



Finance Committee

May 2017

May 11, 2017

3:00 p.m. - 5:00 p.m.

West Committee Room, McNamara Alumni Center

FIN – MAY 2017

1. Twin Cities Athletics: Financial Model

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2. Role of Central Reserves Fund

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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

May 11, 2017

AGENDA ITEM: Twin Cities Athletics: Financial Model

Review Review + Action Action Discussion

This is a report required by Board policy.

PRESENTERS: Brian D. Burnett, Senior Vice President for Finance & Operations
Mark Coyle, Director, Intercollegiate Athletics

PURPOSE & KEY POINTS

The purpose of this item is to review and discuss the financial model of the Twin Cities Department of Intercollegiate Athletics (ICA). The discussion will provide an overview of the ICA budget, identify revenue streams and primary expenses, and consider the long-term budget assumptions.

Operating Budget Overview and Big Ten Comparison

ICA serves more than 700 student-athletes and employs approximately 275 full-time employees. For FY 2017, its operating budget is \$105 million.

In FY17, ICA had what can be defined as an average budget when viewed among its Big Ten peers. The \$105 million budget placed Minnesota seventh in the Big Ten. With an average budget of \$108.6 million across the Big Ten’s 14 schools, ICA was the nearest to the mean, but approximately \$3.6 million below the average.

Minnesota was also one of just two Big Ten athletics departments to reduce its athletics budget from FY 2016 to FY17, a number largely attributable to the departure of the Minnesota Vikings from TCF Bank Stadium. Without that loss in revenue, the annual budget would have remained roughly flat.

Sources of Revenue and Primary Expenses

Viewed at a general level, the ICA budget contains five basic revenue streams and five basic expenses. ICA’s main revenue streams are:

1. Ticket sales;
2. Fundraising;
3. Conference/NCAA allocations;
4. Sponsorships; and

5. Other/miscellaneous (e.g., apparel/licensing, concessions, hosting special events/championships).

The department's primary expenses are:

1. Compensation;
2. Sport and support operations;
3. Scholarships;
4. Facilities operations and debt service; and
5. Other/miscellaneous (such as game guarantees).

Included on both sides of the budget are payments made to and received from central administration. In terms of revenue, ICA receives an annual O&M allocation. For FY17, this was roughly 7 percent of budgeted revenue. Among expenses are payments into the University's cost pools, as well as paying for student-athlete scholarships. These expenses were roughly 17 percent of the department's budgeted expenses in FY17.

Long-Term Financial Planning Assumptions

ICA will use five assumptions as it develops its long-term financial plan:

1. Supporting all 25 of its teams in a manner that maintains them at a competitive level.
2. Investing in the continued academic excellence of its student-athletes and finding ways to help them achieve even more.
3. Among its suite of 25 teams, it is essential that the department's three revenue-producing programs (football, men's basketball, men's hockey) have the resources needed to generate the revenue on which the other 22 Gopher programs depend.
4. Away from game days, ICA must remain committed to the well-being of every student-athlete, by committing to superior personnel and operations in coaching, student-athlete development, medical and mental health care, nutrition, facilities, equipment, training and more.
5. University financial support for the ICA budget will remain consistent.

At previous meetings, the Board heard about the guiding principles and core values the department is developing to support the continued success of Gopher student-athletes. These principles and values will define the department's culture, including how it builds strong relationships to drive increased revenue and manages its finances in a fiscally sound manner.

Recent Student-Athlete Performance

Gopher student-athletes have excelled recently, both in the classroom and in competition. At the end of the fall semester, nearly 500 student-athletes held GPAs of 3.0 or better, and more than 225 were at or above 3.5. The department-wide GPA has been 3.2 or better for four consecutive years. In addition, over the past 18 months the Gophers won nine Big Ten titles and a National Championship.

BACKGROUND INFORMATION

The Finance Committee received an overview of ICA finances in February 2016.

Twin Cities Athletics: Financial Model

Mark Coyle, Director of Athletics

Brian Burnett, Senior Vice President, Finance and Operations

Board of Regents – Finance Committee

May 11, 2017



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Guiding Principles

Action

Honesty

Transparency

Humility

Innovation



Core Values



Competitive excellence

Academic excellence

Authentic communication

Genuine care and concern

Diversity

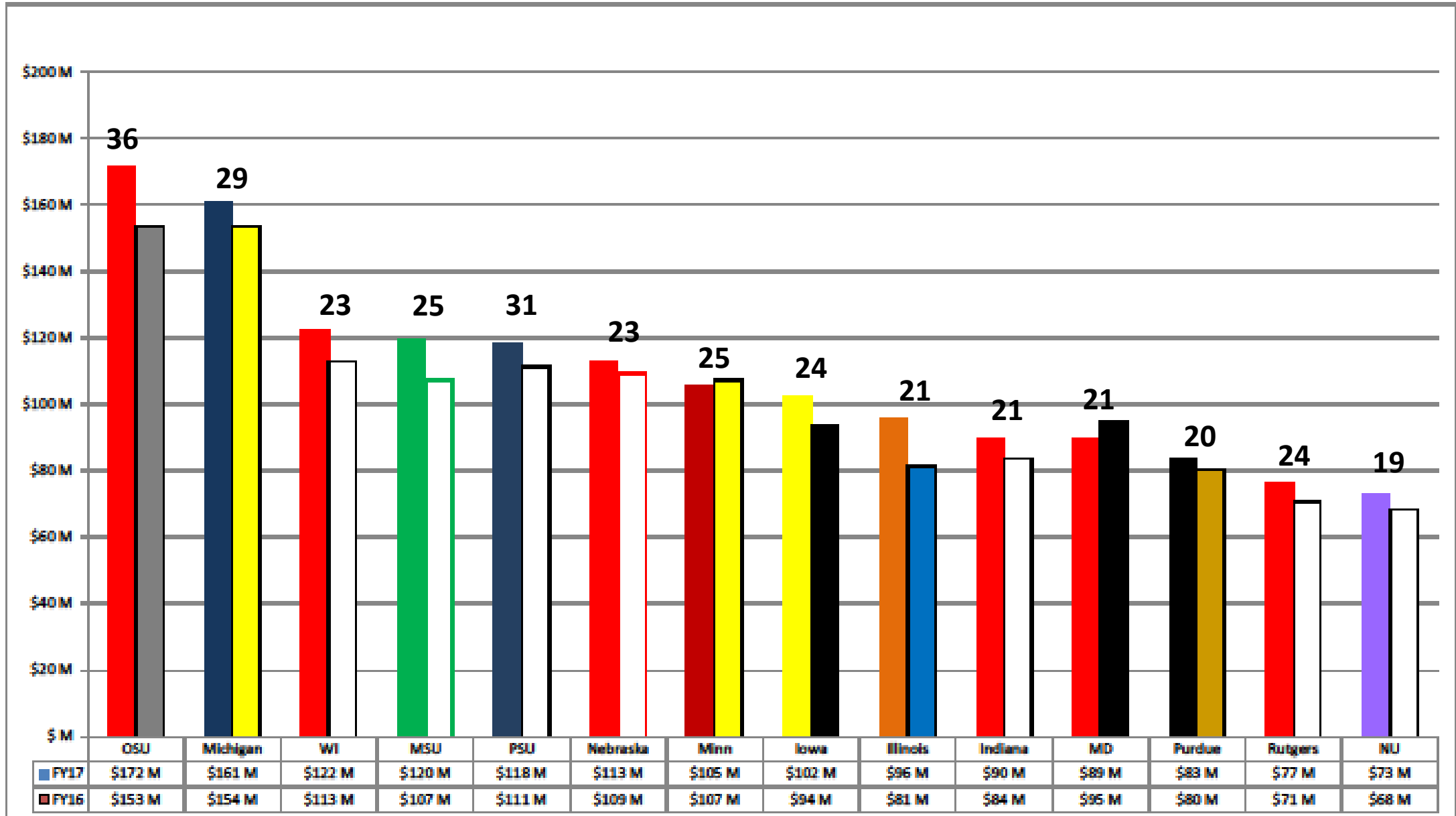
Thankful

Character

Selflessness

FY16 and FY17 Big Ten Budgets/Teams

\$s in millions



Gopher Athletics Budget – FY17 Operating Budget

Revenues



\$105.5 Million Gopher Athletics' Annual Operating Budget

**+ Add'l UM support of Athletics
\$3.7 M**

Expenses



Other Revenues include facility rentals, licensing, parking, concessions, and non-Gopher events held in athletic facilities
 Other Expenses include Athletic Department general operations, non-Gopher events held in athletic facilities, and guarantees

Gopher Athletics Budget – FY17 Operating Budget

Revenues



\$105.5 Million Gopher Athletics' Annual Operating Budget

+ Add'l UM support of Athletics
\$3.7 M

Expenses



Other Revenues include facility rentals, licensing, parking, concessions, and non-Gopher events held in athletic facilities
 Other Expenses include Athletic Department general operations, non-Gopher events held in athletic facilities, and guarantees

Assumptions

The following assumptions will be used to develop a long-term financial plan:

- Maintain 25 competitive teams
- Continue to improve academic success
- Three revenue-producing sports have the resources they need to remain competitive and generate revenue on which the other teams depend

Financial Impact of Revenue Sports FY2015-16 Actual

	<u>Football</u>	<u>Men's Bball</u>	<u>Men's Hockey</u>	<u>Other 22 Teams</u>
Direct Revenue	\$49.2	\$12.7	\$6.2	\$9.2
Direct Expense	\$25.5	\$7.6	\$4.4	\$26.6
Net Rev (+/-)	\$23.7	\$5.1	\$1.8	-\$17.4

Direct Revenue (Teams) – ticket sales, gifts, conference & NCAA distributions

Direct Expense (Teams) – grant in aid, compensation, recruiting, travel, equipment, game expenses, administrative expenses

Assumptions

The following assumptions will be used to develop a long-term financial plan:

- Maintain 25 competitive teams
- Continue to improve academic success
- Three revenue-producing sports have the resources they need to remain competitive and generate revenue on which the other teams depend
- Commitment to well-being of student-athletes -- coaching, student-athlete development, medical and mental health care, nutrition, equipment, facilities, strength & conditioning
- University support remains consistent
 - Title IX is an institutional responsibility, not just a departmental responsibility

History of University Central Allocation 2005 - 2017

Fiscal Year

Annual O&M
Allocation



Annual O&M Allocation includes \$3,079,975 of State Special Funds rolled into O&M in 1998 Legislative Action

2005	\$7,185,895
2006	\$6,485,895
2007	\$9,456,331
2008	\$8,965,851
2009	\$8,715,851
2010	\$8,018,851
2011	\$7,778,861
2012	\$6,961,066
2013	\$7,011,066
2014	\$7,011,066
2015	\$6,919,096
2016	\$7,055,984
2017	\$7,001,228



Allocation Change Due to Budget Model Implementation
Net Change = \$2,970,436

- \$4,348,574 new cost pool charges
- (\$1,378,138)** elimination of IRS assessment



Summary Changes Since Budget Model FY2007
Net Change = **(\$2,455,103)**

- (\$225,350)** Transfers/revenue neutral cost pool adjustments
- \$384,816 Support to pay cost pools
- (\$2,614,569)** O&M Budget Reductions

Twin Cities Athletics: Financial Model

Mark Coyle, Director of Athletics

Brian Burnett, Senior Vice President, Finance and Operations

Board of Regents – Finance Committee

May 11, 2017



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BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

May 11, 2017

AGENDA ITEM: Role of Central Reserves Fund

Review Review + Action Action Discussion

This is a report required by Board policy.

PRESENTERS: Michael Volna, Associate Vice President and Interim Assistant CFO
Julie Tonneson, Associate Vice President for Budget and Finance

PURPOSE & KEY POINTS

The purpose of this item is to review and discuss two topics related to the role of the University’s central reserves fund:

1. The status of the University’s central reserves fund for FY 2017 as required by Board policy.
2. Board of Regents Policy: *Central Reserves Fund* is currently up for comprehensive review. The committee will discuss the original intent in establishing the central reserves fund and the Board policies governing it, as well as current oversight and management processes for the fund. The committee will discuss policy questions related to future governance of the central reserves fund, including the need for an institutional reserve given the distributed nature of the University’s budget model and the necessity of a governing policy related to a subset of the University’s annual revenues.

Update on Central Reserves

Following the regular process of reviewing the status of the central reserves fund (fund) at different points in the year, the following paragraphs provide information on changes in fund activity since the last update in October 2016.

Fund Overview

The fund is composed of resources that are recorded in a central account in the University’s general ledger, which are then allocated out in small, targeted amounts to specific units as part of the annual budget; transferred to O&M to support the O&M allocations in the annual budget; or held as a reserve.

The primary revenue sources for the fund include investment earnings; realized gains or losses in market value from the Temporary Investment Pool (TIP); realized gains in market value

related to TIP funds invested in the Consolidated Endowment Fund; legal settlements; and other miscellaneous revenues.

The approved budget for FY17 included a planned beginning balance of \$21,861,616; net revenues totaling \$12,843,750; a transfer to O&M of \$5,732,000; and transfers/payments out of \$10,859,480, resulting in an ending balance of \$18,113,886.

October 2016 Update

In October of 2016, those figures were updated as follows:

- The beginning balance remained unchanged.
- Net revenues were increased by \$12,387,160 due to a \$2,817,000 increase in estimated investment income resulting from implementation of amendments to Board of Regents Policy: *Investment of Reserves*, which were approved by the Board in September 2016. The amendments added “private and/or illiquid securities” as an allowable investment type for external managers. Net revenues were also increased by \$9,570,160 due to the final stock sale associated with the MD Anderson legal settlement.
- The expected transfers out/payments were increased \$12,898,874 due to three items: the planned allocation of the \$2,817,000 gain mentioned above to support the costs of the network upgrade project; a new one-time payment of \$511,714 to the State of Minnesota related to the TIP earnings on Environment and Natural Resources Trust Fund (ENRTF) appropriations; and distribution of \$9,570,160 in final income from the MD Anderson legal settlement stock sale.

