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UNIVERSITY OF MINNESOTA

ANNUAL REPORT

1984

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October 22, 1984

Board of Regents
University of Minnesota
Minneapolis, Minnesota

We have examined the statements of financial condition of the University of Minnesota as of June 30, 1984, 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.

In our opinion, the financial statements referred to above present fairly the financial position of the University of Minnesota at June 30, 1984, 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.



Certified Public Accountants

STATEMENT OF FINANCIAL CONDITION
 Current and Noncurrent Funds (In Thousands)

	Current Funds			Noncurrent Funds	Total All Funds June 30	
	Unrestricted	Restricted	Total		1984	1983
ASSETS						
				(Page 5)	(Memorandum Only)	
Cash and temporary investments	\$ 147,027	\$ 42,888	\$ 189,915	\$ 144,694	\$ 334,609	\$ 287,564
Receivable (Note B)	51,352	22,491	73,843	137,084	210,927	171,790
Inventories	20,866	67	20,933		20,933	19,182
Prepaid expenses and deferred charges	8,373		8,373	5,666	14,039	13,789
Investments (Note C)				135,394	135,394	138,904
Deposits with trustee (Notes D & E)				57,491	57,491	71,443
Investment in plant (Note D)				1,130,393	1,130,393	1,031,746
TOTAL ASSETS	\$ 227,618	\$ 65,446	\$ 293,064	\$ 1,610,722	\$ 1,903,786	\$ 1,734,418
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 39,292	\$ 2,545	\$ 41,837	\$ 6,919	\$ 48,756	\$ 35,068
Accrued liabilities	32,888	4,508	37,396	3,590	40,986	40,753
Unearned income	11,747		11,747		11,747	10,279
Notes payable, bonds payable and capital lease obligations (Note E)	8,800		8,800	215,199	223,999	222,352
Deposits held in custody for others				3,046	3,046	3,947
Interfund balances	(1,772)		(1,772)	1,772		
TOTAL LIABILITIES	90,955	7,053	98,008	230,526	328,534	312,399
CONTINGENCIES AND COMMITMENTS (Notes D, E, and H)						
FUND BALANCES						
Current funds	136,663	58,393	195,056		195,056	142,489
Loan funds				41,300	41,300	39,819
Endowment funds				139,155	139,155	143,651
Life Income funds				176	176	180
Plant funds				1,199,565	1,199,565	1,095,880
TOTAL FUND BALANCES	136,663	58,393	195,056	1,380,196	1,575,252	1,422,019
TOTAL LIABILITIES AND FUND BALANCES	\$ 227,618	\$ 65,446	\$ 293,064	\$ 1,610,722	\$ 1,903,786	\$ 1,734,418

See notes to financial statements

STATEMENT OF CHANGES IN FUND BALANCES
 Current and Noncurrent Funds (In Thousands)

	Current Funds			Noncurrent Funds	Total All Funds Year Ended June 30	
	Unrestricted	Restricted	Total		1984	1983
REVENUES AND OTHER ADDITIONS				(Page 6)	(Memorandum Only)	
Unrestricted revenue	\$ 679,458	\$	\$ 679,458	\$	\$ 679,458	\$ 619,824
Federal appropriations		13,692	13,692		13,692	12,124
State appropriations		35,354	35,354	52,150	87,504	55,841
Federal grants and contracts		107,570	107,570	1,774	109,344	105,038
State grants and contracts		5,957	5,957		5,957	5,525
Local grants and contracts		1,518	1,518		1,518	1,394
Private grants and contracts		81,289	81,289	3,151	84,440	77,182
Investment income		10,103	10,103	15,265	25,368	16,794
Other additions				117,568	117,568	74,131
TOTAL REVENUES AND OTHER ADDITIONS	679,458	255,483	934,941	189,908	1,124,849	967,853
EXPENDITURES AND OTHER DEDUCTIONS						
Educational and general	398,920	219,220	618,140		618,140	578,483
University Hospitals	148,435	95	148,530		148,530	146,697
Auxiliary enterprises	64,331	38	64,369		64,369	60,165
Indirect costs recovered		21,779	21,779		21,779	21,239
Refund to grantors		66	66		66	257
Adjustment to market value				24,343	24,343	(39,049)
Expended for plant facilities				66,710	66,710	32,838
Other deductions		133	133	27,546	27,679	43,588
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	611,686	241,331	853,017	118,599	971,616	844,218
TRANSFERS AMONG FUNDS - ADDITIONS/(DEDUCTIONS)						
Mandatory						
Principal and interest	(5,659)	(84)	(5,743)	5,743		
Renewals and replacements	(416)		(416)	416		
Nonmandatory	(20,888)	(2,310)	(23,198)	23,198		
TOTAL TRANSFERS	(26,963)	(2,394)	(29,357)	29,357		
NET INCREASE FOR THE YEAR	40,809	11,758	52,567	100,666	153,233	123,635
Fund balance at beginning of the year	95,854	46,635	142,489	1,279,530	1,422,019	1,298,384
FUND BALANCE AT END OF THE YEAR	\$ 136,663	\$ 58,393	\$ 195,056	\$ 1,380,196	\$ 1,575,252	\$ 1,422,019

