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# FINANCIAL REPORT 1976

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**Explanation of cover: The continuing increase in knowledge, with the accompanying benefits to society, parallels the increase in the cost of education. Like the progression from simple manual calculations, to the exacting use of the slide rule, to the sophisticated utilization of hand calculators capable of programming, the volume of knowledge and the cost of disseminating it have risen and most likely will continue to rise.**

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## INTRODUCTION



C. Peter Magrath



James F. Brinkerhoff

For many public colleges and universities around the country, the fiscal year ending June 30, 1976, would have to be considered a rough year; for some, it might more accurately be considered disastrous. The causes for the difficulties and the disasters vary widely, but the roots of both are found in the precarious condition of many state economies where tax revenues were not sufficient to meet spiraling cost increases. While there were a few states with revenue surpluses, many found it difficult to cover the costs of providing existing service levels, and a few were forced to make substantial reductions.

The State of Minnesota was fortunate to enter Fiscal Year 1976 with a relatively healthy economy. Decisions on appropriations during the 1975 legislative session were made in a context that included a projected revenue surplus of over \$400 million. Requests still exceeded available revenues and the executive and legislative scrutiny of budget requests continued to toughen, but Minnesota did have the chance to soften some of the effects of inflation and make modest improvements in high-priority programs.

The University of Minnesota, along with other state-supported activities, was helped by some significant increases. Total State appropriations to the University were increased by 19.7 percent over Fiscal Year 1975 appropriations. This increase by no means ameliorated the current and recent inflation, nor did it provide for what we regarded as worthwhile program improve-

ments at the University. Nevertheless, we believe the University's proposals were fairly considered, and we regard the final outcomes of the 1975 appropriations process as supportive. The Governor and the Legislature supported the University and the rest of higher education as far as they could within their judgment of fiscal realities.

As FY 1976 developed, the University was confronted by its own set of fiscal realities. Continuing inflation, drastic increases in costs of energy and utilities, and continuing increases in costs associated with compliance with federal and state laws and regulations were factors in the previous year, but the combined effects meant higher costs to do the same work. These problems were compounded by the fact that 1975-76 enrollments increased unexpectedly—beyond the levels on which the 1975 appropriations were based.

The enrollment increases pose some of the most vexing problems for analysis and planning and for public policy decision-making. In Minnesota and in the rest of the country, there is ample evidence that the population of the traditional college age group will decline. Many school districts are already face-to-face with this problem at the elementary school level, and the consequences of enrollment declines are becoming well known to the public and to elected officials. It is common knowledge that the secondary schools will soon face the same problems, and some have already reached that point.

The sequence of enrollment-related problems, though, is not well understood. At the time when kindergarten and elementary school enrollment declines began commanding attention in the news, there was a rather widely held public perception that *all* levels of education faced immediate declines, despite the fact that high school and college enrollments were continuing to rise to record levels.

Nationally, the perception probably continues, producing a general feeling that schools at all levels require less public spending than they needed during the growth years of the sixties. What is not well understood is that the growth trend of the sixties has continued, but at a less dramatic rate.

Enrollments at the University of Minnesota are at an all-time high and are expected to continue climbing until 1981. The precise rates of continued increase are impossible to predict with certainty, but we predict enrollments will stabilize in 1981 and then decline over the next nine or ten years, but only to the *current* level. Translated into the currently popular terminology, what we are facing is an enrollment bulge. Throughout much of FY 1976, the University attempted to bring the enrollment bulge to the public's attention, and we believe this has been successful.



The key question for University planners and public policy makers is how to meet the educational needs during the period of enrollment bulge without over-committing scarce State resources for the period beyond 1981. Answers to this question will depend upon careful University planning, close cooperation with the other systems of post-secondary education in the State, and careful legislative deliberations assisted by increasingly sophisticated and comprehensive data and analysis.

Under the assumption that the University itself must address the bulge problem with those management strategies available internally, the Board of Regents spent much of FY 1976 studying and debating the issue of enrollment controls for the undergraduate units most likely to experience enrollment growth. Since most colleges of the University have had enrollment controls of some kind or another, the controlled-growth concept was not a radical step. It was recognized, however, that ceilings on entry-level programs could have the potential effect of denying access to more than 3,000 students, unless careful planning with the other educational systems in the State could produce reasonable assurances that space in other institutions would be made available.

Based on past experience, it also was recognized that the very fact that enrollment controls were discussed publicly might persuade significant numbers of students and parents to consider other institutions. As of the writing of this report, there is evidence that this may be happening and that the enrollment growth for the 1976-77 academic year will be somewhat less than originally projected. The increase will continue, but not as dramatically, and this could make it unnecessary to actually impose ceilings for fall 1977.

Another area in which the University of Minnesota has acutely felt pressure is in the uncertainty of federal financial assistance. Although the University has consistently attracted greater numbers of federal dollars each year throughout the past decade, the nature of that assistance is changing. The problem rests not with federal support in the aggregate, but with federal support for specific programs.

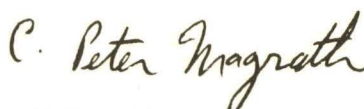
Federally sponsored research has accounted for most of the continued increase in federal funds. Specific research programs suffer from the same inflationary problems as the rest of the University, and in many cases funding has not increased enough to allow those programs to continue performing the same level of work. The more serious problem has been federally sponsored *training* programs, for which the funding increase has been far less than the increase in costs to maintain current work levels. The training programs have been particularly hard-hit by shifting federal priorities, and because training activities usually in-

volve students enrolled for more than one year, these programs cannot be turned off and on quickly.

On a number of occasions, the federal government has either threatened to cut off support for programs that were implemented or expanded at direct federal request, or it has actually done so. Thus, following initial commitments of federal support, the University has increased its own long-term financial commitments—only to have the federal government change its policies in mid-stream. Perhaps the best example of this has been in the area of expansion of educational opportunities for minority medical students. The sizable growth in enrollments in our country's medical schools was, in large part, urged and made financially possible by federal assistance. However, federal support for this important purpose has diminished, putting severe financial pressures not only on institutions like the University of Minnesota, but on students themselves.

In summary, the University of Minnesota continues to be faced with a number of fiscal constraints—some of them severe. But when compared to the plight of several other of our nation's most important institutions of higher learning, the health of the University of Minnesota has to be considered good.

In noting that the University is weathering a difficult period with measured strength, we are obliged to offer thanks to all who are responsible for it. This long list would certainly include many men and women in the political arena, as well as many in the private sector, who are committed to quality public higher education and to the University of Minnesota.



C. Peter Magrath, President



James F. Brinkerhoff, Vice President  
for Finance and Development





Rehabilitating injured birds of prey, waterfowl, and endangered species promotes development of techniques that may ensure maintenance of these bird populations. Dr. Patrick Redig of the Department of Veterinary Biology has treated about 500 birds in the last three years, 120 of which have been returned to nature.



# GENERAL DEVELOPMENTS

In the fiscal year ending June 30, 1976, certain problems and trends in educational finance continued to affect University operations.

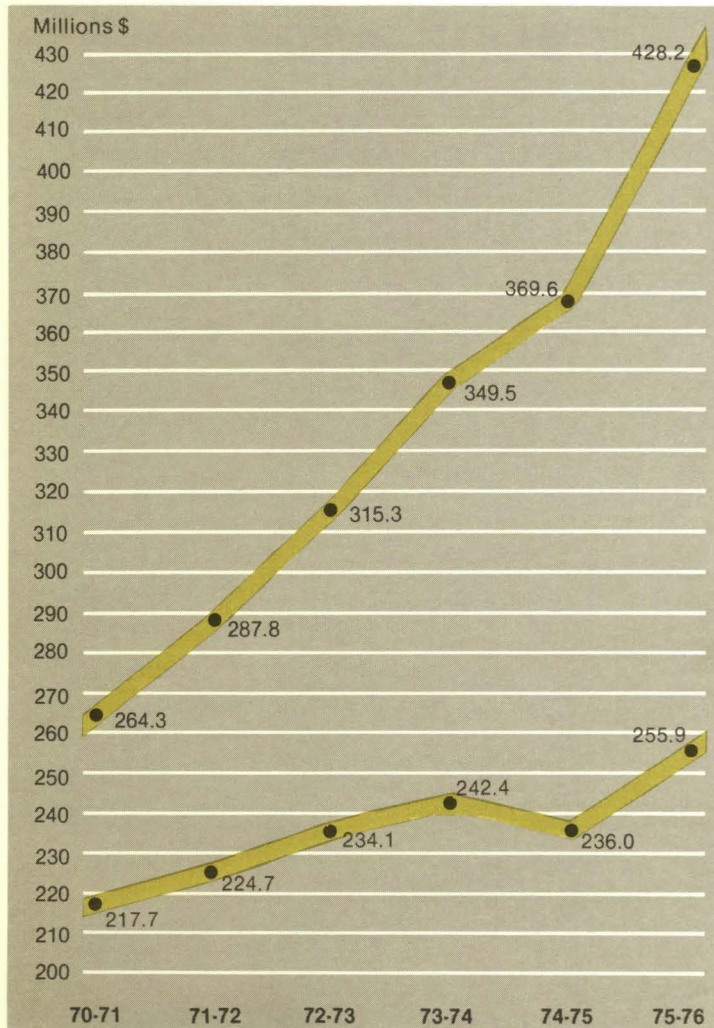
- Unexpected Enrollment Increases — Actual 1975 enrollments surpassed budgeted enrollment projections as shown in the following table:

	Budgeted	Actual
Twin Cities	43,397	45,289
Duluth	5,641	6,210
Morris	1,550	1,593
Crookston	850	930
Waseca	580	705
<b>Total</b>	<b>52,018</b>	<b>54,727</b>

## Problems and Trends in Educational Finance

### Total University Revenue 1970-1976

Actual and Deflated to 1968 Dollars (Based on Department of Health, Education and Welfare "Higher Education Price Index")



This represents an increase of 2,709 students over the budgeted enrollment. Although the percentage increase is only 5.2 percent, the numerical increase is the equivalent of adding to the University's enrollment the student populations of several of the smaller colleges in the State, or of creating another University campus the size of Morris and Crookston combined. The problem at this time is that we know the bulge is temporary. Prudent financial planning therefore calls for flexible staffing that can meet the demands of the next decade and then be retrenched gradually through retirements and normal attrition.

- Interest Rates — The 1975-76 budget was prepared with the assumption that \$1,100,000 would be earned from temporary investment of current balances of the General Operations and Maintenance Fund. This amount, along with tuition and other general income and appropriations, was allotted to colleges and other units for day-to-day operating purposes. The actual income earned, however, was \$742,677. Allotments to colleges and departments were honored, but other resources, including additional tuition, that could have been used for additional staff, equipment replacement, and deferred maintenance were instead used to cover the budgetary shortfall. The 1975-76 budget was prepared for the 1975 legislative session, which convened in January of 1975. At that time, our return on temporary investments was approximately 9 percent, compared to a rate of approximately 5½ percent at the end of the 1975-76 fiscal year.
- Fuel and Utilities — Increases in costs of fuel and utility services during the year have resulted in budget deficits amounting to approximately \$360,000. (Deficits are expected to be approximately \$852,000 in 1976-77.) These deficits resulted from higher prices, lessening availability of natural gas, and addition of new space. Our energy conservation program is working well, but rising prices and new space requirements far outstrip our conservation efforts.