These changes from the original budget, as reviewed in October, are reflected in the second column of the table below.

May 2017 Update

At this point in the year, and in preparation for the budget discussion in June, the estimates have again been updated. Changes from the estimates in October can be summarized as follows:

- The beginning balance has been updated to reflect the actual status of the fund as of June 30, 2016 (\$32,850,565). This figure exceeds the estimate included in the approved budget by \$10,988,949 due to a variety of factors – all related to changes occurring in FY16 between the time the FY17 budget was approved and the end of the fiscal year:
 - Net revenue into the fund from investment earnings and changes in capital gains and fees increased \$1,531,735.
 - Income from the MD Anderson legal settlement stock sale was recorded at \$31,084,225.
 - “Other Income” came in \$114,839 more than anticipated.
 - Disbursements of income from the MD Anderson legal settlement stock sale were \$22,461,850 (remainder to be disbursed in FY17).
 - Committed transfers of \$720,000 in the budget did not occur (will be transferred in FY17 – FY19).

- Net revenues for FY17 are projected to be \$17,260,548, which is \$7,970,362 less than the October estimate due to:
 - An increase in net investment earnings of \$652,013 from the combined impact of projected changes in capital gains and yields on the estimated TIP balance.
 - A \$8,622,375 reduction in the recorded revenues from legal settlements because that portion of the income from the MD Anderson legal settlement stock sale was technically recorded as revenue at the very end of FY16, rather than the beginning of FY17 as anticipated, so it is included in the change in beginning balance described above, rather than in FY17 revenues as originally anticipated.
- The expected transfers out/payments have increased \$44,236, which represents:
 - A decrease in the amount necessary to cover expenses related to M Health planning activities, which came in \$195,764 lower than was anticipated in the approved budget.
 - A committed transfer from the FY16 budget of \$240,000 took place in FY17 (part of the \$720,000 mentioned above).

The combined impact of these updated estimates increases the projected balance in the central reserves fund for June 30, 2017 by \$2,974,351 to \$20,576,523.

The approved FY17 budget for Central Reserves, the updated estimates for FY17 presented in October, and the current update of FY17, with the calculated variances, is displayed below.

	Approved FY17 Budget	October FY17 Estimates	May FY17 Estimates	Updated Estimates vs. Oct. Estimates
Carryforward/Beginning Balance	\$21,861,616	\$21,861,616	\$32,850,565	\$10,988,949
Net Investment Earnings	\$12,843,750	\$15,660,750	\$16,312,763	\$652,013
Legal Settlements	\$0	\$9,570,160	\$947,785	(\$8,622,375)
Transfers to O&M	(\$5,732,000)	(\$5,732,000)	(\$5,732,000)	\$0
Total Net Revenues	\$28,973,366	\$41,360,526	\$44,379,113	\$3,018,587
Operating Allocations	\$10,859,480	\$14,188,194	\$14,232,430	\$44,236
Legal Settlement Transfers	\$0	\$9,570,160	\$9,570,160	\$0
Total Allocations/Transfers	\$10,859,480	\$23,758,354	\$23,802,590	\$44,236
Ending Balance	\$18,113,886	\$17,602,172	\$20,576,523	\$2,974,351

Review of Central Reserves Policy and Fund

Board of Regents Policy: *Central Reserves Fund* includes four sections: Definitions, Budgeting, Size of Reserves, and Reporting. When the policy was adopted in 1988, it was largely to ensure that:

- The revenues included in the definition for this fund are projected and planned for in the budget when possible, and approved by the Board;
- Decisions around the use of these funds is transparent and reported publicly;
- Any revenues within the definition that came in during the year – unanticipated in the budget – will be budgeted and planned for with Board approval; and
- A provision was made for the maintenance of an institutional-level reserve.

The purpose of the fund and its balance, as defined in policy, is to insulate the University from potential major financial risks, including:

- Unanticipated or uninsured catastrophic events;
- Temporary institutional revenue declines or expenditure gaps;
- Unforeseen legal obligations and costs;
- Failures in central infrastructure; or
- Failures of major business systems.

Under normal circumstances, the policy holds that the fund balance should not fall below 4 percent of state appropriations, or \$25,000,000, whichever is greater.

The policy was last amended in 2006 and comprehensively reviewed in 2010. Management of the fund is now embedded within the budgeting procedures and the President's recommended annual operating budget in such a way that the goals of the policy are automatically addressed. This discussion will seek input from the committee on the need for an institutional reserve given the distributed nature of the University's budget model, as well as the necessity of a governing policy related to a subset of the University's annual revenues.

BACKGROUND INFORMATION

The Central Reserves Update Report is usually submitted as an information item to the Finance Committee every February. Due to significant changes in the fund in the fall of 2016, and the need for Board action resulting from changes to Board policy outlined above, an update was added to the October consent report. Given the policy review slated for May, the February update was moved to coincide with this larger discussion.

The estimated revenues, transfers, and allocations for the central reserves fund are included in the President's annual operating budget.

Board of Regents Policy: *Central Reserves Fund* was adopted in June 1988 and was last amended in June 2006.



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

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Financial

CENTRAL RESERVES FUND

Adopted: June 10, 1988

Amended: March 10, 1989; March 12, 1993; October 11, 2002; May 14, 2004; June 9, 2006

Technical Change: August 21, 2013

Supersedes: (see end of policy)

CENTRAL RESERVES FUND

SECTION I. DEFINITION.

The central reserves fund refers to resources that are not allocated to any specific unit of the University, but are held in a central account within the University's financial system. The primary revenue sources of the central reserves fund include the following: investment earnings and realized and unrealized gains or losses in market values from the Temporary Investment Pool (TIP); funds invested in the Consolidated Endowment Fund from TIP; other miscellaneous revenues; and legal settlements.

The purpose of the central reserves fund is to insulate the University from potential major financial risks, including:

- unanticipated or uninsured catastrophic events;
- temporary institutional revenue declines or expenditure gaps;
- unforeseen legal obligations and costs;
- failures in central infrastructure; or
- failures of major business systems.

SECTION II. BUDGETING.

Subd. 1. Budget Planning. A central reserves budget is prepared annually and submitted to the Board of Regents (Board) for approval as part of the president's recommended Annual Operating Budget.

Subd.2. Allowable Allocations. As part of the Annual Operating Budget, the central reserves fund may be allocated for:

- (a) expenses that are fixed term in nature (usually 3 years or less);
- (b) transfers to other centrally allocated funds to support expenditures that should be funded from sources other than tuition or state appropriations;
- (c) a general contingency for unplanned or unexpected financial needs that routinely arise during the fiscal year; or
- (d) other various miscellaneous expenditures as determined by the president and approved by the Board.

Subd. 3. Board Approval. Board approval is required for any modifications to the central reserves budget and for all expenditures from the central reserves general contingency account of \$250,000 or more. Expenditures from the general contingency account of less than \$250,000 shall be approved by the president or delegate and reported at the next regular meeting of the Board. When delay for Board approval poses a significant health, safety, or financial risk to the University, approval of expenditures from the central reserves fund may be granted by the chair of the Board, the vice chair, and the chair of the Finance



UNIVERSITY OF MINNESOTA
BOARD OF REGENTS POLICY

Page 2 of 2

Financial

CENTRAL RESERVES FUND

Adopted: June 10, 1988

Amended: March 10, 1989; March 12, 1993; October 11, 2002; May 14, 2004; June 9, 2006

Technical Change: August 21, 2013

Supersedes: (see end of policy)

Committee. Any such emergency approvals shall be brought to the next regular meeting of the Board, consistent with Board of Regents Policy: *Board Operations and Agenda Guidelines*.

SECTION III. SIZE OF RESERVES.

An appropriate central reserves fund maintains financial strength and high bond ratings, protects the University from interest expense volatility, and allows flexibility in the use of variable rate debt to lower or control interest costs.

Under normal circumstances, the central reserves fund should not fall below 4.0% of state appropriations, or \$25,000,000, whichever is greater, unless such reduction is part of a short-term financing plan that includes restoration of the central reserves fund balance within two to three years. However, determining the appropriate level of the central reserves fund requires judgment and consideration of a variety of factors, including, among others, the following:

- the condition of the Minnesota and federal economies;
- the political climate towards higher education;
- the volatility of University revenues and expenditures;
- the size and composition of University debt; and
- the composition of investments in TIP.

SECTION IV. REPORTING.

A projected central reserves fund year-end balance shall be presented to the Board as part of the Annual Operating Budget. A central reserves fund report shall be presented annually to the Finance Committee.

Role of Central Reserves Fund

Michael Volna, Assoc. VP, Interim Asst. CFO
Julie Tonneson, Assoc. VP Budget and Finance

*Board of Regents
May 11, 2017*



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Agenda

- Board Policy on Central Reserves
- Central Reserves as Incorporated into the Annual Budget
- Policy Questions for Discussion

Board of Regents Policy: Central Reserves Fund

Section I. Definition

Sources:	Investment Earnings – Temporary Investment Pool (TIP) Investment Earnings – TIP in Consolidated Endowment Fund Legal Settlements Miscellaneous Revenue at Institutional Level
Purpose:	Insulate the University from Potential Major Financial Risks

Board of Regents Policy: Central Reserves Fund

Section II. Budgeting

- Budget submitted to the Board of Regents for approval as part of the president's recommended Annual Operating Budget
- Funds allocated annually – generally for nonrecurring items, items that should not be funded by state appropriation or tuition, a general contingency, and miscellaneous items determined by the President and approved by the Board
- Board approval is required for modifications to the central reserves budget and for all expenditures from the contingency exceeding \$250,000

Board of Regents Policy: Central Reserves Fund

Section III. Size of Reserves

- Generally the central reserves fund should not fall below 4% of state appropriations or \$25,000,000, whichever is greater, unless the reduction is short-term with accompanying plan to restore it within 2-3 years, or other considerations lead to a planned reduction.

Section IV. Reporting

- In addition to annual plan within the operating budget, a separate Central Reserves fund report is presented annually to the Finance Committee.

Central Reserves in the Annual Budget

BALANCE FORWARD		32,850,565
ANNUAL RESOURCES		
Investment Income (net)		
Gross Investment Income		20,070,858
Realized Capital Gains/Loss		(967,845)
Fees & Operating Deduction		(2,660,250)
Inv. Income - To Participants		(130,000)
Subtotal - Investment Income (net)		16,312,763
Other		
Legal Settlements		947,785
Other Income/Misc. Adj		0
Subtotal - Other		947,785
Annual Revenue		17,260,548
Net Interfund Transfers		
Into O&M from Central Reserves		(5,732,000)
Subtotal - Net Transfers		(5,732,000)
TOTAL RESOURCES		44,379,113

Reported as part of the Fund Forecast Attachment
Current FY17 Estimates:

ALLOCATIONS		
Board of Regents		90,000
President's Office		50,000
Facilities Management		1,000,000
Information Technology		2,817,000
University Relations		5,572,980
Duluth		350,000
General Contingency		1,000,000
LCCMR Appropriations/TIP		989,714
Legal Costs-Settlements-NR		9,570,160
CBS Dean Commitment-NR		240,000
Outside Legal - Athletics NR		700,000
M Health Legal/Contractual NR		1,422,736
TOTAL ALLOCATIONS		23,802,590
ENDING BALANCE		
Required Reserve		20,576,523
		26,034,240

Central Reserves in the Annual Budget

Revenues – as included in the definition of the fund and outlined here:

Net Investment Income:

Investment Income (net)	
Gross Investment Income	20,070,858
Realized Capital Gains/Loss	(967,845)
Fees & Operating Deduction	(2,660,250)
Inv. Income - To Participants	(130,000)
Subtotal - Investment Income (net)	16,312,763

Legal Settlements & Miscellaneous:

Legal Settlements	947,785
Other Income/Misc. Adj	0
Subtotal - Other	947,785

Central Reserves in the Annual Budget

Allocations – as included in the definition of the fund – examples here:

- Fixed Term/Nonrecurring
- General Contingency
- Appropriate Outside Tuition and State \$
- Miscellaneous

LCCMR Appropriations/TIP	989,714
Legal Costs-Settlements-NR	9,570,160
CBS Dean Commitment-NR	240,000
Outside Legal - Athletics NR	700,000
M Health Legal/Contractual NR	1,422,736
General Contingency	1,000,000

Board of Regents	90,000
President's Office	50,000
Facilities Management	1,000,000
Information Technology	2,817,000
University Relations	5,572,980
Duluth	350,000

Into O&M from Central Reserves	(5,732,000)
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Central Reserves Oversight

- Separate fund in the general ledger for tracking and reporting
- Managed by the Chief Financial Officer – Accountabilities in Accounting Services, Investments & Banking and Budget & Finance
- Actual and projected activity included in annual operating budget and annual updates to the Finance Committee of the Board of Regents
- Allocations from the fund made in the context of Board policy and impact of the “remaining balance” on bond rating results and variables impacting the cost of debt

Policy Questions for Discussion

- **Is an “Institutional” level reserve necessary today?**
 - ❑ Given the distributed nature of the budget model at the University, with units largely responsible for financial risks within their budgets, what financial risks should be mitigated via reserves at the institutional level – as per purpose?
 - ❑ If so, is there another way to achieve such a goal and address those risks?
 - ❑ Have other risk management financial tools, such as insurance policies and RUMINCO, supplanted some of the original issues that led to the establishment of the central reserves?

