



Finance Committee

May 2015

May 07, 2015

9:15 a.m. – 11:15 a.m.

West Committee Room, McNamara Alumni Center

FIN - MAY 2015

1. FY 2016-17 Biennial Budget Request and 2015 Capital Request Update

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2. Greek Loan Program - Review

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3. Permanent University Fund (PUF) Lands Primer

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BOARD OF REGENTS

DOCKET ITEM SUMMARY

Finance

May 7, 2015

Agenda Item: FY 2016-17 Biennial Budget Request and 2015 Capital Request Update

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

Presenters: Erin Dady, Special Assistant to the President

Purpose & Key Points

The purpose of this discussion is to update the Finance Committee on the current status of the University's FY 2016-17 Biennial Budget Request and 2015 Capital Request, including Governor Dayton's budget proposal and recent action by the Minnesota Legislature.

Background Information

The Board of Regents approved the University's FY 2016-17 Biennial Budget Request and 2015 Capital Request on October 10, 2014. The Board amended the budget request on February 13, 2015 to include additional funding for the Medical School totaling \$30 million and reduced the Healthy Minnesota request by \$9 million. The amended budget request includes four main components:

1. Access and Affordability
2. Facility Condition Improvement Strategy
3. Healthy Minnesota and the Medical School
4. Vibrant Communities

The 2015 Capital Request focuses on three projects:

1. Higher Education Asset Preservation and Replacement (HEAPR)
2. Veterinary Isolation Labs Replacement
3. St. Paul Greenhouse Replacement

2016-17 BIENNIAL BUDGET REQUEST

UNIVERSITY OF MINNESOTA

Driven to DiscoverSM



Financial Comparison

PROJECT NAME	UNIVERSITY REQUEST	GOVERNOR 3/17/15	HOUSE 4/14/15	HOUSE 4/20/15	SENATE	CONFERENCE COMMITTEE	FINAL
Access and Affordability	\$65.2	\$65.2	—	—	\$60.0	TBA	TBA
Facility Condition Improvement Strategy	\$15.0	—	—	—	—	TBA	TBA
Healthy Minnesota and the Medical School	\$55.5	\$30.0	—	—	\$25.0	TBA	TBA
Vibrant Communities	\$12.5	—	—	—	—	TBA	TBA
TOTALS	\$148.2	\$95.2	\$0	\$0*	\$85.0†	TBA	TBA

Dollar amounts in millions

* The House proposal includes \$2.9 million for the Crookston and Morris campuses

† The Senate proposal also includes \$2 million for Alzheimer's and dementia research

CAPITAL REQUEST 2015

UNIVERSITY OF MINNESOTA
Driven to DiscoverSM



Financial Comparison

PROJECT NAME	PROJECT TOTAL	UNIVERSITY INVESTMENT	REQUEST	GOVERNOR	HOUSE	SENATE	FINAL
Higher Education Asset Preservation and Replacement (HEAPR)	\$55.0	NA	\$55.0	\$70.0	TBA	TBA	TBA
Veterinary Isolation Labs Replacement	\$27.0	\$9.0	\$18.0	\$18.0	TBA	TBA	TBA
St. Paul Greenhouse Replacement	\$6.0	\$2.0	\$4.0	\$4.0	TBA	TBA	TBA
TOTALS	\$88.0	\$11.0	\$77.0	92.0*	TBA	TBA	TBA

*The governor's recommendations include \$8 million for the Blue Ribbon Committee on the Medical School Facilities Design
Dollar amounts in millions
Projects are listed in prioritized order



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

May 7, 2015

Agenda Item: Greek Loan Program

Review **Review + Action** **Action** **Discussion**

This is a report required by Board policy.

Presenters: Fred Friswold, Chair, University of Minnesota Foundation Investment Advisors
Board of Directors
Sarah Harris, Managing Director, University of Minnesota Foundation Real Estate
Advisors

Purpose & Key Points

The purpose of this item is to review a proposed loan program to improve the safety and general condition of housing facilities for students who are members of Greek organizations at the University. The University and the University of Minnesota Foundation (UMF) will jointly fund the program. The University of Minnesota Foundation Real Estate Advisors (UMFREA), a subsidiary of UMF, will administer the program. It is targeted to begin in June 2015.

Background Information

President Kaler and Provost Hanson identified the Greek community as an important asset of the University and created a task force in 2012 to make recommendations on what can be done to strengthen and grow the Greek community on the Twin Cities campus, with special emphasis on housing. The task force identified the need to ensure that the aging stock of Greek housing is safe and sustainable as a major priority.

A loan fund is being created to provide a low cost source of funds for chapter house improvements that will enhance the safety, efficiency, and comfort of Greek students. The loan program was designed through the collaborative efforts of the Minnesota Greek Alumni Council (MGAC), the University, and UMF.

The MGAC was created to represent the Greek alumni community in implementing the Greek Community Strategic Task Force recommendations and to speak for the Greek alumni community. It is a non-profit Minnesota corporation supported by its fraternity and sorority house corporation members, which currently represent the majority of Greek students on campus. MGAC will serve as an advisor to the program, but the loan program is open to members and non-members alike.

The University and UMF will each commit \$1.5 million to create a \$3 million revolving loan fund. The loans will be originated and administered by UMFREA.

Each loan applicant will be required to demonstrate a viable plan for servicing the debt. We anticipate a standardized, fast track loan application and approval process.

BORROWERS TERMS	
Qualified Borrowers:	Owners of properties that are occupied by fraternities or sororities recognized by the U's Office of Fraternity and Sorority Life.
Qualifying Uses	<p>Improvements to physical real estate for health and safety, as reasonably determined by UMFREA, including but not limited to:</p> <ol style="list-style-type: none"> 1. Interior and exterior structural, electrical and mechanical improvements to address critical failures or improved efficiencies; 2. Upgrades for basic comfort, e.g., insulation, energy management systems, replacement of lighting, doors and windows; 3. Installation of sprinklers; 4. Installation of access control, cameras and other security systems; 5. Functional or code upgrades to kitchens and bathrooms; 6. ADA improvements; 7. Code compliance; 8. All costs associated with making such modifications to historically designated structures; 9. Associated soft costs; and 10. Contingency

SUMMARY TERMS	
<ul style="list-style-type: none"> • Maximum loan: \$300,000. • First come-first served. • Closing fee for first 12 months of program paid for by the Fund. • 5, 10, and 15 year amortization periods (fully amortizing loans). • Low interest rates-150 basis points (bps) over corresponding maturity T-Bill rate. • Collateralized by real estate (up to 90% of value), first or second mortgage position is acceptable. • Safety, comfort, and efficiency improvements only. • Borrower plans and manages the work. 	

President's Recommendation

The President recommends approval of the resolution.



REGENTS OF THE UNIVERSITY OF MINNESOTA
RESOLUTION RELATED TO
FUNDING SAFE HOUSING FOR GREEK CHAPTER STUDENTS

WHEREAS, the University has been advised that the housing facilities for students at the University who are members of Greek organizations are in critical need of renovation and repair, and external sources of funding for necessary improvements are limited in availability, expensive, and likely of too short a duration;

WHEREAS, the safety of its students is of paramount importance to the University, and such renovation and repair plays a significant role in the reinvigoration of the University campus as a whole;

WHEREAS, it is thus appropriate for the University to provide financial support to achieve its goal of improving the safety of Greek housing on and around campus;

WHEREAS, the University has asked the University of Minnesota Foundation (Foundation), and the Foundation has agreed, to support the University's efforts to improve the safety and sustainability of Greek housing on campus by establishing a revolving loan fund to be known as the Safe Housing for Greek Chapter Students Improvement Fund (the Fund) to finance such improvements;

WHEREAS, University of Minnesota Foundation Real Estate Advisors (UMFREA) is a limited liability company owned by the Foundation whose purpose is to receive, hold, invest, develop, administer and provide advice with respect to real property;

WHEREAS, the Foundation has asked UMFREA, and UMFREA has agreed, to support the efforts of the University and the Foundation in this initiative by establishing, operating, and administering the Fund; and

WHEREAS, the University desires to transfer \$1,500,000 in unrestricted one-time funds to the Fund, which will be matched by a transfer in the same amount from the Foundation;

NOW, THEREFORE, BE IT RESOLVED by the Board of Regents of the University of Minnesota (Board) as follows:

1. The establishment by UMFREA of the Safe Housing for Greek Chapter Students Improvement Fund for the purposes described above, and the transfer by the University of \$1,500,000 to the Fund, is hereby approved.
2. The appropriate University officers are authorized to execute and deliver all documents, and to take such other actions as may be necessary or appropriate in connection with the establishment and operation of the Fund in order to achieve the goals of the University as described above.



Pilot Safe Housing for Greek Chapter Students Improvement Fund

University of Minnesota Board of Regents - Finance
May 7, 2015

Why?

- Greek system supports undergraduate excellence
- Strategic priority of President Kaler
- 2012 Task Force

Task Force Directives

1. Resources & issues to align Greek Community with the U's mission, values and priorities
- ✓ 2. **Physical condition** and capacity of facilities, especially fraternities
- ✓ 3. Options and barriers to **facility improvement**
- ✓ 4. Financial, political and other supports needed to address existing **facility needs**
5. Feasibility of expanding Greek residential capacity

Why Foundation?