See notes to financial statements

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

	Year Ended June 30			
	1984		TOTAL	1983
	Unrestricted	Restricted		TOTAL
REVENUES				(Memorandum Only)
Tuition and fees	\$ 95,946	\$	\$ 95,946	\$ 88,698
Federal appropriations		13,357	13,357	12,630
State appropriations	259,513	33,970	293,483	255,754
Federal grants and contracts	18,834	86,690	105,524	106,646
State grants and contracts	44	6,685	6,729	4,732
Local grants and contracts	6	1,526	1,532	1,426
Private gifts, grants, and contracts	2,895	72,872	75,767	68,726
Endowment income	10,742	3,997	14,739	11,878
Adjustment to market value	(1,645)		(1,645)	
Other investment income	13,857	340	14,197	12,201
Sales and services of educational activities	54,640		54,640	50,962
Sales and services of auxiliary enterprises	74,005		74,005	72,591
Sales and services of hospitals	150,621		150,621	145,265
TOTAL CURRENT REVENUES	679,458	219,437	898,895	831,509
EXPENDITURES AND MANDATORY TRANSFERS				
Educational and general				
Instruction	192,261	45,883	238,144	221,891
Research	8,716	102,880	111,596	106,943
Public service	15,069	42,489	57,558	51,007
Academic support	50,903	4,508	55,411	50,023
Student services	24,170	1,703	25,873	22,773
Institutional support	42,843	1,100	43,943	45,690
Operation and maintenance of plant	57,516	13	57,529	53,818
Scholarships and fellowships	7,442	20,644	28,086	26,338
Educational and general expenditures	398,920	219,220	618,140	578,483
Mandatory principal and interest transfers	3,292	84	3,376	2,299
TOTAL EDUCATION AND GENERAL	402,212	219,304	621,516	580,782
Auxiliary Enterprises				
Expenditures	64,331	38	64,369	60,165
Mandatory transfers for:				
Principal and interest	2,367		2,367	2,359
Renewals and replacements	416		416	471
TOTAL AUXILIARY ENTERPRISES	67,114	38	67,152	62,995
University Hospitals				
Expenditures	148,435	95	148,530	146,697
Mandatory principal and interest transfers				9,073
TOTAL UNIVERSITY HOSPITALS	148,435	95	148,530	155,770
TOTAL EXPENDITURES AND MANDATORY TRANSFERS	617,761	219,437	837,198	799,547
OTHER TRANSFERS AND ADDITIONS/(DEDUCTIONS)				
Excess of restricted receipts over transfers to revenues		14,267	14,267	6,728
Refunded to grantors		(66)	(66)	(257)
Nonmandatory transfers	(20,888)	(2,310)	(23,198)	(29,055)
Miscellaneous		(133)	(133)	
TOTAL OTHER ADDITIONS (DEDUCTIONS)	(20,888)	11,758	(9,130)	(22,584)
NET INCREASE FOR YEAR	\$ 40,809	\$ 11,758	\$ 52,567	\$ 9,378

See notes to financial statements

STATEMENT OF FINANCIAL CONDITION
 LOAN, ENDOWMENT, PLANT, AND OTHER NONCURRENT FUNDS (In Thousands)

