Expenses by Function | - | 5,310,956 | 505,636 | - | 5,816,592 |
| Total Consolidated Expenses | \$ 200,661,671 | \$ 12,458,311 | \$ 12,320,186 | \$ 34,917,426 | \$ 260,357,594 |

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 |
| 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 | 202,039,319 | - | 11,233,498 | 37,798,063 | 251,070,880 |
| 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 | - | 5,870,924 | 503,634 | - | 6,374,558 |
| University Gateway Corporation | | | | | |
| 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 |
| Total Expenses by Function | - | 6,417,847 | 467,654 | - | 6,885,501 |
| Total Consolidated Expenses | <u>\$ 202,039,319</u> | <u>\$ 12,288,771</u> | <u>\$ 12,204,786</u> | <u>\$ 37,798,063</u> | <u>\$ 264,330,939</u> |

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

| | 2021 | 2020 |
|--|-----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 934,031,278 | \$ 65,654,617 |
| Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities: | | |
| Net Realized and Unrealized Gains on Investments | (898,609,465) | (22,757,942) |
| Change in Net Carrying Value of Trusts | (26,735,309) | (7,370,651) |
| Change in Derivative Financial Instrument | (556,013) | 434,443 |
| Depreciation and Amortization Expense | 3,245,934 | 3,224,914 |
| Loss on Disposal of Property and Equipment | 309,545 | - |
| Noncash Contributions | (8,493) | (4,183) |
| Contributions Restricted for Long-Term Investment | (82,422,496) | (58,299,472) |
| Changes in Operating Assets and Liabilities: | | |
| Pledges Receivable | 22,736,410 | (40,130,994) |
| Other Receivables | 1,632,573 | 3,765,256 |
| Accounts Payable, Accrued Expenses, and Other Liabilities | 13,970,194 | 11,533 |
| Net Cash Used by Operating Activities | (32,405,842) | (55,472,479) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Property and Equipment | (1,097,576) | (1,471,751) |
| Investments Held for Custody of Others | 98,868,566 | (4,175,828) |
| Change in Receivables from Pending Liquidations | - | 680,012 |
| Proceeds from Sales of Investments | 1,594,431,456 | 1,886,162,159 |
| Purchase of Investments | (1,732,747,708) | (1,885,828,543) |
| Principal Payments on Direct Financing Leases | 1,801,153 | 1,662,264 |
| Net Cash Used by Investing Activities | (38,744,109) | (2,971,687) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Contributions Restricted for Long-Term Investment | 82,422,496 | 58,299,472 |
| Payments on Bonds Payable | (892,994) | (857,995) |
| Payments Under Lease Obligations | (17,000) | (17,805) |
| Net Cash Provided by Financing Activities | 81,512,502 | 57,423,672 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 10,362,551 | (1,020,494) |
| Cash and Cash Equivalents - Beginning of Year | 25,701,306 | 26,721,800 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 36,063,857 | \$ 25,701,306 |
| NONCASH ACTIVITIES | | |
| Contributions of Securities and Property | \$ 24,437,027 | \$ 7,683,939 |

See accompanying Notes to Consolidated Financial Statements.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 AND 2020**

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, 2021, the Foundation had the following derivative exposures:

| | Long Exposure | | Short Exposure | |
|--------------------------|---------------|----------------|----------------|---------------|
| | Contracts | Notional | Contracts | Notional |
| <u>Futures</u> | | | | |
| Fixed Income Index | 1,397 | \$ 219,540,546 | 174 | \$ 31,794,734 |
| Foreign Currency | | | | |
| Exchange Rate | - | - | 1,159 | 101,372,195 |
| Equity Index | - | - | - | - |
| | | | | |
| | Long Exposure | | Short Exposure | |
| | Contracts | Premium | Contracts | Premium |
| <u>Options</u> | | | | |
| Fixed Income Index Calls | - | \$ - | - | \$ - |
| Equity Index Calls | 5,730 | 443,639,933 | 5,075 | 2,512,775 |
| Equity Index Puts | - | - | 5,078 | 4,213,876 |
| Equity Puts | 1,710,500 | 24,950,577 | 251,000 | 1,942,907 |

Net realized and unrealized gains and losses are recognized and included in the net realized and unrealized gain on investments line in the consolidated statements of activities. Net realized and unrealized gain of approximately \$451,776,152 were recognized for the year ended June 30, 2021.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments (Continued)

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 Puts | 1,200,000 | 484,314 | 49 | 17,172 |

Net realized and unrealized gains and losses are recognized and included in the net realized and unrealized gain on investments line 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.