Policy Questions for Discussion

- **Is the Board Policy around Central Reserves necessary and/or are modifications warranted?**
 - ❑ Revenues currently recorded in this fund will continue to be managed centrally, regardless of policy, so does the current process as incorporated into the budget provide adequate guidance and oversight?
- **If the current Board Policy is retained, are modifications needed?**
 - ❑ For example, many “legal settlements” must be allocated directly to a particular program or activity, and cannot be deposited to Central Reserves, as required by current policy.

Questions & Discussion?



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

May 11, 2017

AGENDA ITEM: Consent Report

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Brian D. Burnett, Senior Vice President for Finance & Operations

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 Academic Programs International (API), Academic Studies Abroad (ASA), American Institute for Foreign Studies (AIFS), CEA Study Abroad, Center for International Studies (CISabroad), International Studies Abroad (ISA), University Studies Abroad Consortium (USAC) and others for an estimated \$1,005,000 to provide services to support overseas study abroad programs for the UMD International Programs and Services' Study Abroad Office for Fiscal Year 2018. The program fees cover the costs of the academic program and the administrative costs for the UMD Study Abroad office. See attached documentation for basis of vendor selection.
- To Central Roofing Company, and Inspec, Inc. for an estimated \$625,000 for providing roof maintenance inspection and repair for the Facilities Management Department for the period of June 1, 2017, through May 31, 2019, with possible contract extensions through May 31, 2021, for an additional \$608,000. Total contract value, if all options are exercised, would be \$1,233,000. Roof inspection and maintenance is budgeted by a variety of organizations on the Twin Cities campus through their facilities budget. Vendors were selected through a competitive process.
- To Delta Dental Plan of Minnesota (DDP) for an estimated \$772,000 for administrative services for self-funded Dental benefits provided to Twin Cities, Duluth, Crookston, Morris and Rochester students for Boynton Health Service for the period of September 1, 2017, through August 31, 2019, with possible contract extensions through August 31, 2023, for an

additional \$1,728,000. Total contract value, if all options are exercised, would be \$2,500,000. The program has adequate reserves to meet all obligations for the next two years of self-funding and provide the same level of coverage to students for the upcoming year. The cost of the plan is borne entirely by students purchasing the plan. Vendor was selected through a competitive process.

- To First Transit Group for an estimated \$23,650,000 for intercampus transit services for the University of Minnesota Twin Cities campus for the period of July 1, 2017, through June 30, 2021, with possible contract extensions through June 30, 2025, for an additional \$27,500,000. Total contract value, if all options are exercised, would be \$51,150,000. The funds required for this contract will be paid for with Parking & Transportation Services funds and student transportation fees. Vendor was selected through a competitive process.
- To JEOL USA, Inc for \$1,507,700 for acquisition of a "Field Emission based Electron Microprobe (EPMA) with four (4)Wavelength Dispersive Spectrometers (WDS) and one Soft X-ray Spectrometer" for the Department of Earth Sciences. Acquisition of the electron microprobe is funded from the sponsored project, a National Science Foundation Major Research Instrumentation grant (EAR1625422) in addition to matching funds (mandatory to the NSF MIR program) provided by the Office of the Vice President for Research, the College of Science and Engineering, and the Department of Earth Sciences). 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*, Section VII, Subd. 1.
- Purchase of Goods and Services \$1,000,000 and Over: *Reservation and Delegation of Authority*, Section VII, Subd. 6

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Consent Report.

General Contingency

Fiscal Year 2016-17

Recipient	Amount	Balance	Purpose
1 FY2017 General Contingency		\$1,000,000	
2 Carryforward from FY16 to FY17	(22,500)	1,022,500	
3 Facilities Management	88,000	934,500	Eastcliff small capital & large maintenance projects in FY16
4 U Services	(5,515)	940,015	Return of unused funds from reconstruction of Eastcliff Event Lawn Space
5 Capital Planning & Project Mangement	125,000	815,015	Replacement of 3 boilers at the North Central Research & Outreach Center in Grand Rapids
7 Capital Planning & Project Mangement	(180)	815,195	Return of unused funds from Rare Books pre-design funds given to CPPM in FY16
6 New items this reporting period:			
Capital Planning & Project Mangement	(18)	815,213	Return of unused funds from Rare Books-MINITEX predesign
8 FY 2016-2017 Ending Balance		815,213	

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

FY17 r. 2017 June

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

To Academic Programs International (API), Academic Studies Abroad (ASA), American Institute for Foreign Studies (AIFS), CEA Study Abroad, Center for International Studies (CISabroad), International Studies Abroad (ISA), and University Studies Abroad Consortium (USAC) and others for an estimated total of \$1,005,000 to provide services to support overseas study abroad programs for the UMD International Programs and Services' Study Abroad Office for Fiscal Year 2018.

The International Programs and Services' Study Abroad office at the University of Minnesota Duluth offers students a portfolio of study abroad programming through over 40 programs from affiliated programs and university partners around the world. As a result of the University of Minnesota's Education Abroad Policy and the strategic internationalization of the University of Minnesota Duluth's campus, UMD's Study Abroad contracts with international providers in order to provide services to support overseas study abroad programs. Services include, but are not limited to the following:

- *Student Services – pre-departure and on-site orientation, airport transfers, room and board arrangements including home-stays, health and safety management, and in-country travel and liability insurance.*
- *Academic programs and facilities – enrollment requirements, academic program design, delivery and procedures, course content, tutorial sessions, faculty hiring and support, transportation for course related travel, program evaluations, and administration and course assessment.*

Costs for students participating on study abroad programs are based on a per student fee which is very similar in most cases to the costs students would incur if they were paying tuition, fees, and room and board to attend classes on the UMD campus.

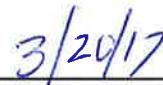
The program fees cover the costs of the academic program and the administrative costs for the UMD Study Abroad office.

Submitted by: Lyndsey Andersen, Interim Director
International Programs & Services
Phone 218-726-6673

Approval for this item requested by:



Stephen W. Keto, Vice Chancellor, UMD Finance & Operations



Date

Rationale for Exception to Competitive Bidding

This purchase has not been competitively bid because a comprehensive and diligent process to select external administrators is used by UMD's International Programs and Services (IPS) Study Abroad office.

External administrators, third parties who work with UMD Study Abroad program associates to design and customize programs in particular locations for the University of Minnesota Duluth, are researched and selected based on (1) their familiarity with and contacts in a particular location, (2) student's and UMD Study Abroad's assessments of the external program administrator's past performance, (3) demonstrated ability to provide for the housing, health and safety of participants, and (4) references from other Universities. The continued success of the program depends on the administrator's ability to provide a safe, productive and memorable student experience in the particular location. The risk of vendor non-performance in this area is a risk to the program and a risk to the students. The UMD Study abroad selection process is the optimal process to assure that the University's interests are protected for this type of purchase.

Costs for students participating on study abroad programs are based on a per student fee which is very similar in most cases to the costs students would incur if they were paying tuition, fees, and room and board to attend classes on the UMD campus. The program fees cover the costs of the academic programs and the administrative costs for UMD's Study Abroad.

The Director of Purchasing and the University Controller concluded that the process used resulted in a fair and reasonable price to the University.

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

To Central Roofing Company and Inspec, Inc. for an estimated \$625,000 for providing Roof Maintenance Inspection and Repair for the Facilities Management Department for the period of June 1, 2017 through May 31, 2019 with possible contract extensions through May 31, 2021 for an additional \$608,000. Total contract value, if all options are exercised, would be \$1,233,000.

The University of Minnesota currently has 241 buildings requiring roof maintenance inspection services located on the Twin Cities Campus.

Maintenance and repair of these roof systems is vital for providing safe, reliable buildings for the University community and to maximize the useful life span.

Historically roof maintenance inspection and repair service was performed by a combination of internal and limited contract services that led to varying levels of service and an inefficient approach to asset management.

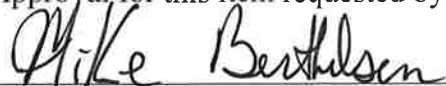
In 2012, we conducted a RFP. Three vendors were selected. The roof inspection and maintenance program performed exceptionally well over the four and a half years of the contract, minimizing risk associated with poorly maintained roofs. Contracting for the inspection of roof maintenance and repair service allows the University to efficiently manage the performance of our roof systems in the most cost effective way possible.

In March 2017, another RFP process was completed. The two vendors selected for the roof inspection and maintenance program provided the best value, (combination of price, work plan, and staffing.) This is a two year contract with two one year renewal options.

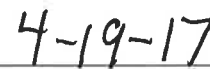
Roof inspection and maintenance is budgeted by a variety of organizations on the Twin Cities campus through their facilities budget.

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

Approval for this item requested by:



Mike Berthelsen
Interim Vice President of University Services



Date

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

To Delta Dental Plan of Minnesota (DDP) for an estimated \$772,000.00 for administrative services for self-funded Dental benefits provided to Twin Cities, Duluth, Crookston, Morris and Rochester students for Boynton Health Service for the period of September 1 2017 through August 31, 2019 with possible contract extensions through August 31, 2023 for an additional \$1,728,000. Total contract value, if all options are exercised, would be \$2,500,000.

Dental benefits will be preventive and non-surgical periodontal dental benefits to be included in the Student Health Benefit Plan (SHBP) in addition to pediatric dental benefits for dependent children. Students will have the option to purchase coverage for additional restorative benefits at an additional cost. Students not covered on the SHBP will continue to be able to purchase a separate Voluntary Student Dental Plan (VSDP).

The VSDP was initially a fully insured plan that was administered by MetLife. In anticipation of the end of that contract, University of Minnesota requested third party administrative proposals in October 2016. The proposal was to continue to provide Voluntary Student Dental Plan benefits on a self-funded basis and include administration of the pediatric dental benefits included in the SHBP. After evaluating proposals from the two competing vendors, the contract was awarded to Delta Dental Plan of Minnesota. Subsequently the decision was made to add administration of additional preventive and non-surgical periodontal services for all students enrolled in the SHBP as well as the option to purchase additional restorative benefits.

This estimate is based on a projection of 11,000 students benefiting from the various coverage options, and pediatric dental benefits for children as covered dependents. .

The final negotiations with Delta Dental, and the financial projections by moving from a fully insured plan to self-funding and increasing the pool of students that benefit from this program resulted in a 14.6% reduction in the cost of dental services.

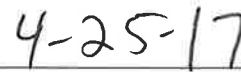
The program has adequate reserves to meet all obligations for the next two years of self-funding and provide the same level of coverage to students for the upcoming year. The cost of the plan is borne entirely by students purchasing the plan.

Submitted by: Carl Anderson
Chief Operating Officer
Boynton Health Service; W224
Phone: 612-625-1612

Approval for this item requested by:



Danita Brown-Young,
Vice Provost, Office of Student Affairs



Date

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

To First Transit Group for an estimated \$23,650,000 for intercampus transit services for the University of Minnesota Twin Cities campus for the period of July 1, 2017 through June 30, 2021 with possible contract extensions through June 30, 2025 for an additional \$27,500,000. Total contract value, if all options are exercised, would be \$51,150,000.

The current contract to provide intercampus transit services will end on June 30, 2017. Intercampus transit services are vital to the safe and efficient operation of the Twin Cities campus. Currently the University provides approximately 3.5 million passenger trips per year over a total of five (5) intercampus routes for students, staff, faculty and visitors.

Contracting for intercampus transit service allows the University to efficiently, safely and effectively manage transportation services around and through campus. This contract includes use of capital equipment, the hiring and training of campus bus drivers, system management, vehicle inspection and maintenance, fuel, and replacement equipment as required during the life of the contract.

Through a competitive process, First Transit Group provided the best value based on the equipment proposed, overall system management practices, pricing and the inclusion of upgraded onboard security (cameras) and real time passenger information systems.

The funds required for this contract will be paid for with Parking & Transportation Services funds and student transportation fees.

Submitted by: Ross Allanson, Parking & Transportation Services
300 Transportation and Safety Building
500 Washington Avenue South
Minneapolis Campus
Phone: (612) 625-9543

Approval for this item requested by:



Mike Berthelsen
Interim Vice President of University Services

4-18-17

Date

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

To JEOL USA, Inc for \$1,507,700.00 for acquisition of a "Field Emission based Electron Microprobe (EPMA) with four (4)Wavelength Dispersive Spectrometers (WDS)" for the Department of Earth Sciences.

The University of Minnesota requires a state-of- the-art, fully automated electron microprobe to conduct its research programs. This microprobe must be able to both qualitatively and quantitatively analyze and image all elements from Be to U at spatial resolutions smaller than one micrometer. The required instrument will be acquired to fulfill the goals of a National Science Foundation Major Research Instrumentation grant awarded to the university that included the participation of 27 UMN faculty across 10 science and engineering departments. This instrument will be housed in the Dept. of Earth Sciences where it will replace an instrument that has been used for 24 years. The new microprobe will be the first instrument with soft XRay capabilities in an academic laboratory in North America, and will bring new capabilities in science and engineering research at UMN.

JEOL USA was selected through a competitive bidding process. Two vendors submitted bids in response to this RFP, but JEOL USA's bid was deemed superior chiefly owing to its inclusion of a soft-X ray spectrometer, an essential component described in the RFP that will allow UMN to conduct innovative analyses unattainable by other technologies, including those pertaining to light elements and chemical bonding at unparalleled spatial resolution.

Acquisition of the electron microprobe is funded from the sponsored project, a National Science Foundation Major Research Instrumentation grant (EAR1625422) in addition to matching funds (mandatory to the NSF MRI program) provided by the Office of the Vice President for Research, the College of Science and Engineering, and the Department of Earth Sciences).

