

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2023 AND 2022



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**UNIVERSITY OF MINNESOTA FOUNDATION
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YEARS ENDED JUNE 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, 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.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of University of Minnesota Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about University of Minnesota Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of University of Minnesota Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about University of Minnesota Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 is not a required part of the consolidated 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 GAAS. 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, 2023

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 35,163,519	\$ 33,644,202
Investments	3,962,460,742	3,817,527,590
Receivables from Pending Liquidations	22,920,974	4,732,066
Pledges Receivable, Net	200,826,171	224,690,411
Investment Loans Receivable	68,425,187	-
Other Receivables, Primarily Interest	12,186,915	4,872,233
Split Interest Agreements		
Beneficial Interest in Perpetual Trusts	68,611,773	65,970,771
Assets Held in Charitable Trusts	21,738,165	21,892,855
Beneficial Interest in Trusts	704,193	702,092
Gift Annuities	48,888,409	48,311,594
Office Property and Equipment, Net	1,200,095	1,405,873
Right-of-Use Asset - Leases	819,439	-
University of Minnesota Foundation Real Estate Advisors		
Property and Equipment, Net	44,169,283	44,771,797
University Gateway Corporation		
Derivative Financial Instrument	6,030	-
Property and Equipment, Net	29,500,530	29,946,933
Right of Use Asset - Leases	2,506,761	2,537,295
Right of Use Asset - Financing Lease	-	-
Net Investment in Direct Financing Leases	2,822,647	4,937,611
	<u>\$ 4,522,950,833</u>	<u>\$ 4,305,943,323</u>
Total Assets		
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 34,439,387	\$ 33,736,478
Gift Annuities Payable	20,555,114	20,365,547
Liability Under Charitable Trust Agreements	12,300,264	12,640,183
Investments Held for Custody of Others	403,964,684	355,434,648
Lease Liability	819,439	-
University Gateway Corporation		
Derivative Financial Instrument	-	483,443
Lease Liability	2,763,671	2,720,793
Operating Lease Liability	-	-
Bonds Payable	43,188,793	44,151,788
Total Liabilities	<u>518,031,352</u>	<u>469,532,880</u>
NET ASSETS		
Undesignated	210,220,099	211,101,534
Noncontrolling Interest in Subsidiary	16,183,331	15,236,915
Total Without Donor Restrictions	<u>226,403,430</u>	<u>226,338,449</u>
With Donor Restrictions	3,778,516,051	3,610,071,994
Total Net Assets	<u>4,004,919,481</u>	<u>3,836,410,443</u>
	<u>\$ 4,522,950,833</u>	<u>\$ 4,305,943,323</u>
Total Liabilities and Net Assets		

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 1,107,498	\$ 254,757,831	\$ 255,865,329
Investment Income, Net of Investment Expenses of \$7,764,829	5,154,861	36,394,994	41,549,855
Net Realized and Unrealized Gains on Investments	3,341,119	174,274,352	177,615,471
Change in Carrying Value of Trusts	(285,571)	4,030,851	3,745,280
Support Services Revenue	8,355,500	-	8,355,500
University of Minnesota Foundation Real Estate Advisors			
Rental Revenue	6,347,092	-	6,347,092
University Gateway Corporation Revenue	4,765,179	-	4,765,179
Miscellaneous Revenue	2,390,888	-	2,390,888
Net Assets Released from Restriction	301,013,971	(301,013,971)	-
Total Revenues	332,190,537	168,444,057	500,634,594
EXPENSES			
Distributions for University Purposes	262,653,447	-	262,653,447
Management and General	13,556,236	-	13,556,236
Promotion and Development	41,725,998	-	41,725,998
University of Minnesota Foundation Real Estate Advisors			
Real Estate Program Expenses	6,608,596	-	6,608,596
Management and General	550,921	-	550,921
University Gateway Corporation			
Real Estate Program Expenses	6,503,416	-	6,503,416
Management and General	526,942	-	526,942
Total Expenses	332,125,556	-	332,125,556
CHANGE IN NET ASSETS	64,981	168,444,057	168,509,038
Net Assets - Beginning of Year	226,338,449	3,610,071,994	3,836,410,443
NET ASSETS - END OF YEAR	\$ 226,403,430	\$ 3,778,516,051	\$ 4,004,919,481

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Contributions	\$ 1,865,271	\$ 320,858,233	\$ 322,723,504
Investment Income, Net of Investment Expenses of \$7,868,632	1,378,346	12,583,193	13,961,539
Net Realized and Unrealized Losses on Investments	(8,744,108)	(184,498,778)	(193,242,886)
Change in Carrying Value of Trusts	(77,782)	(23,859,725)	(23,937,507)
Support Services Revenue	8,358,000	-	8,358,000
University of Minnesota Foundation Real Estate Advisors			
Rental Revenue	6,658,597	-	6,658,597
University Gateway Corporation Revenue	4,532,915	-	4,532,915
Miscellaneous Revenue	2,550,376	-	2,550,376
Net Assets Released from Restriction	251,417,682	(251,417,682)	-
Total Revenues	267,939,297	(126,334,759)	141,604,538
EXPENSES			
Distributions for University Purposes	201,667,124	-	201,667,124
Management and General	11,926,321	-	11,926,321
Promotion and Development	36,168,215	-	36,168,215
University of Minnesota Foundation Real Estate Advisors			
Real Estate Program Expenses	7,153,731	-	7,153,731
Management and General	517,039	-	517,039
University Gateway Corporation			
Real Estate Program Expenses	5,667,238	-	5,667,238
Management and General	499,154	-	499,154
Total Expenses	263,598,822	-	263,598,822
CHANGE IN NET ASSETS	4,340,475	(126,334,759)	(121,994,284)
Net Assets - Beginning of Year	221,997,974	3,736,406,753	3,958,404,727
NET ASSETS - END OF YEAR	\$ 226,338,449	\$ 3,610,071,994	\$ 3,836,410,443