	Student Loan Funds	Endowment Funds	Life Income Funds	Agency Funds	Plant Funds	Total Noncurrent Funds June 30	
						1984	1983
						(Memorandum Only)	
Cash and temporary investments	\$ 2,668	\$ 4,454	\$ 7	\$ 3,035	\$ 134,530	\$ 144,694	\$ 151,764
Receivables (Note B)	39,826			11	97,247	137,084	103,790
Prepaid expenses and deferred charges					293	293	303
Deferred debt expense					5,373	5,373	5,547
Investments (Note C)	11	134,701	185		497	135,394	138,904
Deposits with trustee (Notes D and E)	17				57,474	57,491	71,443
Investment in plant (Note D)							
Land					24,887	24,887	25,177
Buildings and improvements					808,678	808,678	733,831
Equipment					219,221	219,221	199,871
Books, museum, collections, and other					77,607	77,607	72,867
TOTAL ASSETS	\$ 42,522	\$ 139,155	\$ 192	\$ 3,046	\$ 1,425,807	\$ 1,610,722	\$ 1,503,497
LIABILITIES							
Accounts payable	\$ 6	\$	\$ 16	\$	\$ 6,897	\$ 6,919	\$ 1,206
Accrued liabilities					3,590	3,590	2,804
Notes payable (Note E)					24,624	24,624	24,180
Bonds payable and capital lease obligations (Note E)					190,575	190,575	189,372
Deposits held in custody for others				3,046		3,046	3,947
Due to current funds	1,216				556	1,772	2,458
TOTAL LIABILITIES	1,222		16	3,046	226,242	230,526	223,967
FUND BALANCES							
Student Loan Funds							
U.S. government loan programs							
Federal portion	32,390					32,390	31,592
University portion	3,599					3,599	3,510
University funds							
Restricted	5,159					5,159	4,623
Unrestricted	152					152	94
Endowment Funds:							
Endowment		73,015				73,015	85,661
Term Endowment		12,413				12,413	13,765
Quasi-endowment:							
Restricted		36,116				36,116	37,150
Unrestricted		17,611				17,611	7,075
Life Income Funds			176			176	180
Plant Funds:							
Unexpended:							
Restricted					95,838	95,838	63,002
Unrestricted					81,642	81,642	75,828
Renewals and Replacements					10,470	10,470	8,940
Retirement of Indebtedness					3,989	3,989	4,143
Net Investment in Plant					1,007,626	1,007,626	943,967
TOTAL FUND BALANCES	41,300	139,155	176		1,199,565	1,380,196	1,279,530
TOTAL LIABILITIES AND FUND BALANCES	\$ 42,522	\$ 139,155	\$ 192	\$ 3,046	\$ 1,425,807	\$ 1,610,722	\$ 1,503,497

See notes to financial statements

STATEMENT OF CHANGES IN FUND BALANCES
 LOAN, ENDOWMENT, PLANT, AND OTHER NONCURRENT FUNDS (In Thousands)

	Student Loan Funds	Endowment Funds	Life Income Funds	Plant Funds	Total Noncurrent Funds June 30	
					1984	1983
					(Memorandum Only)	
REVENUES AND OTHER ADDITIONS						
State appropriations	\$ 94	\$	\$	\$ 52,056	\$ 52,150	\$ 21,077
Federal grants and contracts				1,774	1,774	179
Private grants and contracts	161	1,959	2	1,029	3,151	2,375
Investment Income	336		7	14,922	15,265	10,664
U.S. government advances	862				862	556
Student Loan Interest	1,045				1,045	1,020
Permanent University Fund additions		21			21	92
Other additions	130			75	205	386
Expended for plant facilities 1984-\$22,690; 1983-\$20,219 charged to current fund expenditures				76,605	76,605	35,342
Notes-bonds payable expended				35,030	35,030	18,833
Retirement of indebtedness				3,800	3,800	17,835
TOTAL REVENUE AND OTHER ADDITIONS	2,628	1,980	9	185,291	189,908	108,359
EXPENDITURES AND OTHER DEDUCTIONS						
Loan cancellation expense	1,107				1,107	845
Administrative and collection costs	437				437	326
Other deductions	2		15	1,775	1,792	8,207
Realized gains & losses & adjustments to market value	21	23,602		720	24,343	(39,049)
Expended for plant facilities				66,710	66,710	32,838
Retirement of indebtedness				3,800	3,800	17,835
Interest on indebtedness				7,421	7,421	4,409
Disposal of plant facilities				12,989	12,989	11,948
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	1,567	23,602	15	93,415	118,599	37,359
TRANSFERS AMONG FUNDS - ADDITIONS/DEDUCTIONS						
Mandatory						
Principal and interest				5,743	5,743	13,731
Renewals and replacements				416	416	471
Nonmandatory	420	17,126	2	5,650	23,198	29,055
TOTAL TRANSFERS	420	17,126	2	11,809	29,357	43,257
NET INCREASE (DECREASE) FOR THE YEAR	1,481	(4,496)	(4)	103,685	100,666	114,257
Fund balance at beginning of the year	39,819	143,651	180	1,095,880	1,279,530	1,165,273
FUND BALANCE AT END OF THE YEAR	\$ 41,300	\$ 139,155	\$ 176	\$ 1,199,565	\$ 1,380,196	\$ 1,279,530