- Objectivity is key to Chapter acceptance
- Strategic fund supports University priorities
- UMFREA has expertise to manage

Fund Terms

- \$3M total pilot fund
 - \$1.5M from University
 - \$1.5M designated-use grant from UMF (approved 4/22)
- Objective = Condition of Chapter houses
 - Safety, not beautification
 - Real estate, not behavior
 - Low cost and simplified terms to incent improvements
- Tri-party Oversight

Borrower Terms

- Maximum loan = \$300,000
- 5, 10 or 15 year amortizations
- Low Interest -150bps over T-Bill (e.g., 2.82% 5yr – 3.73% 15yr)
- LTV 90%
- Second lien position acceptable
- Safety and comfort improvements only
- Borrower prioritizes work
- Foreclosure (last resort) - U of M is owner
- Goal: first projects begin late 2015

Pilot Program

- Need is greater than the Fund
- Demonstrate success
 - Terms are workable
 - Houses are safer
 - Repayment is occurring
- Continuation only after assessment of success

RESOLUTION RELATED TO

FUNDING SAFE HOUSING FOR GREEK CHAPTER STUDENTS

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2. The appropriate University officers are authorized to execute and deliver all documents, and to take such other actions as may be necessary or appropriate in connection with the establishment and operation of the Fund in order to achieve the goals of the University as described above.



BOARD OF REGENTS

DOCKET ITEM SUMMARY

Finance

May 7, 2015

Agenda Item: Permanent University Fund (PUF) Lands Primer

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

Presenters: Michael Volna, Associate Vice President
Susan Carlson Weinberg, Director of Real Estate

Purpose & Key Points

The purpose of this presentation is to provide an overview of the history and current status of the Permanent University Fund (PUF).

Background Information

Origin of the Lands

In 1851, the Legislative Assembly of the Territory of Minnesota established the University of Minnesota at the Falls of St. Anthony. At the request of the territorial legislature, the United States Congress (Congress) reserved from sale 72 sections of land for the support of a university.

By the Enabling Act of February 26, 1857, the Congress authorized the Territory of Minnesota to form a constitution and state government. The Enabling Act provided for grants of land to the state, including the grant of 72 sections of land for use and support of a state university.

In 1870, the Congress affirmed that the 1857 grant of land was separate from and in addition to the 1851 grant of lands. Thus, 144 sections of land were conveyed from the federal government to the State of Minnesota for the use and support of a state university.

The lands granted by the United States are owned by the State of Minnesota and managed by the Minnesota Department of Natural Resources (DNR). To distinguish them from the lands owned and managed by the University of Minnesota, the federal grant lands are often referred to as the "permanent university fund lands."

Many of the lands originally granted have been sold. As of December 2014, there are 25,840 total acres of permanent university fund lands, with an additional 21,373 acres of mineral rights.

Significant portions of the permanent university fund lands contain valuable deposits of iron ore and taconite. The lands were first leased for natural iron ore exploration and mining in 1891, with the first substantial revenue from royalties occurring in 1917. In past years, LTV Steel Mining Company and National Steel Pellet Company mined permanent university fund lands for taconite. More recently, United States Steel Corporation has mined substantial reserves of taconite at the Keewatin Taconite operation.

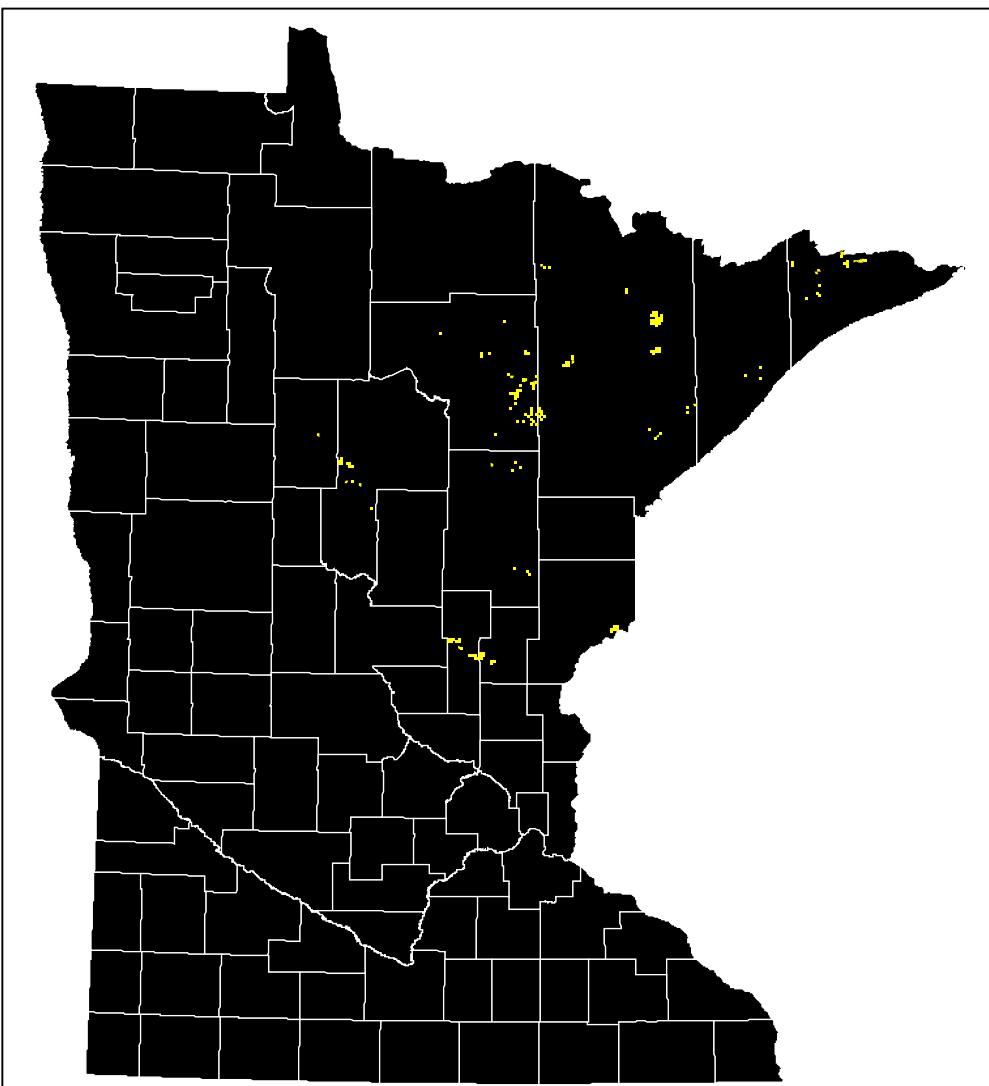


Figure 1. Location of Permanent University Fund Lands

The Permanent University Fund

The 1851 Charter for the University of Minnesota created a perpetual fund that is known as the "Permanent University Fund" (PUF). Revenue from the permanent university fund lands is deposited into the PUF.

The investment management of the PUF is under the jurisdiction of the Board of Regents of the University of Minnesota. Restrictions on investment of the PUF are provided in Minnesota Constitution, Article XI, Section 9 and Minnesota Statutes, section 137.022.

All income from the PUF is appropriated annually to the Board of Regents. The income must be used to enhance the mission of the University and the appropriation must not be used to reduce other appropriations made to the University.

The DNR's management of the PUF lands in FY 2014 resulted in \$15.3 million in revenue to the PUF. Table 1 details the FY 2014 receipts to the PUF.

In the early years, income from the investment of the revenue in the PUF was used to reduce debt incurred in establishing the University. In more recent years, the income was used for professorial chairs. Since FY 1993, the revenue from management of the PUF lands has been split among three accounts of the PUF:

1. The Endowed Chair Account
2. The Endowed Mineral Research Account
3. The Endowed Scholarship Account

On January 1, 2013, a fourth account was added – the Endowed Mesabi Range Account.

Starting July 1, 1992, revenue from the mining of PUF lands was split equally between the Endowed Mineral Research Account and the Endowed Scholarship Account. Starting January 1, 2013, revenue from the mining of PUF lands was split 25 percent to the Endowed Mesabi Range Account, 25 percent to the Endowed Mineral Research Account, and 50 percent to the Endowed Scholarship Account. Revenue to the Endowed Mineral Research Account reached \$50 million with the FY 2012 revenue distribution, so the revenue is now split 25 percent to the Endowed Mesabi Range Account and 75 percent to the Endowed Scholarship Account. When the revenue to the Endowed Mesabi Range Account reaches \$25 million, all the revenue from the mining of PUF lands will be distributed to the Endowed Scholarship Account.

See Table 2 for revenue distributions to the Endowed Chair Account.

Table 3 details revenue distributions to the Endowed Mineral Research Account and Endowed Scholarship Account from Fiscal Years 1992 through 2014, and revenue distributions to the Endowed Mesabi Range Account starting in Fiscal Year 2013.

As of June 30, 2014, the market value of the PUF was \$527 million, up from \$398 million as of June 30, 2013. A portion of the PUF is allocated to the university departments when endowed chairs are created, so only a portion of the total value of the PUF is accounted for in the above-described four accounts.

