

University of  
Minnesota  
Financial  
Report  
1975

7  
7  
7  
7  
7  
7  
7  
7

MCA  
qF49  
1974/75

## **Board of Regents**

Neil C. Sherburne, Chairman  
Erwin L. Goldfine  
Lauris Krenik  
George Latimer  
Robert Latz  
L. J. Lee  
Lester A. Malkerson  
Wenda Moore  
Lloyd H. Peterson  
George W. Rauenhorst  
Loanne R. Thrane  
David C. Utz, M.D.  
C. Peter Magrath, President of the University, Ex Officio  
Duane Wilson, Secretary of the Board

## **Executive Officers**

C. Peter Magrath, President  
James F. Brinkerhoff, Vice President for Finance  
Walter H. Bruning, Vice President Administrative Operations  
Lyle A. French, Vice President for Health Sciences  
Stanley B. Kegler, Vice President for Institutional  
Planning and Relations  
Henry Koffler, Vice President for Academic Affairs  
Frank Wilderson, Vice President for Student Affairs

## **Financial Operations Staff**

James F. Brinkerhoff, Vice President for Finance  
C. T. Johnson, Assistant Vice President and  
Treasurer, Business Administration  
C. Luverne Carlson, Assistant Vice President,  
Support Services and Operations  
Clinton N. Hewitt, Assistant Vice President,  
Physical Planning  
Donald P. Brown, Assistant Vice President,  
Finance and Administration  
Chester B. Grygar, Budget Officer  
A. H. Cheese, Controller  
Sterling B. Garrison, Director of Audits



MCA  
9F99  
1974/75

## INTRODUCTION

American higher education has not just recently discovered financial exigencies; our colleges and universities have a history of fiscal problems longer than that of football Saturdays. Although we disagree with those who seem to leave the impression that our colleges and universities were flush with money before the resource-scarce decade of the 1970's, we certainly acknowledge that the financial issues currently facing our institutions of higher learning are often more complex and serious than those of earlier periods.

The public is increasingly—and understandably—concerned with the ways in which public funds are used. The University of Minnesota is determined to continue to conduct its affairs in as fiscally sound a manner as possible.

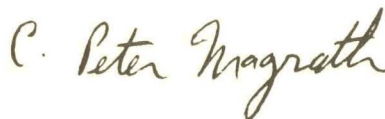
We should note two things during this new period of accountability and relative scarcity. The first is that the difficult and subtle work of education does not easily lend itself to measurement. While we must work hard to use wisely our resources (this generally means money), we must also recognize that a university does not have anything as simple as a profit or loss statement with which to measure success in achieving goals. Education is difficult to quantify, especially if financial terms are the only ones used.

The second point is that the University of Minnesota is a very large operation, touching on the lives of virtually every person in our State. The approximately \$370 million from public, private, tuition, and other sources that constituted our 1974-75 operating budget is a great deal of money by any standard, but a sum that is, we believe, fully warranted by our wide scope of operations and services.

The new climate of the 1970's demands that the University of Minnesota improve in determining institutional priorities based on State, national, and, indeed, world needs. Priorities and constraints will be set as best they can for a university having as broad and beneficial an involvement as does the University of Minnesota.

Several important changes have been made in this year's report and its various financial schedules to achieve full compliance with new guidelines issued by the National Association of College and University Business Officers. As a result, the titles of many fund categories do not correspond directly to those used last year. Although basically the same information is presented, it is in changed form. Because of the resulting non-comparability of classifications, the prior year's results have not been included this year but will be in future reports.

Another change is the University's shift to accrual accounting, replacing the cash basis used previously. These changes are explained more fully in the policy statement that precedes the financial schedules and in the footnotes that follow.



C. Peter Magrath  
President



James F. Brinkerhoff  
Vice President, Finance







# GENERAL DEVELOPMENTS

## Financing Education: Problems and Parameters

In the fiscal year that ended June 30, 1975, certain problems and trends in educational finance continued to affect University operations. Many of these problems have been discussed in previous reports; indeed, most have been evident for some time.

Regrettably, the impact of many of these problems and concerns increased during the year. Chief among them were:

- The continuing impact of inflation and a related need for compensating salary increases;
- A decreasing portion of funds available for discretionary use in meeting general educational expenses;
- Substantial increases in utility and energy costs and the prospect of continued shortages;
- The impact of continuing tuition increases on students whose ability to pay is limited and the potential ramifications concerning educational access;
- A difficulty in achieving real productivity increases in education and other "labor intensive" industries to reduce the inflationary impact.

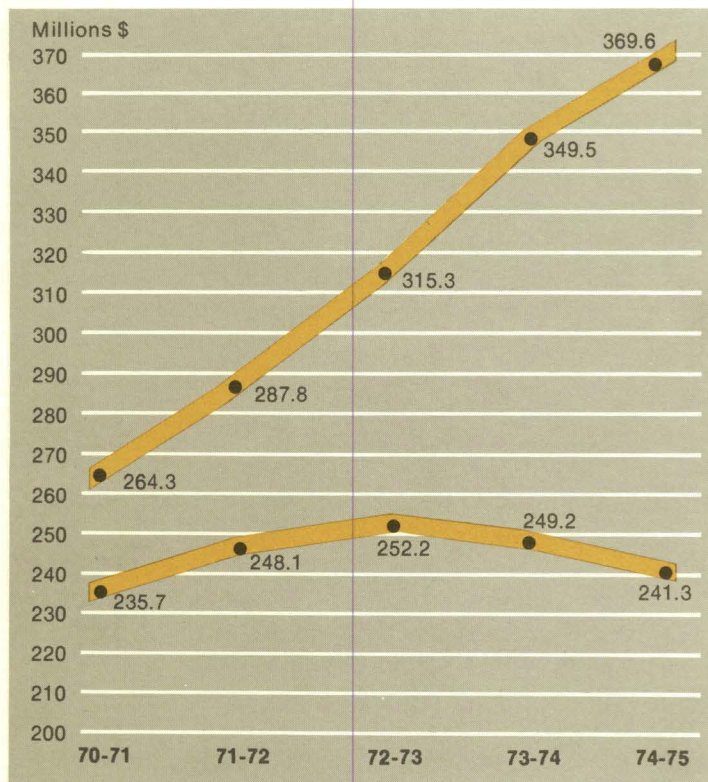
Let us briefly review the impact of each of these factors.

While the rate of inflation slowed slightly during the last year, the rate of increase in total University spending slowed even more. The result was that total expenditures measured in real dollars declined substantially in fiscal 1975. While the rate of inflation in the economy as a whole may be significantly lower in another year, its effect will still be important in terms of University operations. This is because the impact of salary increases will be felt in future years. As new dollars come to the University in the future, many of them will already be committed to compensate faculty and staff for the income they lost in prior years as inflation decreased in their *real* buying power. Historically, salaries in service industries such as education have been the last to catch up with inflation. There is evidence that this is occurring again.

For several years, more and more of the dollars available to the University have been restricted to specific uses and therefore, by definition, have been unavailable for use in meeting general educational expenses. While new accounting guidelines define "restricted" funds narrowly as only those *specifically* restricted by their donor, other funds are equally restricted by function, if not by definition. For example, income from University Hospitals is now regarded as unrestricted. But functionally it is restricted because it is needed currently to cover related expenses.

### Total University Budget 1970-75

Actual And Deflated to 1968 Dollars  
(Based on consumer price index)





## Increased Utility Costs

Substantial cost increases in utilities were partially offset by a continuing program of energy conservation. However, actual utility and fuel costs exceeded the budgeted amounts by approximately \$1.6 million. Total expense increased by almost 50 percent during the year, although a part of this increase was attributable to physical plant expansion.

## Tuition Increases

While every attempt has been made in recent years to avoid tuition increases, that goal again proved impossible in the current climate of rising educational costs. In recent years the University has sought to recover an average of 26.5 percent of instructional costs from tuition payments. As educational costs rise, then, tuition increases proportionately.

From a public policy standpoint there are questions regarding what the impact of continued tuition increases will be on educational access. Clearly, there is a danger that potential students are finding themselves priced out of the market by these cost increases. Unless offset by increases in student aid, this runs counter to a traditional goal of public education—the widening of public access to educational opportunity.