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, 2021 and 2020, UGC recognized an unrealized gain of \$556,013 and unrealized loss of \$434,443 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, 2021 and 2020, the Foundation recognized an unrealized loss of \$394,433 and unrealized gain of \$752,245 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, 2021 AND 2020

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 \$50,138,785 and \$42,498,811 at June 30, 2021 and 2020, 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, 2021 AND 2020**

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 LLCs and LLPs in which the Foundation has a majority interest and control. As a result, these investments are consolidated within the financial statements and are identified as Consolidated Investments in Note 4.

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 \$10,000.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

UMFREA Property and Equipment

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

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

UGC Property and Equipment

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

UGC Net Investment in Direct Financing Leases and Property and Equipment

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

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

Distributions for University Purposes

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

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, 2021 and 2020, investments held for custody of others were \$389,077,427 and \$290,208,861, respectively.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Accounting Principle

Financial Accounting Standard Board (FASB) issued Accounting Standards Update (ASU) 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes and modifies disclosure requirements retrospectively for nonpublic entities. The ASU is effective for fiscal years beginning after December 15, 2019 with early adoption permitted.

Change in Accounting Principle – UGC

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent among these changes in the standard is recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standards, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

UGC adopted the requirement of the guidance effective July 1, 2020 and has elected to apply the provisions of this standard to the beginning of the period of adoption. UGC has elected to adopt the package of practical expedients available in the year of adoption. UGC has elected to adopt the available practical expedient to use hindsight in determining the lease term, no assessing the lease classification on existing leases and in assessing impairment of UGC's ROU assets.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 2 INVESTMENTS

The investments at June 30 are summarized as follows:

| | 2021 | | |
|--|---------------------------|---------------------------|-------------------------|
| | Traditional Structures | Alternative Structures | Total |
| Cash and Cash Equivalents | \$ 1,185,730,695 | \$ - | \$ 1,185,730,695 |
| Fixed Income | 594,890,397 | 850,323,960 | 1,445,214,357 |
| Global Equity | 1,710,067 | 17,487,929 | 19,197,996 |
| Hedge Funds | 27,392,800 | 135,799,548 | 163,192,348 |
| Natural Resources | 12,470,591 | 72,246,047 | 84,716,638 |
| Real Estate | - | 33,073,500 | 33,073,500 |
| Private Equity | - | 1,077,996,288 | 1,077,996,288 |
| Other Investments | - | 4,062,906 | 4,062,906 |
| Total | <u>\$ 1,822,194,550</u> | <u>\$ 2,190,990,178</u> | 4,013,184,728 |
| Less: Charitable Gift Annuities Reported Separately | | | (48,024,326) |
| Total | | | <u>\$ 3,965,160,402</u> |

| | 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> | 2,964,173,339 |
| Less: Charitable Gift Annuities Reported Separately | | | (35,947,147) |
| Total | | | <u>\$ 2,928,226,192</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, 2021 AND 2020

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, 2021 and 2020, the Foundation has \$2,190,990,178 and \$1,508,786,267, 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 follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the 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, 2021 AND 2020

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, 2021 and 2020:

| | 2021 | | | |
|---|-------------------------------|-----------------------|---------------------|-------------------------|
| | Fair Value Measurements Using | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Investments: | | | | |
| Fixed Income: | | | | |
| Asset Backed Securities | \$ - | \$ 6,298,609 | \$ - | \$ 6,298,609 |
| Mortgages | 1,561,116 | 10,932,850 | - | 12,493,966 |
| Corporate Bonds | - | 12,874,113 | - | 12,874,113 |
| Government | - | 555,478,180 | - | 555,478,180 |
| Preferred Stock | 737,795 | - | - | 737,795 |
| Other | - | 7,007,734 | - | 7,007,734 |
| Global Equity: | | | | |
| Small Cap | 1,710,067 | - | - | 1,710,067 |
| Hedge Funds: | | | | |
| Long/Short Nonequity | 27,392,800 | - | 1,373,489 | 28,766,289 |
| Natural Resources | 12,470,591 | - | - | 12,470,591 |
| Total Investments | <u>\$ 43,872,369</u> | <u>\$ 592,591,486</u> | <u>\$ 1,373,489</u> | 637,837,344 |
| Cash and Cash Equivalents | | | | 1,185,730,695 |
| Investments Measured at Net Asset Value or its Equivalent | | | | 1,592,166,485 |
| Investments Held at Cost | | | | 82,888,117 |
| Investments at Equity Method | | | | 155,744,816 |
| Consolidated Investments | | | | 358,817,271 |
| Total Investments and Cash | | | | <u>\$ 4,013,184,728</u> |
| Gift Annuities not Categorized Above | \$ 1,085,247 | \$ 457,725 | \$ - | \$ 1,542,972 |
| Beneficial Interest in Perpetual Trusts | 10,612,157 | 3,812,360 | 71,267,951 | 85,692,468 |
| Assets Held in Charitable Trusts | 24,934,124 | - | - | 24,934,124 |
| Beneficial Interest in Trusts | - | - | 2,059,762 | 2,059,762 |
| UGC Derivative Financial Instrument | - | (1,425,120) | - | (1,425,120) |