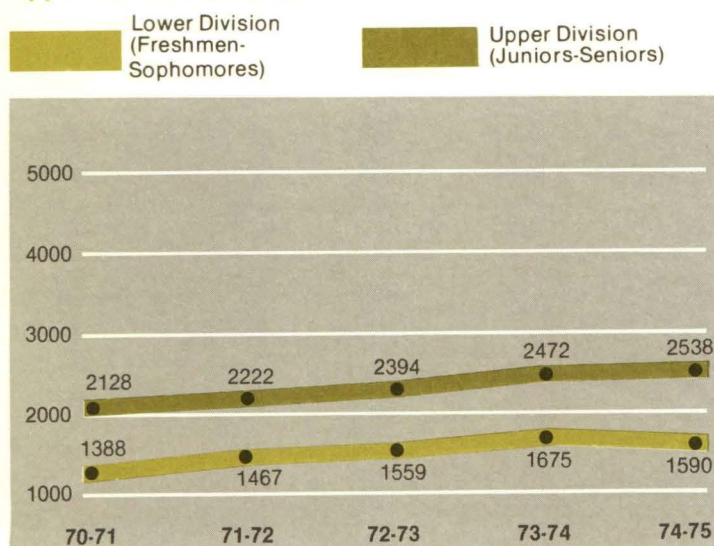
- **Unemployment Compensation** — Changes in the law affecting eligibility, an increase in maximum benefits from \$85 to \$113 per week, and extension of the benefit period have caused a \$200,000 deficit. While all claims paid by the State to former University employees are charged back to the University, no increased appropriations for this item were received by the University for the 1975-77 biennium. A legislative deficiency request will be made for 1975-76 and 1976-77.

- **Legal Developments** — As litigation against it has increased, the University has had to resort to outside legal help and to use of firms highly specialized in litigation. Costs for legal fees increased from \$66,000 in 1971-72 to \$349,000 in 1975-76, covering such items as collective bargaining, hospital claims, contracts and construction, human rights, tenure, and patents. In addition, on August 1, 1976, the University lost its sovereign immunity from tort action lawsuits. It is estimated that the total cost of the premium to insure the University against damage claims will be in excess of \$2.5 million, of which approximately \$2 million will be recoverable from the hospital and medical private practice policy, leaving approximately one-half million dollars chargeable to the instructional function of the University.

## Pressures of Rising Enrollment

As mentioned, despite the commonplace assumption that enrollments are dropping in higher education and will continue to do so, this is not the case for the University of Minnesota system. Enrollment projections suggest that during the next decade and a half, system enrollments may increase to a peak of about 67,000 students in 1981 and thereafter decline through the 1980's to a level near the current 1976 enrollment of about 56,000. Enrollment projections are shown in the table below:

**Instructional Cost per FYE Student 1971-1975**  
Upper and Lower Division

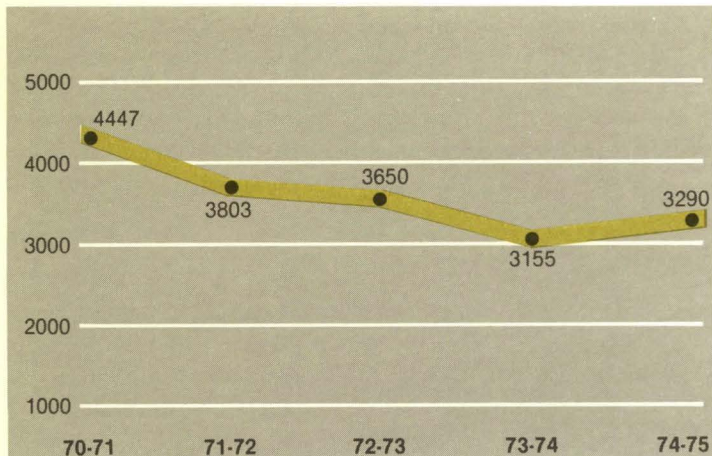


	1976	1981 (Est. Peak)	1990 Est.
Twin Cities	45,788		
Duluth	6,561		
Morris	1,569		
Crookston	992		
Waseca	851		
<b>Total</b>	<b>55,761</b>	<b>67,247</b>	<b>57,585</b>

The University's enrollment projections are computed as follows: The live births within the State 18 years earlier constitute the base from which fall quarter freshman enrollments are predicted, using as a guide the known enrollment patterns of the past. Known patterns of retention — the percentage of students who continue from year to year — and known patterns of advanced-standing transfers are also projected forward to arrive at estimated enrollments for future years.

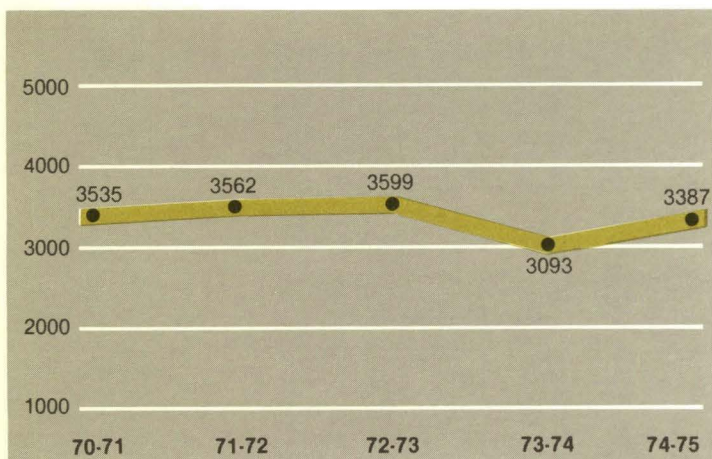


### Instructional Cost per FYE Student 1971-1975 Technical Programs



Although there has been continued increase in enrollments in technical programs, in fiscal 1975 the increasing inflation rates and operating costs have exceeded volume savings.

### Instructional Cost per FYE Student 1971-1975 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.

Two groups present special estimation problems: the out-of-state students and the returning older students. The percentage of out-of-state students in the system has, in the past, remained relatively constant. However, since the advent of reciprocity agreements with surrounding states, the number of out-of-state students has been increasing. There are also indications that citizens above the "traditional" college age are increasingly viewing the higher education experience as one to which they can return at various intervals in their lives. It is too early to tell whether these trends will continue in the long run. Regardless of the manner in which attendance patterns develop with respect to out-of-state students and returning students, it is unlikely that either group will cause overall enrollments to diminish in the next decade. Best predictions are that they will probably add to the demand for admittance.

The predictions of continued growth and larger enrollments are of concern to the Board of Regents. There is concern that sharply rising enrollments for several more years will have an impact on the educational quality of programs, particularly at the undergraduate level; that services and accommodations for students will not be able to keep pace with demand; that the University avoid committing itself to an expansion program involving faculty and facilities that might be underutilized at a later date; and that increased University enrollments might be detrimental to other institutions of higher education in Minnesota.

Accordingly, the Regents have determined that additional enrollment controls will be necessary in the near future. In particular, freshman registration will be held down in the College of Liberal Arts and the General College and at the Duluth campus. In many other programs, notably those in the professional schools, enrollments are already carefully controlled. The problem of how to achieve planned growth without denying opportunity and with minimal inconvenience to students is under intensive study. The University will continue its commitment to equal educational opportunity, and will, despite enrollment limitations, endeavor to provide equal access to minority and disadvantaged populations.

Decisions to limit enrollment are never simple. However, the University believes that quantity is not the only criterion by which its performance should be judged. Certainly, quality is equally important and a measure that the citizens of the State have long imposed on their University.







90.4 percent. In real terms, however — in 1967 dollars as measured by the Consumer Price Index — the increase has amounted to only 18.13 percent. The Halstead Tuition Index from the Department of Health, Education, and Welfare, which calculates tuition trends in public institutions nationwide, presents much the same picture. The University has asked for increasing amounts of tuition from its students, imposing strain on them and their families, while at the same time inflation has whittled away at the value of the tuition dollars needed to purchase educational services.

## Management of Resources

The University has made and continues to make every reasonable effort to husband valuable natural resources through prudent planning of new buildings, economical operation of plant facilities, and recycling of materials wherever possible.

- Energy Conservation — The University, through its building automation system, has been actively engaged in energy conservation since 1960. Efforts in the past several years have been redoubled. The policy that basic temperatures for building operation will be 68 degrees during the heating season and 78 degrees in the cooling season remains in effect. Each year, as funds permit, additional buildings are added to the central console (Delta 2000 system). This system is programmed to turn off fans, motors, and air conditioning systems, cut back heat, etc., during the less-used hours and on weekends in the various buildings tied into the system.
- Fuel and Utilities — Fuel and utility costs continued their escalation at a rate higher than the Consumer Price Index or the index of wholesale prices. On the Twin Cities campus since March of 1974, coal prices have increased 12.3 percent, natural gas prices 10.7 percent, oil prices 36.2 percent, and electric rates 12.7 percent. The resulting deficit in fuel and utility budgets for the total University system in 1975-76 was approximately \$360,000. This deficit is expected to be approximately \$852,000 for 1976-1977.
- Building Construction — Efforts are made where feasible and economically practicable to include resource-conserving measures in the construction of new buildings. The planned Continuing Education facility exemplifies this approach. The building allows even less heat loss than is permitted by the State Energy Code. The use of masonry and concrete slows temperature changes in the building, thereby reducing heating and cooling demands. Constrained use of windows, double glazing with reflective finish, a thermal break in the windows, and solar screening are other means by which energy is conserved. The ventilation system, consisting of multiple units that permit unused systems to be shut off independently, incorporates a variable air column allowing ventilation of specific areas to fluctuate according to need. Heat recovery systems



are used on building exhaust, and provisions have been made for a future solar collector system. Careful consideration has been given to electrical loads and light levels, and multiple switching permits tailoring of light levels to lighting needs.

- Recycling — In all major projects and minor remodeling projects calling for new furnishings or systems, any existing equipment that is re-usable has

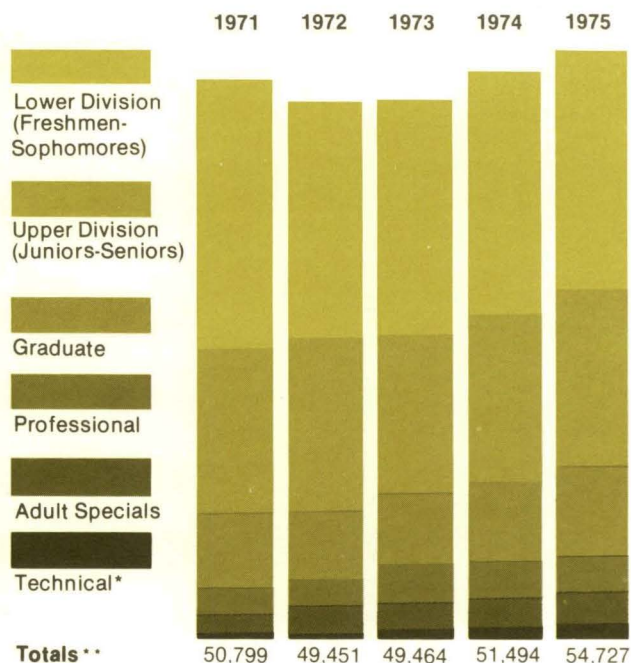
been incorporated into the planned facilities. In several instances it has been possible to renovate and recycle old furniture through an electrostatic enameling process. As a result of such methods, as much as 30 percent of the furnishings have been salvaged in some departments in Health Sciences Unit A. A projected 50 percent re-use and recycling of furnishings is anticipated for Health Sciences Unit B/C.