PUF Accounts

1. The Endowed Chair Account

The income from the Endowed Chair Account is used to provide endowment support for professorial chairs in academic disciplines. The following revenues are deposited to the Endowed Chair Account:

- Payments for the value of land sold, including installment payments and interest charges;
- Payments for standing timber on lands sold; and

- Net proceeds from the DNR Forest Suspense Account – University.

From the DNR Forest Suspense Account the University receives revenue from the following activities:

- Timber sales, including interest and penalty;
- Road easements;
- Utility licenses; and
- Real estate leases.

The DNR's Division of Forestry certifies the costs incurred for the protection, improvement, administration, and management of the PUF lands. Certified costs are transferred to the state's general fund, and the remainder is transferred to the Endowed Chair Account.

FY 2014 revenue will result in \$74,572 being deposited into the Endowed Chair Account of the PUF. The market value of the Endowed Chair Account was \$7.86 million as of June 30, 2014. In 2014, \$297,551 in income was distributed from the account.

2. The Endowed Mineral Research Account

The income from the Endowed Mineral Research Account is allocated to the Duluth and Coleraine facilities of the Natural Resources Research Institute (NRRI) for mineral and mineral-related research.

No revenue will be distributed to the account from FY 2013 as the total revenue to the account has reached \$50 million. The market value of the Endowed Mineral Research Account as of June 30, 2014 was \$66.34 million.

Income was first distributed to NRRI in FY 1994. The endowment income transferred to operational accounts in support of mining research in 2014 was \$2.43 million up from \$2.35 million in 2013.

3. The Endowed Mesabi Range Account

The Endowed Mesabi Range Account endows costs of operating a mining, metallurgical, or related engineering degree program offered through the University of Minnesota at the Mesabi Range Community and Technical College and for scholarships for students to attend the program.

FY 2014 revenue will result in \$3.816 million being deposited into the Endowed Mesabi Range Account of the PUF. The market value of the Endowed Mesabi Range Account as of June 30, 2014 is \$6.34 million.

Income distributed in 2014 totaled \$136,953.

4. The Endowed Scholarship Account

The income from the Endowed Scholarship Account is distributed each year through the Iron Range Scholarship Program. The scholarships are distributed for scholastic achievement to students who are Minnesota residents attending the University of Minnesota at any of its four campuses (excluding the Rochester campus). While the scholarships were initially for

freshman, the program has now expanded to be up to a four year scholarship. The amount of money for each campus is prorated based on the number of Minnesota resident students enrolled at each campus.

The Endowed Scholarship Account, which started receiving revenue from mining of permanent university fund lands in FY 1993, has resulted in the University of Minnesota's largest endowed scholarship program. The first scholarships were awarded in FY 1994. Now, over 20 percent of the University's new freshmen who are Minnesota residents receive an Iron Range Scholarship.

FY 2014 revenue will result in \$11.448 million being deposited into the Endowed Scholarship Account of the PUF. The market value of the Endowed Scholarship Account as of June 30, 2014 was \$79.03 million. For 2014-15, \$2.61 million in scholarships was distributed to students. Table 4 details the distribution of the income among the University of Minnesota campuses from 1994 to the present.

Mineral Management Costs

Before FY 1997, all the revenue from state mining leases covering PUF lands was deposited into the PUF. The state's general fund has in effect borne the costs for mineral management of the PUF lands by funding the work performed by the staff of the DNR. This practice is different from that for forestry and real estate management, where certain costs are certified against revenue, with net proceeds from the Forest Suspense Account distributed to the PUF.

The first exception as to mineral management costs occurred in 1995, when the Minnesota Legislature created the university lands and minerals suspense account. For FY 1996 and 1997, all revenue from mineral leases on PUF lands was transferred into the suspense account. Money was to be transferred annually to the PUF, except for amounts appropriated to cover reasonable DNR costs to manage the minerals in the PUF lands. In 1996, the Minnesota Legislature repealed the university lands and minerals suspense account effective June 30, 1997. In FY 1997, a one-time appropriation of \$250,000 was made from the suspense account to cover management costs.

The second exception as to mineral management costs occurred when the 2001 Minnesota Legislature enacted a law that, starting in FY 2002 for a five-year period, provided for an administration and management fee to be certified against revenue from state taconite leases covering both the school and university lands. Twenty percent of the annual payments received under the state taconite leases covering school and university fund lands were transferred to the general fund, with the remaining payments distributed to the permanent school fund and the PUF accordingly. The 2001 legislation also provided that an amount of money equal to the money transferred to the general fund was appropriated to the commissioner of natural resources and the Board of Regents for grants to the taconite mining companies to improve taconite pellet production, value-added production of taconite, and cost-savings production improvements at Minnesota's taconite plants. The 20 percent administrative and management fee stayed in effect for one year. In 2003, the Minnesota Legislature repealed the law creating the management fee.

The current practice as to mineral management costs started in FY 2006. The 2005 Minnesota Legislature enacted a law that created a minerals management account. 20 percent of the payments made under all state mineral leases are credited to the minerals management account as costs for the administration and management of the state mineral resources by the commissioner of natural resources. Money in the minerals management account is appropriated by the legislature to the

commissioner of natural resources for mineral resource management and projects to enhance future mineral income and promote new mineral resource opportunities.

The minerals management account was designed to create a \$3 million principal that could be drawn upon in the event that future income generation drops. The \$3 million level was reached in FY 2007. At the end of each fiscal year the amount exceeding \$3 million will be distributed to the permanent school fund, the PUF, and the taxing districts of tax forfeited lands in proportion to the revenue contributed to the minerals management account by these land types. For FY 2014, the PUF will receive \$2,958,563 transfer from the minerals management account.

Revenue and Income Data

Table 1: FY 2014 Proceeds to be transferred to the PUF

(Note: Revenue earned in a fiscal year is transferred to the PUF in the following fiscal year.)

Mineral lease revenue to DNR's Permanent University Account	\$12,304,881
Transfer from minerals management account	2,958,563
Forest, Suspense Account, Land Sale, and real estate lease revenue to DNR's Permanent University Account	74,572
TOTAL transferred to Permanent University Fund	\$15,338,016

Table 2. FY 1996-2014 Revenue Distributions to the Endowed Chair Account

(Note: Revenue earned in a fiscal year is transferred to the PUF in the following fiscal year.)

FY	Endowed Chair Account
1996	\$70,826.64
1997 *	\$17,553.73
1998	\$63,554.49
1999	\$62,286.28
2000	\$157,670.10
2001	\$61,038.50
2002	\$68,639.23
2003	\$80,347.47
2004	\$232,669.40
2005	\$197,691.72
2006	\$173,595.66
2007	\$243,833.39
2008	\$51,879.29
2009	\$133,935.87
2010	\$275,409.62
2011	\$111,338.10
2012	\$146,164.72
2013	\$70,478.00
2014	\$74,572.00

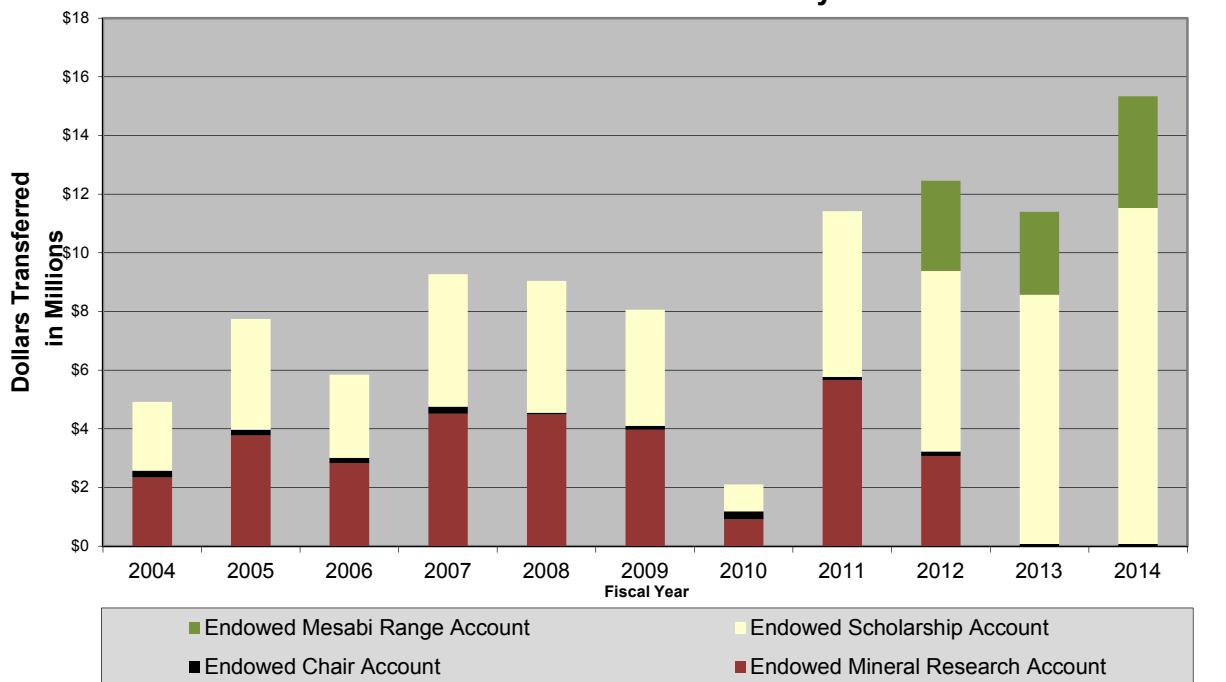
Table 3. FY 1992-2014 Mineral Lease Revenue Distribution by Account
 (Note: Revenue earned in a fiscal year is transferred to the PUF in the following fiscal year.)