## The Problem of Productivity

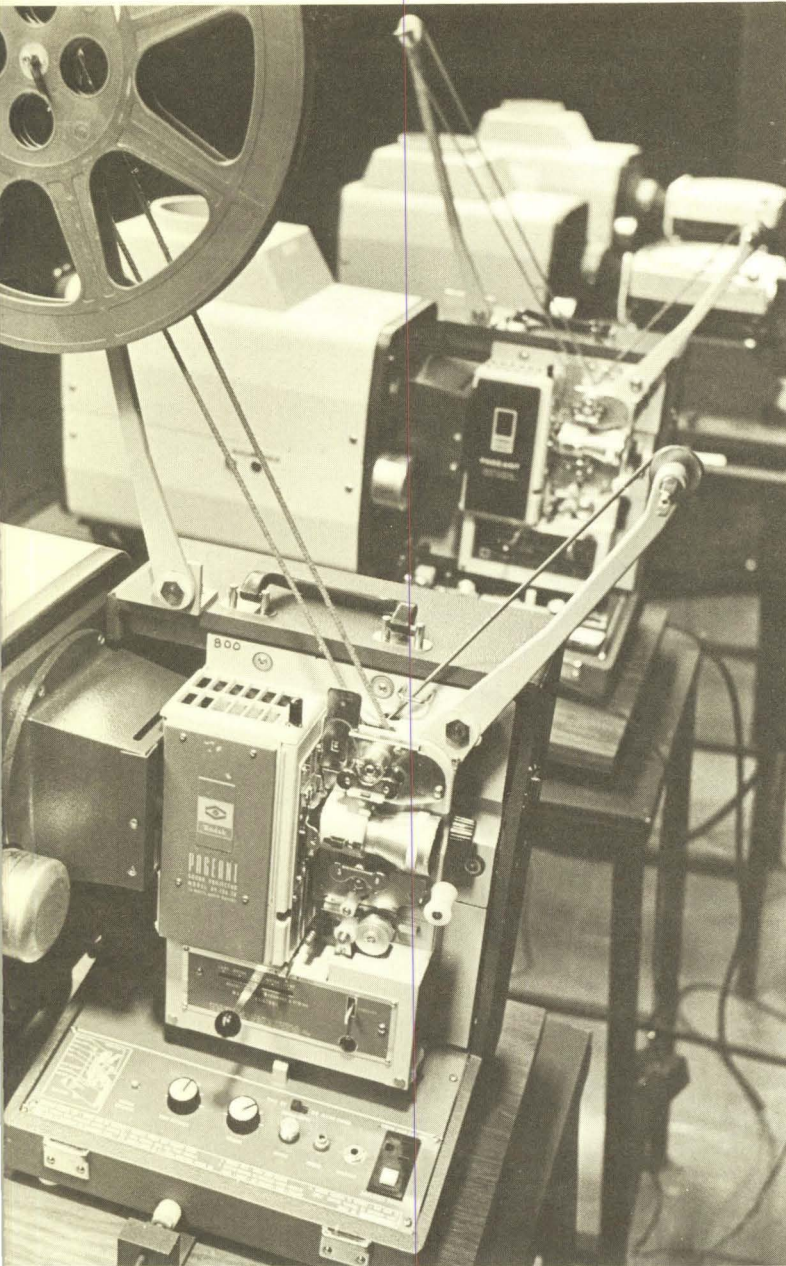
Perhaps central to an understanding of the problems now faced in financing higher education is the question of productivity. The question is: Are there practical methods of increasing educational productivity? The answer is unclear. The major method of increasing productivity in education has been to increase class size. If more students are in a class, more students are “educated,” and the teacher is more “productive.” But there may be trade-offs here. Increased productivity measured only in the *quantity* of students educated ignores the *quality* of their instruction.

Minimal productivity increases in education have important effects on the rate of increase in educational costs. According to studies reported by the Carnegie Commission on Higher Education, average costs per student per year from 1930 to 1960 rose about 2.5 percent faster nationally than the cost of living. This discrepancy has increased in recent years.

Because of these factors, it is likely that educational costs will continue to rise more rapidly than the overall cost of living. Indeed, for the 1973-1993 period, a Carnegie Commission economist has estimated that educational costs will rise about 2.9 percent faster per year than the cost of living.

These, then, are the parameters of educational finance. Costs are going to continue to rise rapidly unless methods of increasing educational productivity can be found.





Are there other practical methods of increasing educational productivity that go beyond mere increases in the numbers of students?

There may be, but at this point such alternatives are more in the form of questions than of answers.

- Can educational technologies, including imaginative use of film, television, and programmed computer instruction, be of assistance? And further, can these be used in a way that frees instructors to spend more time with students rather than as further impersonalization of the educational process?
- To utilize its physical plant more effectively, should the University shift to a full-year operational schedule? This could also permit students to attain their baccalaureates more easily in three years, since summer program offerings would be increased.
- Can more use be made of credit-by-examination?
- Can “experiential education” – things people have learned through their own experiences – be adequately assessed and credit granted through certification of competences? If so, elimination of unnecessary classroom duplication of knowledge and skills acquired elsewhere would permit some persons to enter the educational system more easily and to exit more rapidly.
- Should the University encourage early retirement by creating more attractive retirement options, thus opening up more positions for younger academic talent?

These are, of course, long-range possibilities. They require – and are receiving – careful study. And because these are major changes they must be evaluated cautiously.

A final observation about productivity. While cost measurement cannot and should not be forgotten, neither can it alone be an adequate criterion for evaluating education. Both cost and *value*, however measured, need to be considered.

While the general picture for educational finance continued to be gloomy through the year, there were also certain positive developments that should not go without note.

- The Minnesota Legislature acted favorably on many of the University’s requests and voted a higher percentage of the total request than in other recent Legislative sessions. Because of this generous State support, the University can look more confidently to the next two difficult years that lie ahead.
- The University continued to benefit from increased private giving. In the most recent national survey of private giving to institutions of higher education (based

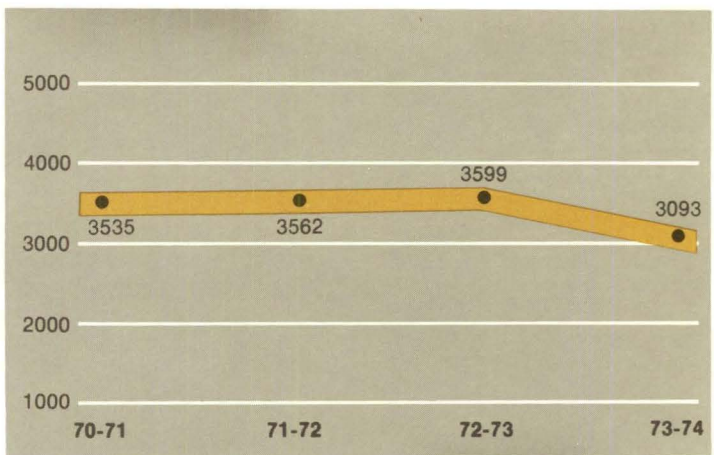


on the prior fiscal year), the University moved up to eighth place among all colleges and universities—both public and private. Two years earlier the University entered the top-20 list for the first time, ranking 19th. However, in the current climate of general economic uncertainty there are questions about the University's ability to sustain this positive trend.

- Enrollment increased in the fall of 1974, reversing a two-year trend toward decline or stabilization. In selected programs that experienced enrollment increases in recent years, it has been possible to achieve important economies of scale and thus to lower *per-student costs* (even though total costs increased). However, many other programs that are increasing in enrollment—such as biological sciences and pre-professional programs—continue to increase in both total cost and cost per student because the economies of scale that are realizable are simply outstripped by the rising costs of increasingly complicated technical or scientific instruction.

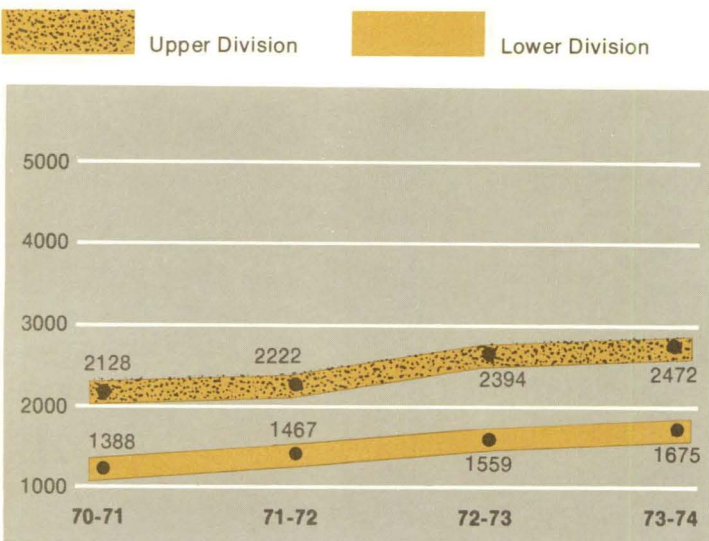
Even if many of the current problems of educational finance were to vanish, there would still be basic questions regarding how society can and should finance education and other programs of wide social benefit. There are questions of who should pay and how much. Should the federal government absorb a larger share or should more responsibility rest with state governments or with the individual? Until these larger questions are resolved the University and other institutions of higher education will most likely continue to experience serious problems in funding their operations. The balance of this narrative deals with the positive steps being taken at the University to control costs, improve management, and plan effectively for the future.