# THE YEAR IN REVIEW

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



\* At the Crookston and Waseca Technical Colleges

\*\* 1975 Head-Count Enrollments by Level:

Lower Division	19,307
Upper Division	19,351
Graduate	7,662
Professional	3,930
Adult Special	3,028
Technical	1,449
<b>Total</b>	<b>54,727</b>

More than 300 children have learned to play instruments this year by the Suzuki method at the University's MacPhail Center. The Early Childhood Arts Exploration program offers them an overview of arts, rhythm, and action and visually and orally introduces families of instruments. Enrolled in all activities at the MacPhail Center this year were 4,000 students, ranging in age from 4-year-old children to senior citizens.

Fall quarter head-count enrollment rose to a record level of 54,727 in 1975, up 6.3 percent from fall quarter 1974. The Twin Cities campus head-count was up 5.4 percent and Duluth was up 11.3 percent. The Morris campus increase was 2.2 percent, while the developing campuses at Crookston and Waseca increased 9.3 percent and 31.5 percent, respectively. With four minor exceptions, every enrollment unit in the University experienced increases.

Enrollments in continuing education and summer session programs also showed growth, with summer session enrollments increasing by 5.9 percent over the prior year and approaching their 1968 historic high. During the year, the University recorded more than 290,000 term enrollments in all programs.

## Head-Count Enrollment

(Fall 1975)

Agriculture	1,780
Biological Sciences	565
Business Administration	1,642
Dental Hygiene	280
Dentistry	569
Education	2,484
Forestry	580
General College	3,048
Graduate School	
Minneapolis, St. Paul	7,458
Duluth	212
Home Economics	1,288
Law	711
Liberal Arts	17,232
Medical School	1,511
Medical Technology	131
Mortuary Science	89
Nurse Anesthetist	16
Nursing	431
*Occupational & Physical Therapy	73
Pharmacy	409
Public Health	359
Technology	4,035
University College	241
Veterinary Medicine	294
<b>Total Twin Cities</b>	<b>45,501</b>
Crookston	930
Duluth	5,998
Morris	1,593
Waseca	705
<b>Total Collegiate</b>	<b>54,727</b>

\* Figures for Occupational Therapy and Physical Therapy have been combined for the first time.



## Current Income and Expenditures

Total current income for the year ended June 30, 1976, was \$428.2 million, an increase of about \$58.6 million. Current expenses and mandatory transfers were \$415.9 million, an increase of 13.3 percent from the preceding year.

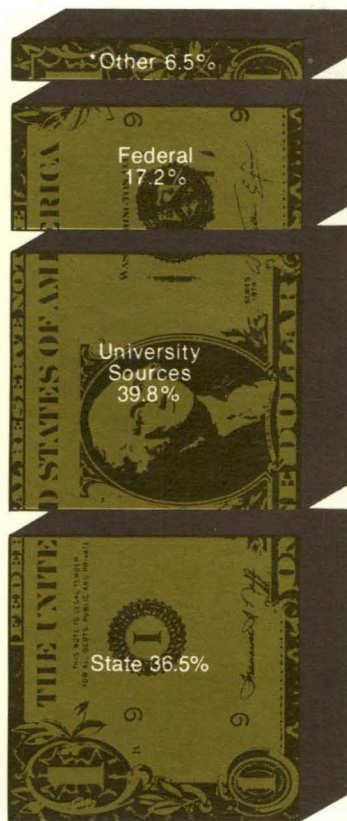
Sources and uses of funds remained close to the levels reported last year. University sources, which include tuition and income from auxiliary operations and University Hospitals, continued to provide the greatest share — \$170.3 million, or about 39.8 percent of the total. Over a third of the revenues, 36.5 percent, were appropriated by the State. Federal funds accounted for 17.2 percent, down somewhat in percentage from last year's level. Private sources accounted for the remaining 6.5 percent.

General education uses accounted for nearly three quarters of expenditures, increasing by nearly \$40 million from the year before. Research expenditures were up slightly in amount — \$58.7 million — but off somewhat in percentage of total. Auxiliary services at 8.6 percent and student aid at 2.3 percent remained substantially unchanged from the prior year.

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

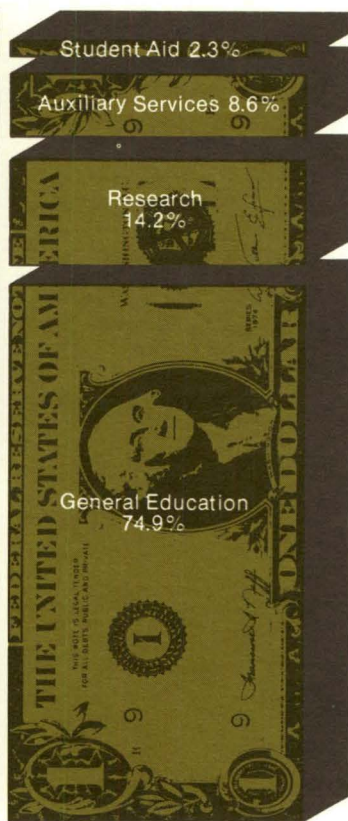
- Total current revenues available to the University increased from \$369.6 million to \$428.2 million, a 15.9 percent increase.
- Total State appropriations increased from \$127.1 million in fiscal 1975 to \$152.1 million in fiscal 1976, a 19.7 percent increase.
- Tuition payments increased by \$6.2 million, rising from \$36.5 million to \$42.7 million, a 17.0 percent increase.
- Expenditures for direct instruction rose 13.3 percent from \$113.8 million to \$128.9 million.
- Physical plant expenses continued to show a high rate of increase, rising 14.1 percent from \$26.3 million to \$30.0 million.
- Student aid dispensed directly by the University increased \$1.4 million from \$8.2 million to \$9.6 million, or about 17.1 percent.

### Income by Source



\*Other corporate and private gifts

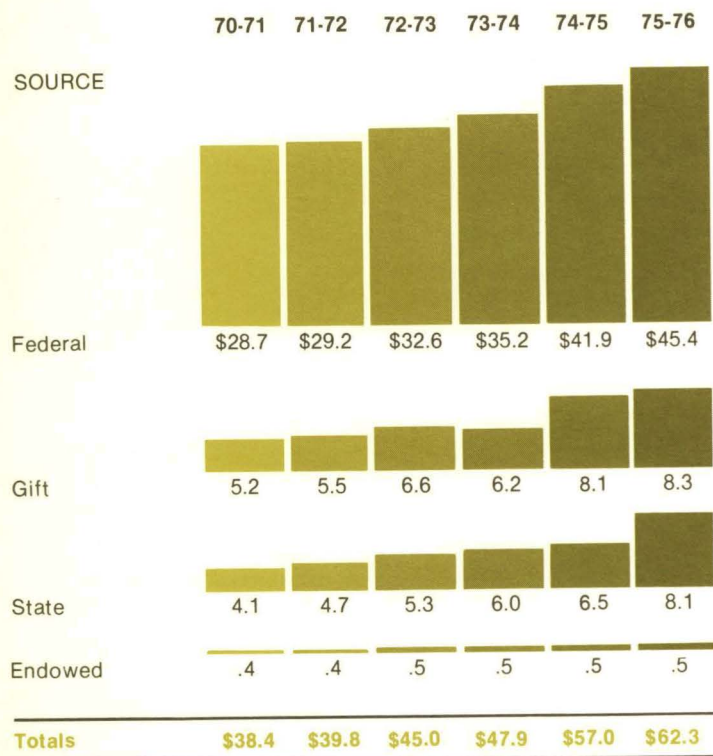
### Expenditures by Function



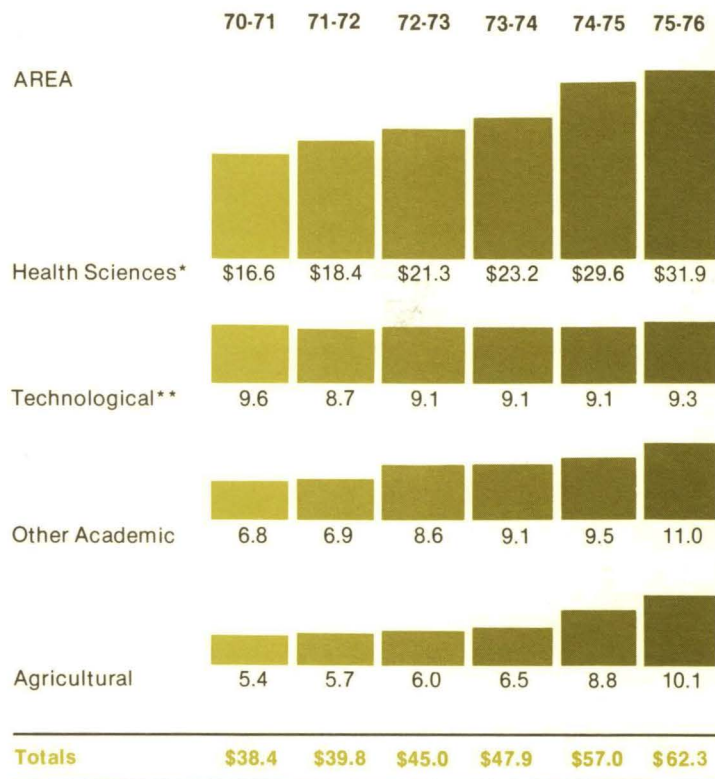
Miniature versions of this mass spectrometer were used in the Viking Mars probe this year to analyze the components of the Martian atmosphere. Shown here with its inventor, Regents' Professor Alfred Nier, this versatile instrument is a valuable tool not only in basic scientific research but also in industry.



**Sponsored Research 1971-1976**  
**Source of Income**  
(In millions of dollars)



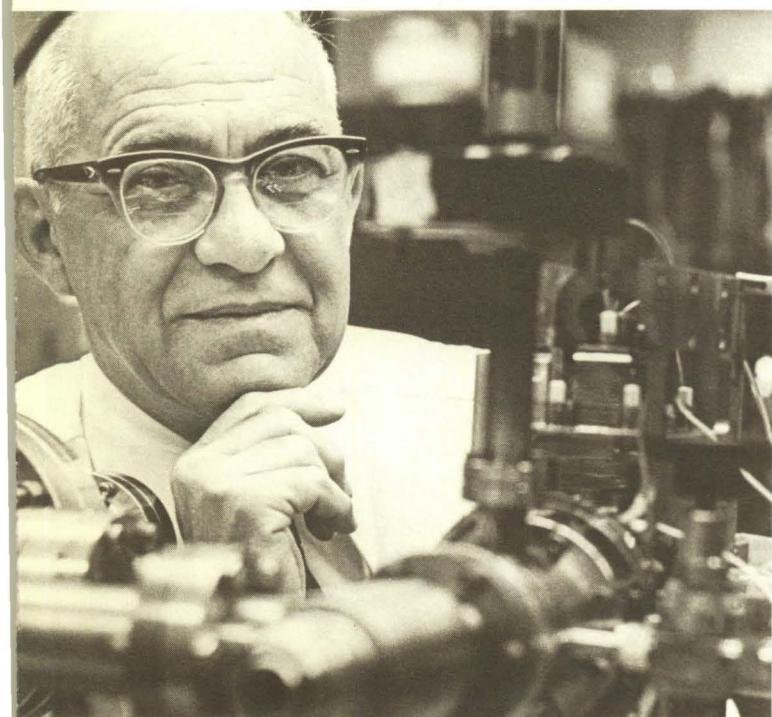
**Sponsored Research 1971-1976**  
**Expenditures by Area**  
(In millions of dollars)



\*Includes Medical School, Veterinary Medicine, Pharmacy and Dentistry  
\*\*Includes Institute of Technology and Space Science Center

**Detail of Expenditures for Sponsored Research**

	1975-76	1974-75
<b>Technological Areas</b>		
Institute of Technology	\$ 9,060,153	\$ 8,724,984
Space Science Center	208,284	358,781
<b>Health Sciences Areas</b>		
Health Sciences	31,335,046	29,142,505
College of Veterinary Medicine	557,912	512,279
<b>Agricultural Areas</b>		
Institute of Agriculture	10,139,474	8,817,807
<b>Other Academic Areas</b>		
College of Liberal Arts	2,180,719	1,816,612
College of Biological Sciences	2,096,147	1,655,908
College of Education	1,983,231	2,021,943
College of Business Administration	525,795	408,631
Duluth	772,189	819,914
Graduate School	2,347,589	1,981,536
Other Units	1,099,529	767,865
<b>Totals</b>	<b>\$62,306,068</b>	<b>\$57,028,765</b>





## Current Fund Balances

Fund balances of the Current Funds at June 30, 1976, consist of the following items:

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 inter-departmental charges such as computer use. In addition, they represent allocations to operating departments and establish claims against fund balances in anticipation of future expenditures.