Submitted by: . Marc Hirschmann
Dept. of Earth Sciences 108 Pillsbury Hall
5-6698
mmh@umn.edu

Approval for this item requested by:



VP or Exec. VP Name
VP or Exec. VP Title

April 17, 2017
Date



BOARD OF REGENTS DOCKET ITEM SUMMARY

Finance

May 11, 2017

AGENDA ITEM: Information Items

Review

Review + Action

Action

Discussion

This is a report required by Board policy.

PRESENTERS: Brian D. Burnett, Senior Vice President for Finance & Operations

PURPOSE & KEY POINTS

Quarterly Purchasing Report

The purpose of this item is to provide a quarterly report of purchasing activity, including detailed reports with brief discussion on the following activity:

- Summary of Purchasing Activity
- Purchases made as Approved Exceptions to Competitive Process
- Purchases made as Preapproved Exceptions to Competitive Process
- Regents Purchasing Policy Violations

Quarterly Asset Management Report

The purpose of this item is to report on the quarterly performance results for assets managed by the Office of Investments & Banking (OIB) for the quarter ended December 31, 2016. The OIB prepares this report, as required by Board policy, for review by the Investment Advisory Committee and the Board of Regents.

- The invested assets of the University totaled approximately \$2.49 billion on December 31, 2016.
- The Consolidated Endowment Fund (CEF) value increased to \$1.301 billion as of December 31, 2016. The total investment return for CEF during the quarter was 2.7 percent, compared to its short-term benchmark at 2.8 percent.
- The slight underperformance during the quarter was driven largely by portfolio overweight to public equity investments and underperformance by riskier fixed income managers.
- The market value of the short-term Temporary Investment Pool (TIP) was \$997.0 million as of December 31, 2016. The investment return on the portfolio over the last quarter was -0.4 percent compared to a benchmark return of -0.3 percent. The change in market value during the quarter was largely due to the timing of cash flows as part of the University's normal business cycle.

Six-Month Management Report – Unaudited

The six-month management report provides the Board of Regents with an overview of the University's unaudited financial statements as of December 31, 2016. 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.
- A summary of six-month unaudited results for the University's reportable component units.

Quarterly Investment Advisory Committee Update

The purpose of this item is to provide a report on the quarterly meeting of the Investment Advisory Committee held on February 8, 2017. The agenda for the meeting included:

- Portfolio Performance Review
- Asset Allocation Study Update
- Manager Recommendation: Cross Ocean European Special Situations II – Approved
- Manager Recommendation: Hamilton Lane Secondary Fund IV – Approved
- Manager Recommendation: Private Advisors Real Assets Fund – Approved

May 11, 2017

The Honorable Richard Beeson, Chair, Finance Committee
The Honorable Abdul Omari, Vice Chair, Finance Committee
The Honorable Michael Hsu
The Honorable David McMillan
The Honorable Ken Powell
The Honorable Steve Sviggum

Committee Members:

Enclosed are Purchasing Services' reports on purchasing activity for the third quarter, fiscal year '17. Regents policy requires that purchasing activity, including exceptions to competitive purchases, be reported to the Board of Regents. This letter provides explanatory background and brief analysis of the report and attachments that follow.

Background

The enclosed reports and attachments provide statistics, graphics and some detail on four categories of purchasing activity for the one quarter:

- Summary of Purchasing Activity
- Purchases made as Approved Exceptions to the competitive purchasing process
- Purchases made as Preapproved Exceptions to the competitive purchasing process
- Regents Purchasing Policy Violations

“Total Purchasing Activity” represents the total amount of goods and services purchased for the quarter and year-to-date across all funding sources, including construction projects.

“Approved Exceptions” refers to purchases where, following proper protocol, the vendor was not selected through a Request for Bid or Request for Proposal process. All of the approved exceptions were justified in writing by the requisitioning department, with the justification reviewed and approved by the Director of Purchasing before the purchase took place. Additionally, the appropriate Vice President and the University Controller approved all exceptions of \$250,000 and over, except pre-approved exceptions. Section II provides a listing of the transactions that followed this process and were approved as exceptions.

“Pre-approved Exceptions” are also purchases where the vendor has not been selected through a competitive process. However, they are exceptions that occur routinely with consistent reasons, so that the approval of the justification has become standardized. Refer to Section III of the report for a listing of transactions processed as pre-approved exceptions during the quarter.

“Regents Purchasing Policy Violations” refers to purchase transactions which bypassed the competitive process without following proper protocol and without the necessary approvals. Section IV provides a listing of purchasing violations.

The reports compare dollars spent on purchases in the respective quarter of the current year to dollars spent on purchases in same quarter of the previous year. The same quarter-to-quarter comparison is made for approved exceptions and for preapproved exceptions. With that in mind, the following observations are worth noting:

Third Quarter:

- There were no unusual spikes in either purchasing activity or exception activity for the quarter.
- There were no Regents Purchasing Policy Violations in the third quarter of FY17.

If you have any questions on the report, please do not hesitate to contact Tim Bray, Director of Purchasing, or me.

Sincerely,

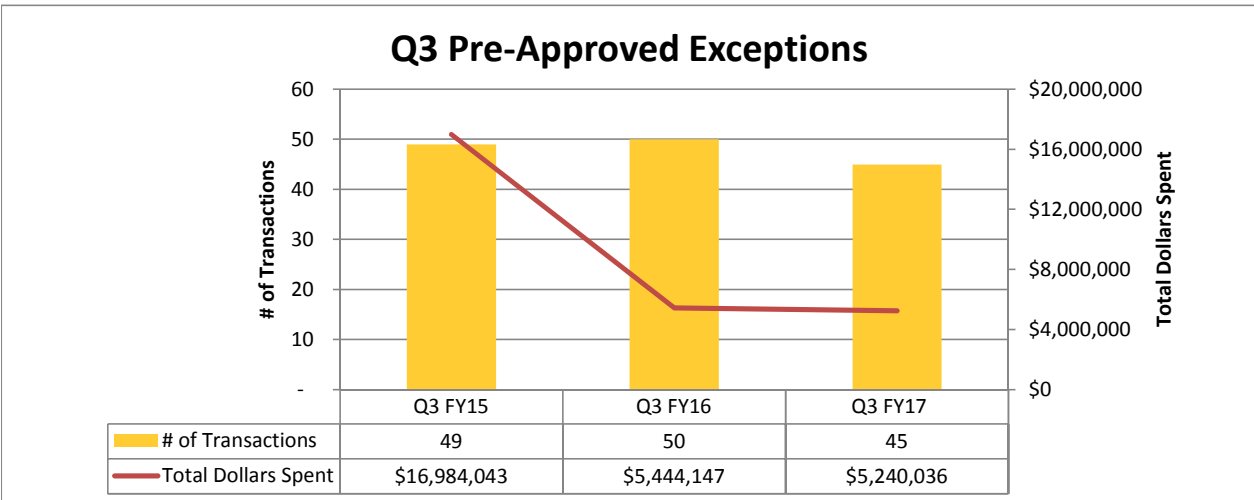
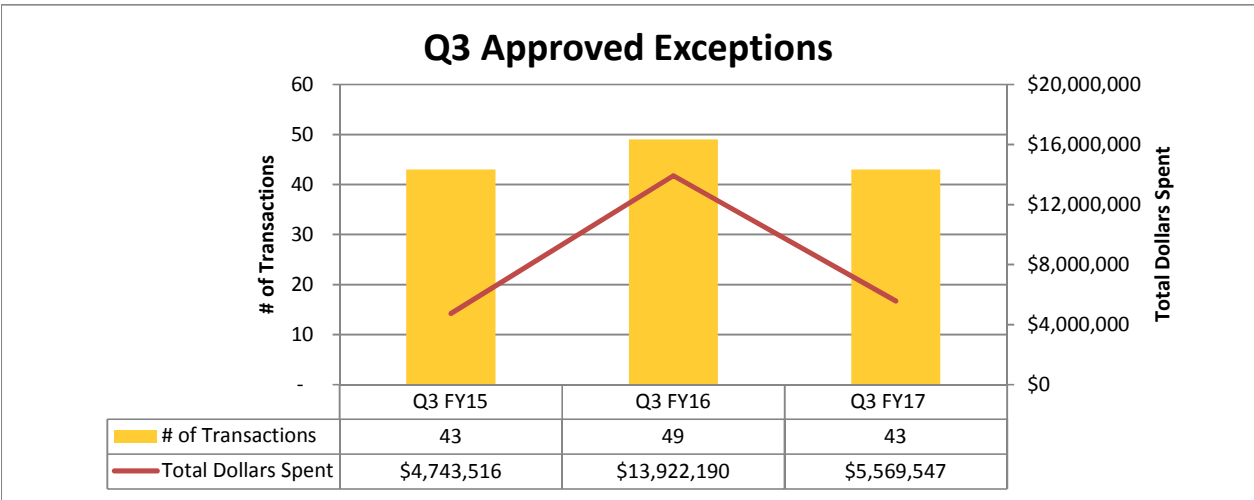
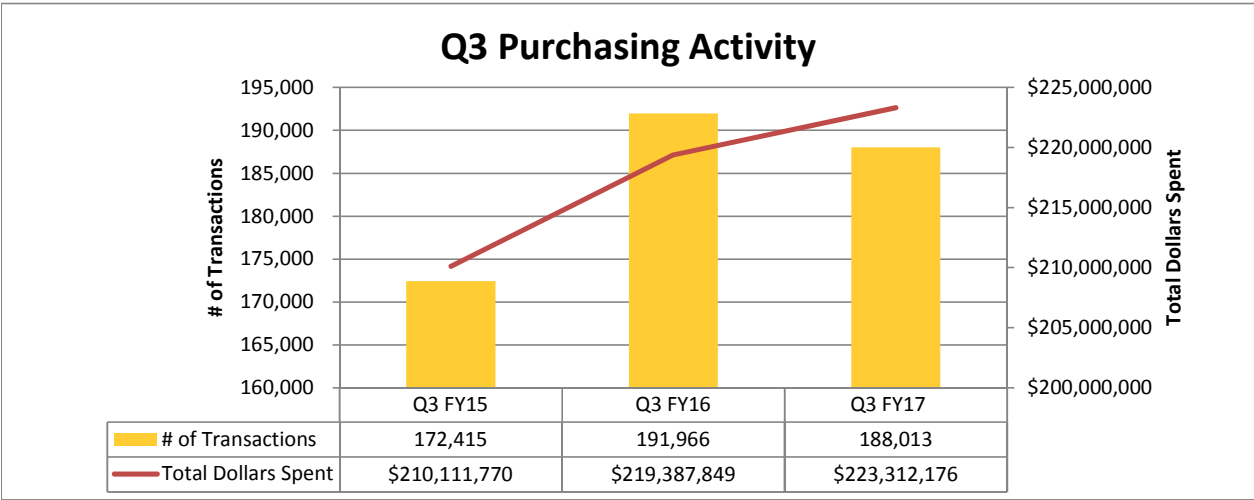
A handwritten signature in black ink, appearing to read 'Suzanne Paulson', with a long horizontal line extending to the right.

Suzanne Paulson
Interim Controller

Cc: Michael Volna, Interim Vice President
Brian Steeves, Deputy Director, Board of Regents
Tim Bray, Director, Purchasing Services