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023**

	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	\$ 262,653,447	\$ -	\$ -	\$ -	\$ 262,653,447
Salaries and Wages	-	-	7,094,934	19,332,956	26,427,890
Employee Benefits	-	-	2,501,906	6,919,956	9,421,862
Professional Services	-	-	1,791,532	1,543,304	3,334,836
Accounting Fees	-	-	90,119	-	90,119
Legal Fees	-	-	104,230	-	104,230
Advertising and Promotion	-	-	1,172	198,371	199,543
Dues and Subscriptions	-	-	350,770	304,014	654,784
Office Expenses	-	-	329,971	651,171	981,142
Information Technology	-	-	557,920	238,755	796,675
Travel	-	-	61,295	428,963	490,258
Conferences, Conventions, and Meetings	-	-	69,670	400,861	470,531
Insurance	-	-	257,668	-	257,668
Depreciation and Amortization	-	-	249,786	-	249,786
Professional Development Colleges	-	-	-	7,380,703	7,380,703
Donor Cultivation	-	-	2,125	2,512,876	2,515,001
Printing and Publications	-	-	3,139	1,790,769	1,793,908
Other	-	-	89,999	23,299	113,298
Total Expenses by Function	262,653,447	-	13,556,236	41,725,998	317,935,681
UNIVERSITY OF MINNESOTA FOUNDATION REAL ESTATE ADVISORS					
Salaries and Wages	-	1,259,258	203,087	-	1,462,345
Employee Benefits	-	559,255	25,006	-	584,261
Professional Services	-	621,766	10,000	-	631,766
Legal Fees	-	65,630	37,583	-	103,213
Advertising and Promotion	-	15,193	7,400	-	22,593
Dues and Subscriptions	-	14,429	12,938	-	27,367
Office Expenses	-	15,085	6	-	15,091
Information Technology	-	69,303	840	-	70,143
Travel	-	6,689	13	-	6,702
Interest	-	2,919	-	-	2,919
Insurance	-	-	237,628	-	237,628
Training and Development	-	4,863	15,612	-	20,475
Depreciation and Amortization	-	1,389,872	-	-	1,389,872
Building Operations	-	2,589,101	561	-	2,589,662
Other	-	(4,767)	247	-	(4,520)
Total Expenses by Function	-	6,608,596	550,921	-	7,159,517
UNIVERSITY GATEWAY CORPORATION					
Salaries and Wages	-	1,301,335	73,588	-	1,374,923
Employee Benefits	-	185,095	7,190	-	192,285
Payroll Taxes	-	64,726	25,750	-	90,476
Management Fees	-	-	117,670	-	117,670
Accounting Fees	-	-	77,778	-	77,778
Legal Fees	-	-	3,055	-	3,055
Advertising and Promotion	-	-	102,195	-	102,195
Office Expenses	-	-	1,538	-	1,538
Occupancy	-	457,188	-	-	457,188
Interest	-	1,215,779	-	-	1,215,779
Insurance	-	-	118,178	-	118,178
Depreciation and Amortization	-	1,233,641	-	-	1,233,641
Building/Events/Gallery Operations	-	1,679,212	-	-	1,679,212
Financing - Bond Fees	-	366,440	-	-	366,440
Total Expenses by Function	-	6,503,416	526,942	-	7,030,358
Total Consolidated Expenses	\$ 262,653,447	\$ 13,112,012	\$ 14,634,099	\$ 41,725,998	\$ 332,125,556

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	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	\$ 201,667,124	\$ -	\$ -	\$ -	\$ 201,667,124
Salaries and Wages	-	-	6,291,211	17,391,528	23,682,739
Employee Benefits	-	-	2,054,474	5,767,856	7,822,330
Professional Services	-	-	1,446,825	1,576,239	3,023,064
Accounting Fees	-	-	75,811	-	75,811
Legal Fees	-	-	196,254	-	196,254
Advertising and Promotion	-	-	1,528	191,666	193,194
Dues and Subscriptions	-	-	280,404	291,407	571,811
Office Expenses	-	-	381,910	535,281	917,191
Information Technology	-	-	524,763	171,234	695,997
Travel	-	-	29,081	202,860	231,941
Conferences, Conventions, and Meetings	-	-	88,158	193,345	281,503
Insurance	-	-	234,545	-	234,545
Depreciation and Amortization	-	-	261,037	-	261,037
Professional Development Colleges	-	-	-	6,839,512	6,839,512
Donor Cultivation	-	-	1,397	1,496,167	1,497,564
Printing and Publications	-	-	5,080	1,502,068	1,507,148
Other	-	-	53,843	9,052	62,895
Total Expenses by Function	201,667,124	-	11,926,321	36,168,215	249,761,660
UNIVERSITY OF MINNESOTA FOUNDATION REAL ESTATE ADVISORS					
Salaries and Wages	-	1,108,230	157,598	-	1,265,828
Employee Benefits	-	525,641	23,764	-	549,405
Professional Services	-	361,929	16,687	-	378,616
Accounting Fees	-	-	10,020	-	10,020
Legal Fees	-	62,692	12,973	-	75,665
Advertising and Promotion	-	6,181	51	-	6,232
Dues and Subscriptions	-	18,710	7,250	-	25,960
Office Expenses	-	16,737	216	-	16,953
Information Technology	-	196,641	1,097	-	197,738
Travel	-	4,806	930	-	5,736
Interest	-	4,201	-	-	4,201
Insurance	-	-	251,997	-	251,997
Training and Development	-	4,721	7,861	-	12,582
Depreciation and Amortization	-	1,497,612	-	-	1,497,612
Building Operations	-	2,630,259	244	-	2,630,503
Other	-	715,371	26,351	-	741,722
Total Expenses by Function	-	7,153,731	517,039	-	7,670,770
UNIVERSITY GATEWAY CORPORATION					
Salaries and Wages	-	1,134,423	61,193	-	1,195,616
Employee Benefits	-	184,493	7,170	-	191,663
Payroll Taxes	-	59,701	19,402	-	79,103
Management Fees	-	-	117,670	-	117,670
Accounting Fees	-	-	65,792	-	65,792
Legal Fees	-	-	25,623	-	25,623
Advertising and Promotion	-	-	86,634	-	86,634
Office Expenses	-	-	74	-	74
Occupancy	-	517,911	-	-	517,911
Interest	-	793,419	-	-	793,419
Insurance	-	-	115,596	-	115,596
Depreciation and Amortization	-	1,230,359	-	-	1,230,359
Building/Events/Gallery Operations	-	1,395,186	-	-	1,395,186
Financing - Bond Fees	-	351,746	-	-	351,746
Loss on Disposal of Property and Equipment	-	-	-	-	-
Total Expenses by Function	-	5,667,238	499,154	-	6,166,392
Total Consolidated Expenses	\$ 201,667,124	\$ 12,820,969	\$ 12,942,514	\$ 36,168,215	\$ 263,598,822