	Unrestricted	Restricted
<b>Encumbrances</b>		
Reserve for Authorizations	\$ 5,920,763	\$ 207,546
Reserve for Requisitions		
Externally Committed	8,833,738	5,606,374
Internally Committed	5,544,800	1,070,489
Other Allocated Balances	23,758,596	129,441
Unallocated Balances	7,672,449	9,901,564
	<b>\$51,730,346</b>	<b>\$16,915,414</b>

The University of Minnesota library system houses 3,662,739 bound volumes and almost an equal number of periodicals, documents, and microform holdings. The 22 unit libraries on the Twin Cities campus alone recorded circulation of 1,270,000 publications and building turnstile counts exceeding 3,500,000 last year.





## Student Aid

The number of applicants for financial aid continued to increase at the rate of about 10 percent per year, reaching approximately 19,000 on all campuses. About 75 percent of the students who apply receive funding. This means that 14,000-15,000 were granted financial assistance in 1975-76. Almost all institutionally based funds were awarded to students who applied early. Students who attempted to apply after September 1 found that their opportunities for aid were severely restricted.

Funds available from the federal government remained about the same as in the previous year, with the exception of the College Work-Study Program and the Basic Opportunity Grant Program.

During the year, the College Work-Study funds were increased by a supplemental award that brought the number of students awarded these job opportunities to more than 2,400.

When the Basic Opportunity Grant Program was instituted three years ago, eligibility was limited to freshmen, and 225 students on the Twin Cities campus received assistance. In the second year, when sophomores and freshmen were eligible, more than 1,000 grants were awarded. During 1975-76, with three classes of students eligible, nearly 2,200 received these grants. On all campuses, more than 3,500 students were aided through the program. This number should increase sharply during 1976-77 because of a change in program regulations that will allow many students who formerly were excluded to qualify.

Two new programs instituted by the State of Minnesota provided additional aid sources for University students. These programs are the Foreign Student Assistance Program and the State College Work-Study Program.

Student borrowing continued to rise, as did the amount of loans in past-due repayment status. The problem of repayment of student loans continued to be aggravated by the poor prospects of employment for college graduates.

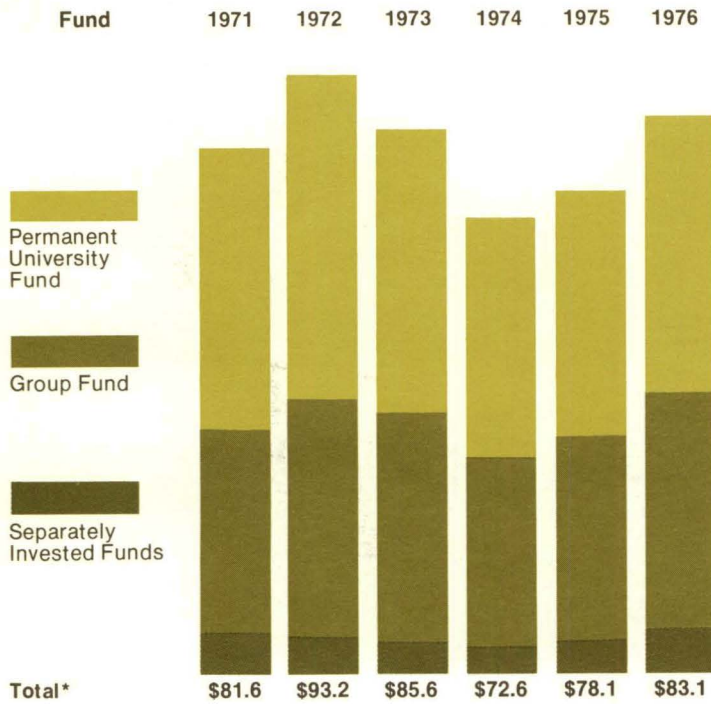
## Endowment Funds

Throughout its history, the University has been the beneficiary of endowment support from both private and public sectors. In 1862 the Morrill Act conveyed to the State a "land grant" for the support of its University. In the intervening years, proceeds from the sale of these lands, and the income generated from investment of the proceeds, have been deposited into the Permanent University Fund, which now constitutes the basic public endowment of the institution.

In addition to this public-sector endowment, the University has been the recipient of many gifts and bequests that are consolidated for investment purposes into the Group Investment Pool.



**Endowment Value 1971-1976** In millions of dollars



\*These figures represent the total Endowment and Life Income Funds invested at June 30.

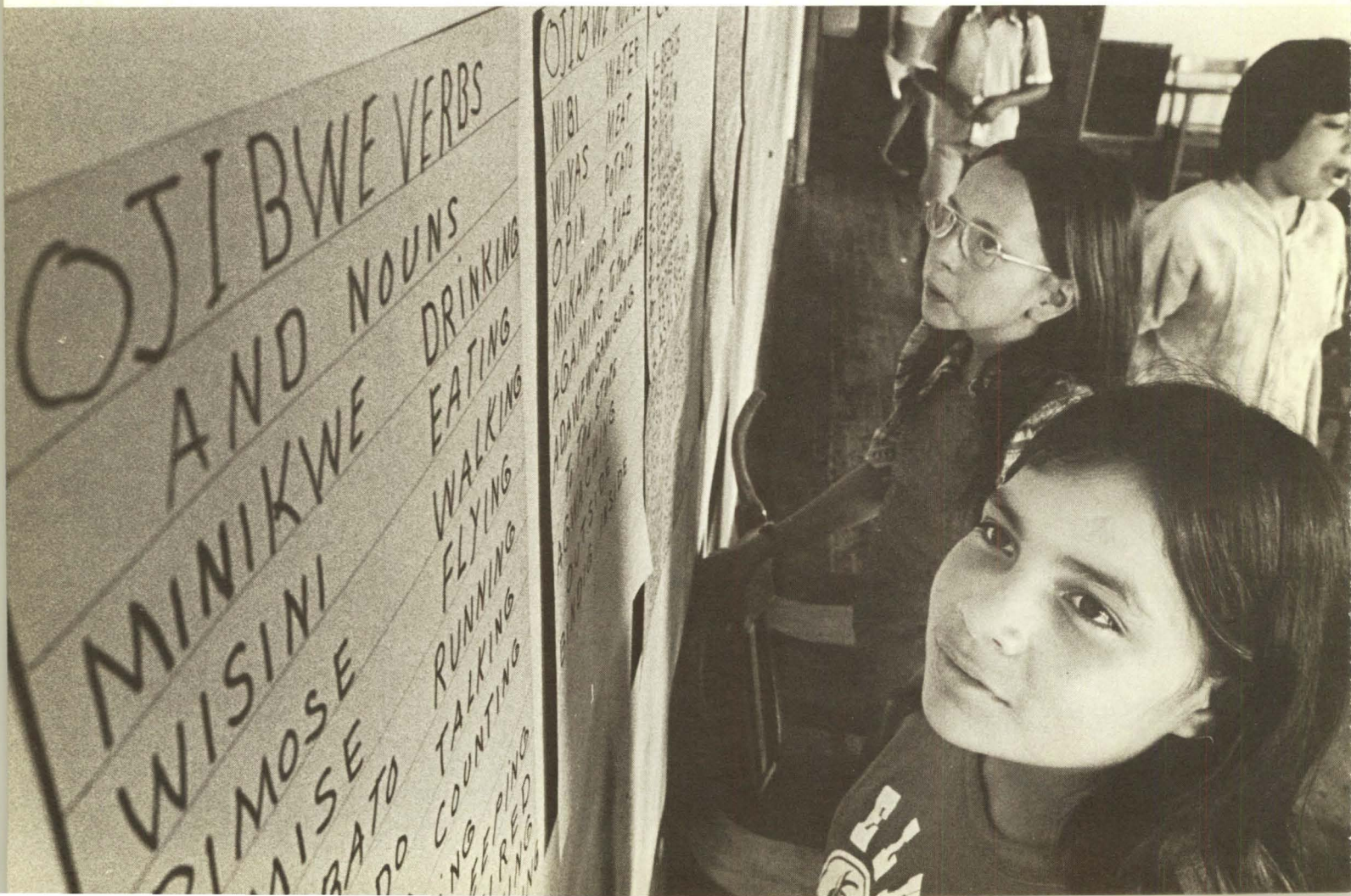
These two major segments of our endowment, plus some funds that are separately invested because of the terms and conditions imposed by the donor, were valued on June 30, 1976, at \$83,085,359.

Investment of the University's endowment funds is handled by several professional investment counselors under a policy authorized by the Board of Regents in 1969.

Investment performance in the fiscal year ending June 30, 1976, reflected a continuation of the previous year's recovery from the market bottom in 1973-74. Total return on all endowment funds was 9.2 percent.

Because a significant portion of our portfolio is invested in high-grade bonds, our investment performance may not be as spectacular as that of some other portfolios; however, spendable income from these investments remains a relatively stable portion of the University's operating budget.