**Instructional Cost per FYE Student 1970-74**  
**Graduate Level**



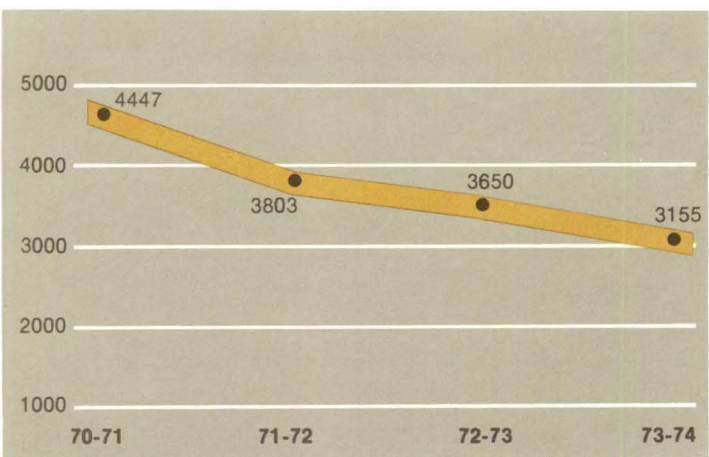
As graduate enrollment underwent slight decreases from 1970 to 1972, costs showed a steady increase upward. However, when a nine percent increase in full-time equivalent enrollment occurred in the fall of 1973, per student costs showed a significant decline, again demonstrating the importance of economies of scale in reducing educational costs.

**Instructional Cost per FYE Student 1970-74**  
**Upper and Lower Division**



Full-time equivalent undergraduate enrollment has remained almost unchanged during the period shown. Costs have shown a steady climb upward.

**Instructional Cost per FYE Student 1970-74**  
**Technical Programs**



A steady increase in the numbers of students enrolled in technical programs at Crookston and Waseca has resulted in steady reductions in the instructional cost per full time student.



## LIVING WITH LIMITED RESOURCES

Over the past year, efforts were continued to achieve cost reductions and savings where possible, without damage to the basic teaching and research missions of the University, and to develop improved information and management systems for the future.

Here are a few highlights of ongoing activities:

- Following the University's "Retrenchment and Reallocation" several years ago, efforts have continued to reduce academic program expenditures where possible without affecting educational quality. However, following substantial program eliminations during the "R&R" process, further reductions are becoming increasingly difficult to achieve.
- Because of the energy crisis and related fuel and utility price increases, the University embarked two years ago on a comprehensive energy conservation program. One key to the University's success in this effort has been the automation of heating system controls.
- Additional efforts were made to utilize the computer more effectively as a management tool.
- Outside consultants advised the University on methods of improving paper flow in various record-keeping and administrative offices.
- In planning new facilities and upgrading existing facilities, the University is attempting to build in energy savings through use of heat-recovery systems, less glass, lower lighting levels, and other improvements.

## Reviewing the Academic Program

While the academic program of the University involves the largest dollar expenditures, savings are difficult to realize because of the very nature of the mission of a university: to maintain, increase where possible, and transmit a widening body of human knowledge and scientific discovery.

The rarity of productivity increases in education has already been discussed. This is central to an understanding of the problems of continuing increases in educational costs. So is the impact of specialization.

In manufacturing industries and other sectors of the economy, specialization works to improve efficiency, heighten production and thus lower unit costs. In education, however, specialization achieves efficiency at the immediate level but not in the larger picture. Because a professor is specialized, he or she has a more thorough understanding of a particular subject and can presumably both teach and research the particular area of expertise more capably. But as specialization continues, more and more instructors



must be added to cover additional specialties adequately. Thus specialization increases educational costs rather than decreases them. And the growing amounts of information and research available on almost any subject – the much-noted “knowledge explosion” – would seem to require continuation of the process of specialization in order to manage the information effectively. That in turn has required further growth in staffing at increased costs.

Because efforts to reduce academic program spending must run counter to this basic dynamic of increased amounts of knowledge and increased specialization, such efforts can be expected to achieve only limited success.

## Energy Conservation

Since the University embarked on an intensive energy conservation program two years ago, an overall 16 percent reduction has been achieved in energy and utility use in existing buildings. More important, these savings have been achieved despite the addition of air-conditioning and improved ventilation in many buildings. (The historic pattern had been an average 6 percent annual increase in utility and energy use in existing buildings since the 1950's.)

With total utility and energy expenses reaching about \$5.2 million during fiscal 1975, this 16 percent reduction translates into a savings of almost one million dollars.





Beyond this, additional dollar savings have been achieved through reduced labor costs made possible by automated heating controls that monitor and control room temperature and ventilation in University buildings on the Twin Cities campus and from Lake Minnetonka to Lake Superior. Further heating efficiencies are also made possible by this centralized control system.

The major factor in achieving heating and cooling savings was to change the temperature settings for University facilities. All buildings are set for 68° during the heating season and 78° during the cooling season. Centralized controls permit further savings, reducing total heating needs during peak load times by shifting available heat energy to those buildings where it is most needed. This frequently makes it possible to avoid expensive and inefficient utilization of additional boilers to meet specific heating requirements.

Reduced electrical use has been achieved by reducing lighting levels to the minimum required for the tasks being performed in a given area. Thus lighting has been cut in hallways and other areas where bright lighting is not required but has been kept high in areas intended for reading or other work. A decal program reminding persons to shut off lights not in use has also been successful. In addition, substantial reductions in electrical energy use resulted from the changed room temperature settings during the air-conditioning period.

## Developing Computers To Manage

Probably one of the more important long-range developments during the year came in the area of data processing. Efforts continued to utilize the computer more effectively as a management tool rather than as simply a sophisticated counting device. At the University and in many other institutions, the computer is still largely untapped as a management tool. For the computer to be used most effectively in management, however, computer programming must be structured to respond to operational needs.

Central to that goal, University computer specialists believe, is the development of data base systems in which information concerning students, faculty and staff, facilities, curriculum, and finances is integrated so that questions relating to two or more of these groups can be analyzed in relation to the entire picture. The development of a data base system will eliminate costly duplication in computer programming and data capture and thus will lower operational costs. But more important, it will provide essential information to





aid in decision-making processes and more effectively utilize resources ranging from physical space to janitorial services and classroom scheduling.

Fuller and more efficient use of physical facilities could, in turn, make costly construction of additional classroom or office space unnecessary. Ongoing analysis of space requirements might, for example, reveal an excess of classroom space that could be converted to office space at lower cost than new construction, thus saving additional dollars in capital expenditures.

The conversion of the University's 1,700 existing computer programs to a single integrated data base system is expected to involve considerable initial costs and will take at least five years. While little dollar savings will be realized during the conversion period, it is hoped that long-range savings will be substantial.



## Improved Paper Flow

An outside management consulting firm specializing in productivity improvements was utilized during the year to review operating procedures in selected areas and to suggest improved techniques for paper flow and utilization of personnel.

The effort improved forecasting of staff requirements in certain departments, resulted in increased staffing levels in some areas and decreased levels in others, and provided a means of measuring employee performance against established goals.

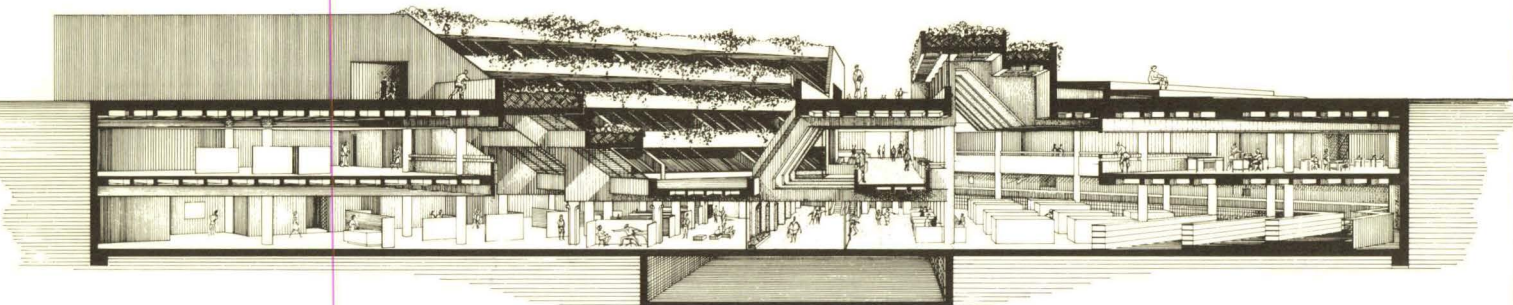
The business office was able to cut its staffing requirements by about 10 percent. Other departments were also able to make staffing cuts—all of which were achieved through attrition or transfer. To gain flexibility during peak periods, a floating pool of part-time student workers is now utilized.

## Further Savings in New Facilities

While energy use has been cut in existing University facilities, new buildings will achieve even greater energy savings because of new planning guidelines that emphasize the need for reduced heat loss, for efficient heat recovery from exhaust air, and for experimentation with solar energy.

The new East Bank Bookstore and Admissions and Records facility currently under construction is perhaps the best example of these efforts.