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 168,509,038	\$ (121,994,284)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Net Realized and Unrealized (Gains) Losses on Investments	(177,615,471)	193,242,886
Change in Net Carrying Value of Trusts	(3,215,580)	24,163,212
Change in Derivative Financial Instrument	(489,473)	(941,677)
Principal Credits on Operating Leases		
Depreciation and Amortization Expense	2,873,299	2,989,008
Noncash Contributions	(6,291)	(383,051)
Contributions Restricted for Long-Term Investment	(64,415,115)	(94,120,839)
Changes in Operating Assets and Liabilities:		
Pledges Receivable	23,864,240	(15,929,493)
Other Receivables	(7,314,682)	(1,020,974)
Accounts Payable, Accrued Expenses, and Other Liabilities	702,909	1,072,077
Net Cash Used by Operating Activities	(57,107,126)	(12,923,135)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(1,618,604)	(1,110,733)
Investments Held for Custody of Others	48,530,036	(33,642,779)
Change in Receivables from Pending Liquidations	(18,188,908)	(4,732,066)
Proceeds from Sales of Investments	1,824,239,045	2,868,519,361
Purchase of Investments	(1,791,550,435)	(2,913,746,383)
Investment Loans Receivable Principal Advanced	(68,425,187)	-
Principal Payments on Direct Financing Leases	2,114,964	1,951,715
Net Cash Used by Investing Activities	(4,899,089)	(82,760,885)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Long-Term Investment	64,415,115	94,120,839
Payments on Bonds Payable	(962,995)	(927,995)
Payments Under Lease Obligations	73,412	71,521
Net Cash Provided by Financing Activities	63,525,532	93,264,365
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,519,317	(2,419,655)
Cash and Cash Equivalents - Beginning of Year	33,644,202	36,063,857
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 35,163,519	\$ 33,644,202
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Contributions of Securities and Property	\$ 26,593,111	\$ 23,666,799

See accompanying Notes to Consolidated Financial Statements.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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 that supports the University through three primary real estate-related functions: investment, property management, and development. 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, 2023 AND 2022**

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.

The Foundation had the following derivative exposures at June 30, 2023 and 2022 as follows:

	2023			
	Long Exposure		Short Exposure	
	Contracts	Notional	Contracts	Notional
<u>Futures</u>				
Fixed Income Index	1,981	\$ 255,113,703	1,158	\$ 144,751,641
Foreign Currency				
Exchange Rate	-	-	1,050	80,444,670
Equity Index	155	20,770,698	-	-
	Long Exposure		Short Exposure	
<u>Options</u>	Contracts	Premium	Contracts	Premium
Equity Index Calls	7,248	\$ 370,317,427	4,707	\$ 5,955,948
Equity Index Puts	-	-	3,769	1,785,436
Equity Calls	-	-	719	719
Equity Puts	295,400	7,895,327	145,315	110,588

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Financial Instruments (Continued)

	2022			
	Long Exposure		Short Exposure	
	Contracts	Notional	Contracts	Notional
<u>Futures</u>				
Fixed Income Index	1,560	\$ 204,108,985	108	\$ 15,962,157
Foreign Currency Exchange Rate	-	-	1,099	88,103,285
	Long Exposure		Short Exposure	
	Contracts	Premium	Contracts	Premium
<u>Options</u>				
Equity Index Calls	6,360	\$ 170,053,553	3,698	\$ 1,058,506
Equity Index Puts	-	-	4,693	7,589,310
Equity Puts	609,558	84,845,296	2,900	14,133,750

Net realized and unrealized gains and losses are recognized and included in the net realized and unrealized gain (loss) on investments line in the consolidated statements of activities. Net realized and unrealized gains (losses) of approximately \$90,366,651 and \$(94,147,065) were recognized for the years ended June 30, 2023 and 2022, respectively.

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, 2023 and 2022, UGC recognized an unrealized gain of \$489,473 and \$941,678 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, 2023 and 2022, the Foundation recognized a realized/unrealized loss of \$(915,229) and realized/unrealized gain of \$844,870 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, 2023 AND 2022

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 \$35,060,756 and \$33,791,252 at June 30, 2023 and 2022, 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, 2023 AND 2022**

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 3.

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.

UMFREA Property and Equipment

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

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

UMFREA Property and Equipment (Continued)

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

UGC Property and Equipment

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

UGC Net Investment in Direct Financing Leases and Property and Equipment

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

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

Distributions for University Purposes

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

Investments Held for Custody of Others

The Foundation manages certain investments on behalf of other charitable organizations, including the University of Minnesota Alumni Association, Minnesota 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, 2023 and 2022, investments held for custody of others were \$403,964,684 and \$355,434,648, respectively.

Functional Expense Allocation

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

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

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases.

NOTE 2 INVESTMENTS

The investments at June 30 are summarized as follows:

	2023		Total
	Traditional Structures	Alternative Structures	
Cash and Cash Equivalents	\$ 917,670,361	\$ -	\$ 917,670,361
Fixed Income	740,242,425	1,439,506,890	2,179,749,315
Global Equity	1,052,422	17,051,969	18,104,391
Hedge Funds	23,693,118	205,774,440	229,467,558
Natural Resources	1,936,427	60,154,871	62,091,298
Real Estate	-	26,695,588	26,695,588
Private Equity	-	572,492,524	572,492,524
Other Investments	-	3,997,908	3,997,908
Total	<u>\$ 1,684,594,753</u>	<u>\$ 2,325,674,190</u>	4,010,268,943
Less: Charitable Gift Annuities Reported Separately			(47,808,201)
Total			<u>\$ 3,962,460,742</u>

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 INVESTMENTS (CONTINUED)

	2022		
	Traditional Structures	Alternative Structures	Total
Cash and Cash Equivalents	\$ 637,041,859	\$ -	\$ 637,041,859
Fixed Income	825,905,731	1,276,756,842	2,102,662,573
Global Equity	1,150,634	16,657,198	17,807,832
Hedge Funds	20,951,866	202,867,647	223,819,513
Natural Resources	13,119,202	74,207,737	87,326,939
Real Estate	-	28,911,761	28,911,761
Private Equity	-	762,435,313	762,435,313
Other Investments	-	4,702,843	4,702,843
Total	\$ 1,498,169,292	\$ 2,366,539,341	3,864,708,633
Less: Charitable Gift Annuities Reported Separately			(47,181,043)
Total			\$ 3,817,527,590

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.