**The Ojibwe language course offered at Phillips Junior High School in Minneapolis is the only one of its kind in the Twin Cities, an effort made possible by the Indian Upward Bound program at the University through the College of Education.**





# Building Program

## Detail of Plant Fund Expenditures

	1975-76	1974-75
Minneapolis	\$24,491,247	\$24,726,077
St. Paul	7,478,720	9,294,719
Duluth	1,282,648	2,421,676
Morris	486,026	904,106
Crookston, Waseca & Branch Stations	368,712	562,998
<b>Totals</b>	<b>\$34,107,353</b>	<b>\$37,909,576</b>

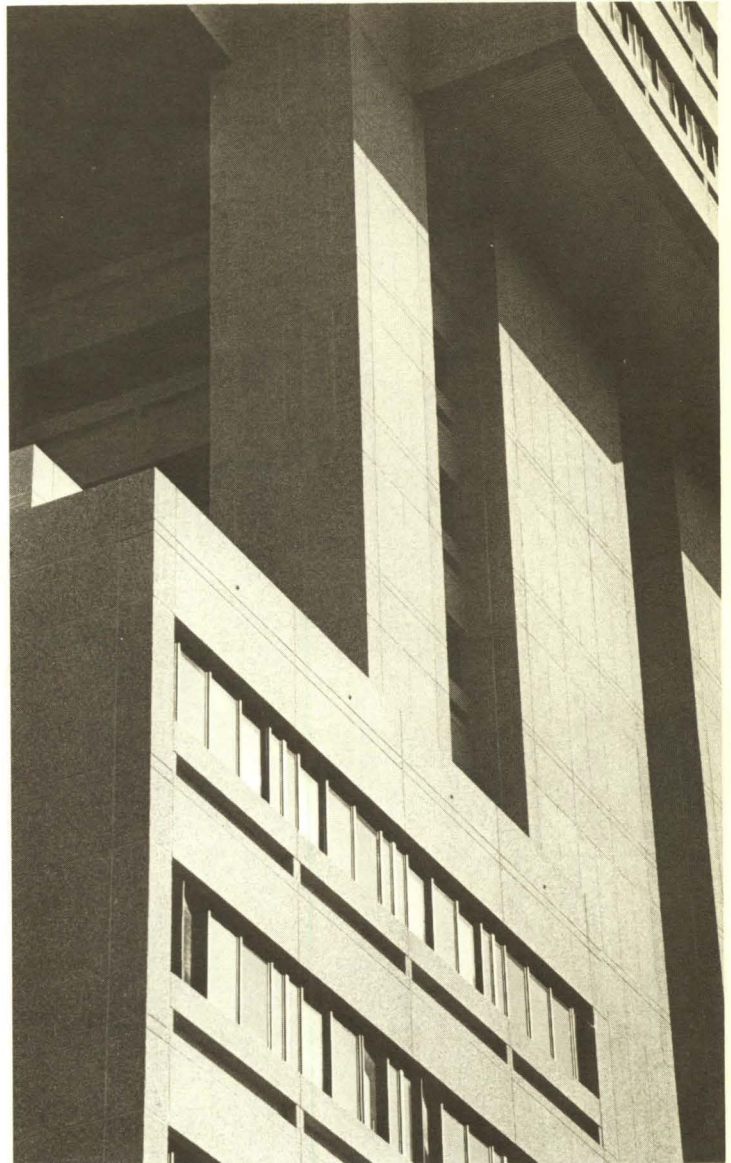
## Land Value

Location	1975-76	1974-75
Minneapolis	\$18,277,950	\$18,156,087
St. Paul	2,744,516	2,171,616
Duluth	392,749	310,129
Morris	169,859	169,859
Crookston	380,827	256,081
Waseca	235,291	235,291
Stations	974,216	974,216
Other	99,273	99,273
<b>Totals</b>	<b>\$23,274,681</b>	<b>\$22,372,552</b>

## Capital Assets

### Detail of Building Valuation (by location)

	1975-76	1974-75
Minneapolis	\$263,023,911	\$246,909,802
St. Paul	79,118,250	72,408,260
Duluth	39,886,297	39,046,290
Morris	18,955,613	18,586,668
Crookston	4,984,344	4,939,011
Waseca	4,277,348	4,198,047
Rosemount Research Center	483,992	786,346
Off-Campus Buildings	4,939,420	5,138,376
Branch Stations	9,226,255	9,047,896
<b>Totals</b>	<b>\$424,895,430</b>	<b>\$401,060,696</b>



Health Sciences Unit A building, completed in 1975, houses the School of Dentistry facilities, School of Public Health laboratories and offices, and the Medical School's basic science teaching laboratories and offices, as well as research and teaching laboratories for general surgery, obstetrics-gynecology, pediatrics, and medicine.

## Other Capital Assets

	Other Permanent Improvements	Equipment	Books & Museum Collections	Livestock	Total by Campus
Minneapolis	\$15,117,260	\$82,288,092	\$27,149,258		\$124,554,610
St. Paul & Stations	8,525,456	16,424,454	2,384,511	\$945,460	28,279,881
Duluth	3,172,339	4,543,909	3,732,482		11,448,730
Morris	1,279,005	1,399,501	894,917		3,573,423
Crookston	716,922	741,800	134,224		1,592,946
Waseca	146,501	646,903	234,512		1,027,916
Auxiliary Services		16,107,008			16,107,008
Trust Funds		17,284,787	1,550		17,286,337
<b>Totals</b>	<b>\$28,957,483</b>	<b>\$139,436,454</b>	<b>\$34,531,454</b>	<b>\$945,460</b>	<b>\$203,870,851</b>



## Title IX Self-Evaluation

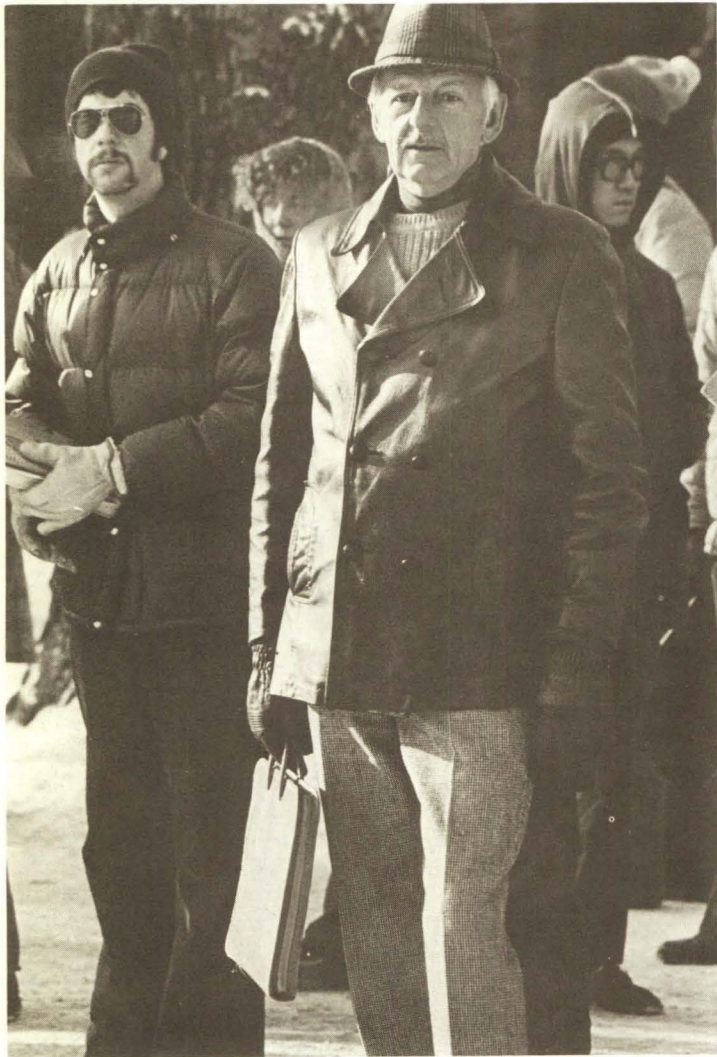
All educational institutions have been required under Title IX of the 1972 Education Amendments to undertake a thorough self-evaluation to make certain that practice and policy do not result in discrimination on the basis of sex. A 24-member administrative policy review committee that included representatives from the faculty and students oversaw the evaluation for the entire University. A core staff headed by a Title IX coordinator and including the director and the assistant director of the Office of Equal Opportunity, the assistant University attorney, and an administrative intern coordinated the completion of the 400-page report.

Title IX called for an examination of such areas as admissions, employment, provision of health care, access to courses, counseling, housing, and athletics. With the exception of intercollegiate athletics, all the areas evaluated and, in some cases, remedied, appeared to those responsible for the self-evaluation to be in compliance with the Title IX guidelines.

The University of Minnesota, along with most other universities, faces a major challenge in providing equal opportunity for both sexes in intercollegiate athletics. Title IX guidelines do not require identical programs for men and women, nor do they require dollar-for-dollar parity in athletic budgets. However, even without dollar-for-dollar parity, the amount of money needed to provide equal opportunity for both sexes is substantial.

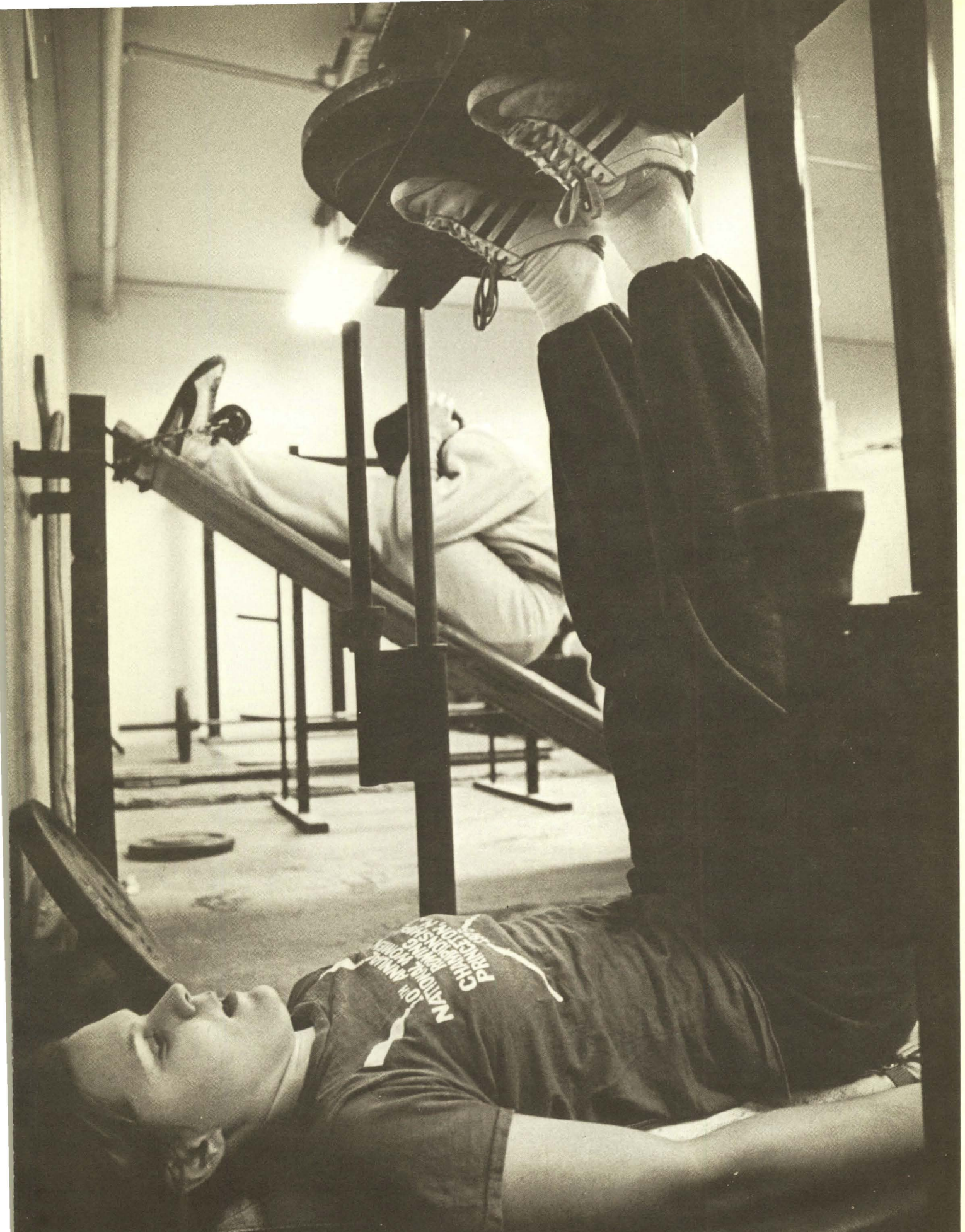
The University is seeking funds to provide, among other things, grants-in-aid, coaching, facilities, equipment, and support services for the women's program that will make it comparable to the men's program. In other words, where the University offers the same sport for each sex, the provisions for each sex will be comparable. Where there are sports that are not offered to both sexes, an effort is being made to ensure that the programs are provided with adequate coaching, equipment, and competitive schedules.