The building will be almost totally underground, with a submerged terraced court that will provide outside light in some areas. While the absence of reliable data on heat requirements for underground facilities makes it difficult to predict precise energy requirements, a grant from the federal Energy Research and Development Agency (ERDA) has been awarded to the University to determine the feasibility of designing solar energy collectors that would provide an estimated 100 percent of the heating requirements during the winter and 60 percent of the energy required to air-condition the facility in the cooling season. Another





grant, from the National Science Foundation, will permit University researchers to collect data on heat savings and heat requirements of such underground facilities.

The facility has already won awards from the American Society of Landscape Architecture and from Progressive Architecture Magazine. If results of the current feasibility study are positive and adequate solar energy collectors can be designed, the building will be one of the first public facilities in the country to incorporate energy conservation techniques in combination with solar collectors with the potential for satisfying full heating and significant cooling requirements.

## Use of Low-Cost Coal

Finally, plans are being developed to switch University boilers to coal use during the next two years. Lower-cost western coal is expected to be readily available. However, because of the lower heat value of western coal, additional boiler facilities will be needed to handle the larger volume of coal needed for steam generation. Pollution-control emission standards will be satisfied by installation of new equipment and by use of this low-sulfur-content coal. Since natural gas companies have given notice that they will be discontinuing service to their "interruptible" customers such as the University after 1978, current plans call for a full switch-over to coal use by 1977. A high priority has been given to funds needed to purchase additional boiler facilities and convert existing boilers to coal use.

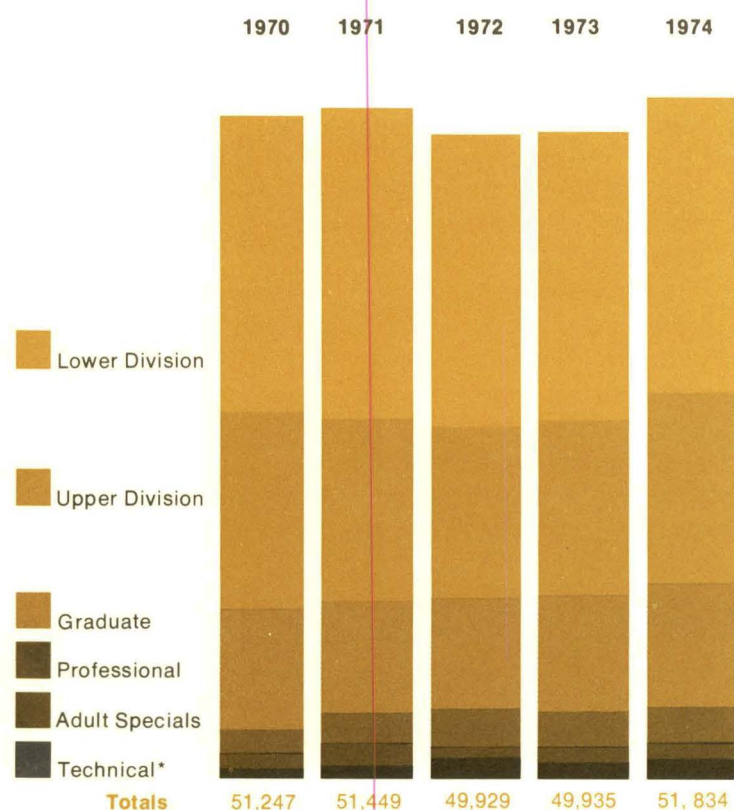


# THE YEAR IN REVIEW

Fall quarter headcount enrollment rose to a record level of 51,834 in 1974, up about 4 percent from fall quarter 1973. The increases were unevenly distributed, with certain colleges such as Biological Sciences and Business Administration having increases in excess of 20 percent. A 15 percent increase was recorded in the College of Agriculture. A few units reported minor declines, but most units experienced increases.

Increases were also recorded in summer session and extension classes enrollments. When enrollments in other programs such as agricultural short courses, conferences and institutes, and independent study are included, the total number of persons served by the University's instructional programs exceeded 150,000.

## Five-Year Head-Count Enrollments 1970-1975



\*At the Crookston and Waseca Technical Colleges

## Head-Count Enrollment (Fall 1974)

Agriculture	1,506
Biological Sciences	585
Business Administration	1,612
Dental Hygiene	218
Dentistry	537
Education	2,476
Forestry	550
General College	2,651
Graduate School	
Minneapolis, St. Paul	7,078
Duluth	197
Mayo, Rochester	340
Home Economics	1,221
Law	711
Liberal Arts	16,558
Medical School	1,308
Medical Technology	138
Mortuary Science	85
Nursing	411
Occupational Therapy	71
Pharmacy	400
Physical Therapy	63
Public Health	271
Technology	3,936
University College	303
Veterinary Medicine	281
<b>Total Twin Cities</b>	<b>42,970</b>
Crookston	851
Duluth	5,381
Morris	1,559
Waseca	536
<b>Total</b>	<b>51,834</b>



# Current Income and Expenditures

Total current income rose to \$369.6 million, up about \$20 million from the previous year. Current expenses rose proportionately to \$367 million.

Sources and uses of funds remained close to the levels reported last year. The largest percentage contribution—38.8 percent—again came from University sources, which include tuition and income from auxiliary operations and University Hospitals. The State of Minnesota again contributed over a third of the revenues, or 35.3 percent. Federal funds accounted for 19.5 percent of revenues, while private sources accounted for the remaining 6.4 percent.

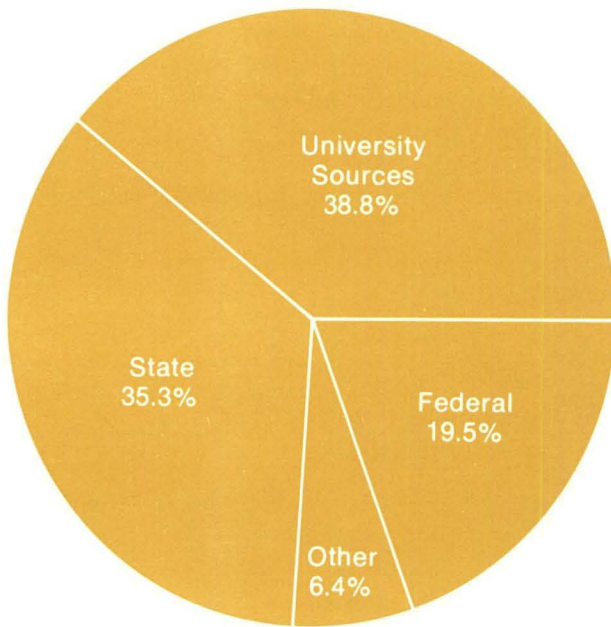
General educational uses accounted once again for almost three fourths of the expenditures, or 73.3 percent. Research expenses accounted for 15.7 percent, auxiliary services for 8.7 percent, and student aid for the remaining 2.3 percent of expenditures.

Sponsored research expenditures also increased in 1975. The largest increase again came in health sciences research, with substantial increases also reported in agriculture-related areas.

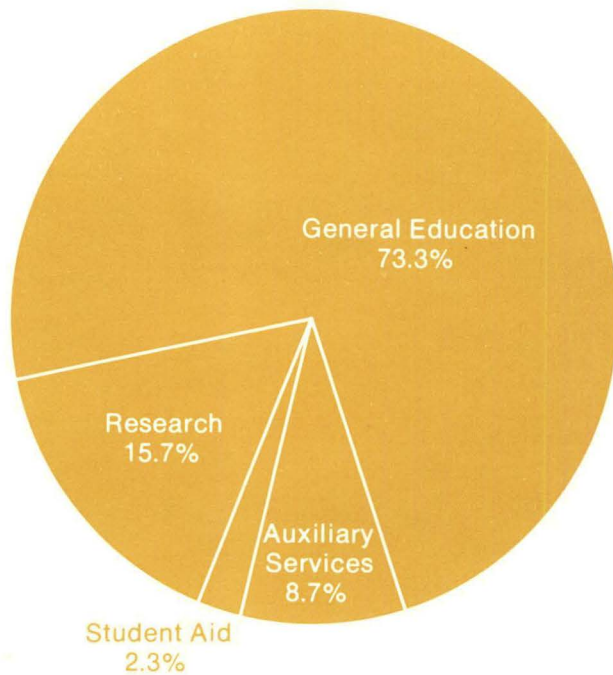
Here are a few highlights from large and important income and expense items that can be compared with the prior year:

- Total revenues available to the University increased from \$349.5 million to \$369.6 million, a 5.8 percent increase.
- Total State appropriations increased from \$118 million in fiscal 1974 to \$127.1 million in fiscal 1975, a 7.7 percent increase.
- Tuition payments increased by \$3.5 million, rising from about \$33 million to \$36.5 million, a 10.6 percent increase.
- Expenditures for direct instruction rose 8.4 percent from \$105 million to \$113.8 million.
- Physical plant expenses continued to show an extremely high rate of increase, rising 15.7 percent from \$22.8 million to \$26.3 million.
- Student aid dispensed directly by the University increased only \$400,000, rising from about \$7.8 million to \$8.2 million, or about 5 percent.