See notes to financial statements

UNIVERSITY OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1984

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 exception of recording gifts when received, which is common practice for colleges and universities. The omission of the preceding accrual 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 seven 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 that may be utilized only in accordance with the purpose established by the source of the funds.

Noncurrent:

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 that, 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 part of the principal may be expended upon the passage of a certain time period or the occurrence of a particular event. Quasi-endowment-restricted funds represent specific purpose gifts that have not yet been used for their designated purpose. Quasi-endowment-unrestricted funds are gifts to the University without restriction that 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 donor.

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.

Cash and temporary investments:

The cash balances of the various fund groups of the University are invested in two investment pools. The Temporary Investment Pool consists primarily of high-grade, short-term commercial paper and is carried at cost, which approximates market at June 30, 1984. The Group Income Pool consists primarily of high-grade, long-term corporate and government bonds carried at market. Also included in cash and temporary investments are restricted investments to be used for construction of the hospital renewal project of \$61,985,000 and \$75,785,000, at June 30, 1984 and 1983, respectively.

Investments:

Investments are carried at market value.

Inventories:

Inventories for resale are carried at the lower of cost (first-in, first-out) 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 gifts. 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 session are deferred at June 30.

1A057

Vacation pay:

The University accrues a liability for vacation pay for all civil service employees. The accrued vacation pay liability at June 30, 1984 and 1983 for twelve month academic employees is not determinable. The maximum unrecorded potential liability for academic employees at June 30, 1984 is approximately \$8,000,000.

Reclassifications:

Certain reclassifications have been made to the 1983 financial statements to conform to the classifications used in 1984. The reclassifications had no effect on the net change in fund balances for the year or fund balances as previously reported.

B. Receivables:

At June 30, 1984 and 1983, the receivable balances consisted of the following:

	<u>1984</u>		<u>1983</u>
	(In thousands)		
CURRENT:			
Unrestricted:			
University Hospitals	\$ 41,607		\$ 35,773
Less allowance	<u>3,600</u>		<u>4,280</u>
	38,007		31,493
State appropriations	294		645
Accrued income	5,135		6,795
Other	<u>7,916</u>	\$ 51,352	<u>8,277</u>
			\$ 47,210
Restricted:			
Unbilled charges	17,376		15,673
Other	<u>5,115</u>	<u>22,491</u>	<u>5,117</u>
		73,843	<u>20,790</u>
			68,000
LOAN FUNDS:			
Notes receivable	48,262		48,161
Accrued interest	<u>1,448</u>		<u>1,454</u>
	49,710		49,615
Less allowance	<u>9,884</u>	39,826	<u>10,095</u>
			39,520
AGENCY FUNDS:			
Receivables		11	68
PLANT FUNDS:			
Federal grants	2,195		1,070
State appropriations	93,623		61,548
Accrued interest	<u>1,429</u>	<u>97,247</u>	<u>1,584</u>
		<u>\$210,927</u>	<u>64,202</u>
			<u>\$171,790</u>

1A058

C. Investments:

Investments, principally of the endowment funds, at June 30, 1984 and 1983, consisted of the following:

	1984		1983	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
	(In thousands)			
U.S. Treasury bills and commercial paper	\$ 11,983	\$ 12,946	\$ 14,995	\$ 14,424
Corporate bonds	41,866	46,515	36,500	34,700
Common and preferred stock	78,647	74,867	84,668	56,764
Mortgages and other	2,898	2,887	2,741	2,700
	<u>\$135,394</u>	<u>\$137,215</u>	<u>\$138,904</u>	<u>\$108,588</u>

The combined investment yield earned on endowment investments of the University, based on the average of month-end market values of investments held, for the years ended June 30, 1984 and 1983, was 9.4% and 8.8%, respectively.