The Title IX Self-Evaluation indicated that the sources of such funding were unclear, and the report indicated grave concerns about how the funding needs were to be met. However, the administration is continuing to analyze the problem and is seeking ways to comply with the Title IX regulations.



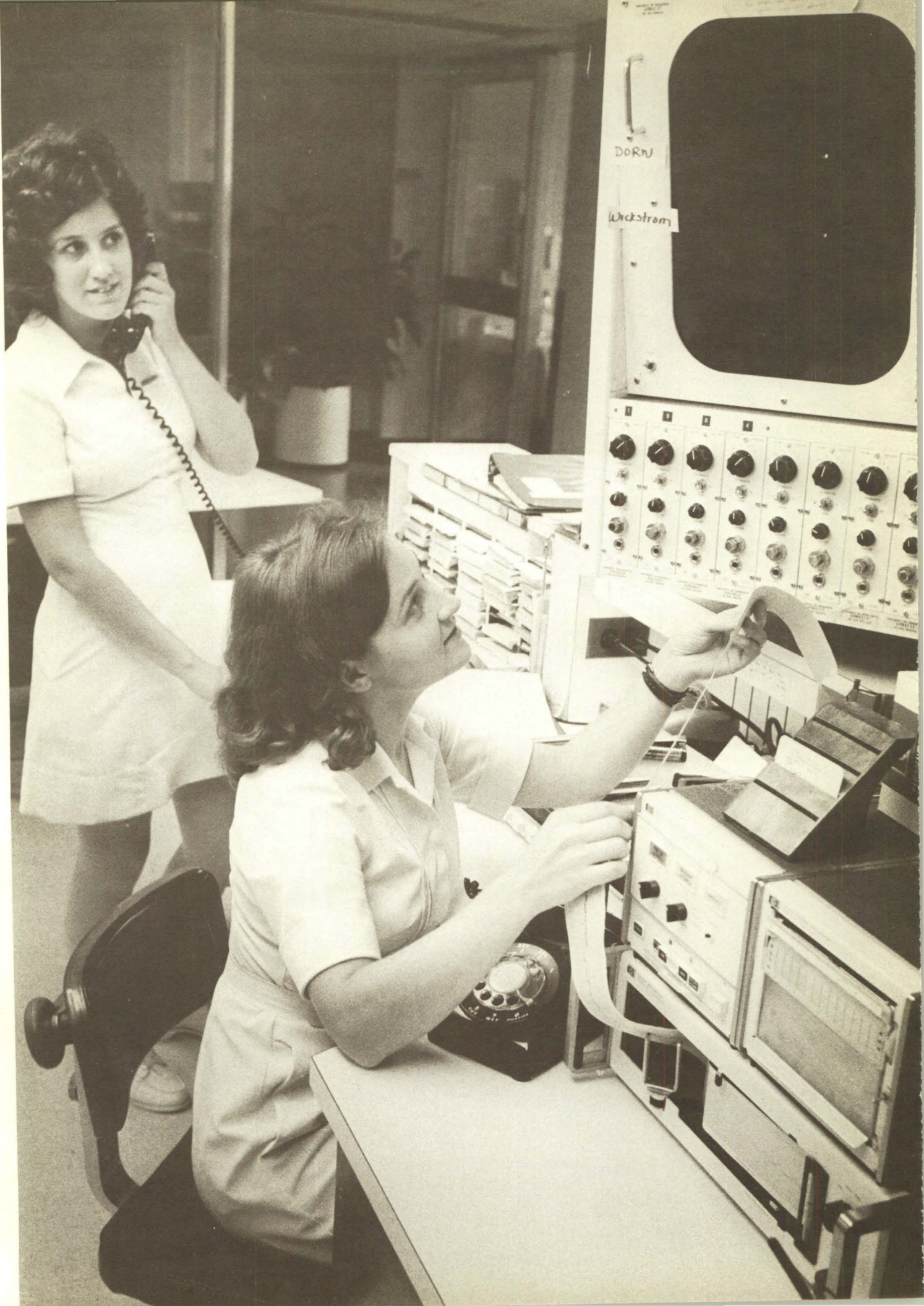
**The Senior Citizens Education Program attracted more than 1,700 Minnesota residents over 62 to the Twin Cities campus last year to participate in workshops, conferences, and daytime, evening, and informal classes.**





Women's Intercollegiate Athletics, which now has a new director, Vivian Barfield, has attracted more than 200 women to intercollegiate competition in volleyball, field hockey, cross-country, track and field, softball, tennis, golf, swimming and diving, gymnastics, and basketball this year. The department also provides intramural recreational sports and facilities for Twin Cities campus women.







## REPORT OF ERNST & ERNST, INDEPENDENT AUDITORS

Board of Regents  
University of Minnesota  
Minneapolis, Minnesota

We have examined the statements of financial condition of the various funds of the University of Minnesota as of June 30, 1976, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements for the preceding year.

In our opinion, the aforementioned financial statements present fairly the financial position of the several funds of the University of Minnesota at June 30, 1976, and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Minneapolis, Minnesota  
October 15, 1976

*Ernst & Ernst*  
E&E

Monitoring equipment in the Coronary Care Unit at University Hospitals keeps the medical staff constantly aware of the condition of their patients. The hospitals have six other intensive care units for specialized care of critically ill patients. More than 217,000 patients were treated in the past year in the University Hospitals complex, which includes Mayo Memorial Hospital, Children's Rehabilitation Center, Variety Club Heart Hospital, Masonic Memorial Hospital, the VFW Cancer Research Center, and Powell Hall.



# CURRENT FUNDS

## STATEMENT OF FINANCIAL CONDITION (In Thousands)

June 30  
1976      1975  
*(Unaudited)*

### ASSETS

#### UNRESTRICTED:

Cash and temporary investments — Note B	<b>\$33,205</b>	\$26,855
Insurance premium deposits	<b>3,763</b>	3,126
Accounts receivable — Note C	<b>26,515</b>	25,784
Inventories	<b>7,988</b>	6,278
Prepaid expense and deferred charges	<b>997</b>	992
<b>TOTAL UNRESTRICTED</b>	<b>72,468</b>	<b>63,035</b>

#### RESTRICTED:

Cash and temporary investments — Note B	<b>6,613</b>	9,059
Accounts receivable and unbilled charges — Note C	<b>12,716</b>	9,564
<b>TOTAL RESTRICTED</b>	<b>19,329</b>	<b>18,623</b>
<b>TOTAL ASSETS</b>	<b>\$91,797</b>	<b>\$81,658</b>

## STATEMENT OF CHANGES IN FUND BALANCES

Year Ended June 30, 1976

	Unrestricted	Restricted	Total
<b>REVENUES AND OTHER ADDITIONS</b>			
Unrestricted current revenues	\$309,701		\$309,701
Restricted current revenues:			
Federal appropriations		\$ 7,591	7,591
State appropriations		20,329	20,329
Federal grants and contracts		65,973	65,973
State grants and contracts		4,628	4,628
Local grants and contracts		294	294
Private grants and contracts		28,032	28,032
Investment income		1,867	1,867
Miscellaneous income		64	64
<b>TOTAL REVENUES AND OTHER ADDITIONS</b>	<b>309,701</b>	<b>128,778</b>	<b>438,479</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>			
Educational and general	197,619	118,290	315,909
University Hospitals	62,511	103	62,614
Auxiliary enterprises	35,367	64	35,431
Indirect costs recovered		9,909	9,909
Refund to grantors	198	407	605
<b>TOTAL EXPENDITURES AND OTHER DEDUCTIONS</b>	<b>295,695</b>	<b>128,773</b>	<b>424,468</b>
<b>TRANSFERS AMONG FUNDS (DEDUCTION)</b>			
Mandatory:			
Principal and interest	( 1,723)	( 31)	( 1,754)
Renewals and replacement	( 208)		( 208)
Loan fund matching grant			—
Nonmandatory transfers	( 6,190)	( 464)	( 6,654)
<b>TOTAL TRANSFERS</b>	<b>( 8,121)</b>	<b>( 495)</b>	<b>( 8,616)</b>
Additions in fund balance due to change in accounting methods			—
<b>NET INCREASE/(DECREASE) FOR YEAR</b>	<b>5,885</b>	<b>( 490)</b>	<b>5,395</b>
Fund balance at beginning of year	45,845	17,406	63,251
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 51,730</b>	<b>\$ 16,916</b>	<b>\$ 68,646</b>

*See notes to financial statements.*



June 30

1976      1975  
(Unaudited)

LIABILITIES AND FUND BALANCES

UNRESTRICTED:

Accounts payable	\$ 8,154	\$ 6,588
Accrued liabilities	8,549	7,071
Deferred credits	4,035	3,531
Fund balance	51,730	45,845
<b>TOTAL UNRESTRICTED</b>	<b>72,468</b>	<b>63,035</b>

RESTRICTED:

Accounts payable	734	1,217
Accrued liabilities	694	—
Deferred credits	985	—
Fund balance	16,916	17,406
<b>TOTAL RESTRICTED</b>	<b>19,329</b>	<b>18,623</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$91,797</b>	<b>\$81,658</b>

1975 (Unaudited)

Unrestricted	Restricted	Total
\$258,375		\$258,375
	\$ 7,957	7,957
	19,317	19,317
	67,769	67,769
	4,285	4,285
	769	769
	25,084	25,084
	2,353	2,353
	81	81
<b>258,375</b>	<b>127,615</b>	<b>385,990</b>
166,693	110,694	277,387
54,373	432	54,805
31,454	39	31,493
	9,039	9,039
	181	181
<b>252,520</b>	<b>120,385</b>	<b>372,905</b>
( 2,945)	( 30)	( 2,975)
( 223)		( 223)
	( 131)	( 131)
( 6,817)	( 1,016)	( 7,833)
<b>( 9,985)</b>	<b>( 1,177)</b>	<b>( 11,162)</b>
16,512	40	16,552
12,382	6,093	18,475
33,463	11,313	44,776
<b>\$ 45,845</b>	<b>\$ 17,406</b>	<b>\$ 63,251</b>