**Income by Source**

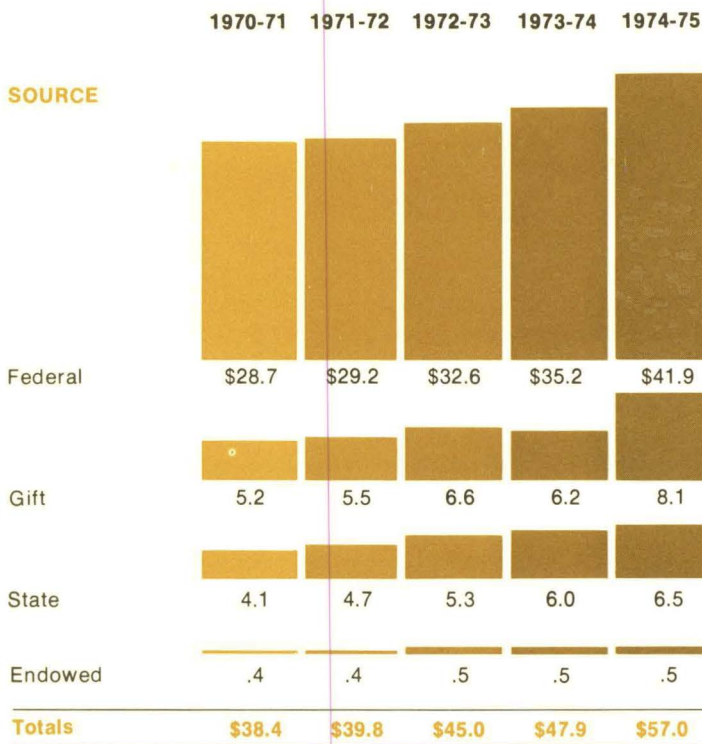


**Expenditures by Function**

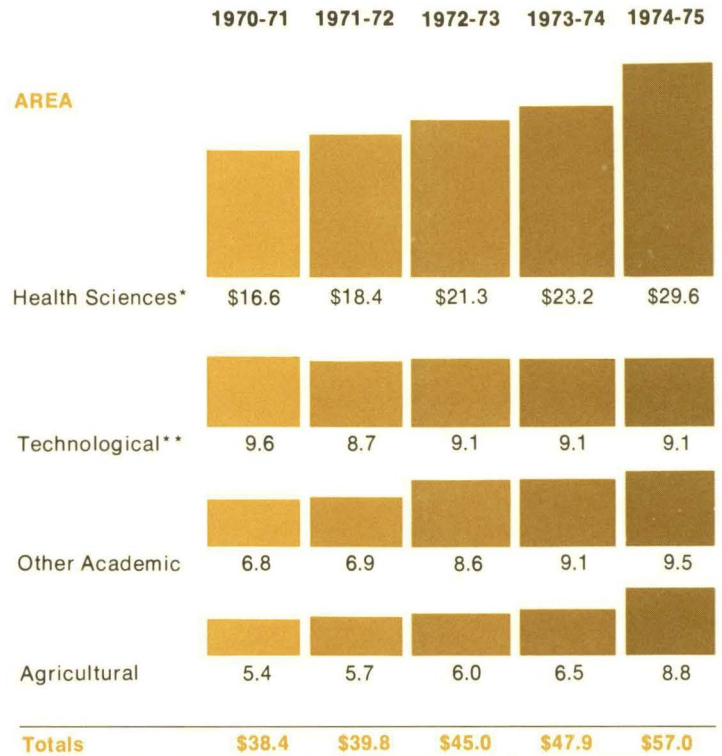




**Sponsored Research 1970-1975**  
**Source of Income**  
(In millions of dollars)



**Sponsored Research 1970-1975**  
**Expenditures by Area**  
(In millions of dollars)



\*Includes Medical School, Veterinary Medicine, Pharmacy and Dentistry

\*\*Includes Institute of Technology and Space Science Center

**Detail of Expenditures for Sponsored Research**

	1974-75	1973-74
<b>Technological Areas</b>		
Institute of Technology	\$ 8,724,984	\$ 8,717,562
Space Science Center	358,781	335,835
<b>Health Sciences Areas</b>		
Health Sciences	29,142,505	22,829,028
College of Veterinary Medicine	512,279	367,413
<b>Agricultural Areas</b>		
Institute of Agriculture	8,817,807	6,545,653
<b>Other Academic Areas</b>		
College of Liberal Arts	1,816,612	1,961,478
College of Biological Sciences	1,655,908	1,400,993
College of Education	2,021,943	1,999,660
College of Business Administration	408,631	277,538
Duluth	819,914	785,272
Graduate School	1,981,536	1,760,359
Other Units	767,865	941,346
<b>Totals</b>	<b>\$57,028,765</b>	<b>\$47,922,137</b>



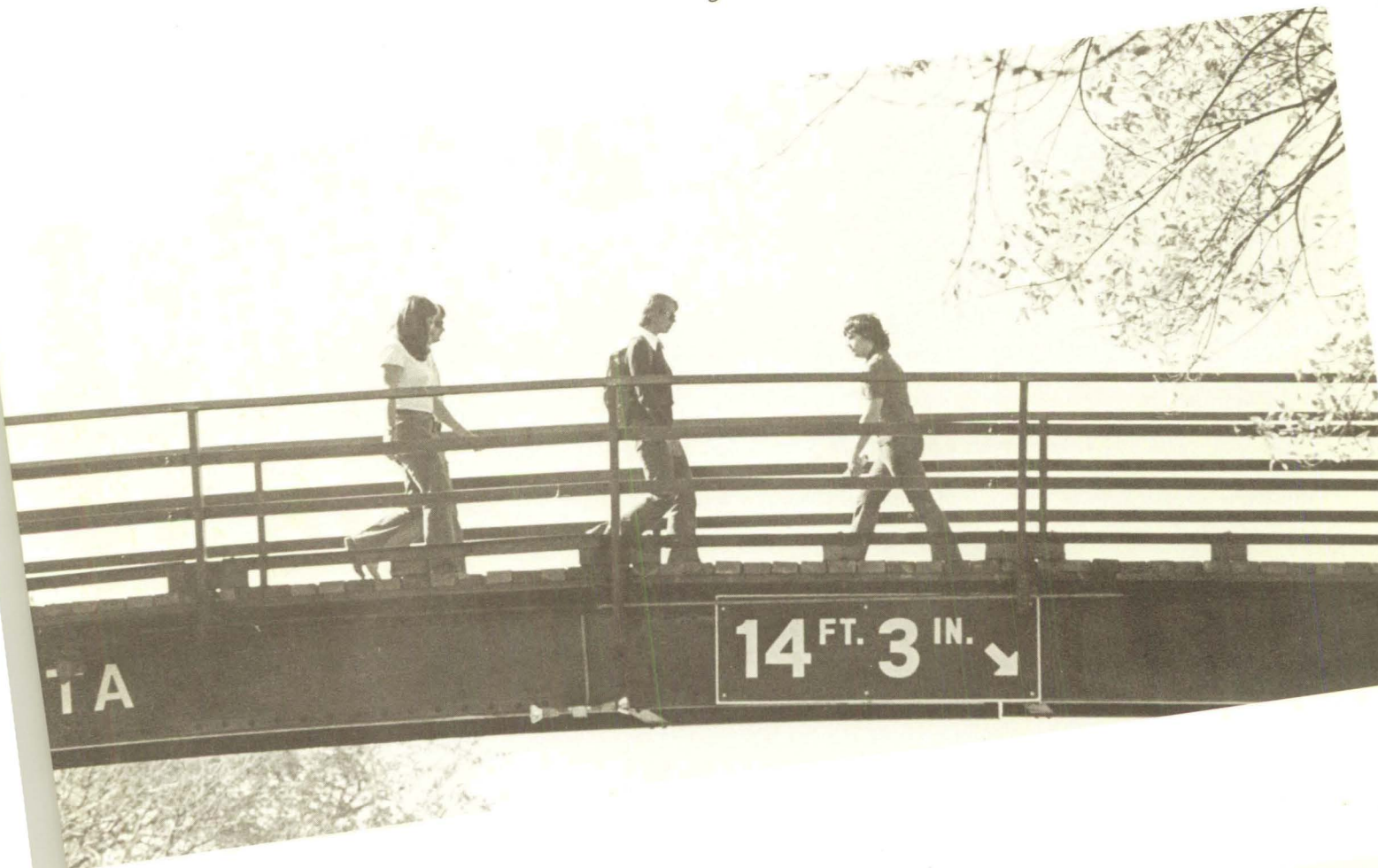
## Student Aid

Demand for student aid continued to grow because of rising costs of education. Aid awarded by the Office of Student Financial Aid, which includes funds not directly dispensed by the University, increased by about \$1.8 million, covering about half of the \$3.5 million assessed in additional tuition charges during the year.

Some difficulties in coordinating aid programs have been experienced in recent years because of growth in both size and number of programs.

The federal basic grant program, in operation for its second year, illustrates the increased demand for student aid funds. During the first year of the program only 225 persons received grants. Last year the number increased to over 1,000, with further increases expected in 1975-76. Because of this increased demand, applications for the program were closed in February 1975 for the remainder of the fiscal year.