FY	Endowed Mineral Research Account	Endowed Scholarship Account	Endowed Mesabi Range Account	Total
1992	\$1,485,903.50	\$1,485,903.50		\$2,971,807.00
1993	\$2,003,975.50	\$2,003,975.50		\$4,007,951.00
1994	\$1,931,548.50	\$1,931,548.50		\$3,863,097.00
1995	\$2,636,377.00	\$2,636,377.00		\$5,272,754.00
1996	\$2,712,847.14	\$2,712,847.14		\$5,425,694.28
1997 *	\$1,217,628.85	\$1,217,628.85		\$2,435,257.70
1998	\$806,960.06	\$806,960.06		\$1,613,920.12
1999	\$673,229.62	\$673,229.62		\$1,346,459.24
2000	\$416,364.08	\$416,364.08		\$832,728.16
2001	\$1,020,555.16	\$1,020,555.16		\$2,041,110.32
2002	\$930,779.53	\$930,779.53		\$1,861,559.06
2003	\$2,759,933.17	\$2,759,933.17		\$5,519,866.34
2004	\$2,342,521.57	\$2,342,521.57		\$4,685,043.14
2005	\$3,774,828.09	\$3,774,828.09		\$7,549,656.18
2006	\$2,835,833.00	\$2,835,833.00		\$5,671,666.00
2007	\$4,513,724.83	\$4,513,724.83		\$9,027,449.66
2008	\$4,494,636.83	\$4,494,636.83		\$8,989,273.66
2009	\$3,962,402.33	\$3,962,402.33		\$7,924,804.66
2010	\$914,090.50	\$914,090.50		\$1,828,181.00
2011	\$5,654,510.93	\$5,654,510.93		\$11,309,021.86
2012	\$3,076,261.19	\$6,152,522.38	\$3,076,261.19	\$12,305,044.76
2013	0	\$8,496,863.25	\$2,832,287.75	\$11,329,151.00
2014	0	\$11,447,583.00	\$3,815,861.00	\$15,263,444.00
TOTAL	\$50,164,911.38	\$73,185,618.82	\$9,724,409.94	\$133,074,940.14

Table 4. 1994-2014 Distribution of Endowed Scholarship Account Income

Year	UM-Twin Cities	UM-Duluth	UM-Morris	UM-Crookston	TOTAL
1994	\$58,635.00	\$19,517.00	\$4,922.00	\$1,782.00	\$84,856.00
1995	\$116,080.00	\$38,637.00	\$9,743.00	\$3,528.00	\$167,988.00
1996	\$232,573.00	\$79,341.00	\$21,112.00	\$7,491.00	\$340,517.00
1997	\$323,094.00	\$111,072.00	\$29,820.00	\$11,173.00	\$475,159.00
1998	\$458,013.00	\$158,751.00	\$41,883.00	\$16,888.00	\$675,535.00
1999	\$572,418.00	\$198,404.00	\$51,501.00	\$21,951.00	\$844,274.00
2000	\$715,901.00	\$247,050.00	\$60,879.00	\$27,333.00	\$1,051,163.00
2001	\$853,500.28	\$293,515.94	\$71,125.02	\$32,056.35	\$1,250,197.59
2002	\$895,541.15	\$308,186.23	\$75,045.35	\$34,020.56	\$1,312,793.29
2003	\$824,531.76	\$284,183.28	\$69,044.53	\$31,020.01	\$1,208,779.58
2004	\$789,287.74	\$272,099.19	\$66,024.07	\$30,010.94	\$1,157,421.94
2005	\$832,139.00	\$286,734.00	\$69,548.00	\$31,724.00	\$1,220,145.00
2006	\$886,643.51	\$305,515.01	\$74,103.64	\$33,801.67	\$1,300,063.83
2007	\$951,555.92	\$327,882.11	\$79,528.88	\$36,276.35	\$1,395,243.26
2008	\$1,234,792.00	\$425,478.00	\$103,201.00	\$47,074.00	\$1,810,545.00
2009	\$1,424,235.00	\$554,765.00	\$90,128.00	\$51,532.00	\$2,120,660.00
2010	\$1,550,235.85	\$603,844.09	\$98,101.58	\$56,091.02	\$2,308,272.54
2011	\$1,562,866.30	\$608,763.89	\$98,900.87	\$56,548.02	\$2,327,079.08
2012	\$1,552,494.79	\$604,724.00	\$98,244.53	\$56,172.75	\$2,311,636.07
2013	\$1,596,936.99	\$618,953.17	\$106,260.24	\$76,097.80	\$2,398,248.20
2014	\$1,712,725.54	\$670,001.11	\$121,482.12	\$101,079.13	\$2,605,287.89
TOTALS	\$19,144,199.83	\$7,017,417.02	\$1,440,597.83	\$763,650.60	\$28,365,865.27

Amounts transferred from DNR's Permanent University Account to the Permanent University Fund



Permanent University Fund(PUF) Land: Status and Current Distribution of Income

Board of Regents
Finance Committee
May 7, 2015



UNIVERSITY OF MINNESOTA
Driven to DiscoverSM

Minnesota's Permanent University Fund: A Brief History

1851

- Legislative Assembly of the Territory of Minnesota established the University of Minnesota
- US Congress reserves 72 sections of land for the support of the University of Minnesota
- Charter for the University of Minnesota created a perpetual fund that is known as the Permanent University Fund (PUF)

1857

- US Congress authorized the Territory of Minnesota to form a constitution and state government
- Enabling act provided for grants of land to the state including 72 sections of land for use and support of state university

1862

- Morrill Act of July 2, 1862, entitled Minnesota to another 120,000 acres in support of an agriculture college, which became a component of the state university as well

1870

- US Congress affirms 1857 grant of land was separate from 1851 grant. 144 sections combined

1891

- Lands first leased for ore exploration and mining

1917

- First substantial revenues from royalties occur

1993

- Revenue from PUF land split into 3 accounts [Endowed Chair, Endowed Mineral Research Account, and Endowed Scholarship Account]

2013

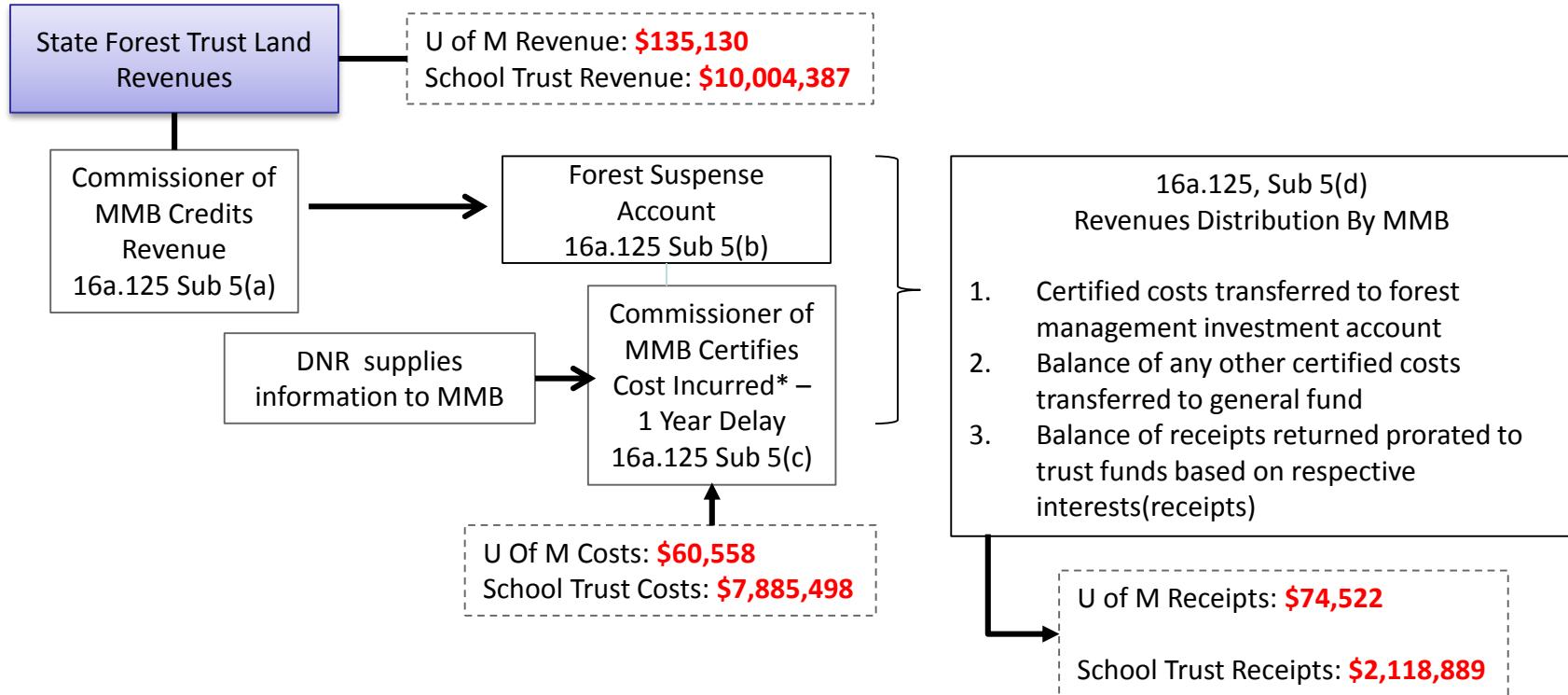
- Beginning January 1, 2013 a fourth account was added – Endowed Mesabi Range Account