**Quarterly Purchasing Report
As of March 31, 2017**

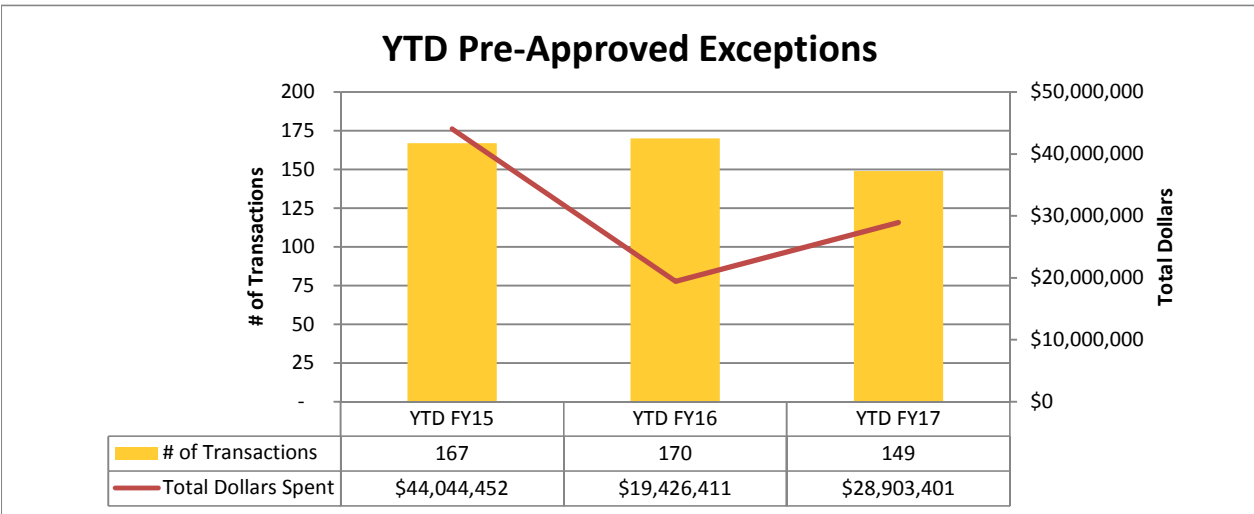
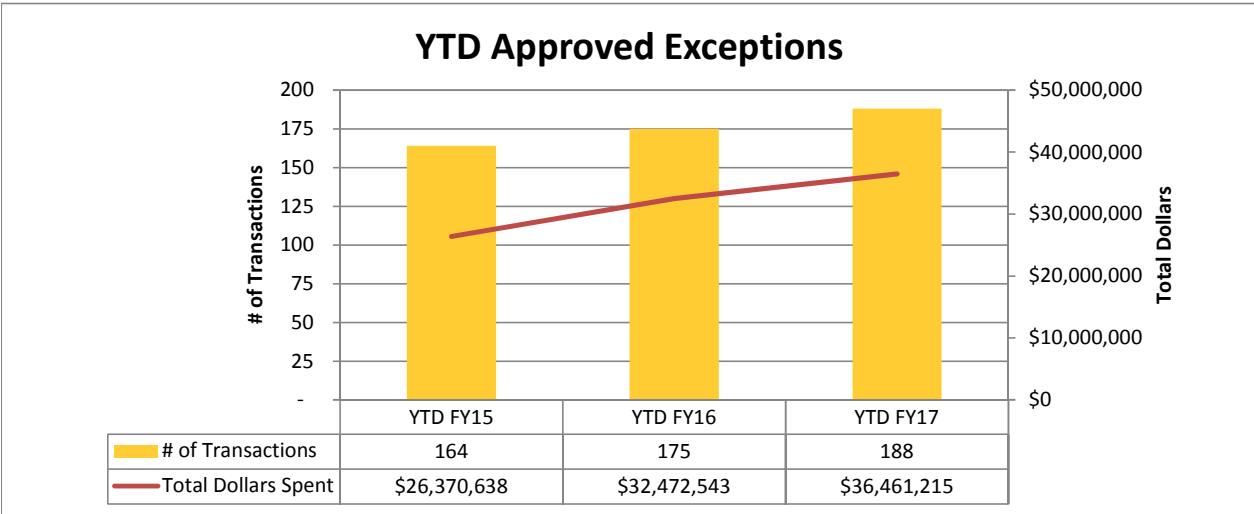
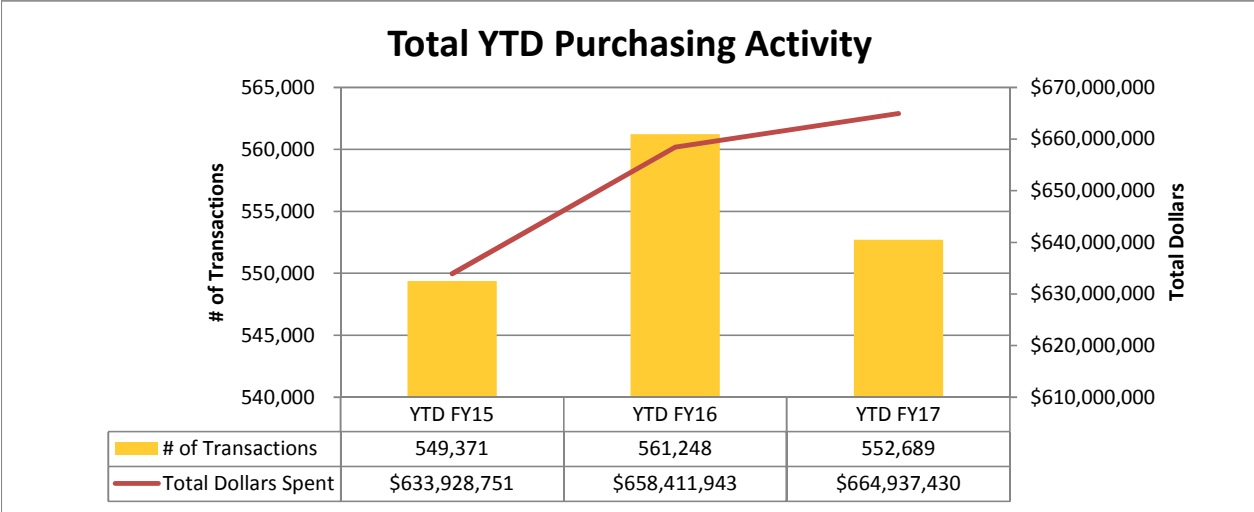
I. Summary of Purchasing Activity for Q3 FY17



Q3 Exceptions	92	99	88
Q3 Exception Dollars	\$21,727,559	\$19,366,337	\$10,809,583

**Quarterly Purchasing Report
As of March 31, 2017**

Summary of Purchasing Activity YTD FY17



YTD Exceptions	331	345	337
YTD Exception Dollars	\$70,415,090	\$51,898,954	\$65,364,616

II. Purchases made as Approved Exceptions to Competitive Purchasing Process Q3FY17

Exception #1:	Total # of Exceptions	Total Dollars
Purchasing of research products (animal feed, serum, test equip/supplies) for clinical trials. Also purchasing from a previous supplier to ensure consistency of research results.	7	\$843,103

Exception #2:	Total # of Exceptions	Total Dollars
Equipment that requires brand compatibility with existing equipment and is available only from manufacturer or sole source authorized distributor.	14	\$2,219,136

Exception #3:	Total # of Exceptions	Total Dollars
Funding source or granting agency specified a single supplier.	8	\$493,389

Exception #4:	Total # of Exceptions	Total Dollars
Other	13	\$1,946,496

Emergency Exception #1:	Total # of Exceptions	Total Dollars
A threat to health, welfare, safety.	0	\$0

Emergency Exception #2:	Total # of Exceptions	Total Dollars
A significant loss to the University.	1	\$67,423

Emergency Exception #3:	Total # of Exceptions	Total Dollars
A failure to provide core services to University students/faculty/staff.	0	\$0

Emergency Exception #4:	Total # of Exceptions	Total Dollars
Emergency equipment repairs and parts or emergency facility repairs and parts under \$100,000.	0	\$0

TOTAL Approved Exceptions 43 \$5,569,547

III. **Pre-Approved Exceptions to Competitive Purchasing** **Q3FY17**

Exception #1:	Total # of Exceptions	Total Dollars
Lodging, travel (does not include group airfare or charter air).	1	\$78,525

Exception #2:	Total # of Exceptions	Total Dollars
Media advertising, purchase or access to uniquely compiled database information.	7	\$364,949

Exception #3:	Total # of Exceptions	Total Dollars
Farm commodities such as grain or livestock.	1	\$59,230

Exception #4:	Total # of Exceptions	Total Dollars
Closeout of used items which requestor or Purchasing has verified to be at least 30% below comparable new equipment (does not include refurbished or remanufactured furniture).	1	\$70,178

Exception #6:	Total # of Exceptions	Total Dollars
Service (1) available only from another governmental agency or public entity or (2) required by law to be provided by another governmental entity.	3	\$489,000

Exception #7:	Total # of Exceptions	Total Dollars
Service/maintenance agreements with the original manufacturer/ developer for equipment and software.	8	\$2,256,902

Exception #8:	Total # of Exceptions	Total Dollars
Unique specification research animals purchased under guidelines of the Institutional Animal Care and Use Committee (IACUC).	1	\$120,000

Exception #9:	Total # of Exceptions	Total Dollars
Software license renewals and software upgrades available only from developer. This includes adding licenses to an existing license agreement.	4	\$301,380

Exception #10:	Total # of Exceptions	Total Dollars
Development, design and/or creation of original artwork.	1	\$60,000

Exception #11:	Total # of Exceptions	Total Dollars
Fairview purchases related to research projects.	5	\$237,065

Exception #12:	Total # of Exceptions	Total Dollars
Entertainers, lecturers, speakers and honoraria.	6	\$621,721

Exception #14:	Total # of Exceptions	Total Dollars
Study Abroad Administrators (Does not include group airfares).	6	\$551,087

Exception #15:	Total # of Exceptions	Total Dollars
Legal Services for the Office of General Counsel.	1	\$30,000

TOTAL Approved Exceptions **45** **\$** **5,240,036**

There are 25 categories of Pre-Approved Exceptions. Only those categories which had qualifying transactions are reported above.

IV. Regents Policy Violations **Q3FY17**

There are no Regents Policy Violations to report.

Quarterly Asset Management Report

December 31, 2016



UNIVERSITY OF MINNESOTA

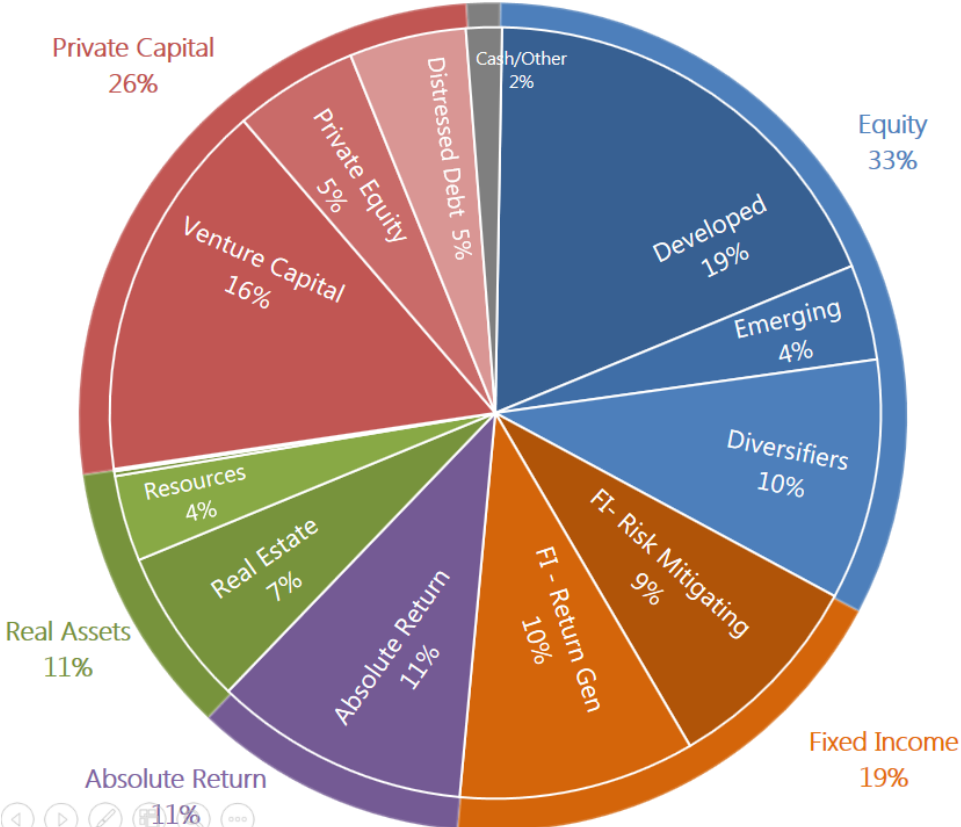
Driven to DiscoverSM

Overview of University Investment Funds

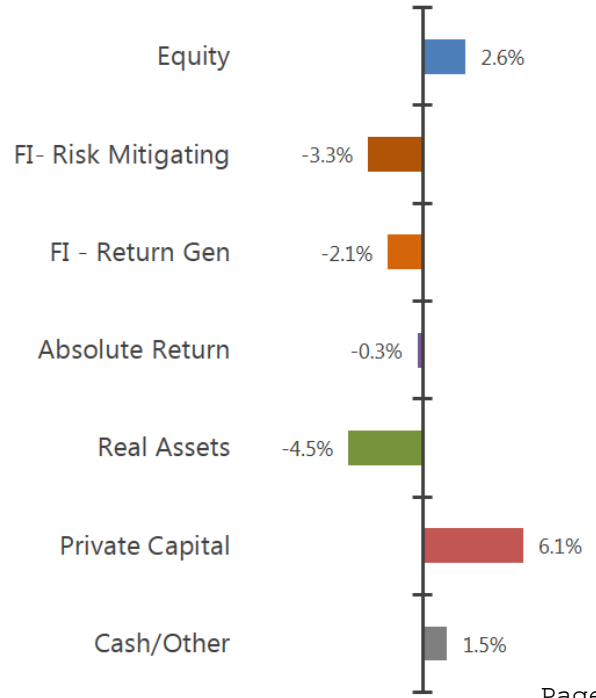
Internally Managed Funds (\$ millions)	Q4 2016	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Consolidated Endowment Fund (CEF)	\$ 1,301.6	\$ 1,258.0	\$ 1,293.6	\$ 1,272.5	\$ 1,079.7	\$ 977.6
Long-Term Reserves (GIP)	69.6	65.8	52.7	45.9	46.4	44.7
Short-Term Reserves (TIP)	997.0	1,101.0	1,050.0	1,054.6	1,031.4	972.2
RUMINCO Ltd.	43.3	40.6	39.6	39.2	35.8	32.6
Invested Assets Related to Indebtedness	86.6	100.9	148.3	66.9	87.0	189.7
Total Managed Assets	2,498.1	2,566.3	2,584.2	2,479.1	2,280.3	2,216.8
Investment Oversight (\$ millions)	Q4 2016	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
Faculty Retirement Plans	\$ 5,178.8	\$ 4,968.1	\$ 4,955.7	\$ 4,769.7	\$ 4,199.8	\$ 3,807.9