Because more students are borrowing larger amounts to finance their education, problems are developing in collecting student loans—especially among students who have found it necessary to borrow from a variety of sources and thus have multiple pay-back obligations. This situation has been aggravated, of course, by the poor employment picture currently facing many college graduates.





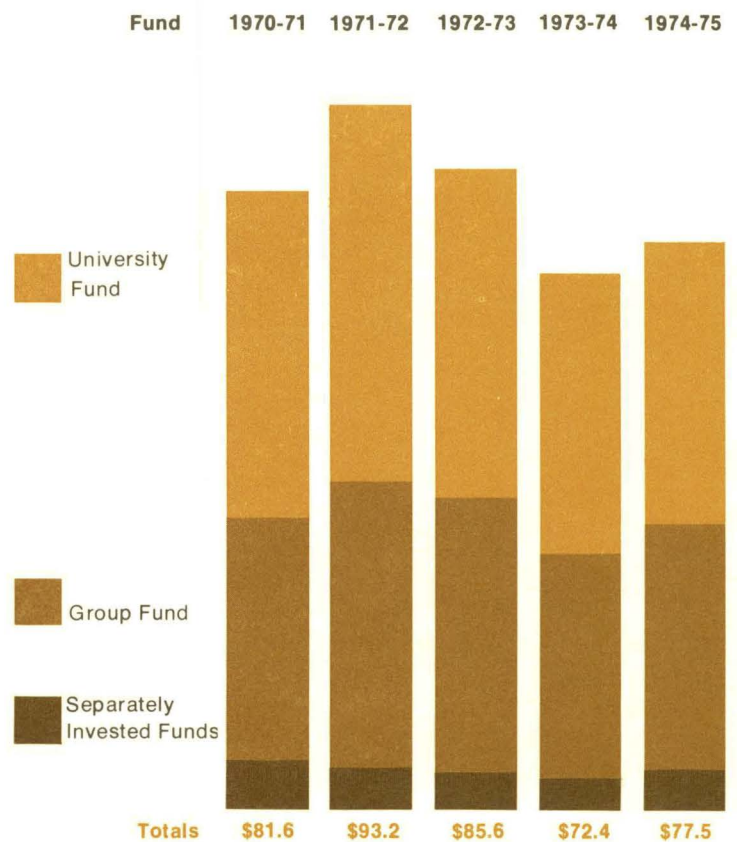
## Endowment Funds

Primarily because of improved market conditions, total value of the University's endowment funds increased to \$77.5 million, up from the \$72.4 million value reported last year.

Endowment funds are segregated into three separate pools for administrative control and management. Almost all investment decisions are made by professional investment managers, a policy authorized by the Regents at the end of 1969.

Because the basic makeup of the University's portfolio is relatively conservative, it did not match market performance during the year. (A conservative portfolio will generally outperform the market during a downturn but underperform the market during an upturn. The result is that the value of a conservative portfolio is more stable than the value of many other securities and bonds, which may vary more widely.) However, income generated by the endowment increased again during the year, rising to \$4.7 million.

### Endowment Value 1970-1975 (In millions of dollars)









## Building Program

Expenditures of Plant Funds totaled \$37.9 million in 1974-75, a slight decrease from the previous year.

The largest share of building funds again came from the State of Minnesota, with federal and private sources providing the remainder.

While new Health Sciences projects at Minneapolis accounted for a substantial portion of the total expenditures, other projects such as the \$4.6 million expended to date on the renovation of Coffman Memorial Union contributed to the \$24.7 million spent on facilities at Minneapolis.

Major expenditures at St. Paul included about \$3.2 million for the home economics building and approximately \$4.1 million for the animal science facility. These and other improvements at St. Paul accounted for the \$9.3 million total expended there.

Approximately \$750,000 was spent in Duluth on the physical education facility. Other assorted minor projects accounted for the \$2.4 million expended at Duluth.

About \$500,000 was expended to complete the humanities building on the Morris campus, accounting for over half the building funds spent there. Other minor improvements at Crookston, Waseca, and branch stations accounted for the total expenditures of \$37.9 million.

### Detail of Plant Fund Expenditures

	1974-75	1973-74
Minneapolis	\$24,726,077	\$23,649,662
St. Paul	9,294,719	5,324,806
Duluth	2,421,676	5,472,063
Morris	904,106	2,560,073
Crookston, Waseca & Branch Stations	562,998	1,325,963
<b>Total</b>	<b>\$37,910,176</b>	<b>\$38,332,567</b>

### Land Value

Location	Acquisition Cost
Minneapolis	\$18,156,087
St. Paul	2,171,616
Duluth	310,129
Morris	169,859
Crookston	256,081
Waseca	235,291
Branch Stations	974,216
Other	99,273
<b>Total</b>	<b>\$22,372,552</b>

### Capital Assets

#### Detail of Building Valuation (by location)

	Original Cost
Minneapolis	\$246,909,802
St. Paul	72,408,260
Duluth	39,046,290
Morris	18,586,668
Crookston	4,939,011
Waseca	4,198,047
Rosemount Research Center	786,346
Off-Campus Buildings	5,138,376
Branch Stations	9,047,896
<b>Total</b>	<b>\$401,060,696</b>

### Other Capital Assets

	Other Permanent Improvements	Equipment	Book & Museum Collections	Livestock	Total by Campus
Minneapolis	\$13,774,412	\$71,434,646	\$24,891,768		\$110,100,826
St. Paul & Stations	7,811,134	14,600,237	2,134,748	\$926,348	25,472,467
Duluth	2,958,889	4,253,985	3,532,397		10,745,271
Morris	1,243,973	1,327,828	813,244		3,385,045
Crookston	679,397	665,176	122,372		1,466,945
Waseca	121,688	598,820	160,605		881,113
Auxiliary Services		14,627,510			14,627,510
Trust Funds		19,645,099	1,550		19,646,649
<b>Total</b>	<b>\$26,589,493</b>	<b>\$127,153,301</b>	<b>\$31,656,684</b>	<b>\$926,348</b>	<b>\$186,325,826</b>







## EXPLANATION OF MAJOR CHANGES IN FINANCIAL SCHEDULES

Two years ago the National Association of College and University Business Officers adopted revised guidelines that detailed specific accounting procedures for all colleges and universities. More general guidelines had not resulted in uniform standards so that costs at various institutions could be easily compared.

Because these changes were substantial, it was not possible to effect them in a single year in time for the 1974 Financial Report. Indeed, many colleges and universities are still in the process of changing over.

To the extent possible, all the revised recommendations have been followed in this year's report. The changes had significant impact on all of the schedules.

Both titles and definitions were changed. One of the most important changes concerns the definition of "restricted" and "unrestricted" funds. In the past, the University used "unrestricted" in the sense of "discretionary." In other words, unrestricted funds were those that could be used for a variety of purposes to cover general educational expenses. The primary sources of these funds were the State appropriation, tuition, certain revenues from sales and services of educational departments, and indirect cost recovery.

In the revised guidelines, however, restricted funds are defined as only those funds specifically restricted by donor stipulation. All other funds are then defined as unrestricted.

The effect of this change is substantial. The total current funds listed as unrestricted on the Statement of Current Funds Revenues and Expenditures totals \$258.4 million this year. Last year the comparable figure was only \$140.6 million. Creating most of this increase was the transfer of revenues previously defined as

restricted to the unrestricted column. As an example of the impact of this change, income from University Hospitals, which must be made available to cover related expenses, is now defined as unrestricted. But it is no more available to cover instructional costs for the College of Liberal Arts than before. Theoretically it *could* be used for that purpose, but practically speaking it cannot.

The second major change reflected in this year's financial statements is the shift toward full accrual accounting. To the extent possible both income and expense have been accrued. (Inventory items valued at less than \$50,000 have not been accrued because it is felt that their impact is minor.) One of the major results of this change is that about \$12 million in accounts receivable from University Hospitals is now included among current assets. Previously, because the University was reporting cash flow, these assets were not included. (Such assets would have appeared at a later time when the bill was actually paid and the cash went through University accounts.)

Another important change made this year involves the amounts reported as income from restricted grants that have not been fully expended. Only those dollars utilized now appear. For example, if a \$100,000 grant were received but only \$75,000 of it were expended, only \$75,000 would appear as revenues. Previously the entire \$100,000 would have been entered.

Because these and other changes resulted in non-comparability between the results reported last year and those listed this year, none of last year's figures are included in the schedules for comparison. In future years, when comparability is restored, the prior year's results will again be listed.



UNIVERSITY OF MINNESOTA  
Summary of Significant  
Accounting Policies  
June 30, 1975



The significant accounting policies followed by the University of Minnesota are described below to enhance the usefulness of the financial statements to the reader.

## ACCRUAL BASIS

The financial statements of the University of Minnesota have been prepared on the accrual basis except for depreciation accounting as explained in notes 1 and 2 to the financial statements. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; and (3) transfers of a nonmandatory nature for all other cases.