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

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

| | 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 |
| Other | - | 8,112,275 | - | 8,112,275 |
| Global Equity: | | | | |
| Small Cap | 1,344,076 | - | - | 1,344,076 |
| 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> | 609,773,663 |
| 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) |

The following is a summarization of the Level 3 significant unobservable inputs:

| Instrument | Fair Value | | Principal Valuation Technique | Unobservable Inputs |
|---|--------------|--------------|-------------------------------|---|
| | 2021 | 2020 | | |
| Auction Rate Securities | \$ 1,373,489 | \$ 1,884,327 | Price Based | Weighted Average Transaction Price |
| Beneficial Interest in Perpetual Trusts | 71,267,951 | 60,985,076 | FMV of Trust Investments | Amount & Timing of Future Distributions |
| Beneficial Interest in Trusts | 2,059,762 | 2,686,010 | Discounted Cash Flows | Discount Rates Duration |

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2020 | Investment Income | Net Realized and Unrealized Gain (Loss) | Purchases | Sales | Ending Balance at June 30, 2021 |
|--------------|---|----------------------|---|-------------------|-----------------------|---------------------------------------|
| Hedge Funds: | | | | | | |
| Long/Short | | | | | | |
| Nonequity | \$ 1,884,327 | \$ 5,051 | \$ (33,748) | \$ 182,500 | \$ (664,641) | \$ 1,373,489 |
| Total | <u>\$ 1,884,327</u> | <u>\$ 5,051</u> | <u>\$ (33,748)</u> | <u>\$ 182,500</u> | <u>\$ (664,641)</u> | <u>\$ 1,373,489</u> |
| | | | | | | |
| | Beginning Balance at July 1, 2019 | Investment Income | Net Realized and Unrealized 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> |

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, 2020 | Change in Carrying Value of Trusts | Ending Balance at June 30, 2021 |
|---|---|---|---------------------------------------|
| Beneficial Interest in Trusts | \$ 2,686,010 | \$ (626,248) | \$ 2,059,762 |
| Beneficial Interest in Perpetual Trusts | 60,985,076 | 10,282,875 | 71,267,951 |
| | | | |
| | 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 |

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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:

| | 2021 | | | |
|--------------------------|-------------------------|-------------------------|---------------------------------|-----------------------------|
| | Net Asset Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Alternative Investments: | | | | |
| Fixed Income (a) | \$ 275,839,052 | \$ 310,382,708 | None or Quarterly | None or 60 Days |
| Global Equity (b) | 3,687,847 | - | None or Daily to Quarterly | None or 0-60 Days |
| Hedge Funds (c) | 134,426,060 | - | None or Monthly to Quarterly | None or 0-90 Days |
| Natural Resources (d) | 72,246,047 | 5,505,721 | None | None |
| Real Estate (e) | 33,073,500 | 11,994,313 | None | None |
| Private Equity (f) | 1,068,831,074 | 94,294,498 | None | None |
| Other Investments (g) | 4,062,905 | - | None | None |
| Total | <u>\$ 1,592,166,485</u> | <u>\$ 422,177,240</u> | | |
| | | | | |
| | 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> | | |

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 AND 2020

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, 2021, the Foundation also had unfunded commitments for Investments Held at Cost of \$40,205,160, unfunded commitments for Investments at Equity Method of \$94,093,510, and unfunded commitments for Consolidated Investments of \$207,551,513.

The Foundation had unfunded commitments for investments held at June 30, 2021 which are allowed to be cancelled by the Foundation. This was approximately \$585 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 \$215,000,000 since June 30, 2021 which are expected to be paid within one year.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable, net of unamortized discount (at rates of 0.7% to 9%) of \$7,184,565 and \$10,475,563 are summarized as follows at June 30:

| | 2021 | 2020 |
|---|----------------|----------------|
| Unconditional Promises Expected to be Collected in: | | |
| Less than One Year | \$ 75,782,301 | \$ 76,579,316 |
| One Year to Five Years | 115,563,093 | 122,320,269 |
| Greater than Five Years | 23,615,524 | 37,697,743 |
| Total | 214,960,918 | 236,597,328 |
| Reserve for Uncollectible Pledges | (6,200,000) | (5,100,000) |
| Pledges Receivable | \$ 208,760,918 | \$ 231,497,328 |

In addition, the Foundation has received conditional promises to give in the amount of \$50,509,540 and \$38,991,505 as of June 30, 2021 and 2020, respectively. These gifts are primarily conditioned on completion of building or fundraising projects, evaluation of progress on projects, or matching funds.