The University loans certain securities included in the investment and temporary investment portfolios to brokerage firms and banks. In return for the securities loaned, the University receives deposits of cash or collateral in an amount at least equal to the market value of the securities. The University retains all rights of ownership to the securities loaned and as such receives all dividend and interest income. At June 30, 1984 and 1983, the University had approximately \$171,000,000 and \$174,000,000, respectively of securities loaned. The market value of the collateral and temporary investments approximated the the market value of the underlying securities at June 30, 1984 and 1983. Additionally, the University employs other portfolio management techniques which may involve selling certain University and borrowed securities with a corresponding hedge in put and call options against market fluctuation. At June 30, 1984 and 1983, securities valued at approximately \$188,000,000 and \$24,000,000, respectively, were sold including borrowed securities of \$181,000,000 and \$8,000,000, respectively.

D. Construction in progress and commitments:

Construction projects in progress, principally buildings, that have been included in the assets of the plant funds at June 30, 1984, approximate \$68,764,000. The estimated cost to complete these facilities is \$124,581,000 which is principally related to the hospital renewal project.

E. Notes payable, bonds payable and capital lease obligations:

At June 30, 1984, the outstanding indebtedness of the University consisted of the following:

PLANT FUND:	(In thousands)
Bonds payable and capital lease obligations:	
Hospital revenue bonds, net of unamortized discount of approximately \$9,795,000, terms are described below	\$146,545
Various auxiliary enterprise bonds, interest rate of 3%, collateralized by revenues of self-supporting auxiliary enterprises and the full faith and credit of the University	23,735
Various auxiliary enterprise revenue bonds, interest rate of 2.75% to 3.625% averaging approximately 3%, collateralized by revenues of the applicable auxiliary enterprise	10,322
Obligations under capital leases, terms are described below	<u>9,973</u>
TOTAL BONDS PAYABLE AND CAPITAL LEASE OBLIGATIONS	190,575

Notes payable:

Notes payable to banks for various construction projects, interest rate is 1/2 of the sum of the prevailing prime rate (determined by the applicable bank) plus 3 percentage points, collateralized by the full faith and credit of the University.	23,180
Installment notes payable to computer equipment vendor, interest rate is 5% to 8.5% averaging approximately 7.45%, collateralized by the equipment.	<u>1,444</u>
TOTAL NOTES PAYABLE	<u>24,624</u>
TOTAL INDEBTEDNESS OF THE PLANT FUND	215,199

CURRENT UNRESTRICTED FUND:

Hospital promissory notes, interest rate of 6%, collateralized by the full faith and credit of the University, due August 31, 1984.	<u>8,800</u>
	<u><u>\$223,999</u></u>

During the fiscal year 1983, the University issued \$16,360,000 of serial revenue bonds and \$139,980,000 of term revenue bonds to partially finance the cost of constructing and equipping new hospital facilities. At June 30, 1984, a portion of the bond proceeds were on deposit with the bond trustee. The serial bonds have interest rates ranging from 8% to 10.4% and maturities from December 1, 1987 to December 1, 1997. The term bonds have interest rates ranging from 6.75% to 10.625% and maturities from December 1, 2002 to December 1, 2016.

The principal and interest on the Hospital Revenue Bonds are payable primarily from the revenues of the University of Minnesota Hospital and Clinics. However, during the construction period, interest is being paid from the Reserve Fund, a deposit with the bond trustee. The University has the option at any time to irrevocably pledge the full faith and credit of the University to the payment of the principal and interest on the bonds and thereby be released from certain covenants in the bond indenture. The most restrictive of these covenants requires the maintenance of a reserve fund of \$17,764,000 and limits the University from issuing additional indebtedness which is to be repaid expressly from revenues of the Hospital.