## FUND ACCOUNTING

In order to ensure observance of limitation and restrictions placed on the use of the resources available to the Institution, the accounts of the Institution are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be utilized. Term endowment funds are similar to endowment funds except that upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. While quasi-endowment funds have been established by the governing board for the same purposes as endowment funds, any portion of quasi-endowment funds may be expended.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds, which income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds.

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

## OTHER SIGNIFICANT ACCOUNTING POLICIES

Other significant accounting policies are set forth in the financial statements and the notes thereto.



# BALANCE SHEET

## Assets

June 30, 1975

### Current Funds

UNRESTRICTED	
Cash and Temporary Investments	\$26,524,647
Contingent Fund (cash and receivables)	330,000
Insurance Premium Deposits	3,125,631
Accounts Receivable, less allowance of \$2,400,000	25,784,075
Inventories	6,278,240
Prepaid Expenses and Deferred Charges	992,170
<b>TOTAL UNRESTRICTED</b>	<b>63,034,763</b>
RESTRICTED	
Cash and Temporary Investments	9,058,924
Accounts Receivable and Unbilled Charges	9,563,955
<b>TOTAL RESTRICTED</b>	<b>18,622,879</b>
<b>Total Current Funds</b>	<b>81,657,642</b>

### Loan Funds

Cash and Temporary Investments	1,406,320
Investments	527,219
Accrued Interest Receivable	483,175
Loans to Students	
Less allowance of \$922,615	27,802,806
<b>Total Loan Funds</b>	<b>30,219,520</b>

### Endowment and Similar Funds

Cash and Temporary Investments	657,948
Investments	76,818,641
<b>Total Endowment and Similar Funds</b>	<b>77,476,589</b>

### Annuity and Life Income Funds

Life Income Funds	
Cash and Temporary Investments	3,445
Investments	183,963
<b>Total Annuity and Life Income Funds</b>	<b>187,408</b>

See accompanying summary of significant Accounting Policies and Notes to Financial Statements.



# BALANCE SHEET

## Liabilities and Fund Balances

June 30, 1975

### Current Funds

UNRESTRICTED	
Accounts Payable	\$ 6,587,562
Accrued Liabilities	7,070,968
Deferred Credits	3,530,792
Fund Balance	45,845,441
<b>TOTAL UNRESTRICTED</b>	<b>63,034,763</b>
RESTRICTED	
Accounts Payable	1,217,297
Fund Balance	17,405,582
<b>TOTAL RESTRICTED</b>	<b>18,622,879</b>
<b>Total Current Funds</b>	<b>81,657,642</b>

### Loan Funds

Fund Balances	
US Government Grants Refundable	22,142,744
Matching Funds	
Unrestricted	431,034
Restricted	2,029,341
University Funds	
Unrestricted	1,804,042
Restricted	3,812,359
<b>Total Loan Funds</b>	<b>30,219,520</b>

### Endowment and Similar Funds

Fund Balances	
Endowment	57,114,969
Term Endowment	12,799,581
Quasi-Endowment-Restricted	7,083,718
Quasi-Endowment-Unrestricted	478,321
<b>Total Endowment and Similar Funds</b>	<b>77,476,589</b>

### Annuity and Life Income Funds

Life Income Funds	
Income Payable	1,920
Fund Balance	185,488
<b>Total Annuity and Life Income Funds</b>	<b>187,408</b>

See accompanying summary of significant Accounting Policies and Notes to Financial Statements.



# BALANCE SHEET

## Assets

June 30, 1975

### Plant Funds

UNEXPENDED	
Cash and Temporary Investments	\$ 48,593,986
Federal Grants Receivable	9,407,701
State Appropriations Receivable	41,195,119
<b>Total Unexpended</b>	<b>99,196,806</b>
RENEWALS AND REPLACEMENTS	
Deposits with Trustee	2,503,547
<b>Total Renewals and Replacements</b>	<b>2,503,547</b>
RETIREMENT OF INDEBTEDNESS	
Cash and Temporary Investments	1,875,281
Accrued Interest	83,810
Deposits with Trustee	2,308,549
<b>Total Retirement of Indebtedness</b>	<b>4,267,640</b>
INVESTMENT IN PLANT	
Land	22,372,552
Buildings	401,060,696
Improvements	26,589,493
Equipment	127,153,302
Museum Collections	3,811,621
Library and Reference Books	27,845,062
Livestock	926,348
<b>Total Investment in Plant</b>	<b>609,759,074</b>
<b>Total Plant Funds</b>	<b>715,727,067</b>

### Agency Funds

Cash and Temporary Investments	331,382
Investments	530,507
<b>Total Agency Funds</b>	<b>861,889</b>

See accompanying summary of significant Accounting Policies and Notes to Financial Statements.



# BALANCE SHEET

## Liabilities and Fund Balances

June 30, 1975

### Plant Funds

UNEXPENDED	
Notes Payable	\$ 990,548
Bonds Payable	2,285,180
Accounts Payable	621,460
Fund Balances	
Restricted	58,536,881
Unrestricted	36,762,737
<b>Total Unexpended</b>	<b>99,196,806</b>
RENEWALS AND REPLACEMENTS	
Fund Balances	
Unrestricted	2,503,547
<b>Total Renewals and Replacements</b>	<b>2,503,547</b>
RETIREMENT OF INDEBTEDNESS	
Fund Balances	
Restricted	154,173
Unrestricted	4,113,467
<b>Total Retirement of Indebtedness</b>	<b>4,267,640</b>
INVESTMENT IN PLANT	
Notes Payable	11,064,863
Bonds Payable	32,904,820
Net Investment in Plant	565,789,391
<b>Total Investment in Plant</b>	<b>609,759,074</b>
<b>Total Plant Funds</b>	<b>715,727,067</b>

### Agency Funds

Income Payable	19,302
Deposits Held in Custody for Others	842,587
<b>Total Agency Funds</b>	<b>861,889</b>

See accompanying summary of significant Accounting Policies and Notes to Financial Statements.



# Statement of Changes in Fund Balances

Year Ended June 30, 1975

	Current Funds	
	Unrestricted	Restricted
<b>Revenues and Other Additions:</b>		
Unrestricted Current Fund Revenues	\$ 258,375,266	\$
Federal Appropriations — Restricted		7,956,973
State Appropriations — Restricted		19,317,519
Federal Grants and Contracts — Restricted		67,769,299
State Grants and Contracts — Restricted		4,284,830
Local Grants and Contracts — Restricted		768,813
Private Gifts, Grants and Contracts — Restricted		25,083,567
Investment Income		2,353,343
Miscellaneous Income		80,864
U.S. Government Advances		
Interest on Loans		
Permanent University Fund Additions		
Other Additions		
Expended for Plant Facilities (Including \$15,591,262 charged to current funds expenditures)		
Retirement of Indebtedness		
<b>Total Revenues and Other Additions</b>	<b>258,375,266</b>	<b>127,615,208</b>
<b>Expenditures and Other Deductions:</b>		
Educational and General Expenditures	166,693,253	110,693,368
University Hospitals Expenditures	54,373,192	432,223
Auxiliary Enterprises Expenditures	31,453,617	38,892
Indirect Costs Recovered		9,039,438
Refunded to Grantors		181,163
Loan Cancellations and Write-Off		
Administrative and Collection Costs		
Expended for Plant Facilities		
Retirement of Indebtedness		
Disposal of Plant Facilities		
<b>Total Expenditures and Other Deductions</b>	<b>252,520,062</b>	<b>120,385,084</b>
<b>Transfers Among Funds — Addition/(Deduction)</b>		
Mandatory		
Principal and Interest	(2,944,729)	(30,221)
Renewals and Replacements	(223,350)	
Loan Fund Matching Grant		(130,973)
Nonmandatory Transfers	(6,817,186)	(1,015,518)
<b>Total Transfers</b>	<b>(9,985,265)</b>	<b>(1,176,712)</b>
<b>Additions in Fund Balances due to changes in Accounting Methods</b>	<b>16,512,215</b>	<b>39,880</b>
Net Increase/(Decrease) for the Year	12,382,154	6,093,292
Fund Balance at Beginning of the Year	33,463,287	11,312,290
<b>Fund Balance at End of the Year</b>	<b>45,845,441</b>	<b>17,405,582</b>

See accompanying summary of significant Accounting Policies and Notes to Financial Statements.