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, 2023 and 2022, the Foundation has \$2,325,674,190 and \$2,366,539,341, respectively, of investments in alternative structures which are reported at net asset value as a practical expedient, except those reported as Level 3, Investments Held at Cost, Investments Held at Equity Method and Consolidated Investments in Note 3. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table summarizes the Foundation's financial assets and other liabilities measured at fair value on a recurring basis at June 30, 2023 and 2022:

	2023			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments				
Fixed Income				
Asset-Backed Securities	\$ -	\$ 8,335,285	\$ -	\$ 8,335,285
Mortgages	1,536,823	16,442,952	-	17,979,775
Corporate Bonds	-	7,472,441	-	7,472,441
Government	-	694,450,664	-	694,450,664
Preferred Stock	9,004,807	-	-	9,004,807
Other	-	2,999,453	-	2,999,453
Global Equity				
Small Cap	1,052,422	-	-	1,052,422
Hedge Funds				
Long/Short Nonequity	23,693,118	-	1,352,705	25,045,823
Natural Resources	1,936,427	-	-	1,936,427
Total Investments	<u>\$ 37,223,597</u>	<u>\$ 729,700,795</u>	<u>\$ 1,352,705</u>	768,277,097
Cash and Cash Equivalents				917,670,361
Investments Measured at Net Asset Value or its Equivalent				1,211,712,956
Investments Held at Cost				48,818,626
Investments at Equity Method				161,919,654
Consolidated Investments				<u>901,870,249</u>
Total Investments and Cash				<u>\$ 4,010,268,943</u>
Gift Annuities Not Categorized Above	\$ 728,270	\$ 306,368	\$ -	\$ 1,034,638
Beneficial Interest in Perpetual Trusts	9,519,976	7,849,965	51,241,832	68,611,773
Assets Held in Charitable Trusts	21,738,165	-	-	21,738,165
Beneficial Interest in Trusts	-	-	704,193	704,193
UGC Derivative Financial Instrument	-	6,030	-	6,030

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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

	2022			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments				
Fixed Income				
Asset-Backed Securities	\$ -	\$ 5,342,380	\$ -	\$ 5,342,380
Mortgages	2,936,417	13,799,356	-	16,735,773
Corporate Bonds	-	9,263,620	-	9,263,620
Government	-	728,748,974	-	728,748,974
Preferred Stock	60,881,736	-	-	60,881,736
Other	-	4,933,248	-	4,933,248
Global Equity				
Small Cap	1,150,634	-	-	1,150,634
Hedge Funds				
Long/Short Nonequity	20,951,866	-	1,373,488	22,325,354
Natural Resources	13,119,202	-	-	13,119,202
Total Investments	<u>\$ 99,039,855</u>	<u>\$ 762,087,578</u>	<u>\$ 1,373,488</u>	862,500,921
Cash and Cash Equivalents				637,041,859
Investments Measured at Net Asset Value or its Equivalent				1,374,867,145
Investments Held at Cost				55,016,295
Investments at Equity Method				176,747,226
Consolidated Investments				758,535,187
Total Investments and Cash				<u>\$ 3,864,708,633</u>
Gift Annuities Not Categorized Above	\$ 786,628	\$ 343,923	\$ -	\$ 1,130,551
Beneficial Interest in Perpetual Trusts	8,633,208	3,070,606	54,266,957	65,970,771
Assets Held in Charitable Trusts	21,892,855	-	-	21,892,855
Beneficial Interest in Trusts	-	-	702,092	702,092
UGC Derivative Financial Instrument	-	(483,443)	-	(483,443)

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

Instrument	Fair Value		Principal Valuation Technique	Unobservable Inputs
	2023	2022		
Auction Rate Securities	\$ 1,352,705	\$ 1,373,488	Price Based	Weighted Average Transaction Price
Beneficial Interest in Perpetual Trusts	51,241,832	54,266,957	FMV of Trust Investments	Amount and Timing of Future Distributions
Beneficial Interest in Trusts	704,193	702,092	Discounted Cash Flows	Discount Rates Duration

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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, 2022	Investment Income	Net Realized and Unrealized Gain (Loss)	Purchases	Sales	Ending Balance at June 30, 2023
Hedge Funds						
Long/Short						
Nonequity	\$ 1,373,488	\$ 94,546	\$ (20,783)	\$ (94,546)	\$ -	\$ 1,352,705
Total	<u>\$ 1,373,488</u>	<u>\$ 94,546</u>	<u>\$ (20,783)</u>	<u>\$ (94,546)</u>	<u>\$ -</u>	<u>\$ 1,352,705</u>
	Beginning Balance at July 1, 2021	Investment Income	Net Realized and Unrealized Loss	Purchases	Sales	Ending Balance at June 30, 2022
Hedge Funds						
Long/Short						
Nonequity	\$ 1,373,489	\$ 9,179	\$ (9,180)	\$ -	\$ -	\$ 1,373,488
Total	<u>\$ 1,373,489</u>	<u>\$ 9,179</u>	<u>\$ (9,180)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,373,488</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, 2022	Change in Carrying Value of Trusts	Ending Balance at June 30, 2023
Beneficial Interest in Trusts	\$ 702,092	\$ 2,101	\$ 704,193
Beneficial Interest in Perpetual Trusts	54,266,957	(3,025,125)	51,241,832
	Beginning Balance at July 1, 2021	Change in Carrying Value of Trusts	Ending Balance at June 30, 2022
Beneficial Interest in Trusts	\$ 2,059,762	\$ (1,357,670)	\$ 702,092
Beneficial Interest in Perpetual Trusts	71,267,951	(17,000,994)	54,266,957

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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:

	2023			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments				
Fixed Income (a)	\$ 340,870,090	\$ 299,641,282	None or Quarterly	None or 60 Days
Global Equity (b)	3,251,885	-	None or Daily to Quarterly	None or 0-60 Days
Hedge Funds (c)	204,421,735	-	None or Monthly to Quarterly	None or 0-90 Days
Natural Resources (d)	60,154,871	4,185,801	None	None
Real Estate (e)	26,695,588	9,359,641	None	None
Private Equity (f)	572,320,879	135,856,094	None	None
Other Investments (g)	3,997,908	-	None	None
Total	<u>\$ 1,211,712,956</u>	<u>\$ 449,042,818</u>		
	2022			
	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative Investments				
Fixed Income (a)	\$ 304,176,397	\$ 267,970,449	None or Quarterly	None or 60 Days
Global Equity (b)	2,857,116	-	None or Daily to Quarterly	None or 0-60 Days
Hedge Funds (c)	201,494,159	-	None or Monthly to Quarterly	None or 0-90 Days
Natural Resources (d)	74,207,737	4,728,998	None	None
Real Estate (e)	28,911,761	11,291,422	None	None
Private Equity (f)	758,517,132	139,201,897	None	None
Other Investments (g)	4,702,843	-	None	None
Total	<u>\$ 1,374,867,145</u>	<u>\$ 423,192,766</u>		

(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.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

- (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.
- (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.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2023, the Foundation also had unfunded commitments for Investments Held at Cost of \$2,500,000, unfunded commitments for Investments at Equity Method of \$163,804,082, and unfunded commitments for Consolidated Investments of \$657,078,364.