In September 1984, the University retired \$13,232,000 of auxiliary enterprise revenue bonds and auxiliary enterprise bonds. This transaction resulted in a gain of approximately \$6,761,000 which will be reflected in the financial statements for the year ended June 30, 1985.

Maturities and sinking fund requirements, after giving effect to the early bond retirement, on notes and bonds payable during each of the next five years ending June 30, are:

	(In thousands)
1985	\$ 13,520
1986	3,071
1987	3,907
1988	3,974
1989	2,966

The University leases certain student housing facilities and data processing and office equipment under capital leases. Minimum future lease payments on capital leases at June 30, 1984 are as follows:

<u>Fiscal year ending</u>	(In thousands)
1985	\$ 2,499
1986	2,399
1987	1,892
1988	1,557
1989	1,034
Thereafter	5,314
	<u>14,695</u>
Less interest portion	4,722
Present value of capital lease obligations	<u>\$ 9,973</u>

Included in the plant fund group at June 30, 1984, are housing facilities and equipment acquired under capital leases of approximately \$12,500,000.

In October, 1984, the Board of Regents authorized the issuance of approximately \$86,200,000 of variable rate demand notes. The proceeds of the notes are anticipated to be used to fund certain capital improvements and to refinance a portion of the existing indebtedness.

F. Pension expenditures:

All employees of the University meeting age and length of service requirements participate in either civil service (Minnesota State Retirement System - MSRS), faculty (University of Minnesota), or Police Department (Police and Fire Fund of Public Employees Retirement Association - PERA) pension plans. The plans require contributions by both employer and employees. Pension expense of the University for the years ended June 30, 1984 and 1983 was \$29,153,000 and \$23,498,000, respectively, which includes the amortization of prior service cost through 2009.

The Faculty Retirement Plan of the University of Minnesota is a defined contribution plan and is fully funded. For faculty members employed prior to 1963 the University provides a Faculty Retirement Supplement which is being funded in the amount equal to the annual benefits payable to retirees, plus the amount necessary to fund the actuarial deficit over a twelve year period.

Statewide plans (MSRS and PERA) cover employees of the State of Minnesota, school districts, counties, cities and other political subdivisions. The unfunded vested benefit liabilities of the plans are not actuarially segregated by employer unit. As of June 30, 1984 University employees represented approximately 28.7 percent and 1.1 percent of active plan participants in MSRS and PERA respectively.

At June 30, 1983, the date of the latest actuarial valuation, net assets available for benefits were \$3,542,000, \$902,506,000 and \$249,540,000 for the Faculty Retirement Supplement, MSRS and PERA plans, respectively. The actuarial present value of accumulated plan benefits was not calculated.

G. Foundations:

The University of Minnesota Foundation, the University of Minnesota Medical Foundation, and the Arboretum Foundation are independent corporations formed for the purpose of obtaining and disbursing funds for the sole benefit of the University. At June 30, 1984, the net assets of these foundations (not included in the financial statements of the University) were approximately \$79,000,000, of which approximately \$75,000,000 were restricted funds. During the year ended June 30, 1984, these foundations distributed approximately \$14,400,000 to the University.

In addition, the University has guaranteed the outstanding balance of a computer lease which is an obligation of a majority owned subsidiary of the University of Minnesota Foundation. At June 30, 1984, the aggregate lease payments for the remaining term of the lease were approximately \$4,205,000. During the year ended June 30, 1984, the University made net payments of approximately \$1,000,000 to this subsidiary of the University of Minnesota Foundation for computer usage.

H. Litigation and other contingencies:

The University is a defendant in several claims and petitions alleging sex discrimination in employment arising out of a class action Consent Decree entered in 1980. The University is also a defendant in other cases involving, among other matters, alleged medical malpractice, civil rights violations, and breaches of contract. While any litigation has an element of uncertainty and the University cannot therefore predict how these cases will be finally resolved, management and its General Counsel believe the outcomes of the cases, individually and combined, will not have a materially adverse effect on the University's financial condition.

Additional copies and copies of complete supplementary schedules are available upon request from University of Minnesota, Administrative Services Center, 1919 University Avenue, St. Paul, Minnesota, 55104, telephone (612) 373-5571.

The University of Minnesota is committed to the policy that all persons shall have equal access to its programs, facilities, and employment without regard to race, creed, color, sex, national origin, or handicap.