At June 30, 2021 and 2020, 27% 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:

| | 2021 | 2020 |
|--------------------------------|--------------|--------------|
| Leasehold Improvements | \$ 2,339,442 | \$ 2,318,586 |
| Furniture and Fixtures | 4,362,974 | 4,362,973 |
| Less: Accumulated Depreciation | (5,235,628) | (4,816,591) |
| Total | \$ 1,466,788 | \$ 1,864,968 |

NOTE 6 UMFREA PROPERTY AND EQUIPMENT

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

| | 2021 | 2020 |
|--------------------------------|---------------|---------------|
| Land | \$ 31,847,713 | \$ 31,847,713 |
| Property and Equipment | 31,378,377 | 31,114,552 |
| Less: Accumulated Depreciation | (16,862,817) | (15,228,022) |
| Total | \$ 46,363,273 | \$ 47,734,243 |

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 7 UGC PROPERTY AND EQUIPMENT

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

| | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|
| Building | \$ 20,632,791 | \$ 20,434,061 |
| Plaza Exterior Features | 1,765,486 | 1,765,486 |
| Furniture and Fixtures | 5,683,091 | 5,796,078 |
| Construction in Progress | 50,884 | 255,592 |
| Less: Accumulated Depreciation | <u>(9,972,197)</u> | <u>(9,648,644)</u> |
| Subtotal | 18,160,055 | 18,602,573 |
| Elimination Adjustment Due to Consolidation of UGC (Note 1) | <u>12,012,762</u> | <u>12,258,997</u> |
| Total | <u>\$ 30,172,817</u> | <u>\$ 30,861,570</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 on the line of credit during the year. There was an outstanding balance of \$20,000,000 as of June 30, 2021 and 2020. 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:

| | <u>2021</u> | <u>2020</u> |
|--|------------------|------------------|
| Gifts and Other Unexpended Revenues and Gains Available for: | | |
| Capital Improvement/Facilities | \$ 138,798,130 | \$ 146,816,375 |
| Faculty and Staff Support | 24,630,513 | 20,645,616 |
| Scholarships and Fellowships | 179,168,071 | 140,505,887 |
| Lectureships, Professorships, and Chairs | 51,585,863 | 44,281,053 |
| Program Support | 643,521,478 | 563,757,275 |
| Research and Outreach/Community Engagement | 196,940,446 | 161,601,895 |
| Trusts | 7,832,260 | 7,162,407 |
| Other | <u>3,365,761</u> | <u>7,795,013</u> |
| Total | 1,245,842,522 | 1,092,565,521 |
| Endowments: | | |
| Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity: | | |
| Restricted by Donors for: | | |
| Capital Improvement/Facilities | 9,267,661 | 9,968,720 |
| Faculty and Staff Support | 39,539,612 | 33,316,975 |
| Scholarships and Fellowships | 664,896,850 | 623,081,671 |
| Lectureships, Professorships, and Chairs | 458,011,675 | 436,167,211 |
| Program Support | 106,815,209 | 97,714,887 |
| Research and Outreach/Community Engagement | 87,043,053 | 78,448,225 |
| Trusts | 18,547,851 | 15,391,684 |
| Other | <u>3,712,893</u> | <u>3,537,316</u> |
| Total | 1,387,834,804 | 1,297,626,689 |

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

| | <u>2021</u> | <u>2020</u> |
|--|-------------------------|-------------------------|
| Subject to Foundation Endowment Spending Policy and Appropriation: | | |
| Capital Improvement/Facilities | \$ 15,023,309 | \$ 9,224,977 |
| Faculty and Staff Support | 28,551,074 | 11,505,905 |
| Scholarships and Fellowships | 384,161,763 | 128,488,382 |
| Lectureships, Professorships, and Chairs | 415,617,932 | 193,299,485 |
| Program Support | 105,080,291 | 43,292,036 |
| Research and Outreach/Community Engagement | 53,704,870 | 18,974,405 |
| Other | 4,561,319 | 2,512,969 |
| Total | <u>1,006,700,558</u> | <u>407,298,159</u> |
| Total Endowments | 2,394,535,362 | 1,704,924,848 |
| Not Subject to Spending Policy or Appropriation: | | |
| Capital Improvement/Facilities | 93,525 | 290,880 |
| Faculty and Staff Support | 2,900,998 | 2,799,141 |
| Scholarships and Fellowships | 6,059,644 | 5,856,591 |
| Lectureships, Professors, and Chairs | 836,678 | 328,219 |
| Program Support | 11,197,741 | 11,148,996 |
| Research and Outreach | 664,803 | 2,948,663 |
| Trusts | 73,361,335 | 62,574,058 |
| Other | 914,145 | 894,966 |
| Total | <u>96,028,869</u> | <u>86,841,514</u> |
| Total Net Assets with Donor Restrictions | <u>\$ 3,736,406,753</u> | <u>\$ 2,884,331,883</u> |