The Foundation had unfunded commitments for investments held at June 30, 2023 which are allowed to be cancelled by the Foundation. This was approximately \$1 billion and is included in the commitment disclosure above.

In addition to the unfunded commitments noted above, the Foundation has entered into investment commitments of \$103,400,000 since June 30, 2023 which are expected to be paid within one year.

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable, net of unamortized discount (at rates of 0.7% to 9%) of \$8,109,988 and \$10,488,476 are summarized as follows at June 30, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Unconditional Promises Expected to be Collected in		
Less than One Year	\$ 86,296,096	\$ 82,001,924
One Year to Five Years	106,490,080	117,016,692
Greater than Five Years	14,839,995	31,271,795
Total	<u>207,626,171</u>	<u>230,290,411</u>
Reserve for Uncollectible Pledges	<u>(6,800,000)</u>	<u>(5,600,000)</u>
Pledges Receivable	<u><u>\$ 200,826,171</u></u>	<u><u>\$ 224,690,411</u></u>

In addition, the Foundation has received conditional promises to give in the amount of \$100,848,857 and \$104,834,174 as of June 30, 2023 and 2022, respectively. These gifts are primarily conditioned on completion of building or fundraising projects, evaluation of progress on projects, or matching funds.

At June 30, 2023 and 2022, 22% and 23% of the Foundation's gross pledges receivable balance was related to one donor, respectively.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 5 INVESTMENT LOANS RECEIVABLE

The Foundation manages its investment loans receivable portfolio within the overall context of the broader investment objectives. As of June 30, 2023, no loans are past due and are current on required payments. At both the time of loan approval and through annual classifications, all loans are considered collectible, and as such, no allowance for loan losses has been recorded in the consolidated financial statements.

Anticipated principal payments on investment loans receivable as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 59,639,856
2025	8,599,696
2026	-
2027	185,635
Total	<u>\$ 68,425,187</u>

NOTE 6 OFFICE PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Leasehold Improvements	\$ 2,431,083	\$ 2,419,624
Furniture and Fixtures	4,470,048	4,393,465
Less: Accumulated Depreciation	<u>(5,701,036)</u>	<u>(5,407,216)</u>
Total	<u>\$ 1,200,095</u>	<u>\$ 1,405,873</u>

NOTE 7 UMFREA PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$ 32,047,713	\$ 32,047,713
Property and Equipment	31,984,327	31,196,970
Less: Accumulated Depreciation	<u>(19,862,757)</u>	<u>(18,472,886)</u>
Total	<u>\$ 44,169,283</u>	<u>\$ 44,771,797</u>

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 8 UGC PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Building	\$ 21,245,739	\$ 21,124,857
Plaza Exterior Features	2,062,439	1,791,361
Furniture and Fixtures	5,820,914	5,762,927
Construction in Progress	503,095	313,893
Less: Accumulated Depreciation	<u>(11,648,588)</u>	<u>(10,811,320)</u>
Subtotal	17,983,599	18,181,718
Elimination Adjustment Due to Consolidation of UGC (Note 1)	<u>11,516,931</u>	<u>11,765,215</u>
Total	<u><u>\$ 29,500,530</u></u>	<u><u>\$ 29,946,933</u></u>

NOTE 9 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, 2023 and 2022. The transaction is eliminated in consolidation.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Gifts and Other Unexpended Revenues and Gains Available for		
Capital Improvement/Facilities	\$ 139,437,793	\$ 144,670,439
Faculty and Staff Support	26,023,381	24,176,135
Scholarships and Fellowships	171,661,154	165,990,364
Lectureships, Professorships, and Chairs	51,991,296	51,624,734
Program Support	739,825,594	588,962,593
Research and Outreach/Community Engagement	193,201,170	197,142,820
Trusts	6,416,818	6,421,650
Other	5,660,595	3,774,809
Total	<u>1,334,217,801</u>	<u>1,182,763,544</u>
Endowments		
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity		
Restricted by Donors for		
Capital Improvement/Facilities	8,831,499	8,703,126
Faculty and Staff Support	44,362,230	40,538,068
Scholarships and Fellowships	762,213,988	723,266,180
Lectureships, Professorships, and Chairs	502,134,488	483,741,797
Program Support	120,737,542	118,138,062
Research and Outreach/Community Engagement	88,665,272	86,939,414
Trusts	17,369,940	16,600,614
Other	4,810,512	2,043,774
Total	<u>1,549,125,471</u>	<u>1,479,971,035</u>
Subject to Foundation Endowment Spending Policy and Appropriation		
Capital Improvement/Facilities	13,282,752	13,614,517
Faculty and Staff Support	23,207,563	24,171,333
Scholarships and Fellowships	307,713,957	321,244,630
Lectureships, Professorships, and Chairs	347,755,341	361,786,417
Program Support	82,369,812	91,394,183
Research and Outreach/Community Engagement	43,679,291	45,527,873
Other	4,072,101	4,037,891
Total	<u>822,080,817</u>	<u>861,776,844</u>
Total Endowments	<u>2,371,206,288</u>	<u>2,341,747,879</u>
Not Subject to Spending Policy or Appropriation		
Capital Improvement/Facilities	98,525	13,525
Faculty and Staff Support	1,965,353	2,509,004
Scholarships and Fellowships	305,989	10,070,417
Lectureships, Professors, and Chairs	847,469	3,145,894
Program Support	13,194,396	12,106,738
Research and Outreach	735,855	1,169,911
Trusts	55,997,357	53,965,244
Other	(52,982)	2,579,838
Total	<u>73,091,962</u>	<u>85,560,571</u>
Total Net Assets with Donor Restrictions	<u>\$ 3,778,516,051</u>	<u>\$ 3,610,071,994</u>

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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:

	2023	2022
Net Assets Released for Purpose		
Capital Improvement/Facilities	\$ 22,321,332	\$ 17,633,710
Faculty and Staff Support	4,617,085	5,089,343
Scholarships and Fellowships	68,970,457	59,654,454
Lectureships, Professorships, and Chairs	39,285,388	37,069,534
Program Support	101,939,315	82,041,983
Research and Outreach/Community Engagement	52,002,996	42,944,322
Other	11,877,398	6,984,336
Total Net Assets Released from Donor Restrictions	\$ 301,013,971	\$ 251,417,682

NOTE 11 ENDOWMENT FUNDS

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

Interpretation of Relevant Law

The board of trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require that endowment fund investment and spending policies be designed with the aim of preserving the amount of each endowment fund which is prudent for the uses, benefits, purposes and duration for which each endowment fund was established. For accounting purposes only, the Foundation has classified as 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.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 11 ENDOWMENT FUNDS (CONTINUED)