CEF Asset Allocation

Asset Allocation
\$1.30 Billion

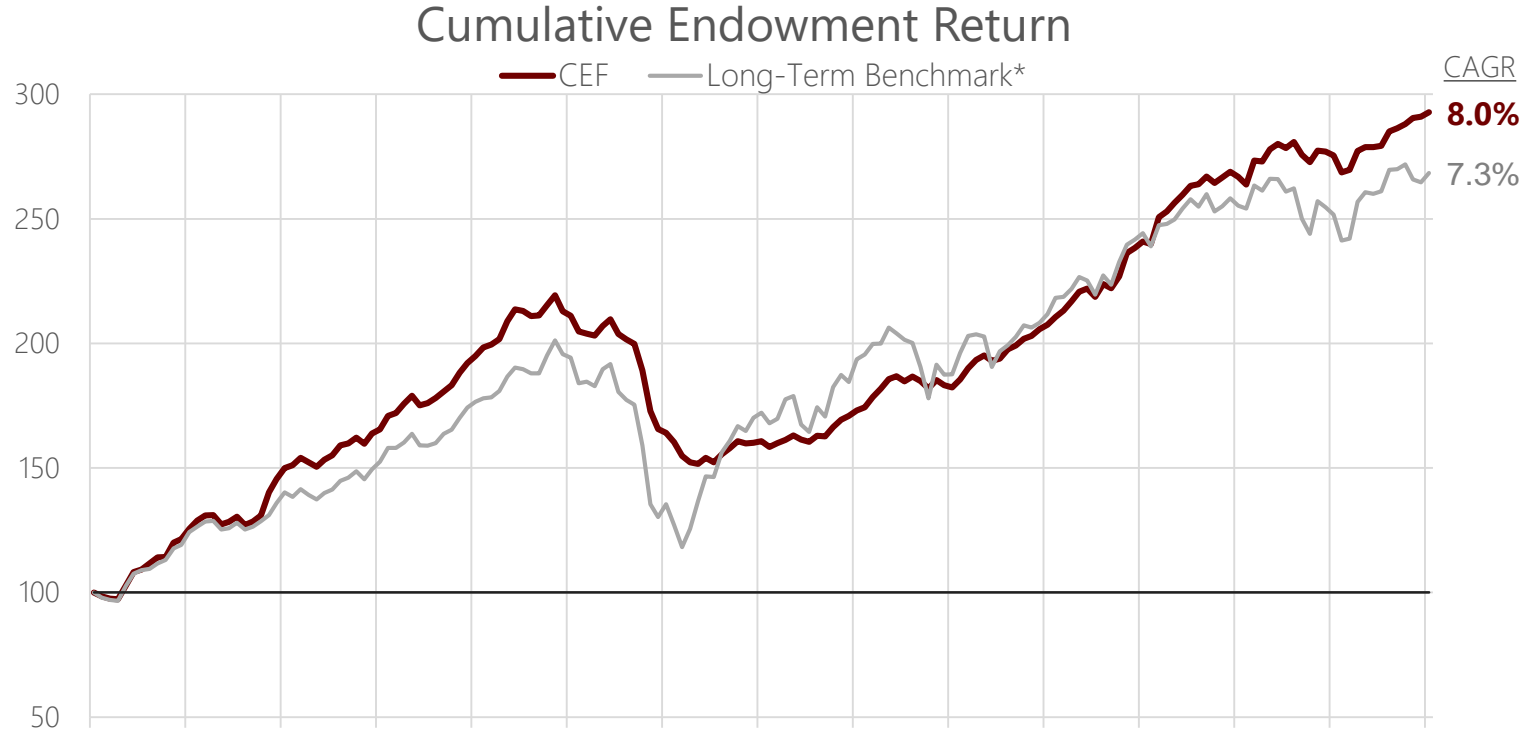


Over/Under Weight vs.
Long-Term Strategic Targets



Growth of \$100

- Since the inception of OIB in 2003, the endowment returned 8.0% annually versus the passive mix of stocks and bonds return of 7.3%.



Performance Executive Summary

Short-Term

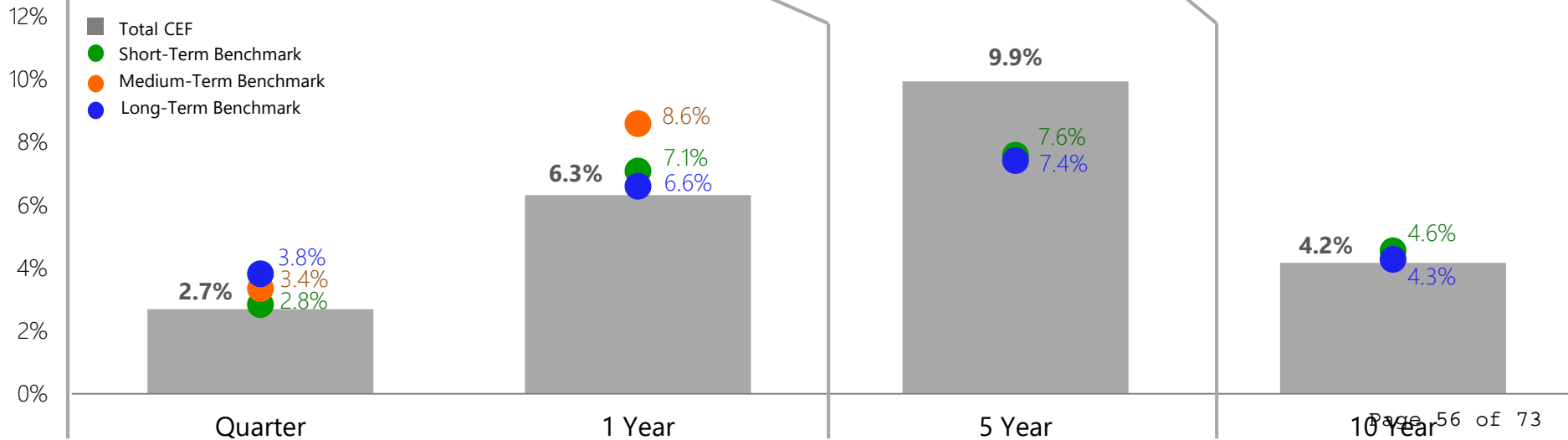
- Public and private equities comprised nearly 2/3 of 1-year returns (4% of 6.3% CEF return).
- Higher-octane fixed income contributed 80 bps due to strong EM performance and narrowing credit spreads.

Medium-Term

- Both public and private equities are primary contributors due to double-digit returns, comprising ~80-90% of total CEF returns.
- Strong real estate realizations added 10 bps.

Long-Term

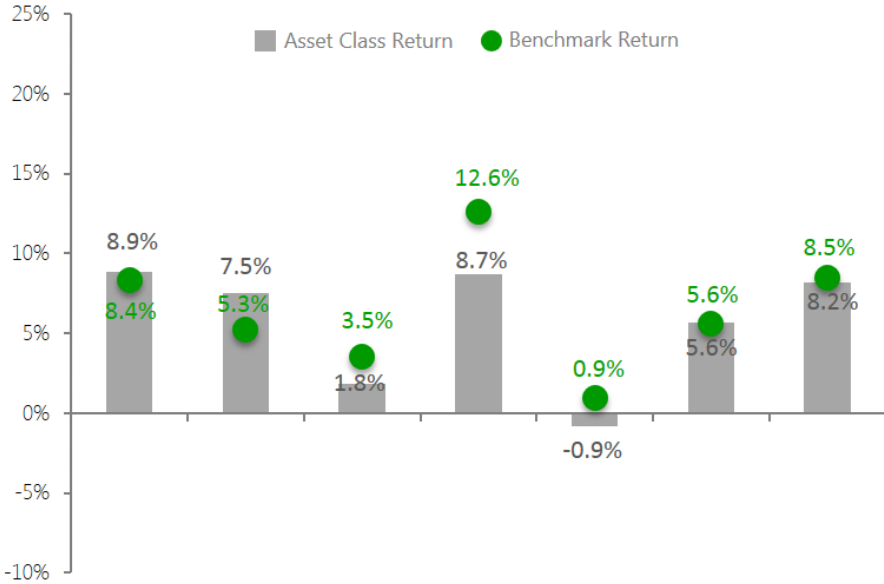
- Private Capital drove ~3/4 of the total CEF return.
- Fixed Income returns of ~3% coupled with lower volatility led to a greater contribution to the 10-year return than public equities.



CEF Asset Class Performance

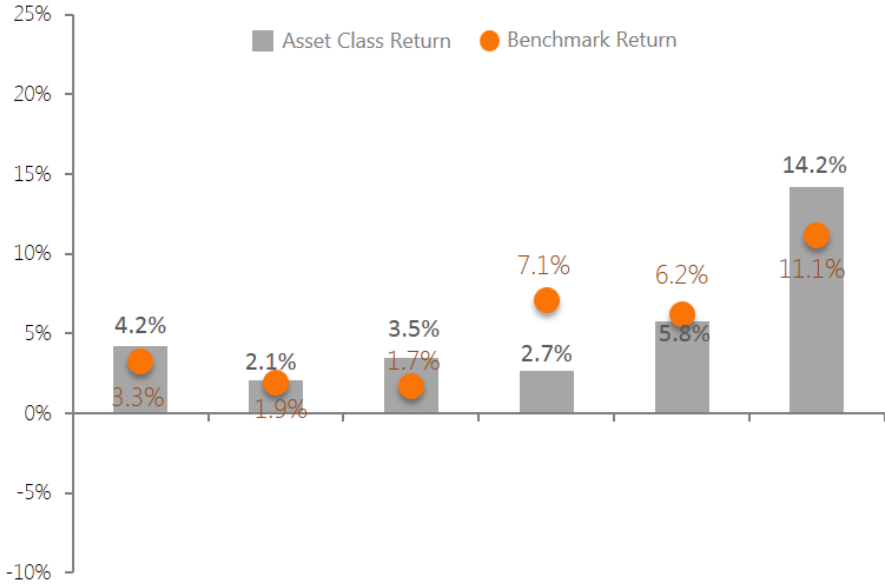
1 Year

(how did managers perform vs. benchmarks?)



3 Year

(did asset classes meet their objectives?)

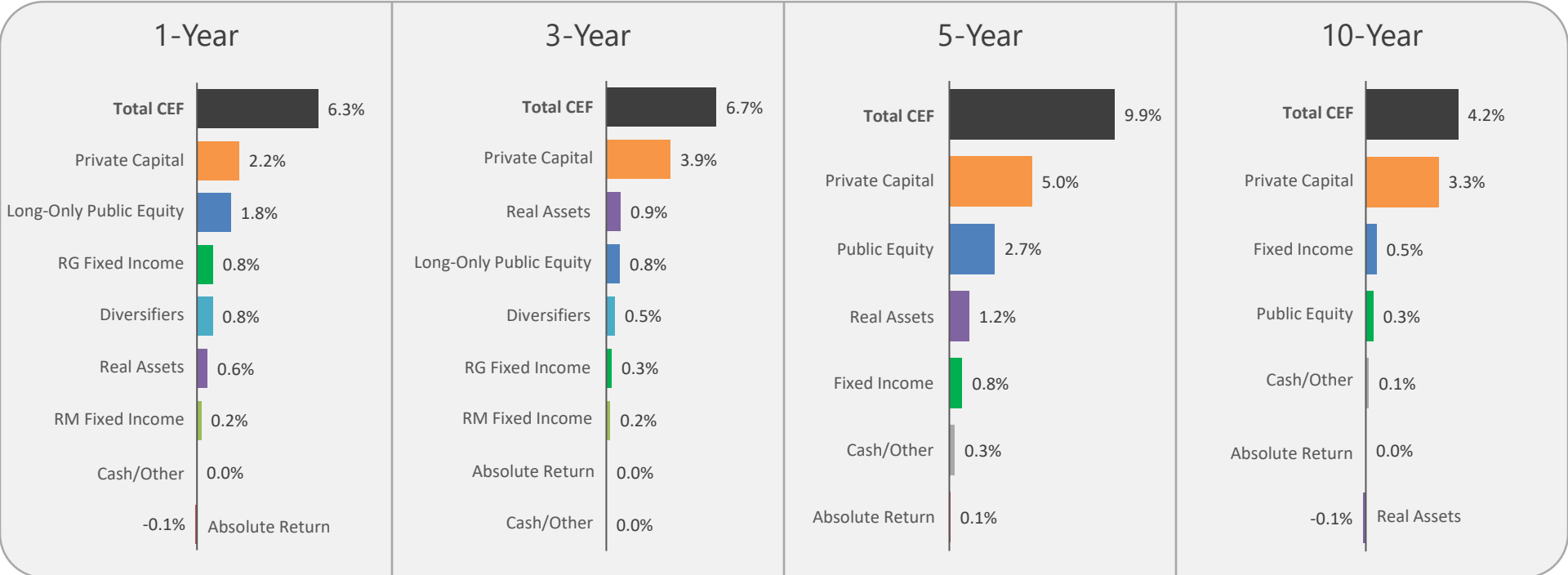


ASSET CLASS	Public Equity	Diversifiers	FI- Risk Mitigating	FI - Return Gen	Absolute Return	Real Assets	Private Capital
BENCHMARK	MSCI ACWI	Manager Bchmks	TIPS & Treasuries	EMBI, HY, Leveraged Loans	HFRI FoF Diversified	Actual Returns	SSgA PE Qtr Lag ¹

ASSET CLASS	Equity	FI- Risk Mitigating	FI - Return Gen	Absolute Return	Real Assets	Private Capital
BENCHMARK	MSCI ACWI	TIPS & Treasuries	50% ACWI, 50% Gbl Agg	3-Month LIBOR + 5% ²	CPI + 5%	Russell 3000 + 250 bps