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:

| | <u>2021</u> | <u>2020</u> |
|---|-----------------------|-----------------------|
| Net Assets Released for Purpose: | | |
| Capital Improvement/Facilities | \$ 28,853,539 | \$ 17,281,611 |
| Faculty and Staff Support | 3,698,323 | 3,741,726 |
| Scholarships and Fellowships | 56,824,540 | 57,929,597 |
| Lectureships, Professorships, and Chairs | 31,836,232 | 31,149,733 |
| Program Support | 136,691,112 | 83,224,646 |
| Research and Outreach/Community Engagement | 42,842,871 | 42,273,774 |
| Other | 7,895,184 | 16,223,496 |
| Total Net Assets Released from Donor Restrictions | <u>\$ 308,641,801</u> | <u>\$ 251,824,583</u> |

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

| | 2021 | | |
|--|-------------------------------|----------------------------|-------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Board-Designated Endowment Funds | \$ 13,089,565 | \$ - | \$ 13,089,565 |
| Donor-Restricted Endowment Funds: | | | |
| Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor | - | 1,387,834,804 | 1,387,834,804 |
| Accumulated Investment Gains | - | 1,006,700,558 | 1,006,700,558 |
| Total | <u>\$ 13,089,565</u> | <u>\$ 2,394,535,362</u> | <u>\$ 2,407,624,927</u> |
| | | | |
| | 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> |

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Changes in Endowment Net Assets

| | 2021 | | |
|--|---------------------------------------|------------------------------------|-------------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Endowment Net Assets - Beginning of Year | \$ 9,688,416 | \$ 1,704,924,848 | \$ 1,714,613,264 |
| Total Investment Return | 3,746,820 | 649,945,493 | 653,692,313 |
| Cash Contributions and Pledge Receipts | - | 87,340,608 | 87,340,608 |
| Change in Carrying Value of Trusts | - | 3,156,166 | 3,156,166 |
| Change in Donor Restrictions | - | 2,370,205 | 2,370,205 |
| Appropriation of Assets | (345,671) | (53,201,958) | (53,547,629) |
| Endowment Net Assets - End of Year | <u>\$ 13,089,565</u> | <u>\$ 2,394,535,362</u> | <u>\$ 2,407,624,927</u> |

| | 2020 | | |
|--|---------------------------------------|------------------------------------|-------------------------|
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| 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> |

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, 2021, funds with original gift values of \$18,589,013 and fair values of \$17,151,289, and the deficiencies of \$1,437,724 were reported in net assets with donor restrictions. 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. These deficiencies, which the Foundation believes are temporary, resulted from unfavorable market fluctuations. Appropriations during the years ended June 30, 2021 and 2020 were made in accordance with the board of trustees underwater fund policy.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 AND 2020**

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

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

| <u>Description</u> | <u>2021</u> | <u>2020</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>12,020,000</u> | <u>12,880,000</u> |
| Subtotal | 44,870,000 | 45,730,000 |
| Plus: Premium on Series 2015 Bonds | 779,104 | 859,708 |
| Less: Debt Issuance Costs, Net of Accumulated Amortization | <u>(569,321)</u> | <u>(616,931)</u> |
| Total | <u>\$ 45,079,783</u> | <u>\$ 45,972,777</u> |

Aggregate annual maturities are approximately as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|----------------------|
| 2022 | \$ 895,000 |
| 2023 | 930,000 |
| 2024 | 965,000 |
| 2025 | 1,005,000 |
| 2026 | 1,045,000 |
| Thereafter | <u>40,030,000</u> |
| Total | <u>\$ 44,870,000</u> |