Loan Funds	Endowment and Similar Funds	Annuity and Life Income Funds	Plant Funds			
			Unexpended	Renewals and Replacement	Retirement of Indebtedness	Investment in Plant
\$	\$	\$	\$	\$	\$	\$
			17,049,865			
			580,077			
34,192						
112,182	364,203	21,226	1,737,117			
77,928	313,561		4,064,174	143,117	132,226	
366						
2,494,218						
942,481						
	706,796					
	3,186,767		199,643			
						41,847,099
						3,200,492
<b>3,661,367</b>	<b>4,571,327</b>	<b>21,226</b>	<b>23,630,876</b>	<b>143,117</b>	<b>132,226</b>	<b>45,047,591</b>
1,351,706						
80,276						
			37,910,176			
					3,200,492	
						3,475,877
<b>1,431,982</b>			<b>37,910,176</b>		<b>3,200,492</b>	<b>3,475,877</b>
			(545,659)		3,520,610	
				223,350		
132,424	(1,451)					
818,420	476,810		6,526,269			
<b>950,844</b>	<b>475,359</b>		<b>5,980,610</b>	<b>223,350</b>	<b>3,520,610</b>	
		13,349	14,196,699			
3,180,229	5,046,686	34,575	5,898,009	366,467	452,344	41,571,714
27,039,291	72,429,903	150,913	89,401,609	2,137,080	3,815,296	524,217,677
<b>30,219,520</b>	<b>77,476,589</b>	<b>185,488</b>	<b>95,299,618</b>	<b>2,503,547</b>	<b>4,267,640</b>	<b>565,789,391</b>



# Statement of Current Funds Revenues Expenditures and Other Changes

Year Ended June 30, 1975

Unrestricted      Restricted      Total

## Revenues

	Unrestricted	Restricted	Total
Tuition and Fees	\$ 36,527,408	\$	\$ 36,527,408
Federal Appropriations		7,839,906	7,839,906
State Appropriations	107,866,140	19,273,635	127,139,775
Federal Grants and Contracts	8,173,943	55,941,114	64,115,057
State Grants and Contracts	140,036	3,291,118	3,431,154
Local Grants and Contracts	33,959	596,810	630,769
Private Gifts, Grants and Contracts	691,500	22,400,901	23,092,401
Endowment Income	2,432,497	1,565,959	3,998,456
Other Investment Income	4,286,117	76,242	4,362,359
Sales and Services Educational Activities	15,240,647	192,656	15,433,303
Sales and Services of Auxiliary Enterprises	36,288,655		36,288,655
Sales and Services Hospitals	46,694,364		46,694,364
<b>Total Current Revenues</b>	<b>258,375,266</b>	<b>111,178,341</b>	<b>369,553,607</b>

## Expenditures and Mandatory Transfers

EDUCATIONAL AND GENERAL			
Instruction	79,298,644	34,483,834	113,782,478
Research	5,860,240	49,467,075	55,327,315
Public Service	5,849,484	18,318,190	24,167,674
Academic Support	20,898,935	1,978,211	22,877,146
Student Services	7,441,053	344,628	7,785,681
Institutional Support	18,678,889	237,050	18,915,939
Operation and Maintenance of Plant	26,328,606	1,817	26,330,423
Scholarships and Fellowships	2,337,402	5,862,563	8,199,965
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>	<b>166,693,253</b>	<b>110,693,368</b>	<b>277,386,621</b>

## Mandatory Transfers for:

Principal and Interest	257,170	30,221	287,391
Loan Fund Matching Grant		130,972	130,972
<b>Total Educational and General</b>	<b>166,950,423</b>	<b>110,854,561</b>	<b>277,804,984</b>

## Auxiliary Enterprises:

Expenditures	31,453,617	38,892	31,492,509
Mandatory Transfers for:			
Principal and Interest	2,687,559		2,687,559
Renewals and Replacements	223,350		223,350
<b>Total Auxiliary Enterprises</b>	<b>34,364,526</b>	<b>38,892</b>	<b>34,403,418</b>
University Hospitals Expenditures	54,373,192	432,223	54,805,415
<b>Total Expenditures and Mandatory Transfers</b>	<b>255,688,141</b>	<b>111,325,676</b>	<b>367,013,817</b>

## Other Transfers and Additions/(Deductions)

Excess of Restricted Receipts over transfers to Revenues		7,397,428	7,397,428
Refunded to Grantors		(181,163)	(181,163)
Nonmandatory Transfers	(6,817,186)	(1,015,518)	(7,832,704)
Additions to Fund Balances Due to Change in Accounting Methods	16,512,215	39,880	16,552,095
Net Increase or (Decrease) in Fund Balances	12,382,154	6,093,292	18,475,446

See accompanying summary of significant Accounting Policies and Notes to Financial Statements.



# NOTES TO FINANCIAL STATEMENTS June 30, 1975

1. The University invests its cash balances on the various fund groups through the use of two investment pools, the first being the Temporary Investment Fund, consisting primarily of high grade, short-term, commercial paper, and the second being the Group Income Pool, consisting primarily of high grade, long-term, corporate and government bonds.

The value of these pools as of June 30, 1975 reconciled to the University's total Cash and Temporary Investments is as follows:

	Book Value	Market Value	Investment Income Reported
Temporary Investment Fund	\$49,762,217	\$49,733,834	\$4,837,703
Group Income Pool	44,635,288	43,613,447	3,003,116
Total	\$94,397,505	\$93,347,281	\$7,840,819
Cash Balance Per University Records	\$ 5,945,573 —		
Total University Cash and Investments	<b>\$88,451,932</b>		

The University invests its Endowments and Similar Funds and Life Income Funds in a Group Investment Pool except for the Permanent University Fund, which has a fund of its own, and those endowment gifts where the governing instrument prohibits commingling of assets for investment purposes. These separately invested funds are held at book and presumed to be at market.

The value of these pools as of June 30, 1975 is as follows:

	Book Value	Market Value	Investment Income Reported
Permanent University Fund	\$56,273,604	\$41,470,976	\$2,580,161
Group Investment Fund	35,017,589	33,927,368	2,333,513
Separately Invested Funds			
(Includes \$20,000 Group Income Pool)	\$ 2,265,652	\$ 2,265,652	\$ 108,736
Total	<b>\$93,556,845</b>	<b>\$77,663,996</b>	<b>\$5,022,410</b>

A detailed listing of these Endowment Assets is available upon request from the Business Office.

The assets held in the group investment fund are pooled on a market value basis, with each individual fund subscribing to or disposing of units on the basis of the value per unit at market value at the beginning of the calendar quarter within which the transaction takes place. On June 30, 1975 the Group Investment Fund was made up of a total 2,491,887.4 units with each unit having a market value of \$13.8064.

Net Investment in Plant is recorded at cost.

2. Physical Plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Depreciation on physical plant and equipment is not recorded.
3. As of June 30, 1975, \$727,144 of the cash balances were on deposit with various banks as compensating balances for credit accommodations provided to the University by the banks.
4. The balance sheet equipment assets include \$9,569,546 for equipment owned by the federal government in the custody of the University. Historically, over 90 percent of this equipment has been transferred to the University on termination.



5. Fund balances of the current funds group consist of the following items:

	Unrestricted	Restricted
Encumbrances		
Reserve for Authorizations	\$ 5,715,615	\$ 461,099
Reserve for Requisitions		
Externally Committed	6,939,585	5,736,602
Internally Committed	6,245,223	1,435,904
Reserve for Contingent Liabilities	615,000	
Other Allocated Balances	19,380,251	61,980
Unallocated Balances	6,949,767	9,709,997
<b>Total</b>	<b>45,845,441</b>	<b>17,405,582</b>

In college and University financial management commitments made in advance of expenditure are called encumbrances of fund balance. An encumbrance establishes a claim against a particular fund balance in anticipation of a future expenditure.

The Reserve for Authorizations will be used to cover the cost of all Physical Plant repair and remodeling projects in process. The amount of externally committed requisitions is represented by open purchase orders to vendors who service and supply the University. Internally committed requisitions provide funds to cover interdepartmental charges such as computer use. In addition, they represent allocations to operating departments and establish claims against fund balances in anticipation of future expenditures.

The Reserve for Contingent Liabilities represents funds set aside for major contingencies.

6. Accounts Receivable, current funds, unrestricted, include \$11,711,679 for University Hospitals and \$9,904,538 for State Appropriations Receivable. Accounts Receivable, Plant Funds, includes \$9,407,701 for Federal Grants Receivable and \$41,195,119 for State Appropriation Receivable. Accounts Receivable, current funds, restricted, are from local, state and federal government agencies.
7. Fund balances at the beginning of the year have been restated to reflect certain changes in accounting methods. The "Additions to fund balances due to changes in accounting methods" shown in the Statement of Changes in Fund Balances includes such changes as the recording of certain accounts receivable and inventories for the first time.
8. The difference between restricted revenues and restricted expense in the Statement of Current Funds Revenues, Expenditures and Other Changes is the \$130,972 mandatory transfer for loan fund matching grant. The income was recorded in 1973-74 under the old reporting method. The balance of the difference is \$14,628 and \$1,736 transferred from miscellaneous unrestricted gifts.
9. Inventories are maintained on a departmental basis and are shown in accordance with generally accepted inventory valuation principles. For computerized inventories average cost is used. Inventories which are recorded manually are valued for the most part at last invoice price.
10. Long term debt is used to fund revenue producing construction. Bonds are used in the financing of student facilities such as dormitories and student unions. Notes are used for projects such as parking ramps and the health service. The bonds are usually payable semi-annually at varying rates of interest and for periods up to forty years. Notes are usually payable quarterly for periods of ten years or less.