# CURRENT FUNDS

## STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES (In Thousands)

Year Ended June 30

	1976			1975
	Unrestricted	Restricted	Total	Total (Unaudited)
<b>REVENUES</b>				
Tuition and fees	\$ 42,708		\$ 42,708	\$ 36,528
Federal appropriations		\$ 7,794	7,794	7,840
State appropriations	131,609	20,521	152,130	127,140
Federal grants and contracts	9,148	56,916	66,064	64,115
State grants and contracts	244	4,256	4,500	3,431
Local grants and contracts	14	294	308	631
Private gifts, grants and contracts	507	26,933	27,440	23,092
Endowment income	2,661	1,569	4,230	3,999
Other investment income	2,983	205	3,188	4,362
Sales and services of educational activities	20,438		20,438	15,433
Sales and services of auxiliary enterprises	41,642		41,642	36,289
Sales and services of hospitals	57,747		57,747	46,694
<b>TOTAL CURRENT REVENUE</b>	<b>309,701</b>	<b>118,488</b>	<b>428,189</b>	<b>369,554</b>
<b>EXPENDITURES AND MANDATORY TRANSFERS</b>				
Educational and general:				
Instruction	95,635	33,278	128,913	113,783
Research	5,300	53,436	58,736	55,327
Public service	8,566	21,651	30,217	24,168
Academic support	22,985	2,269	25,254	22,877
Student services	8,316	358	8,674	7,786
Institutional support	24,204	394	24,598	18,916
Operation and maintenance of plant	29,960		29,960	26,330
Scholarships and fellowships	2,653	6,904	9,557	8,200
<b>EDUCATIONAL AND GENERAL EXPENDITURES</b>	<b>197,619</b>	<b>118,290</b>	<b>315,909</b>	<b>277,387</b>
Mandatory transfers for:				
Principal and interest	171	31	202	287
Loan fund matching grant			—	131
<b>TOTAL EDUCATIONAL AND GENERAL</b>	<b>197,790</b>	<b>118,321</b>	<b>316,111</b>	<b>277,805</b>
Auxiliary enterprises:				
Expenditures	35,367	64	35,431	31,493
Mandatory transfers for:				
Principal and interest	1,552		1,552	2,688
Renewals and replacements	208		208	223
<b>TOTAL AUXILIARY ENTERPRISES</b>	<b>37,127</b>	<b>64</b>	<b>37,191</b>	<b>34,404</b>
University Hospitals expenditures	62,511	103	62,614	54,805
<b>TOTAL EXPENDITURES AND MANDATORY TRANSFERS</b>	<b>297,428</b>	<b>118,488</b>	<b>415,916</b>	<b>367,014</b>
<b>OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS)</b>				
Excess of restricted receipts over transfers to revenues		381	381	7,397
Refunded to grantors	( 198)	( 407)	( 605)	( 181)
Nonmandatory transfers	( 6,190)	( 464)	( 6,654)	( 7,833)
Additions to fund balances due to changes in accounting methods			—	16,552
	( 6,388)	( 490)	( 6,878)	15,935
<b>NET INCREASE/(DECREASE) FOR YEAR</b>	<b>\$ 5,885</b>	<b>(\$ 490)</b>	<b>\$ 5,395</b>	<b>\$ 18,475</b>

See notes to financial statements.



# LOAN FUNDS

## STATEMENT OF FINANCIAL CONDITION (In Thousands)

	June 30	
	1976	1975
	(Unaudited)	
<b>ASSETS</b>		
Cash and temporary investments — Note B	\$ 1,595	\$ 1,406
Investments — Note D	657	527
Accrued interest receivable — Note C	583	483
Notes receivable — Note C	31,249	27,803
<b>TOTAL ASSETS</b>	<b>\$34,084</b>	<b>\$30,219</b>
<b>FUND BALANCES</b>		
U.S. Government grants refundable	\$24,639	\$22,143
Matching funds:		
Unrestricted	430	431
Restricted	2,308	2,029
University funds:		
Unrestricted	2,200	1,804
Restricted	4,507	3,812
<b>TOTAL FUND BALANCES</b>	<b>\$34,084</b>	<b>\$30,219</b>

## STATEMENT OF CHANGES IN FUND BALANCES

	Year Ended June 30	
	1976	1975
	(Unaudited)	
<b>REVENUES AND OTHER ADDITIONS</b>		
State appropriations — restricted	\$ 303	\$ —
State grants and contracts — restricted	32	34
Private grants and contracts — restricted	88	112
Investment income	121	78
U.S. Government advances	2,728	2,494
Interest on loans	488	943
	<b>3,760</b>	<b>3,661</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>		
Loan cancellations	455	1,352
Administrative and collection costs	97	80
Cash clearing account	11	—
	<b>563</b>	<b>1,432</b>
<b>TRANSFERS AMONG FUNDS — ADDITION</b>		
Mandatory — loan fund matching grant	668	132
Nonmandatory transfers	—	819
	<b>668</b>	<b>951</b>
<b>NET INCREASE FOR YEAR</b>	<b>3,865</b>	<b>3,180</b>
Fund balance at beginning of year	30,219	27,039
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$34,084</b>	<b>\$30,219</b>

See notes to financial statements.



# ENDOWMENT FUNDS

## STATEMENT OF FINANCIAL CONDITION (In Thousands)

	June 30	
	1976 (Unaudited)	1975
<b>ASSETS</b>		
Cash and temporary investments — Note B	\$ 822	\$ 658
Investments — Note D	82,063	76,819
<b>TOTAL ASSETS</b>	<b>\$82,885</b>	<b>\$77,477</b>
<b>FUND BALANCES</b>		
Endowment	\$60,850	\$57,115
Term endowment	13,581	12,800
Quasi-endowment — restricted	7,961	7,084
Quasi-endowment — unrestricted	493	478
<b>TOTAL FUND BALANCES</b>	<b>\$82,885</b>	<b>\$77,477</b>

## STATEMENT OF CHANGES IN FUND BALANCES

	Year Ended June 30	
	1976 (Unaudited)	1975
<b>REVENUES AND OTHER ADDITIONS</b>		
Private grants and contracts — restricted	\$ 2,002	\$ 364
Investment income	100	313
Permanent University fund additions	248	707
Other additions	3,107	3,187
	<b>5,457</b>	<b>4,571</b>
<b>TRANSFERS AMONG FUNDS — ADDITIONS/(DEDUCTIONS)</b>		
Mandatory loan fund matching grant	—	( 1)
Nonmandatory transfers	( 49)	477
	<b>( 49)</b>	<b>476</b>
<b>NET INCREASE FOR THE YEAR</b>	<b>5,408</b>	<b>5,047</b>
Fund balance at beginning of year	77,477	72,430
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$82,885</b>	<b>\$77,477</b>

See notes to financial statements.



## LIFE INCOME FUNDS

### STATEMENT OF FINANCIAL CONDITION (In Thousands)

	June 30	
	1976	1975 (Unaudited)
<b>ASSETS</b>		
Cash and temporary investments — Note B	\$ 3	\$ 3
Investments — Note D	197	184
<b>TOTAL ASSETS</b>	<b>\$ 200</b>	<b>\$187</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Income payable	\$ 1	\$ 2
Fund balance	199	185
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 200</b>	<b>\$187</b>

	Year Ended June 30	
	1976	1975 (Unaudited)
<b>STATEMENT OF CHANGES IN FUND BALANCE</b>		
<b>REVENUES</b>		
Private grants and contracts — restricted	\$ 20	\$ 21
<b>EXPENDITURES</b>		
Loss on sales of securities	6	—
<b>NET INCREASE FOR THE YEAR</b>	<b>14</b>	<b>21</b>
Additions in fund balance due to changes in accounting methods	—	13
Fund balance at beginning of the year	185	151
<b>FUND BALANCE AT END OF THE YEAR</b>	<b>\$ 199</b>	<b>\$185</b>

## AGENCY FUNDS

### STATEMENT OF FINANCIAL CONDITION

	June 30	
	1976	1975 (Unaudited)
<b>ASSETS</b>		
Cash and temporary investments — Note B	\$1,038	\$331
Due to University	131	—
Investments — Note D	—	531
<b>TOTAL ASSETS</b>	<b>\$1,169</b>	<b>\$862</b>
<b>LIABILITIES</b>		
Income payable	\$ 38	\$ 19
Deposits held in custody for others	1,131	843
<b>TOTAL LIABILITIES</b>	<b>\$1,169</b>	<b>\$862</b>

See notes to financial statements.



# PLANT FUNDS

## STATEMENT OF FINANCIAL CONDITION (In Thousands)

	June 30	
	1976	1975
	(Unaudited)	
<b>ASSETS</b>		
Unexpended:		
Cash and temporary investments — Note B	\$ 47,454	\$ 48,594
Federal grants receivable — Note C	9,049	9,408
State appropriations receivable — Note C	47,360	41,195
<b>TOTAL UNEXPENDED</b>	<b>103,863</b>	<b>99,197</b>
Renewals and replacements:		
Deposits with trustee	2,879	2,503
<b>TOTAL RENEWALS AND REPLACEMENTS</b>	<b>2,879</b>	<b>2,503</b>
Retirement of indebtedness:		
Cash and temporary investments — Note B	2,176	1,875
Accrued interest receivable — Note C	101	84
Deposits with trustee	2,222	2,309
<b>TOTAL RETIREMENT OF INDEBTEDNESS</b>	<b>4,499</b>	<b>4,268</b>
Investment in plant — Note E:		
Land	23,275	22,373
Buildings	424,895	401,061
Improvements	28,958	26,589
Equipment	139,436	127,153
Museum collections	4,097	3,812
Library and reference books	30,434	27,845
Livestock	946	926
<b>TOTAL INVESTMENT IN PLANT</b>	<b>652,041</b>	<b>609,759</b>
<b>TOTAL ASSETS</b>	<b>\$763,282</b>	<b>\$715,727</b>



June 30

1975  
1976 (Unaudited)

LIABILITIES AND FUND BALANCES

Unexpended:		
Notes payable — Note F	\$ 919	\$ 991
Bonds payable — Note F	981	2,285
Accounts payable	2,737	621
Fund balances:		
Restricted	60,715	58,537
Unrestricted	38,511	36,763
<b>TOTAL FUND BALANCES</b>	<b>99,226</b>	<b>95,300</b>
<b>TOTAL UNEXPENDED</b>	<b>103,863</b>	<b>99,197</b>
Renewals and replacements:		
Fund balances:		
Restricted	2,879	2,503
<b>TOTAL RENEWALS AND REPLACEMENTS</b>	<b>2,879</b>	<b>2,503</b>
Retirement of indebtedness:		
Accrued interest payable	304	—
Fund balances:		
Restricted	4,195	4,268
<b>TOTAL RETIREMENT OF INDEBTEDNESS</b>	<b>4,499</b>	<b>4,268</b>
Investment in plant:		
Notes payable — Note F	11,965	11,065
Bonds payable — Note F	33,700	32,905
Net investment in plant	606,376	565,789
<b>TOTAL INVESTED IN PLANT</b>	<b>652,041</b>	<b>609,759</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$763,282</b>	<b>\$715,727</b>

See notes to financial statements.



# PLANT FUNDS

## STATEMENT OF CHANGES IN FUND BALANCES (In Thousands)

	Unexpended
<b>REVENUES AND OTHER ADDITIONS</b>	
State appropriations — restricted	\$15,143
Federal grants and contracts — restricted	359
Private grants and contracts — restricted	799
Investment income	3,612
Miscellaneous income	858
Other additions	
Increase in state appropriations receivable	6,165
Expended for plant facilities (including 1976 — \$11,613; 1975 — \$15,591 charged to current funds expenditures)	
Notes — bonds payable expended	3,900
Retirement of indebtedness	
<b>TOTAL REVENUES AND OTHER ADDITIONS</b>	<b>30,836</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>	
Decrease in state appropriations receivable	
Expended for plant facilities	34,107
Retirement of indebtedness	
Decrease in federal grants receivable	359
Decrease in accrued interest receivable	84
Disposal of plant facilities	
<b>TOTAL EXPENDITURES AND OTHER DEDUCTIONS</b>	<b>34,550</b>
<b>TRANSFERS AMONG FUNDS — ADDITIONS/(DEDUCTIONS)</b>	
Mandatory:	
Principal and interest	( 114)
Renewals and replacement	
Nonmandatory transfers	7,754
<b>TOTAL TRANSFERS</b>	<b>7,640</b>
Additions in fund balance due to changes in accounting methods	
<b>NET INCREASE/(DECREASE) FOR YEAR</b>	<b>3,926</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>95,300</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$99,226</b>

See notes to financial statements.