Key Facts

- Minnesota State Statutes
 - M.S. 16a.125
 - M.S. 93.14 to 93.285
 - M.S. 137.022
- Minnesota Department of Natural Resources provides management of fund lands
- Investment Management of funds is under jurisdiction of Board of Regents – 6/30/2014 Market Value was \$527.4 Million

State Forest Trust Land Revenue Flow

Actual FY2014 Dollars Transferred in FY2015



*Note - Costs defined as: "Protection, improvement, administration and management of state forest trust fund lands and construction and improvement of forest roads to enhance the forest value of the lands"

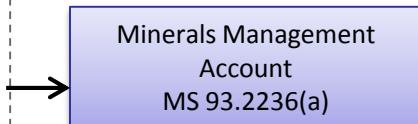
Minerals Management Account

Transfer to Permanent School and University Trust Accounts Actual FY2014 Dollars Transferred in FY2015

Disposition of payments made under MS 93.14 to 93.285



20% of all payments credited to mineral management acct. as cost for the administration and management of state mineral resources by DNR



Capped @ \$3.0M and if greater than \$3.0M at year end then distributed proportional to mineral lease revenue received in previous biennium from school trust lands and U of M lands. (MS 93.226 (b))

Subject to appropriation and "may be spent by DNR for mineral resource management and projects to enhance future mineral income and promote new mineral resource opportunities". (MS 93.226 (c))

Excess above \$3.0M

Remaining 80% of all payments credited as follows:

- 1) If Lease held by state by virtue of act of Congress credit to permanent fund of the class of land to which leased premises belong
- 2) If bed of navigable waters then permanent school fund
- 3) If Held by state in trust for taxing districts then by formula in law(MS 93.22 Sub 1(3))
- 4) If absolute property of state then by formula in law(MS 93.22 Sub 1(4))
- 5) Everything else to general fund unless directed by law

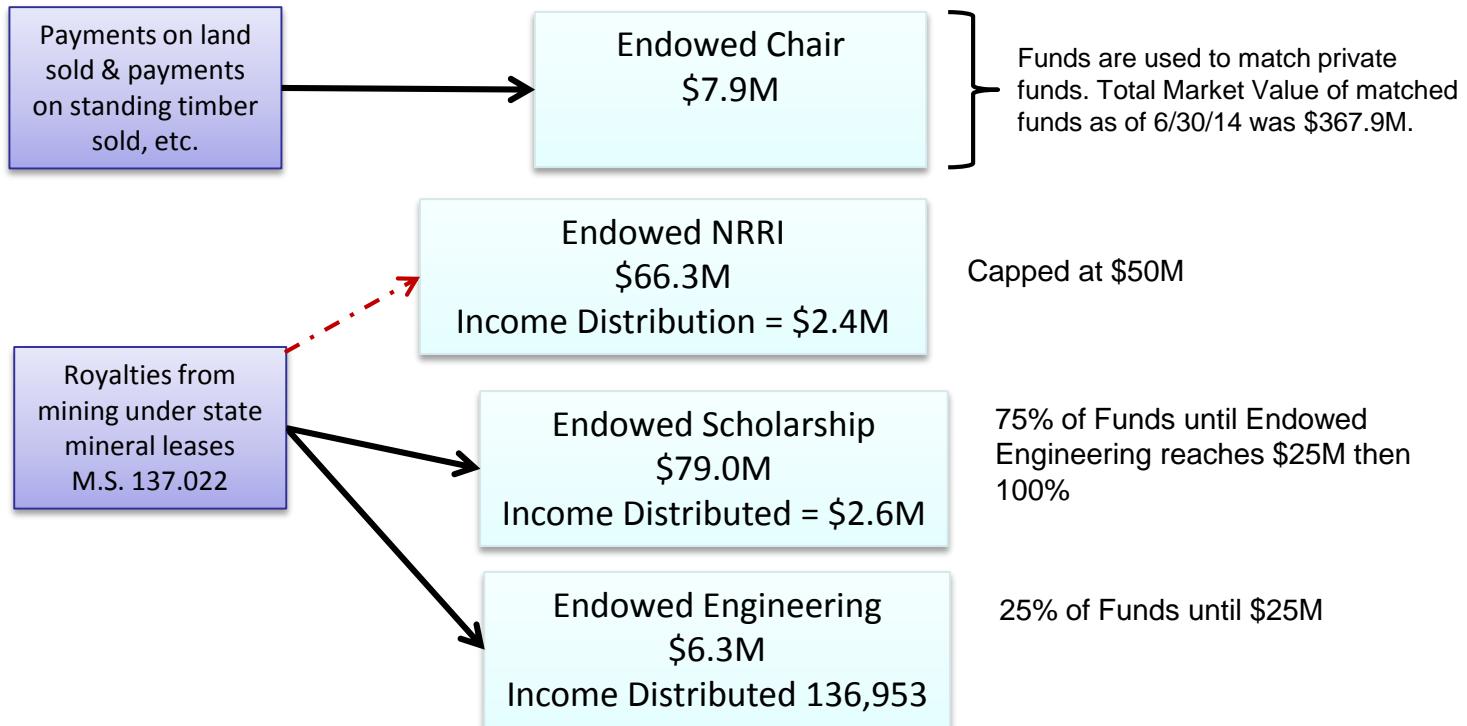
Mineral Lease Revenue: Actual FY2014 Dollars

Fund 610: Permanent University: $[\$12.3M + \$2.9M \text{ excess on } \$3.0M = \$15.2M]$

Fund 860: Permanent School: MNDNR has not published figures yet

Current Law Distribution of Funds & Market Value of Accounts

June 30, 2014



University of Minnesota
2014 Academic Year
Iron Range Scholarship Program

Endowed Scholarship Account
MV \$79.0M 6/30/14

Eligibility/Criteria

- MN Resident or Eligible for Dream Act
- Top 10% of graduating class
- \$1,000 - \$3,000 per year for 2 to 4 years
- Notified March of senior year high school

2014 Impact

1,522 Undergraduate Students*

\$1,564 Average Scholarship Received

\$2.4M Distributed

*Note: UMC 47, UMD 547, UMM 16, UMTC 912

Questions



BOARD OF REGENTS

DOCKET ITEM SUMMARY

Finance

May 7, 2015

Agenda Item: Consent Report

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

Presenters: Michael Volna, Associate Vice President

Purpose & Key Points

General Contingency

The purpose of this item is to seek approval for allocations from General Contingency greater than \$250,000.

- There are no items requiring approval this period.

Purchase of Goods and Services \$1,000,000 and Over

The purpose of this item is to seek approval for purchases of goods and services of \$1,000,000 and over.

- To Restoration Technologies, Inc. (RTI), for an additional \$1,207,193 for 2015 Structural Repairs of Twin Cities campus parking facilities of Oak Street Parking Ramp, Washington Avenue Parking Ramp, West Bank Office Building Parking Ramp, and Church Street Garage for the period of May 18, 2015 through October 30, 2015, with contract extensions thru October 30, 2016 for Parking and Transportation Services (PTS). PTS is self-funded through parking revenue. Included in FY 2016, funds exceeding \$1.16 million have been budgeted relating to structural repairs. Future projections are based at a rate of \$600,000 per year with an opportunity to budget for additional projects, as needs arise. Vendor was selected through a competitive process.
- To Schindler Elevator for \$4,804,002 for providing Vertical Transportation Maintenance Services as needed for the period of July 1, 2015 through June 30, 2018, for the Facilities Management Department. Maintenance and operations of elevators and escalators is budgeted by a variety of organizations on the Twin Cities campus through their facilities budget. Vendor was selected through a competitive process.

Background Information

Approvals are sought in compliance with Board of Regents Policy as follows:

- General Contingency: Reservation and Delegation of Authority, Sec.VII. Subd. 1.
- Purchase of Goods and Services \$1,000,000 and Over: Reservation and Delegation of Authority, Sec.VII. Subd. 6

President's Recommendation

The President recommends approval of the Consent Report.