CEF Asset Class Contribution to Return

Contribution to Return*



* contribution numbers are approximate

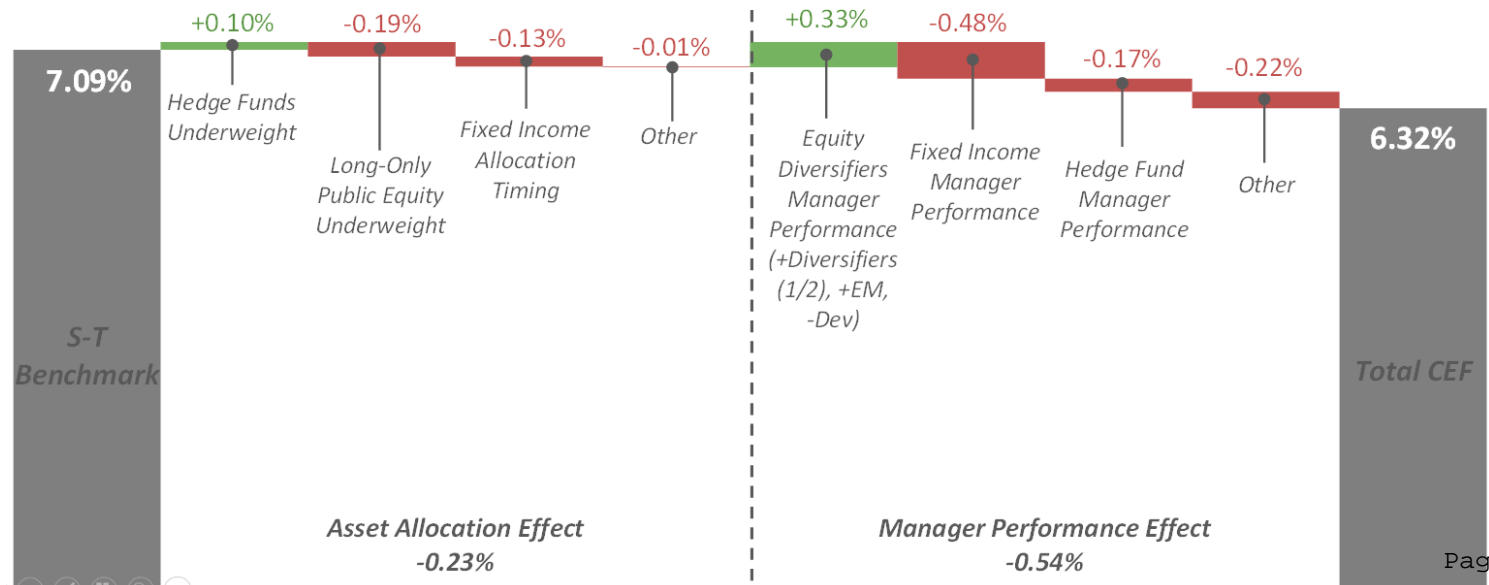
CEF 1-Year Benchmark-Relative Attribution

Asset Allocation Drivers

- + Underweight hedge funds continues to help due to muted industry returns
- Slight underweights to strong-performing asset classes such as long-only equities (+8.4% return) and return-generating fixed income (+13% return) detracted

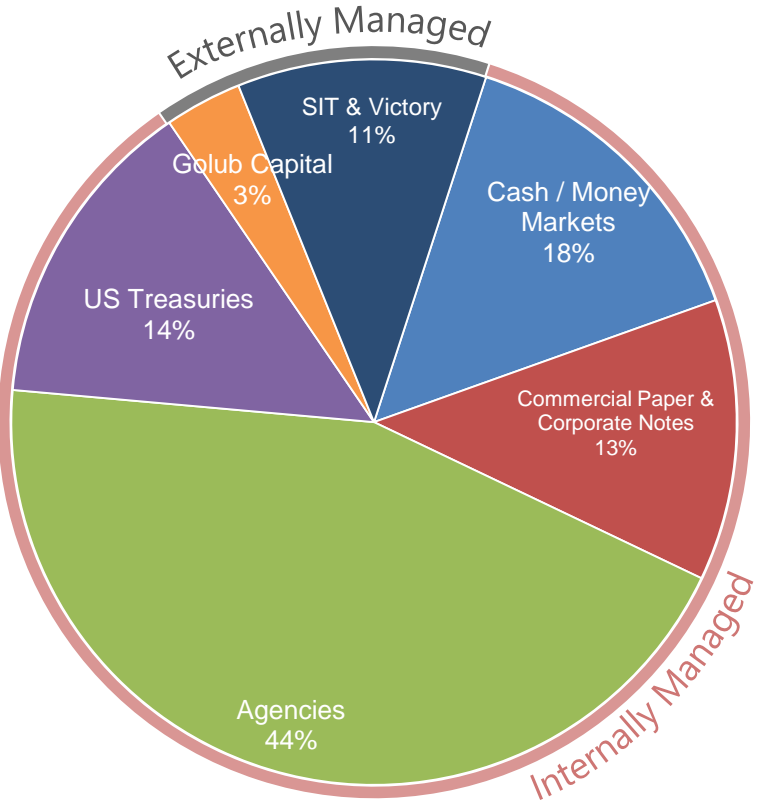
Manager Performance Drivers

- + Equity diversifiers manager outperformance of 2.3% and emerging markets equities outperformance of 3.4%
- Strong benchmark returns from leveraged loans and high yield understandably caused fixed income to underperform
- Muted JP Morgan hedge fund returns led to underperformance, but new managers have shown positive returns thus far

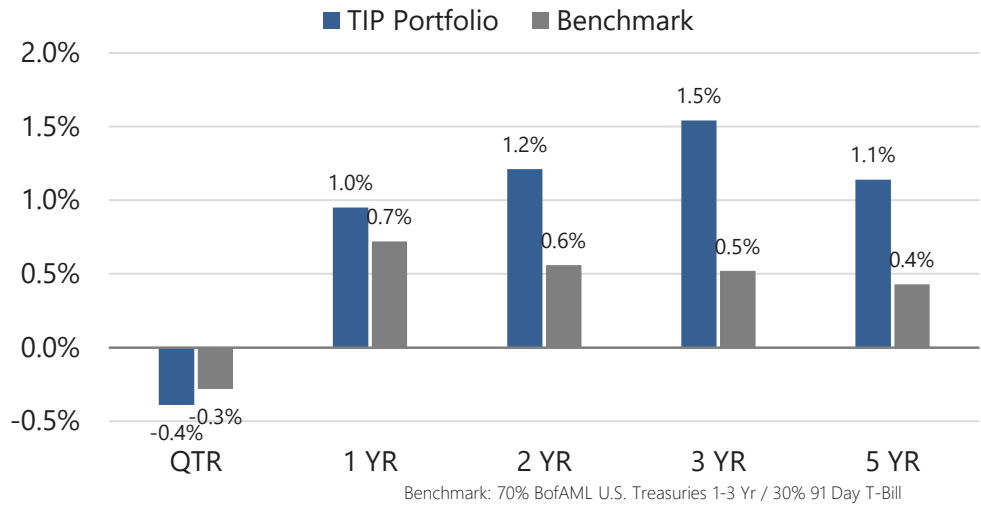


Short-Term Reserves (TIP)

Asset Allocation
Total Value: \$997M



Annualized Returns

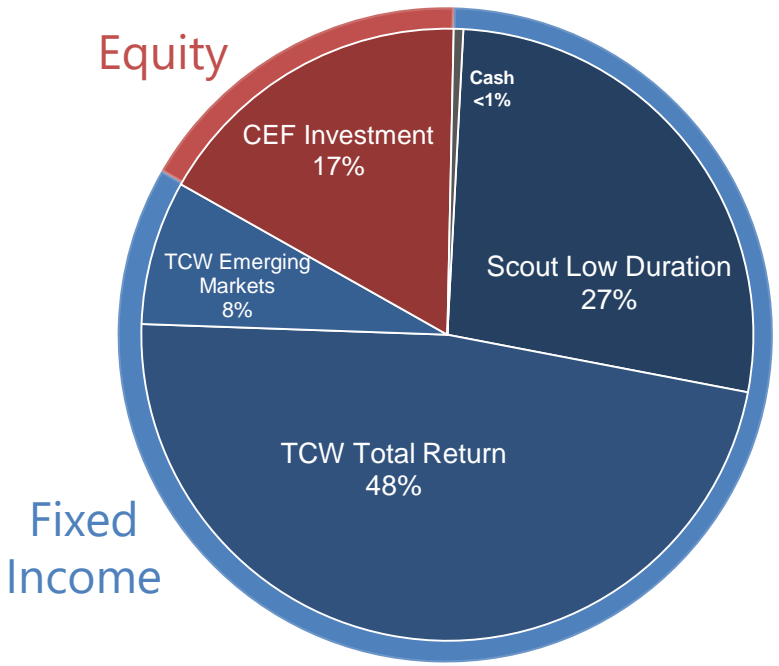


Characteristic	Guideline	Actual
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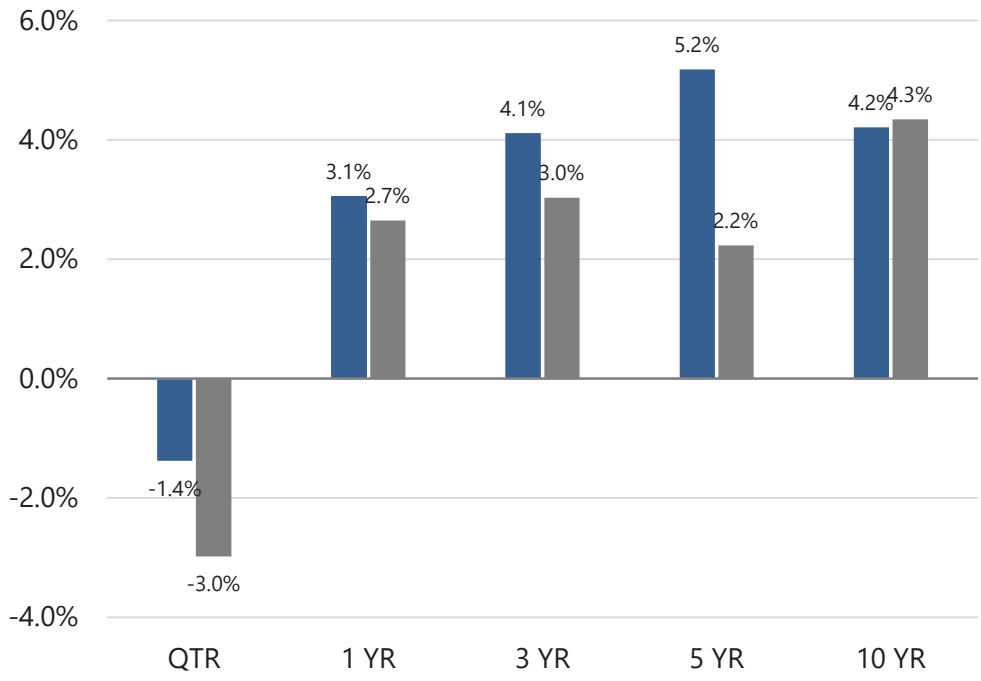
Yield to Maturity	--	1.19%
Interest rate risk (duration)	< 4 years	1.3 years
Credit quality (pool average)	> A1/A+	Aa3 / AA-
Credit quality (individual bonds)	100% IG	100%

Long-Term Reserves (GIP)

Asset Allocation
Total Value: \$83.9M

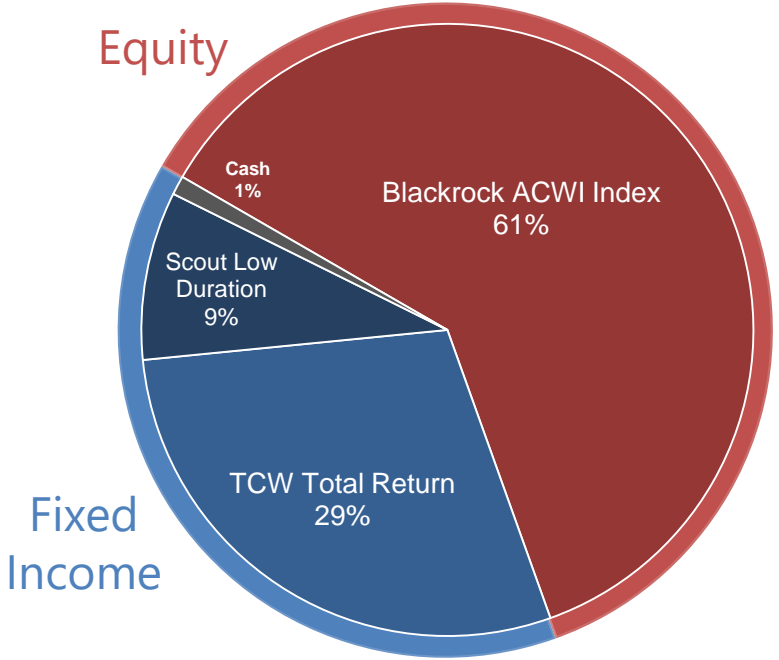


Annualized Returns
■ GIP Portfolio ■ Benchmark

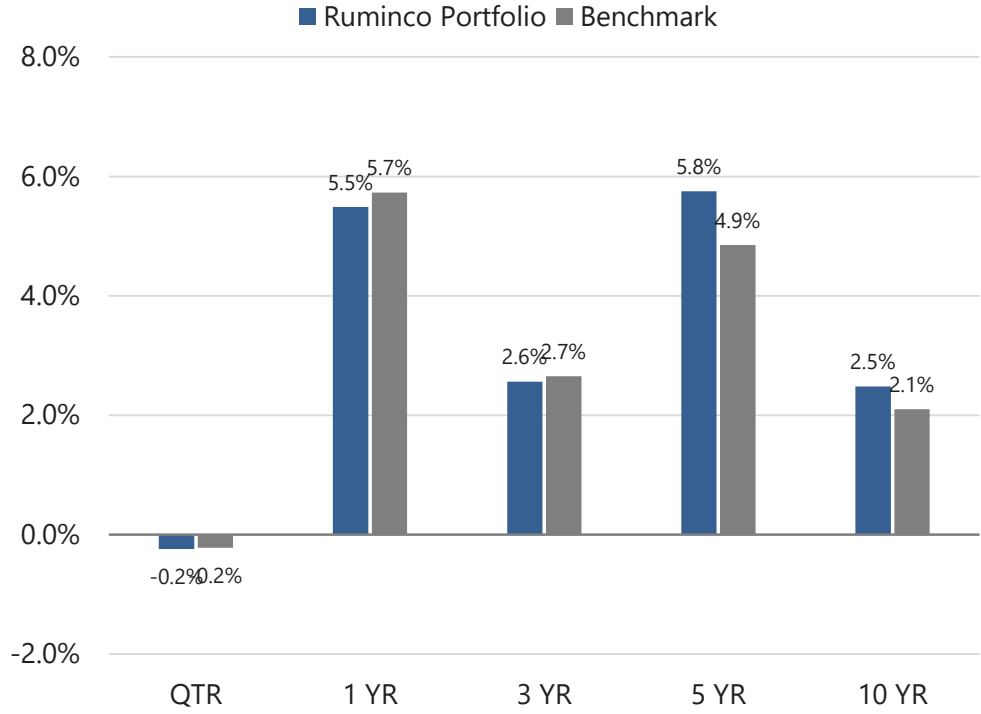


RUMINCO Ltd.