Endowment Net Asset Composition by Type of Fund

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 127,359,559	\$ -	\$ 127,359,559
Donor-Restricted Endowment Funds			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	1,549,125,471	1,549,125,471
Accumulated Investment Gains	-	822,080,817	822,080,817
Total	<u>\$ 127,359,559</u>	<u>\$ 2,371,206,288</u>	<u>\$ 2,498,565,847</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 127,591,449	\$ -	\$ 127,591,449
Donor-Restricted Endowment Funds			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	1,479,971,035	1,479,971,035
Accumulated Investment Gains	-	861,776,844	861,776,844
Total	<u>\$ 127,591,449</u>	<u>\$ 2,341,747,879</u>	<u>\$ 2,469,339,328</u>

Changes in Endowment Net Assets

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 127,591,449	\$ 2,341,747,879	\$ 2,469,339,328
Total Investment Return	3,232,783	40,911,424	44,144,207
Cash Contributions and Pledge Receipts	-	68,312,794	68,312,794
Change in Carrying Value of Trusts	-	769,326	769,326
Change in Donor Restrictions	-	2,262,783	2,262,783
Appropriation of Assets	(3,464,673)	(82,797,918)	(86,262,591)
Endowment Net Assets - End of Year	<u>\$ 127,359,559</u>	<u>\$ 2,371,206,288</u>	<u>\$ 2,498,565,847</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 13,089,565	\$ 2,394,535,362	\$ 2,407,624,927
Total Investment Return	(8,726,526)	(87,091,739)	(95,818,265)
Cash Contributions and Pledge Receipts	-	85,471,223	85,471,223
Change in Carrying Value of Trusts	-	(1,947,237)	(1,947,237)
Change in Donor Restrictions	-	13,261,488	13,261,488
Appropriation of Assets	123,228,410	(62,481,218)	60,747,192
Endowment Net Assets - End of Year	<u>\$ 127,591,449</u>	<u>\$ 2,341,747,879</u>	<u>\$ 2,469,339,328</u>

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 11 ENDOWMENT FUNDS (CONTINUED)

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, 2023, funds with original gift values of \$91,564,426 and fair values of \$86,278,250, and the deficiencies of \$5,286,176 were reported in net assets with donor restrictions. As of June 30, 2022, funds with original gift values of \$129,357,683 and fair values of \$123,584,816, and the deficiencies of \$5,772,867 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, 2023 and 2022 were made in accordance with the board of trustees underwater fund policy.

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.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 11 ENDOWMENT FUNDS (CONTINUED)

**Spending Policy and How the Investment Objectives Relate to Spending Policy
(Continued)**

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 three board-designated endowment funds that have been designated by the University of Minnesota Foundation Executive Committee. Two funds allow spending of 4.5% of the average balance and are 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.

NOTE 12 SUPPORT SERVICES REVENUE AND EXPENSE

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

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 13 BONDS PAYABLE

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

<u>Description</u>	<u>2023</u>	<u>2022</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>10,195,000</u>	<u>11,125,000</u>
Subtotal	43,045,000	43,975,000
Plus: Premium on Series 2015 Bonds	617,896	698,500
Less: Debt Issuance Costs, Net of Accumulated Amortization	<u>(474,103)</u>	<u>(521,712)</u>
Total	<u><u>\$ 43,188,793</u></u>	<u><u>\$ 44,151,788</u></u>

Aggregate annual maturities are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 965,000
2025	1,005,000
2026	1,045,000
2027	1,085,000
2028	1,135,000
Thereafter	<u>37,810,000</u>
Total	<u><u>\$ 43,045,000</u></u>

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 14 LEASES

UGC's operations consist principally of leasing space to the University of Minnesota and to the two beneficiary organizations: the Foundation and the University of Minnesota Alumni Association. The beneficiary organizations' leases commenced on October 1, 1999 and had initial terms of 25 years. In May 2017, the University of Minnesota Alumni Association's lease was extended five years through September 30, 2029. These leases provide for tenants to share in the insurance, utilities, advertising, and other common-area costs. The minimum future rentals 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 in 2027. The minimum future rentals to be received from the leases in effect as of June 30, 2023 are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 3,439,901
2025	918,181
2026	918,181
2027	15,918,181
2028	168,181
Thereafter	168,181
Total	<u><u>\$ 21,530,806</u></u>

The leases to the University of Minnesota (the Regents) 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, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	<u><u>\$ 2,410,579</u></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.

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.

**UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 14 LEASES (CONTINUED)

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

	2023	2022
Minimum Lease Payments		
Payments Under Lease Agreements	\$ 4,653,885	\$ 8,466,864
Residual Value Guarantee	19,287,500	19,287,500
Minimum Lease Payments Receivable	23,941,385	27,754,364
Unearned Income	(5,713,833)	(7,558,562)
Net Investment in Direct Financing Leases	18,227,552	20,195,802
Direct Financing Leases Elimination Due to Consolidation of UGC	(15,404,905)	(15,258,191)
Total	\$ 2,822,647	\$ 4,937,611

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, 2024. 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 2023 and 2022 were approximately \$386,382 and \$196,997, 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 \$554,894 and \$486,283 to the Regents for utilities and other services for the years ended June 30, 2023 and 2022, respectively.

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.

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 14 LEASES (CONTINUED)

Financing Leases (Continued)

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

	<u>2023</u>	<u>2022</u>
Lease Cost		
Finance Lease Cost	\$ 89,530	\$ 89,530
Amortization of Right-to-Use Asset	(48,901)	(31,684)
Operating Lease Cost	2,512,406	2,512,406
Amortization of Right-to-Use Asset	(46,274)	(32,957)
Total Lease Cost	<u>\$ 2,506,761</u>	<u>\$ 2,537,295</u>
Weighted Average Remaining Lease Term - Finance Leases	2.9 Years	4.4 Years
Weighted Average Remaining Lease Term - Operating Leases	76.25 Years	77.25 Years
Weighted Average Discount Rate - Finance Leases	2.7 %	2.7 %
Weighted Average Discount Rate - Operating Leases	2.4 %	2.4 %

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>Finance Leases</u>	<u>Operating Leases</u>
2024	\$ 25,404	\$ -
2025	25,404	53,367
2026	25,404	80,000
2027	-	80,000
2028	-	80,000
Thereafter	-	5,706,975
Total	<u>\$ 76,212</u>	<u>\$ 6,000,342</u>

NOTE 15 RETIREMENT PLANS

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

UNIVERSITY OF MINNESOTA FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 16 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>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 35,163,519	\$ 33,644,202
Investments	3,962,460,742	3,817,527,590
Receivables from Pending Liquidations	22,920,974	4,732,066
Investment Loans Receivable	59,639,856	-
Accounts Receivable Due Within One Year	12,186,915	4,872,233
Pledge Receivable Due Within One Year	86,296,096	82,001,924
Less Investments and Cash Unavailable for General Expenditures Within One Year Due to Donor-Imposed Time or Purpose Restrictions	<u>(3,294,990,458)</u>	<u>(3,148,802,789)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 883,677,644</u>	<u>\$ 793,975,226</u>

The assets above include donor funds subject to donor restrictions as of June 30, 2023. 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 \$95,000,000 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 17 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, 2023 through September 28, 2023, which was the date the consolidated financial statements were available to be issued.