General Contingency

Fiscal Year 2014-15

	Recipient	Allocation	Balance	Purpose
1	FY2015 General Contingency		\$1,000,000	
2	Carryforward from FY2014 into FY2015	785,396	1,785,396	
3	VP University Services	* 500,000	1,285,396	UMarket Logistics Dock
4	VP University Services	* 250,000	1,035,396	U Relations Space Remodel
5	VP University Services	(85,000)	1,120,396	U Market Sprinkler System (return of unused funds)
6	College of Liberal Arts	25,000	1,095,396	Human Rights Program
7	Office of Public Safety	* 271,300	824,096	PSECC Radio Technology
8	Environmental Health & Safety	200,000	624,096	UMore GUE Additional Investigation & Response Action Plan
9	VP University Services	150,000	474,096	UM Morris Biomass (Scope 1)
10	CFANS	333,600	140,496	Beef Feedlot move and renovation in Rosemount
11	New items this reporting period:			
12	Office of Real Estate	132,000	8,496	Purchase of 120 acres in Isanti County for Cedar Creek
13	FY 2014-15 Ending Balance		8,496	

* Subject to Board approval due to cost of \$250,000 or more

FY15 r. 2015 May

Purchase of Goods and Services \$1,000,000 and over

To Restoration Technologies, Inc.(RTI), for an additional \$1,207,193 for 2015 Structural Repairs of Twin Cities campus parking facilities of Oak Street Parking Ramp, Washington Avenue Parking Ramp, West Bank Office Building Parking Ramp and Church Street Garage for the period of May 18, 2015 through October 30, 2015 with contract extensions thru October 30, 2016 for Parking and Transportation Services (PTS).

PTS is responsible for the administration of structured parking facilities located throughout the Twin Cities Campus. The University currently has 16 structured parking facilities and 130 surface parking lots located throughout the three campus areas comprising the Twin Cities Campus.

The FY16 Structural Condition Survey contains a necessary scope of work that involves concrete, sealants and waterproofing of Washington Avenue and Oak Street Parking Ramps, and storm pipe and sanitary (flammable waste) pipe replacement at West Bank Office Building Parking Ramp. Additionally, there is a needed generator exhaust pipe replacement at Church Street Garage.

Through a competitive process, RTI provided the best value based on a combination of price, work plan, past references, similar project experience and staff availability to complete the work. In FY13 RTI was awarded a one (1) year contract. The University has the option to renew the contract for up to three (3) additional one-year terms. The additional \$1,207,193 for year three brings the contract total to \$2,496,370. There is one additional one-year renewal term remaining.

PTS is self-funded through parking revenue. Included in FY16, funds exceeding \$1.16 million have been budgeted relating to structural repairs. Future projections are based at a rate of \$600,000 per year with an opportunity to budget for additional projects, as needs arise.

Submitted by: Sandra (Sandy) Cullen, Assistant Director
Facilities and Transportation Systems
Parking and Transportation Services
Twin Cities Campus
Phone: (612) 625-6009
Fax: (612) 624-8899

Approval for this item requested by:

Pamela Wheelock
Pamela Wheelock
Vice President of University Services

4/22/15
Date

Purchase of Goods and Services \$1,000,000 and over

To Schindler Elevator for \$4,804,002 for providing Vertical Transportation Maintenance Services as needed for the period of July 1, 2015 through June 30, 2018 for the Facilities Management Department.

Historically, the maintenance of the 400 elevators and 20 escalators located throughout the Twin Cities Campus was managed by a variety of organizations, acting independently and utilizing both in and out of house services. This approach led to varying levels of service and created an inefficient approach to asset management with an approximate cost of \$146,000/month. The University decided that it would be best to contract the maintenance and supervision of elevators and escalators to ONE vendor in order to efficiently manage the operational performance of our vertical transportation equipment in the most cost effective way possible.

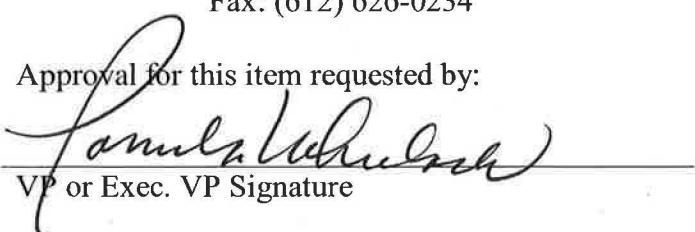
In September of 2012, a competitive Request for Proposal (RFP) process was completed. Six proposals were received and Schindler Elevator was determined to be the best value for the University (based on a combination of price, work plan, and staffing levels). The initial 30-month contract (which was approved by the Regents in October of 2012) began January 1, 2013 and is now approaching the end of its term.

The RFP included a three-year option for renewal if the selected vendor had met and exceeded the University's expectations. Schindler Elevator has performed exceptionally well throughout the initial contract period and a 5% price increase for the entire three-year option has been negotiated. The University would like to continue this excellent service by renewing the contract for an additional three years.

Maintenance and operations of elevators and escalators is budgeted by a variety of organizations on the Twin Cities campus through their facilities budget.

Submitted by: Mike Berthelsen, Facilities Management Associate Vice President
Suite 300 Donhowe Building
Minneapolis Campus
Phone: (612) 626-1091
Fax: (612) 626-0234

Approval for this item requested by:


VP or Exec. VP Signature

4/22/15
Date



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

May 7, 2015

Agenda Item: Information Items

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

Presenters: Michael Volna, Associate Vice President

Purpose & Key Points

Quarterly Investment Advisory Committee Update

To provide the Board of Regents with a summary of the quarterly meeting of the Investment Advisory Committee held on February 11, 2015.

Associate Vice President Stuart Mason indicated that the market value of the Consolidated Endowment Fund (CEF) had declined over the last quarter by \$5.3 million to \$1,264.5 million as of December 31, 2014. He noted that the quarterly performance was 0.93 percent and the 12-month performance was 10.80 percent exceeding their benchmarks of -0.85 percent and 5.72 percent respectively. The outperformance in each case was driven largely by the outperformance of the global real estate portion of the inflation hedges and a combination of manager outperformance and an overweight of venture capital allocation within the private capital portfolio. He indicated that the recently published NACUBO/Commonfund Peer Performance Survey placed the University's fiscal year end results as first out of 91 higher education institutions in the country with portfolios exceeding \$1.0 billion.

Andrew Parks, who is the portfolio manager for private equity with the Office of Investments and Banking (OIB), which includes both leveraged buyout and distressed-debt-for-control managers, presented the details of the strategic plan report. A summary of the plan highlighted that OIB intends to utilize flexible target ranges within the private capital asset class, which also includes venture capital, and to target an overall CEF portfolio allocation near the top of the Regents policy range of 15-25 percent. Parks emphasized that the focus of the buyout investment effort would be on small and mid-market managers, often who would have an industry sector specialty or a specific regional focus. IAC members indicated their support for the strategic plan as it was presented, emphasizing that it provided an attractive risk/return trade off.

A "Key Initiatives" work-plan was prepared by OIB for discussion by the committee. Jackob Widmark and Ann Hanna of OIB provided a summary of priorities in the Inflation Hedges portfolio and indicated that an increased commitment pace would be necessary over the next three years. A

more detailed plan with supporting evidence is on the agenda for review at the May 2015 meeting. Parks discussed the highlights of the Return Generating Fixed Income portfolio indicating that a more detailed plan was scheduled for review at the August 2015 IAC meeting. Mason also discussed the Public Equity portfolio strategy indicating that it was scheduled for a more detailed review in the November 2015 meeting.

Matthew Nyman and Widmark of OIB presented materials supporting the recommendation by OIB to hire Hamilton Lane as a distribution manager to manage the in-kind stock distributions received from private equity and venture capital managers. They described the persistent pattern of a 3-5 percent decline in market value for public companies on the day or soon after the day when private capital managers make significant distributions of stock. This is the result of the practice by many asset owners of automatically selling upon receipt of distributions. Hamilton Lane has demonstrated a history of capturing more than 99.0 percent of the distribution value by employing a combination of proprietary research and trading strategies. IAC members offered a few clarifying questions, but unanimously approved the recommendation.

Mason commented briefly on the Quarterly Asset Management Report, noting that other portfolios such as TIP, GIP, and RUMINCO all outperformed their respective benchmarks for the past 12 months and for longer term periods, and all portfolios were very much in balance relative to their specific asset allocation guidelines.

Semi-Annual Management Report

The semi-annual management report provides the Board of Regents with an overview of the University's unaudited financial statements as of December 31, 2014. The report includes:

- Consolidated Statement of Net Position;
- Consolidated Statement of Revenues, Expenses and Changes in Net Position;
- Consolidated Statement of Cash Flows;
- Commentary on the major fluctuations in balances, revenues and expenses; and
- A summary of semi-annual unaudited results for the University's reportable component units.