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, \$750,000 in 2025, \$750,000 in 2026, and \$15,750,000 included in thereafter. The minimum future rentals to be received from the leases in effect as of June 30, 2021 are approximately as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|----------------------|
| 2022 | \$ 1,402,400 |
| 2023 | 1,402,400 |
| 2024 | 3,439,900 |
| 2025 | 918,181 |
| 2026 | 918,181 |
| Thereafter | 16,254,543 |
| Total | <u>\$ 24,335,605</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, 2021 are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2022 | \$ 2,410,579 |
| 2023 | 2,410,579 |
| 2024 | 2,410,579 |
| Total | <u>\$ 7,231,737</u> |

UGC's leases with the aforementioned tenants have been classified as direct financing leases. The leases provide for common area maintenance charges which are considered variable rentals. They are charged throughout the year based on estimated costs and adjusted to actual amounts as of year-end. The leases above do not transfer ownership of the leased assets and do not have the option for the lessees to purchase the assets. The leases may be terminated by the UGC with 30-days' notice due to damage or destruction, condemnation, or default.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 13 LEASES (CONTINUED)

The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC Topic 842, a contract is a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. UGC reassesses the determination of whether an arrangement is a lease if the terms and conditions of the contract are changed. At the lease's inception, UGC also estimates the residual value expected from the leased asset at the end of the lease term.

UGC's net investment in direct financing leases consists of the following at June 30:

| | 2021 | 2020 |
|---|---------------|---------------|
| Minimum Lease Payments: | | |
| Payments Under Lease Agreements | \$ 12,279,842 | \$ 16,092,822 |
| Residual Value Guarantee | 19,287,500 | 19,287,500 |
| Minimum Lease Payments Receivable | 31,567,342 | 35,380,322 |
| Unearned Income | (9,563,514) | (11,716,657) |
| Net Investment in Direct Financing Leases | 22,003,828 | 23,663,665 |
| Direct Financing Leases Elimination Due to Consolidation of UGC | (15,114,502) | (14,973,186) |
| Total | \$ 6,889,326 | \$ 8,690,479 |

Operating Leases

UGC leases space to D'Amico Catering, Inc. The original lease commenced on March 14, 2000. The lease was renewed through June 30, 2022. This lease is considered to be an operating lease. The lease required D'Amico Catering, Inc., to pay percentage rentals and their share of the operating costs of the facility, as defined in the lease. Percentage rentals recorded as income during 2021 and 2020 were approximately \$19,161 and \$313,204, respectively.

UGC also leases space to the University of Minnesota (the Regents) under an operating lease agreement. This lease commenced on February 1, 2017 and provides for the Regents to rent approximately 4,600 square feet of the facility. The lease had an initial term through January 31, 2022 with the option to extend for three additional periods of two years each. The Regents have exercised the first of the two-year options on January 6, 2021 to extend the term of the lease through January 31, 2024. The lease provides for the Regents to share in the operating costs of the facility, as defined in the lease.

The Regents have leased UGC the land on which the facility is constructed. This lease commenced on October 1, 1999. 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. Lease liabilities and right of use assets have been calculated including these extension options. In addition, UGC paid \$466,739 and \$519,899 to the Regents for utilities and other services for the years ended June 30, 2021 and 2020, respectively.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 13 LEASES (CONTINUED)

Financing Leases

During June 2006, UGC entered into a financing lease agreement for air conditioning equipment, which requires annual payments of \$25,404 and expires in June 2026.

The following table provides quantitative information concerning UGC's operating leases for the year ended June 30, 2021:

| | | |
|--|-----------|------------------|
| Lease Cost | | |
| Finance Lease Cost | \$ | 89,530 |
| Amortization of Right-to-Use Asset | | (15,842) |
| Operating Lease Cost | | 2,512,406 |
| Amortization of Right-to-Use Asset | | (19,716) |
| Total Lease Cost | <u>\$</u> | <u>2,566,378</u> |
| Weighted Average Remaining Lease Term - Finance Leases | | 5 Years |
| Weighted Average Remaining Lease Term - Operating Leases | | 78 Years |
| Weighted Average Discount Rate - Finance Leases | | 2.7 % |
| Weighted Average Discount Rate - Operating Leases | | 2.4 % |

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2021 is as follows:

| <u>Year Ending June 30,</u> | <u>Finance Leases</u> | <u>Operating Leases</u> |
|-----------------------------|---------------------------|-----------------------------|
| 2022 | \$ 25,404 | \$ - |
| 2023 | 25,404 | - |
| 2024 | 25,404 | - |
| 2025 | 25,404 | 53,367 |
| 2026 | 25,407 | 80,000 |
| Thereafter | - | 5,866,975 |
| Total | <u>\$ 127,023</u> | <u>\$ 6,000,342</u> |