Year Ended June 30

1976		1975	
Renewals and Replacement	Retirement of Indebtedness	Investment in Plant	Total (Unaudited)
			\$ 15,143
			359
			799
\$ 168	\$ 144		3,924
			858
			—
			200
			6,165
		\$ 43,796	43,796
			3,900
		2,085	2,085
168	144	45,881	77,029
			—
			4,657
			34,107
	2,085		2,085
			3,201
			359
			84
		5,294	5,294
—	2,085	5,294	41,929
			49,244
			—
			18,854
208	1,868		1,962
			2,975
			—
			223
			7,754
			6,526
208	1,868	—	9,716
			9,724
			—
			18,854
376	( 73)	40,587	44,816
			48,288
2,503	4,268	565,789	667,860
619,572			
\$2,879	\$4,195	\$606,376	\$712,676
			\$667,860



# NOTES TO FINANCIAL STATEMENTS

June 30, 1976, and June 30, 1975 (Unaudited)

## **Note A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are presented generally on the accrual basis in accordance with accounting principles outlined in the American Institute of Certified Public Accountants' audit guide, "Audits of Colleges and Universities," and guidelines suggested by the National Association of College and University Business Officers with the following exceptions, which are common practices for colleges and universities: (1) vacation and sick leave are recorded principally when paid, and (2) gifts and pledges are recorded when received. The omission of the preceding accruals does not have a material effect on the financial statements. Also, as permitted by generally accepted accounting principles for colleges and universities, the University of Minnesota does not provide for depreciation of physical properties. Fund accounting principles are employed to ensure observation of limitations and restrictions placed on the use of certain resources available to the University.

## **FUND CLASSIFICATIONS**

The accounts of the University are summarized for financial reporting purposes into the following six fund classifications:

### **Current**

*Unrestricted*—funds over which the University retains full control to use in achieving its institutional purposes including instruction, research, public service and general supporting activities.

*Restricted*—externally restricted operating funds which may only be utilized in accordance with the purpose established by the source of the funds.

### **Loan**

Funds provided by the federal government, the State of Minnesota and private donors for the express purpose of making student loans. This is a revolving fund in that repayments become available for loans to other students.

### **Endowment**

Funds donated by individuals, agencies and others which, as a condition of the gift instrument, have various stipulations relating to the maintenance of principal. The principal of true endowment funds is invested permanently for the purpose of producing present and future income. Term endowment funds are similar to true endowment funds except that all or a part of the principal may be expended upon the passage of a certain time period or the happening of a particular event. Quasi-endowment-restricted funds represent specific purpose gifts which have not yet been used for their designated purpose. Quasi-endowment-unrestricted funds are gifts to the University without restriction which have not been allocated by the University.

### **Life Income**

Gifts and bequests on which the income is paid to persons specified by the donor during the lifetime of the beneficiary; thereafter the principal becomes available to the University for use as specified by the originator.

### **Plant**

Assets relating to investment in physical plant including new building construction, major building alterations and renovation and debt on University facilities.

### **Agency**

Assets held in custody by the University for organizations or individuals.

## **INVESTMENTS**

Marketable securities and other investments are carried at market value.



**Note A**—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

**INVENTORIES**

Inventories for resale are carried at the lower of cost or market value and other inventories are carried at cost.

**INVESTMENT IN PLANT**

Land, buildings and other property included in the plant funds are stated at cost at dates of acquisition or fair market value at date of donation in the case of gift. (Although no provision is made for depreciation of physical plant and equipment, the investment in plant is reduced annually by the cost of equipment and other property disposals.)

**REVENUE RECOGNITION**

Current fund revenues include all unrestricted gifts and other unrestricted resources earned during the reporting period, and restricted current funds to the extent that such funds were expended for current operating purposes. Revenues and related expenditures incurred in connection with the current summer school session are deferred at June 30.

**Note B**—CASH AND TEMPORARY INVESTMENTS

At June 30, 1976 and 1975 the cash and temporary investment balances by fund were as follows:

(In Thousands)	1976	1975
Current funds:		
Unrestricted	<b>\$33,205</b>	\$26,855
Restricted	<b>6,613</b>	9,059
Loan funds	<b>1,595</b>	1,406
Endowment funds	<b>822</b>	658
Life income funds	<b>3</b>	3
Agency funds	<b>1,038</b>	331
Plant funds:		
Unexpended	<b>47,454</b>	48,594
Retirement of indebtedness	<b>2,176</b>	1,875
	<b><u>\$92,906</u></b>	<b><u>\$88,781</u></b>

The University invests its cash balances in the various fund groups in two investment pools. The Temporary Investment Fund consists primarily of high grade, short-term commercial paper and the Group Income Pool consists primarily of high grade, long-term corporate and government bonds. At June 30, 1976 and 1975 the balances in the pool were as follows:

(In Thousands)	1976	1975
Temporary Investment Fund	\$58,074	\$49,762
Group Income Pool	40,535	44,635
Cash float (deduction)	( 5,703)	( 5,616)
	<b><u>\$92,906</u></b>	<b><u>\$88,781</u></b>



### Note C—ACCOUNTS RECEIVABLE

At June 30, 1976 and 1975 the accounts receivable balances consisted of the following:

	(In Thousands)		1976		1975	
<b>Current Funds:</b>						
Unrestricted:						
University Hospitals			\$ 16,667		\$ 14,791	
Less allowance			( 2,600)		( 2,400)	
			<b>14,067</b>		<b>12,391</b>	
State appropriations			6,521		9,973	
Accrued income			1,652		983	
Other			4,275	\$ 26,515	2,437	\$ 25,784
Restricted:						
Unbilled charges			11,838		8,776	
Other			878	12,716	788	9,564
<b>Loan Funds:</b>						
Notes receivable			32,284		28,726	
Less allowance			( 1,035)		( 923)	
			<b>31,249</b>		<b>27,803</b>	
Accrued interest			583	31,832	483	28,286
<b>Plant Funds:</b>						
Unexpended:						
Federal grants			9,049		9,408	
State appropriations			47,360	56,409	41,195	50,603
Retirement of indebtedness:						
Accrued interest				101		84
				<b>\$127,573</b>		<b>\$114,321</b>

### Note D—INVESTMENTS

At June 30, 1976 and 1975 the investment balances by fund were as follows:

	(In Thousands)		1976	1975
Loan funds			\$ 657	\$ 527
Endowment funds			82,063	76,819
Life income funds			197	184
Agency funds			—	531
			<b>\$82,917</b>	<b>\$78,061</b>

Investments at June 30, 1976 and 1975 consisted of the following:

	(In Thousands)	1976		1975	
		Market	Cost	Market	Cost
United States Treasury bills and commercial paper		\$ 6,028	\$ 6,030	\$ 5,808	\$ 5,802
Corporate bonds		35,378	34,468	37,436	37,383
Common and preferred stock		39,140	36,514	32,545	32,253
Mortgages and other		2,371	2,371	2,272	2,272
		<b>\$82,917</b>	<b>\$79,383</b>	<b>\$78,061</b>	<b>\$77,710</b>

The combined investment yield earned on investments of the University, based on the average of month-end market values of investments held, for the years ended June 30, 1976 and 1975 was 6.0% and 7.0%, respectively.



**Note E—CONSTRUCTION IN PROGRESS AND COMMITMENTS**

Construction projects in process, principally buildings, which have been included in the assets of the plant funds at June 30, 1976 approximate \$31,097,000. The estimated cost to complete these facilities is \$48,996,000.

**Note F—NOTES AND BONDS PAYABLE**

Notes and bonds payable represent general obligations of the University. Principal and interest are being paid from the net income of specific auxiliary activities or from student fees. The obligations bear interest at rates varying from 2<sup>3</sup>/<sub>4</sub>% to 8% and mature at various dates through November 1, 2013. Reference is made to Schedule IX in the Supplement to the 1976 Financial Report for details of notes and bonds payable. Obligations outstanding at June 30, 1976 mature as follows:

	(In Thousands)
1977	\$ 1,888
1978	3,404
1979	1,709
1980	1,547
1981	1,763
1982 and thereafter	37,254
	<u>\$47,565</u>

**Note G—PENSION EXPENSE**

All employees of the University meeting the age and length of service requirement participate in civil service (Minnesota State Retirement System), faculty (University of Minnesota), or Police Department pension plans. The plans require contributions by both the employer and employees. Pension expense of the University for the years ended June 30, 1976 and 1975 was \$11,968,000 and \$10,397,000, respectively, which includes amortization of prior service cost through 1997.

As of the latest valuation date, June 30, 1975, the actuarially determined prior service cost of the Minnesota State Retirement System was approximately 60% funded and the Police Department Retirement Plan past service cost was approximately 40% funded. The Faculty Retirement Plan of the University of Minnesota is a defined contribution plan and is fully funded. The dollar excess of the actuarially computed value of vested benefits over fund net assets as of June 30, 1976 of the civil service and police plans applicable to the University was not determinable.

**Note H—FOUNDATIONS**

The University of Minnesota Foundation, the University of Minnesota Medical Foundation and the Arboretum are independent corporations formed for the purpose of obtaining and disbursing funds for the sole benefit of the University. At June 30, 1976 the net assets of these foundations (not included in the financial statements of the University) were approximately \$22,660,000, of which over \$20,970,000 were restricted funds.

**NOTE I—SOVEREIGN IMMUNITY**

On October 31, 1975 the Minnesota Supreme Court ruled that the defense of "sovereign immunity" would no longer be recognized in Minnesota courts. This decision, *Nieting vs. Blondell* affecting the University, stated that August 1, 1976 would be the effective date of the removal of sovereign immunity as a defense in negligence claims. On February 19, 1976, the Hennepin County District Court held that the University should be immediately removed from the protection of sovereign immunity in the case of *Miller et al. vs. Regents of the University of Minnesota et al.* The University is currently appealing that portion of the District Court's ruling and is requesting that the effective date of August 1, 1976, established by the Supreme Court in the *Nieting* decision be followed.

The University is covered by comprehensive liability insurance as of August 1, 1976.



### **We're doing our part...**

Here at Minnesota, thousands of alumni and friends join forces in support of continued educational excellence on the University's five campuses. Voluntary support of public higher education is a vital part of every university's budget, and Minnesota is no exception. Tax dollars and tuition cannot provide for every need in a community as large and diverse as the University of Minnesota.

Private dollars are not only an important boost for a myriad of schools, departments and programs; such a contribution can provide you, the donor, with immediate tax savings and, in the case of some deferred gifts, a lifetime income for you and your loved ones.

The many giving opportunities offered through the University and its affiliate fund-raising organizations include gifts by bequest, life insurance, charitable remainder trust, life estate contract, and pooled income fund. Gifts may be restricted by the donor to an area of special interest, or left unrestricted for the University's most immediate needs.

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