University of Minnesota

Consolidated Statements of Net Position (Excluding Component Units)

December 31, 2014 and 2013 (in thousands)

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 186,513	\$ 249,163
Short-term investments	806	6,792
Receivables, net	576,984	538,168
Inventories	23,029	22,037
Student loans receivable, net	10,114	8,379
Prepaid expenses	31,407	29,157
Other assets	376	376
	Total current assets	829,229
		854,072
Noncurrent assets		
Restricted cash and cash equivalents	226,826	90,319
Investments	2,091,796	1,949,160
Receivables, net	14,503	14,521
Student loan receivables, net	57,997	55,867
Prepaid expenses	1,713	5,872
Other assets	-	15
Capital assets, net	2,889,836	2,861,300
	Total noncurrent assets	5,282,671
		4,977,054
Total assets	6,111,900	5,831,126
Deferred Outflows of Resources		
	Total deferred outflows of resources	-
Total assets and deferred outflows of resources	6,111,900	5,831,126
Liabilities		
Current liabilities		
Accounts payable	112,614	119,746
Accrued liabilities and other	273,214	257,388
Unearned income	12,967	3,912
Long-term debt-current portion	309,283	273,089
	Total current liabilities	708,078
		654,135
Noncurrent liabilities		
Accrued liabilities and other	205,386	187,885
Unearned income	3,154	6,279
Long-term debt	1,121,692	1,019,977
	Total noncurrent liabilities	1,330,232
		1,214,141
Total liabilities	2,038,310	1,868,276
Deferred Inflows of Resources		
	Total deferred inflows of resources	-
Total liabilities and deferred inflows of resources	2,038,310	1,868,276
Net Position		
Unrestricted	1,036,343	1,050,732
Restricted	Expendable	980,492
	Nonexpendable	277,747
Net investment in capital assets	1,681,959	1,653,879
Total net position	\$ 4,073,590	\$ 3,962,850

University of Minnesota
Analysis of Consolidated Statements of Net Position
To Accompany December 31, 2014 Financial Statements
Excluding Component Units, in thousands

	2015	2014	\$	%	Explanation
Assets:					
Current Assets:					
Cash & cash equivalents	186,513	249,163	(62,650)	-25%	Decrease in temporary investment pool held at banks
Short-term investments	806	6,792	(5,986)	-88%	Decrease due to moving funds into long term investments
Receivables, net	576,984	538,168	38,816	7%	Increase in receivables from UMF and UMP. Increase in state receivable for performance benchmarks being reached on O&M funds. These increases were partially offset by a decrease in sponsored receivables and student receivables
Inventories	23,029	22,037	992	5%	
Student loans receivable, net	10,114	8,379	1,735	21%	
Prepaid expenses & deferred charges	31,407	29,157	2,250	8%	
Other assets	376	376	-	0%	
Total current assets	829,229	854,072	(24,843)	-3%	
Noncurrent assets:					
Restricted cash and cash equivalents	226,826	90,319	136,507	151%	Increase in unspent bond proceeds
Investments	2,091,796	1,949,160	142,636	7%	Increase in CEF and TIP investments, offset by decrease in GIP investments
Receivables, net	14,503	14,521	(18)	0%	
Student loan receivables, net	57,997	55,867	2,130	4%	
Prepaid expenses and deferred charges	1,713	5,872	(4,159)	-71%	
Other assets	-	15	(15)	-100%	
Capital assets, net	2,889,836	2,861,300	28,536	1%	Increased spending on capital projects, including the Ambulatory Care Clinic and the Itasca Biological Station
Total noncurrent assets	5,282,671	4,977,054	305,617	6%	
Total assets	6,111,900	5,831,126	280,774	5%	
Liabilities:					
Current liabilities:					
Accounts payable	112,614	119,746	(7,132)	-6%	
Accrued liabilities and other	273,214	257,388	15,826	6%	Increase in other post employment benefits liability (OPEB) and Boynton healthcare liability
Unearned income	12,967	3,912	9,055	231%	Increase in deferred income on sponsored awards; and new business process for Athletic events ticket revenue
Long-term debt - current portion	309,283	273,089	36,194	13%	Increase due to issuance of Series 2014B General Obligation bonds and 2014 Commercial Paper Series E
Total current liabilities	708,078	654,135	53,943	8%	
Noncurrent Liabilities:					
Accrued liabilities and other	205,386	187,885	17,501	9%	Increase in other post employment benefits liability (OPEB)
Unearned income	3,154	6,279	(3,125)	-50%	
Long-term debt	1,121,692	1,019,977	101,715	10%	Increase due to issuance of Series 2014B General Obligation bonds and 2014 Commercial Paper Series E
Total noncurrent liabilities	1,330,232	1,214,141	116,091	10%	
Total liabilities	2,038,310	1,868,276	170,034	9%	
Net Position					
Unrestricted	1,036,343	1,050,732	(14,389)	-1%	
Restricted Expendable	1,065,889	980,492	85,397	9%	
Nonexpendable	289,399	277,747	11,652	4%	
Invested in capital assets, net of related debt	1,681,959	1,653,879	28,080	2%	
Total net position	4,073,590	3,962,850	110,740	3%	

University of Minnesota

**Consolidated Statements of Revenues, Expenses and Changes in Net Position
(Excluding Component Units)**

For the six months ended December 31, 2014 and 2013 (in thousands)

		2015	2014
Revenues			
Operating revenues	Student tuition and fees, net of scholarship allowances	\$ 367,000	\$ 367,990
	Federal grants and contracts	229,146	239,125
	State and other government grants	30,789	33,237
	Nongovernmental grants and contracts	156,508	141,615
	Student loan interest income	854	798
	Sales and services of educational activities, net of scholarship allowances	65,783	68,169
	Auxiliary enterprises, net of scholarship allowances of \$5,449 in 2015;	232,091	211,906
	Other operating revenues	24	42
Total operating revenues		1,082,195	1,062,882
Expenses			
Operating expenses	Education and general		
	Instruction	359,055	354,942
	Research	351,629	341,083
	Public service	122,189	124,580
	Academic support	196,952	204,888
	Student services	60,290	58,149
	Institutional support	122,093	118,870
	Operation and maintenance of plant	143,239	147,226
	Scholarships and fellowships	31,478	30,561
	Depreciation	109,257	116,472
	Auxiliary enterprises	159,312	145,045
	Other operating expenses, net	98	36
Total operating expenses		1,655,592	1,641,852
Operating Loss		(573,397)	(578,970)
Nonoperating Revenues (Expenses)			
Federal appropriations		8,515	7,970
State appropriations		642,032	615,015
Grants		76,217	82,336
Gifts		89,192	70,342
Investment income, net		5,662	105,940
Interest on capital-asset related debt		(26,118)	(24,153)
Other nonoperating revenues (expenses), net		21,744	2,041
Net nonoperating revenues		817,244	859,491
Income Before Other Revenues		243,847	280,521
Capital appropriations		35,216	56,355
Capital grants and gifts		7,461	8,192
Additions to permanent endowments		-	-
Total other revenues		42,677	64,547
Increase In Net Position		286,524	345,068
Net position at beginning of year		3,787,066	3,617,782
Net position at December 31		\$ 4,073,590	\$ 3,962,850

University of Minnesota
Analysis of Consolidated Statements of Revenues, Expenses and Changes in Net Position
To Accompany December 31, 2014 Financial Statements
Excluding Component Units, in thousands

	2015	2014	Increase / (Decrease)		
			\$	%	Explanation
Revenues:					
Operating revenues:					
Student tuition and fees, net of scholarship allowances	367,000	367,990	(990)	0%	
Federal grants and contracts	229,146	239,125	(9,979)	-4%	
State and other government grants	30,789	33,237	(2,448)	-7%	
Nongovernmental grants and contracts	156,508	141,615	14,893	11%	Process changes with UMP and the medical school and also due to timing of sponsored billings
Student loan interest income	854	798	56	7%	
Sales and services of educational activities, net of scholarship allowances	65,783	68,169	(2,386)	-4%	
Auxiliary enterprises, net of scholarship allowances	232,091	211,906	20,185	10%	TCF Stadium events revenue increase; increase in student housing and insurance receipts
Other operating revenues	24	42	(18)	-43%	
Total operating revenues	1,082,195	1,062,882	19,313	2%	
Expenses					
Operating expenses:					
Education and general:					
Instruction	359,055	354,942	4,113	1%	
Research	351,629	341,083	10,546	3%	
Public service	122,189	124,580	(2,391)	-2%	
Academic support	196,952	204,888	(7,936)	-4%	
Student services	60,290	58,149	2,141	4%	
Institutional support	122,093	118,870	3,223	3%	
Operation and maintenance of plant	143,239	147,226	(3,987)	-3%	
Scholarships and fellowships	31,478	30,561	917	3%	
Depreciation	109,257	116,472	(7,215)	-6%	Decrease in depreciation due to process changes for buildings and research facilities
Auxiliary enterprises	159,312	145,045	14,267	10%	General salary increase; increased Athletics expenses for Vikings, soccer and hockey games, sport guarantee payments and travel and parking costs; increased Boynton insurance costs
Other operating expenses, net	98	36	62	172%	Increase in Perkins loan fund expenditures
Total operating expenses	1,655,592	1,641,852	13,740	1%	
Operating Loss	(573,397)	(578,970)	5,573	-1%	
Nonoperating Revenues (Expenses)					
Federal appropriations	8,515	7,970	545	7%	
State appropriations	642,032	615,015	27,017	4%	Increase due to reaching state performance benchmarks on O&M funds
Grants	76,217	82,336	(6,119)	-7%	
Gifts	89,192	70,342	18,850	27%	Increase in UMF funding; funding for Chemistry Engineering construction project
Investment income, net	5,662	105,940	(100,278)	-95%	Decrease in fair market value for TIP and CEF/GIP
Interest on capital-asset related debt	(26,118)	(24,153)	(1,965)	8%	
Other nonoperating revenues (expenses), net	21,744	2,041	19,703	965%	Increase due to settlements with Caremark RX and Centerpoint Energy
Net nonoperating revenues	817,244	859,491	(42,247)	-5%	
Income Before Other Revenues	243,847	280,521	(36,674)	-13%	
Capital appropriations	35,216	56,355	(21,139)	-38%	Decrease due to timing of activity on older state capital appropriations
Capital grants and gifts	7,461	8,192	(731)	-9%	
Total other revenues	42,677	64,547	(21,870)	-34%	
Increase In Net Position	286,524	345,068	(58,544)	-17%	
Net position at beginning of year	3,787,066	3,617,782	169,284	5%	
Net position at end of year	4,073,590	3,962,850	110,740	3%	