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.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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>2021</u> | <u>2020</u> |
|--|------------------------|------------------------|
| Cash and Cash Equivalents | \$ 36,063,857 | \$ 25,701,306 |
| Investments | 3,965,160,402 | 2,928,226,192 |
| Accounts Receivable Due Within One Year | 3,851,259 | 5,483,832 |
| Pledge Receivable Due Within One Year | 75,782,301 | 76,579,316 |
| Less Investments and Cash Unavailable for General Expenditures Within One Year Due to Donor-Imposed Time or Purpose Restrictions | <u>(3,387,210,970)</u> | <u>(2,489,520,356)</u> |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | <u>\$ 693,646,849</u> | <u>\$ 546,470,290</u> |

The assets above include donor funds subject to donor restrictions as of June 30, 2021. 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 \$79,000,000 will be made available for making grants from these endowments within one year, subject to terms of the fund agreement.

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, 2021 through September 28, 2021, which was the date the consolidated financial statements were available to be issued.

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(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 | \$ 26,393,798 | \$ 147,917 | \$ 7,308,964 | \$ 2,213,178 | \$ - | \$ 36,063,857 |
| Investments | 3,943,063,499 | 1,186,584 | 20,910,319 | 45,866,110 | (45,866,110) | 3,965,160,402 |
| Pledges Receivable, Net | 208,760,918 | - | - | - | - | 208,760,918 |
| Other Receivables, Primarily Interest | 23,124,805 | 1,428,808 | 494,599 | 281,170 | (21,478,123) | 3,851,259 |
| Split Interest Agreements: | | | | | | |
| Beneficial Interest in Perpetual Trusts | 85,692,468 | - | - | - | - | 85,692,468 |
| Assets Held in Charitable Trusts | 24,934,124 | - | - | - | - | 24,934,124 |
| Beneficial Interest in Trusts | 2,059,762 | - | - | - | - | 2,059,762 |
| Gift Annuities | 49,567,299 | - | - | - | - | 49,567,299 |
| Office Property and Equipment, Net | 1,440,667 | 26,121 | - | - | - | 1,466,788 |
| University of Minnesota Foundation Real Estate Advisors: | | | | | | |
| Property and Equipment, Net | - | - | 46,363,273 | - | - | 46,363,273 |
| University Gateway Corporation: | | | | | | |
| Property and Equipment, Net | - | - | - | 18,160,055 | 12,012,762 | 30,172,817 |
| Right of Use Asset - Leases | - | - | - | 2,566,378 | - | 2,566,378 |
| Net Investment in Direct Financing Leases | - | - | - | 22,003,828 | (15,114,502) | 6,889,326 |
| Total Assets | \$ 4,365,037,340 | \$ 2,789,430 | \$ 75,077,155 | \$ 91,090,719 | \$ (70,445,973) | \$ 4,463,548,671 |
| LIABILITIES AND NET ASSETS | | | | | | |
| LIABILITIES | | | | | | |
| Accounts Payable, Accrued Expenses, and Other Liabilities | \$ 27,054,942 | \$ 2,582,333 | \$ 23,226,317 | \$ 1,278,931 | \$ (21,478,123) | \$ 32,664,400 |
| Gift Annuities Payable | 19,884,232 | - | - | - | - | 19,884,232 |
| Liability Under Charitable Trust Agreements | 14,334,627 | - | - | - | - | 14,334,627 |
| Investments Held for Custody of Others | 389,077,427 | - | - | - | - | 389,077,427 |
| University Gateway Corporation: | | | | | | |
| Derivative Financial Instrument | - | - | - | 1,425,120 | - | 1,425,120 |
| Lease Liability | - | - | - | 2,678,355 | - | 2,678,355 |
| Bonds Payable | - | - | - | 45,079,783 | - | 45,079,783 |
| Total Liabilities | 450,351,228 | 2,582,333 | 23,226,317 | 50,462,189 | (21,478,123) | 505,143,944 |
| NET ASSETS | | | | | | |
| Undesignated | 178,279,359 | 207,097 | 51,850,838 | 24,377,118 | (48,967,850) | 205,746,562 |
| Noncontrolling Interest in Subsidiary | - | - | - | 16,251,412 | - | 16,251,412 |
| Total Net Assets Without Donor Restrictions | 178,279,359 | 207,097 | 51,850,838 | 40,628,530 | (48,967,850) | 221,997,974 |
| With Donor Restrictions | 3,736,406,753 | - | - | - | - | 3,736,406,753 |
| Total Net Assets | 3,914,686,112 | 207,097 | 51,850,838 | 40,628,530 | (48,967,850) | 3,958,404,727 |
| Total Liabilities and Net Assets | \$ 4,365,037,340 | \$ 2,789,430 | \$ 75,077,155 | \$ 91,090,719 | \$ (70,445,973) | \$ 4,463,548,671 |