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(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	\$ 22,389,568	\$ 289,039	\$ 9,790,689	\$ 2,694,223	\$ -	\$ 35,163,519
Investments	3,942,637,714	1,148,666	18,674,362	46,077,602	(46,077,602)	3,962,460,742
Receivables from Pending Liquidations	22,920,974	-	-	-	-	22,920,974
Pledges Receivable, Net	200,826,171	-	-	-	-	200,826,171
Investment Loans Receivable	68,425,187	-	-	-	-	68,425,187
Other Receivables, Primarily Interest	31,670,299	1,196,733	233,321	332,610	(21,246,048)	12,186,915
Split Interest Agreements						
Beneficial Interest in Perpetual Trusts	68,611,773	-	-	-	-	68,611,773
Assets Held in Charitable Trusts	21,738,165	-	-	-	-	21,738,165
Beneficial Interest in Trusts	704,193	-	-	-	-	704,193
Gift Annuities	48,888,409	-	-	-	-	48,888,409
Office Property and Equipment, Net	984,353	215,742	-	-	-	1,200,095
Right-of-Use Asset - Leases	1,509,053	819,439	-	-	(1,509,053)	819,439
University of Minnesota Foundation Real Estate Advisors						
Property and Equipment, Net	-	-	44,169,283	-	-	44,169,283
University Gateway Corporation:						
Derivative Financial Instrument	-	-	-	6,030	-	6,030
Property and Equipment, Net	-	-	-	17,983,599	11,516,931	29,500,530
Right-of-Use Asset - Leases	-	-	-	2,506,761	-	2,506,761
Net Investment in Direct Financing Leases	-	-	-	18,227,552	(15,404,905)	2,822,647
Total Assets	\$ 4,431,305,859	\$ 3,669,619	\$ 72,867,655	\$ 87,828,377	\$ (72,720,677)	\$ 4,522,950,833

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2023
(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
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 28,440,794	\$ 2,643,083	\$ 23,183,973	\$ 1,417,585	\$ (21,246,048)	\$ 34,439,387
Gift Annuities Payable	20,555,114	-	-	-	-	20,555,114
Liability Under Charitable Trust Agreements	12,300,264	-	-	-	-	12,300,264
Investments Held for Custody of Others	403,964,684	-	-	-	-	403,964,684
Lease Liability	1,509,053	819,439	-	-	(1,509,053)	819,439
University Gateway Corporation:						
Lease Liability	-	-	-	2,763,671	-	2,763,671
Operating Lease Liability	-	-	-	-	-	-
Bonds Payable	-	-	-	43,188,793	-	43,188,793
Total Liabilities	466,769,909	3,462,522	23,183,973	47,370,049	(22,755,101)	518,031,352
NET ASSETS						
Undesignated	186,019,899	207,097	49,683,682	24,274,997	(49,965,576)	210,220,099
Noncontrolling Interest in Subsidiary	-	-	-	16,183,331	-	16,183,331
Total Net Assets Without Donor Restrictions	186,019,899	207,097	49,683,682	40,458,328	(49,965,576)	226,403,430
With Donor Restrictions	3,778,516,051	-	-	-	-	3,778,516,051
Total Net Assets	3,964,535,950	207,097	49,683,682	40,458,328	(49,965,576)	4,004,919,481
 Total Liabilities and Net Assets	 <u>\$ 4,431,305,859</u>	 <u>\$ 3,669,619</u>	 <u>\$ 72,867,655</u>	 <u>\$ 87,828,377</u>	 <u>\$ (72,720,677)</u>	 <u>\$ 4,522,950,833</u>

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(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	\$ 23,360,849	\$ 248,886	\$ 7,791,334	\$ 2,243,133	\$ -	\$ 33,644,202
Investments	3,796,010,782	1,077,479	20,439,329	43,300,359	(43,300,359)	3,817,527,590
Receivables from Pending Liquidations	4,732,066					4,732,066
Pledges Receivable, Net	224,690,411	-	-	-	-	224,690,411
Other Receivables, Primarily Interest	24,284,605	1,195,490	209,077	427,866	(21,244,805)	4,872,233
Split Interest Agreements						
Beneficial Interest in Perpetual Trusts	65,970,771	-	-	-	-	65,970,771
Assets Held in Charitable Trusts	21,892,855	-	-	-	-	21,892,855
Beneficial Interest in Trusts	702,092	-	-	-	-	702,092
Gift Annuities	48,311,594	-	-	-	-	48,311,594
Office Property and Equipment, Net	1,179,630	226,243	-	-	-	1,405,873
University of Minnesota Foundation Real Estate Advisors						
Property and Equipment, Net	-	-	44,771,797	-	-	44,771,797
University Gateway Corporation:						
Property and Equipment, Net	-	-	-	18,181,718	11,765,215	29,946,933
Right-of-Use Asset - Leases	-	-	-	2,537,295	-	2,537,295
Net Investment in Direct Financing Leases	-	-	-	20,195,802	(15,258,191)	4,937,611
Total Assets	\$ 4,211,135,655	\$ 2,748,098	\$ 73,211,537	\$ 86,886,173	\$ (68,038,140)	\$ 4,305,943,323

UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2022
(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
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable, Accrued Expenses, and Other Liabilities	\$ 28,132,557	\$ 2,541,001	\$ 22,869,863	\$ 1,437,862	\$ (21,244,805)	\$ 33,736,478
Gift Annuities Payable	20,365,547	-	-	-	-	20,365,547
Liability Under Charitable Trust Agreements	12,640,183	-	-	-	-	12,640,183
Investments Held for Custody of Others	355,434,648	-	-	-	-	355,434,648
University Gateway Corporation:						
Derivative Financial Instrument	-	-	-	483,443	-	483,443
Lease Liability	-	-	-	2,720,793	-	2,720,793
Bonds Payable	-	-	-	44,151,788	-	44,151,788
Total Liabilities	<u>416,572,935</u>	<u>2,541,001</u>	<u>22,869,863</u>	<u>48,793,886</u>	<u>(21,244,805)</u>	<u>469,532,880</u>
NET ASSETS						
Undesignated	184,490,726	207,097	50,341,674	22,855,372	(46,793,335)	211,101,534
Noncontrolling Interest in Subsidiary	-	-	-	15,236,915	-	15,236,915
Total Net Assets Without Donor Restrictions	<u>184,490,726</u>	<u>207,097</u>	<u>50,341,674</u>	<u>38,092,287</u>	<u>(46,793,335)</u>	<u>226,338,449</u>
With Donor Restrictions	3,610,071,994	-	-	-	-	3,610,071,994
Total Net Assets	<u>3,794,562,720</u>	<u>207,097</u>	<u>50,341,674</u>	<u>38,092,287</u>	<u>(46,793,335)</u>	<u>3,836,410,443</u>
 Total Liabilities and Net Assets	 <u>\$ 4,211,135,655</u>	 <u>\$ 2,748,098</u>	 <u>\$ 73,211,537</u>	 <u>\$ 86,886,173</u>	 <u>\$ (68,038,140)</u>	 <u>\$ 4,305,943,323</u>

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(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	\$ 255,865,329	\$ -	\$ -	\$ -	\$ -	\$ 255,865,329
Investment Income, Net of Investment Expenses of \$7,764,829	41,637,085	-	512,770	-	(600,000)	41,549,855
Net Realized and Unrealized Gains on Investments	177,348,087	-	267,384	2,777,243	(2,777,243)	177,615,471
Change in Carrying Value of Trusts	3,745,280	-	-	-	-	3,745,280
Support Services Revenue	8,355,500	4,721,467	-	-	(4,721,467)	8,355,500
University of Minnesota Foundation Real Estate Advisors						
Rental Revenue	-	-	6,559,206	-	(212,114)	6,347,092
University Gateway Corporation Revenue	-	-	-	6,875,788	(2,110,609)	4,765,179
Miscellaneous Revenue	3,068,239	939,776	279	-	(1,617,406)	2,390,888
Total Revenues	<u>490,019,520</u>	<u>5,661,243</u>	<u>7,339,639</u>	<u>9,653,031</u>	<u>(12,038,839)</u>	<u>500,634,594</u>
EXPENSES						
Distributions for University Purposes	262,653,447	-	-	-	-	262,653,447
Management and General	15,594,683	5,661,243	-	-	(7,699,690)	13,556,236
Promotion and Development	41,798,160	-	-	-	(72,162)	41,725,998
University of Minnesota Foundation Real Estate Advisors						
Real Estate Program Expenses	-	-	7,420,710	-	(812,114)	6,608,596
Management and General	-	-	576,921	-	(26,000)	550,921
University Gateway Corporation						
Real Estate Program Expenses	-	-	-	6,341,718	161,698	6,503,416
Management and General	-	-	-	945,272	(418,330)	526,942
Total Expenses	<u>320,046,290</u>	<u>5,661,243</u>	<u>7,997,631</u>	<u>7,286,990</u>	<u>(8,866,598)</u>	<u>332,125,556</u>
CHANGE IN NET ASSETS	169,973,230	-	(657,992)	2,366,041	(3,172,241)	168,509,038
Net Assets - Beginning of Year	<u>3,794,562,720</u>	<u>207,097</u>	<u>50,341,674</u>	<u>38,092,287</u>	<u>(46,793,335)</u>	<u>3,836,410,443</u>
NET ASSETS - END OF YEAR	<u>\$ 3,964,535,950</u>	<u>\$ 207,097</u>	<u>\$ 49,683,682</u>	<u>\$ 40,458,328</u>	<u>\$ (49,965,576)</u>	<u>\$ 4,004,919,481</u>

**UNIVERSITY OF MINNESOTA FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(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	\$ 322,723,504	\$ -	\$ -	\$ -	\$ -	\$ 322,723,504
Investment Income, Net of Investment Expenses of \$7,868,632	14,449,988	-	111,551	-	(600,000)	13,961,539
Net Realized and Unrealized Losses on Investments	(193,260,222)	-	17,336	(2,565,751)	2,565,751	(193,242,886)
Change in Carrying Value of Trusts	(23,937,507)	-	-	-	-	(23,937,507)
Support Services Revenue	8,358,000	4,222,074	-	-	(4,222,074)	8,358,000
University of Minnesota Foundation Real Estate Advisors						
Rental Revenue	-	-	6,879,002	-	(220,405)	6,658,597
University Gateway Corporation Revenue	-	-	-	6,460,857	(1,927,942)	4,532,915
Miscellaneous Revenue	3,232,447	1,022,136	123	-	(1,704,330)	2,550,376
Total Revenues	<u>131,566,210</u>	<u>5,244,210</u>	<u>7,008,012</u>	<u>3,895,106</u>	<u>(6,109,000)</u>	<u>141,604,538</u>
EXPENSES						
Distributions for University Purposes	201,667,124	-	-	-	-	201,667,124
Management and General	13,854,263	5,244,210	-	-	(7,172,152)	11,926,321
Promotion and Development	36,168,215	-	-	-	-	36,168,215
University of Minnesota Foundation Real Estate Advisors						
Real Estate Program Expenses	-	-	8,000,137	-	(846,406)	7,153,731
Management and General	-	-	517,039	-	-	517,039
University Gateway Corporation						
Real Estate Program Expenses	-	-	-	5,513,865	153,373	5,667,238
Management and General	-	-	-	917,484	(418,330)	499,154
Total Expenses	<u>251,689,602</u>	<u>5,244,210</u>	<u>8,517,176</u>	<u>6,431,349</u>	<u>(8,283,515)</u>	<u>263,598,822</u>
CHANGE IN NET ASSETS	(120,123,392)	-	(1,509,164)	(2,536,243)	2,174,515	(121,994,284)
Net Assets - Beginning of Year	<u>3,914,686,112</u>	<u>207,097</u>	<u>51,850,838</u>	<u>40,628,530</u>	<u>(48,967,850)</u>	<u>3,958,404,727</u>
NET ASSETS - END OF YEAR	<u>\$ 3,794,562,720</u>	<u>\$ 207,097</u>	<u>\$ 50,341,674</u>	<u>\$ 38,092,287</u>	<u>\$ (46,793,335)</u>	<u>\$ 3,836,410,443</u>



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