University of Minnesota

Consolidated Statements of Cash Flows (Excluding Component Units)

For six months ended December 31, 2014 and 2013 (in thousands)

	2015	2014
Cash Flows From Operating Activities		
Student tuition and fees	\$ 438,949	\$ 421,477
Grants and contracts (federal, state, nongovernmental, other)	440,531	432,780
Auxiliary enterprises	203,648	187,729
Sales and services of educational activities	36,997	56,303
Other operating revenues	24	42
Payments to employees for services	(778,146)	(767,369)
Payments for fringe benefits	(262,641)	(251,317)
Payments to suppliers for goods and services	(481,879)	(479,814)
Payments for scholarships and fellowships	(42,009)	(36,893)
Loans issued to students	(6,790)	(6,313)
Collection of loans to students	5,973	10,377
Net cash used by operating activities	(445,343)	(432,998)
Cash Flows From Noncapital Financing Activities		
Federal appropriations	15,856	15,672
State appropriations	306,008	305,758
Grants for other than capital purposes	77,560	80,101
Gifts for other than capital purposes	86,196	61,127
Other nonoperating revenues, net	18,776	2,621
Direct lending receipts	144,125	145,330
Direct lending disbursements	(144,119)	(145,180)
Agency transactions	5,029	8,822
Net cash provided by noncapital financing activities	509,431	474,251
Cash Flows From Capital and Related Financing Activities		
Capital appropriations	32,993	51,940
Capital grants and gifts	(2,267)	6,766
Proceeds from capital debt	211,158	50,986
Proceeds from sale of capital assets	326	210
Purchases of capital assets	(115,856)	(129,360)
Principal paid on capital debt	(61,922)	(57,469)
Interest paid on capital debt	(26,670)	(26,152)
Issuance of notes receivable	-	(8,750)
Principal received on notes receivable	88	36
Interest received on notes receivable	230	11
Net cash provided (used) by capital and related financing activities	38,080	(111,782)
Cash Flows From Investing Activities		
Investment income, net	67,178	36,304
Proceeds from sales and maturities of investments	398,247	374,866
Purchase of investments	(464,191)	(282,170)
Net cash provided by investing activities	1,234	129,000
Net Increase (Decrease) in Cash and Cash Equivalents	103,402	58,471
Cash and Cash Equivalents at Beginning of Year	309,937	281,011
Cash and Cash Equivalents at December 31	\$ 413,339	\$ 339,482

University of Minnesota**Consolidated Statements of Cash Flows (Excluding Component Units)**

For six months ended December 31, 2014 and 2013 (in thousands)

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used by Operating Activities		2015	2014
Operating loss	\$	(573,397)	\$ (578,970)
Adjustments to reconcile net operating loss to net cash used by operating activities			
Depreciation expense		109,257	116,472
Changes in assets and liabilities			
Receivables, net		57,666	74,234
Inventories		(582)	436
Prepaid and other items		(14,844)	(16,442)
Accounts payable		5,125	5,160
Accrued liabilities		26,676	22,203
Unearned income		(55,244)	(56,091)
Net cash used by operating activities	\$	(445,343)	\$ (432,998)
Noncash Investing, Capital, and Financing Activities			
Unrealized gains (losses) on investments	\$	(64,478)	\$ 73,317
Capital assets on account		7,716	14,879
Contribution of capital assets		9,534	2,846
Amortization of bond discount/premium		2,224	1,978
Capital assets acquired with capital lease		1,456	798
Cash and Cash Equivalents at December 31			
Cash and cash equivalents	\$	186,513	\$ 249,163
Restricted cash and cash equivalents		226,826	90,319
Total cash and cash equivalents at December 31	\$	413,339	\$ 339,482

University of Minnesota
Component Units - Statements of Financial Position
December 31, for Fiscal Years 2015 and 2014 (in thousands)

	University of Minnesota Foundation		University of Minnesota Physicians	
	2015	2014	2015	2014
Assets				
Cash and cash equivalents	\$69,224	\$50,916	\$93,071	\$59,310
Investments, substantially at fair market value	2,248,830	2,122,785	17,759	17,578
Investments held for unitrusts, annuity trusts, and gift annuities	-	-	-	-
Investments loaned to broker	-	-	-	-
Investments collateral	-	-	-	-
Pledges receivable, net	184,622	138,098	-	-
Accounts and other receivables	55,495	41,563	67,873	73,805
Interest in charitable lead trusts, unitrusts, pooled income, and trusts	98,134	95,829	-	-
Gift annuities	38,870	41,749	-	-
Interest in the net assets of related parties	-	-	-	-
Property and equipment, net	64,078	57,617	6,856	13,478
Prepays and other assets	808	851	8,295	6,431
Total assets	2,760,061	2,549,408	193,854	170,602
Liabilities				
Accounts payable and accrued liabilities	30,685	25,296	76,788	66,095
Deferred revenue and gains	-	-	-	-
Gift annuities payable	19,147	20,682	-	-
Split-interest agreement liabilities	-	-	-	-
Unitrusts, pooled income, and annuity trusts payable	12,706	11,327	-	-
Investments held for custody of others	249,902	235,391	-	-
Payable under investment loan agreement	-	-	-	-
Bonds and capital lease payable	50,536	51,247	700	14,206
Total liabilities	362,976	343,943	77,488	80,301
Net Assets				
Unrestricted	84,459	55,346	116,366	90,301
Non-Controlling Interest in Subsidiary	8,361	7,514	-	-
Total Unrestricted	92,820	62,860	116,366	90,301
Temporarily restricted	1,323,188	1,199,806	-	-
Permanently restricted	981,077	942,799	-	-
Total net assets	2,397,085	2,205,465	116,366	90,301
Total liabilities, minority interest, and net assets	2,760,061	2,549,408	193,854	170,602

University of Minnesota

Component Units - Statement of Activities

For six months ended December 31, Fiscal Year 2015 and 2014

(with summarized information in thousands)

	University of Minnesota Foundation			Total	
	Unrestricted	Temporarily restricted	Permanently restricted	2015	2014
Revenues					
Contributions	(\$22)	\$158,263	\$28,114	\$186,355	\$99,869
Investment income, net	859	3,832	29	4,720	5,926
Net realized and unrealized gains (losses) on investments	484	7,663	1	8,148	107,207
Change in value of trusts	(7)	1,089	(564)	518	2,226
Support services revenue	4,882	-	-	4,882	4,882
UMF - Real Estate Advisors rental revenue	3,085	-	-	3,085	2,721
University Gateway Corporation revenue	3,062	-	-	3,062	3,154
Other revenue	961	998	6	1,965	2,292
Net assets released from restriction	112,856	(114,921)	2,065	-	-
Total revenues	126,160	56,924	29,651	212,735	228,277
Expenses					
Program services					
Distributions for educational purposes	91,279	-	-	91,279	80,800
Support services					
Management and general	4,488	-	-	4,488	4,335
Fund-raising	12,155	-	-	12,155	11,284
UMF - Real Estate Advisors	3,209	-	-	3,209	2,739
University Gateway Corporation	3,009	-	-	3,009	2,957
Total expenses	114,140	-	-	114,140	102,115
Increase in net assets	12,020	56,924	29,651	98,595	133,219
Net assets at beginning of year	80,800	1,266,264	951,426	2,298,490	2,072,246
Net assets at December 31	92,820	1,323,188	981,077	2,397,085	2,205,465

University of Minnesota**Component Units - Statement of Activities**

For six months ended December 31, Fiscal Year 2015 and 2014

(with summarized information in thousands)

	University of Minnesota Physicians	
	Total (unrestricted)	
	2014	2013
Revenues		
Net patient service revenue	\$101,293	\$98,171
Investment income, net	470	652
Net realized and unrealized gains (losses) on investments	-	-
Other revenue	135,798	130,896
Total revenues	237,561	229,719
Expenses		
Program services		
Health care services	205,976	201,111
Support services		
Management and general	21,470	21,392
Total expenses	227,446	222,503
Increase in net assets	10,114	7,216
Net assets at beginning of year	106,252	83,085
Net assets at December 31	\$116,366	\$90,301