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 | <u>\$ 3,331,698,273</u> | <u>\$ 2,200,402</u> | <u>\$ 56,481,811</u> | <u>\$ 78,655,248</u> | <u>\$ (57,817,116)</u> | <u>\$ 3,411,218,618</u> |
| 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 |
| Lease Liability | - | - | - | 128,977 | - | 128,977 |
| Bonds Payable | - | - | - | 45,972,777 | - | 45,972,777 |
| Total Liabilities | <u>332,830,882</u> | <u>1,993,305</u> | <u>23,536,710</u> | <u>49,543,587</u> | <u>(21,059,315)</u> | <u>386,845,169</u> |
| 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 | <u>114,535,508</u> | <u>207,097</u> | <u>32,945,101</u> | <u>29,111,661</u> | <u>(36,757,801)</u> | <u>140,041,566</u> |
| With Donor Restrictions | 2,884,331,883 | - | - | - | - | 2,884,331,883 |
| Total Net Assets | <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> |
| Total Liabilities and Net Assets | <u>\$ 3,331,698,273</u> | <u>\$ 2,200,402</u> | <u>\$ 56,481,811</u> | <u>\$ 78,655,248</u> | <u>\$ (57,817,116)</u> | <u>\$ 3,411,218,618</u> |

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(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 | \$ 231,634,546 | \$ - | \$ 20,000,000 | \$ - | \$ (20,000,000) | \$ 231,634,546 |
| Investment Income, Net of Investment Expenses of \$5,899,236 | 12,746,597 | - | 123,851 | - | (550,685) | 12,319,763 |
| Net Realized and Unrealized Gains on Investments | 898,538,951 | - | 70,514 | 12,722,498 | (12,722,498) | 898,609,465 |
| Change in Carrying Value of Trusts | 30,929,513 | - | - | - | - | 30,929,513 |
| Support Services Revenue | 8,500,000 | 3,558,904 | - | - | (3,558,904) | 8,500,000 |
| University of Minnesota Foundation Real Estate Advisors: | | | | | | |
| Rental Revenue | - | - | 7,378,178 | - | (280,468) | 7,097,710 |
| University Gateway Corporation Revenue | - | - | - | 4,886,142 | (1,853,616) | 3,032,526 |
| Miscellaneous Revenue | 2,953,091 | 892,103 | (12) | - | (1,579,833) | 2,265,349 |
| Total Revenues | 1,185,302,698 | 4,451,007 | 27,572,531 | 17,608,640 | (40,546,004) | 1,194,388,872 |
| EXPENSES | | | | | | |
| Distributions for University Purposes | 221,561,671 | - | - | - | (20,900,000) | 200,661,671 |
| Management and General | 13,004,880 | 4,451,007 | - | - | (6,304,623) | 11,151,264 |
| Promotion and Development | 34,917,426 | - | - | - | - | 34,917,426 |
| University of Minnesota Foundation Real Estate Advisors: | | | | | | |
| Real Estate Program Expenses | - | - | 8,003,508 | - | (856,153) | 7,147,355 |
| Management and General | - | - | 663,286 | - | - | 663,286 |
| University Gateway Corporation: | | | | | | |
| Real Estate Program Expenses | - | - | - | 5,167,805 | 143,151 | 5,310,956 |
| Management and General | - | - | - | 923,966 | (418,330) | 505,636 |
| Total Expenses | 269,483,977 | 4,451,007 | 8,666,794 | 6,091,771 | (28,335,955) | 260,357,594 |
| CHANGE IN NET ASSETS | 915,818,721 | - | 18,905,737 | 11,516,869 | (12,210,049) | 934,031,278 |
| Net Assets - Beginning of Year | 2,998,867,391 | 207,097 | 32,945,101 | 29,111,661 | (36,757,801) | 3,024,373,449 |
| NET ASSETS - END OF YEAR | \$ 3,914,686,112 | \$ 207,097 | \$ 51,850,838 | \$ 40,628,530 | \$ (48,967,850) | \$ 3,958,404,727 |

**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 | - | - | - | 5,588,799 | (1,961,330) | 3,627,469 |
| 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>6,132,387</u> | <u>(8,054,097)</u> | <u>329,985,556</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 | - | - | - | 885,984 | (418,330) | 467,654 |
| Total Expenses | <u>253,032,210</u> | <u>4,075,450</u> | <u>7,183,494</u> | <u>7,166,366</u> | <u>(7,126,581)</u> | <u>264,330,939</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> |

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