Asset Allocation
Total Value: \$43.3M



Annualized Returns



Quarterly Asset Management Report

Supplemental Materials | May 11, 2017

1-Year Benchmark-Relative Attribution as of 3/31/17

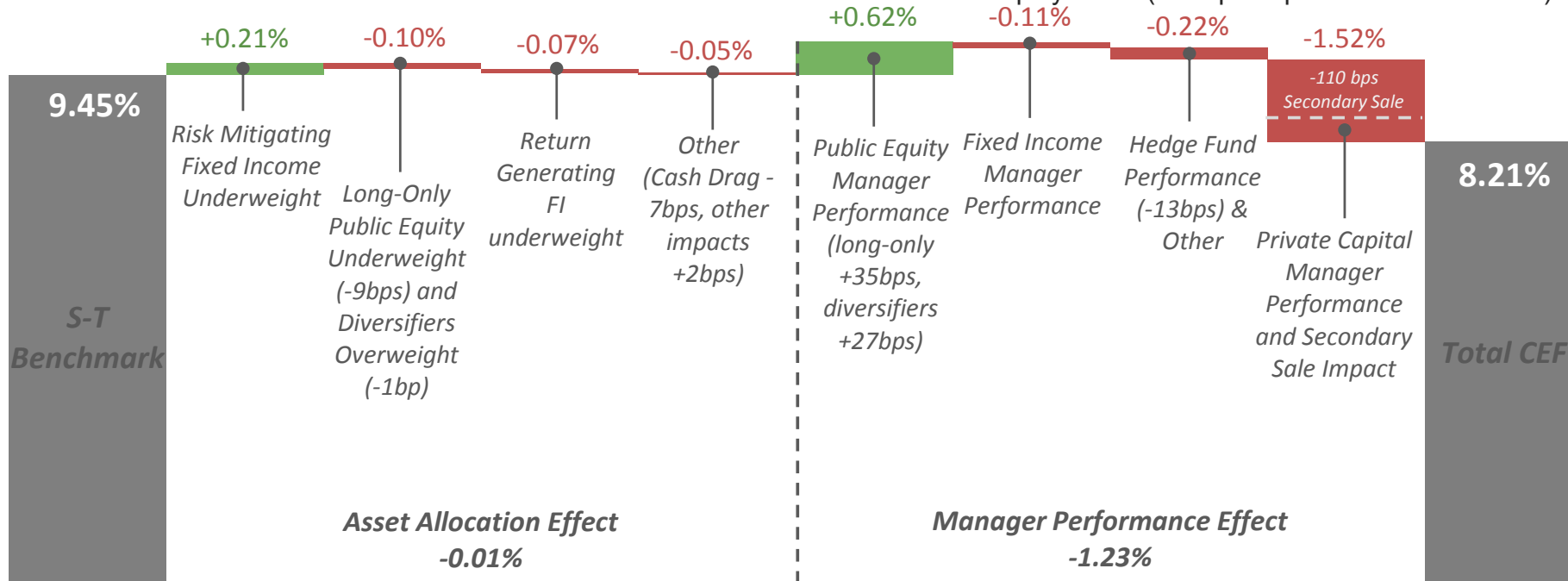
- CEF underperformed the short-term benchmark by 1.24% for the year ended 3/31/17; secondary sale of approximately \$80 million of Private Capital managers was a significant contributor to the shortfall

Asset Allocation Drivers

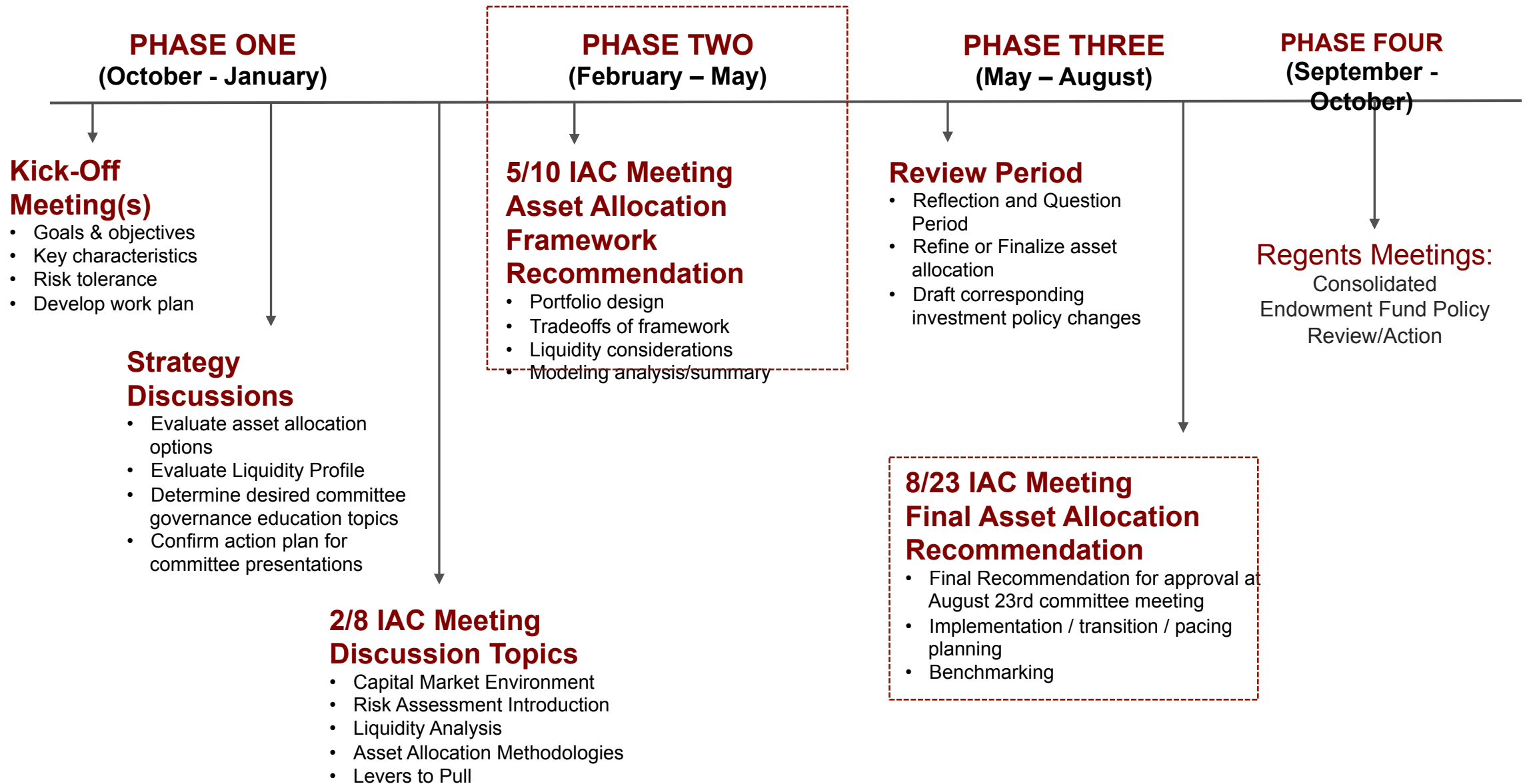
- + ~3% underweight safe assets in a strong equity rally (+15%) added 21bps.
- Slight underweights to high returning asset classes: public equity (-10 bps) and return-generating fixed inc. (-7bps)

Manager Performance Drivers

- + Strong alpha from active managers (Acadian +8%, Diversifiers +3%), and 60% U.S. tilt in public equity added 62bps.
- Secondary sale detracted 110 bps from CEF relative return, however the absolute performance impact is -27 bps
- Private Capital returns didn't keep pace with State Street Private Equity index (-42 bps impact to relative return)



Project Update / Go-Forward Timeline



Tradeoffs Among Portfolio Design Frameworks (excerpt from Feb 2017 IAC meeting)

- OIB's aim is to propose a framework that stands on its own as being **practically implementable, theoretically sound and thoroughly aligned with our mission**, risk/return objectives, philosophy and recognizes OIB's investment acumen and its limitations. The current framework (conventional) has served well, but lacks flexibility in an increasingly challenging environment.

Spectrum of Approaches to Strategic Asset Allocation Development

Conventional (Mean Variance)	Traits	Unconventional (Purpose Driven)
<ul style="list-style-type: none"> 30% - Fixed Income – Global Aggregate 10% - PE / HFs / Real Assets 60% - Global Public Equity 	Representative Allocation	<ul style="list-style-type: none"> 5-15% - Liquidity / Stability 20-40% - Diversifiers 50-70% - Growth
Rigid	Implementation Philosophy	Flexible, loosely constrained
Low	Complexity	High
Helpful	Long-term time horizon	Essential
Relative	Return Focus	Absolute
Helpful	Deep knowledge of risks/exposures	Essential
Late to the game	Approach to innovation	Early to the game
Mostly reactive	Idea generation / sourcing	Mostly proactive
Helpful	Sophisticated/ well-resourced staff	Essential
Helpful	Flexible governance structure	Essential
Driven	Benchmark	Aware, but mostly agnostic
Middle of the pack	Performance vs. peers/benchmarks	Higher chance of being an outlier
Mr. Market, keeping costs low, executing effectively, adding value on the margins	Success/ failure driven by...	Investment judgment, regime identification, relative value assessments, quality of idea

Recommended: Purpose-Driven Framework

- Purpose-driven allocation framework offers a clear methodology to construct a portfolio by segmenting assets into categories that align with an investment objective.

STABILITY 8%		DIVERSIFIERS 30%		GROWTH 62%	
Provides stability and capital protection to ensure ability to meet operational and programmatic needs of the portfolio.		Offers a meaningful return contribution (i.e. CPI+5%) coupled with low expected correlations relative to Growth assets		Seeks higher returns through investing in strategies which the primary return driver is associated with changes in growth (GDP growth, earnings growth, etc.)	
Range:	5-10%	Range:	20% - 40%	Range:	50% - 70%
Expected Return (beta):	2.3%	Expected Return (beta):	7.1%	Expected Return (beta):	8.6%

Liquid Reserves 5%		Enhanced Stability 10%		Equity 57%	
<ul style="list-style-type: none"> • Cash • Short Duration • Agencies • TIPS/Treasuries • Long Duration 		<ul style="list-style-type: none"> • Bank Loans • Direct/Private Senior Lending • Core Real Estate • Structured Credit • Other Credit 		<ul style="list-style-type: none"> • US Equity • Non US Developed Equity • Emerging Markets Equity • Buyouts • Venture • Growth Equity • Distressed Debt for Control • Mezzanine Lending • Alternative Beta • Factor Based (beta oriented) • Hedge Funds (beta oriented) 	
High Quality Credit 3%		Idiosyncratic 10%		Extended Credit 5%	
<ul style="list-style-type: none"> • Core Bonds • Global Bonds • High Quality Credit 		<ul style="list-style-type: none"> • Hedge Funds • Factor Based Investing • Niche Strategies (e.g. litigation finance, re-insurance) 		<ul style="list-style-type: none"> • High Yield Bonds • Emerging Market Debt • Private Credit • Credit Hedge Funds 	
		Growth Diversifiers 10%			
		<ul style="list-style-type: none"> • Commodities • Natural Resources • Energy • Infrastructure / Land • Value Add / Opportunistic RE • Private Credit • Multi-Asset Strategies • Global Macro Hedge Funds 			



UNIVERSITY OF MINNESOTA

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UMNews



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The University of Minnesota is an equal opportunity educator and employer.

University of Minnesota
Consolidated Statements of Net Position (Excluding Component Units)
December 31, 2016 and 2015 (in thousands)

	12/31/2016	12/31/2015
Assets		
Current assets		
Cash and cash equivalents	\$ 376,863	\$ 47,760
Short-term investments	86,339	130,832
Receivables, net	611,817	568,225
Inventories	20,237	31,130
Student loans receivable, net	10,621	9,920
Prepaid expenses	45,683	36,523
Other assets	1,326	205
Total current assets	<u>1,152,886</u>	<u>824,595</u>
Noncurrent assets		
Restricted cash and cash equivalents	86,562	101,918
Investments	1,901,606	2,078,811
Receivables, net	12,095	13,268
Student loan receivables, net	61,664	61,199
Prepaid expenses	3,176	1,238
Capital assets, net	3,050,473	2,990,939
Total noncurrent assets	<u>5,115,576</u>	<u>5,247,373</u>
Total assets	<u>6,268,462</u>	<u>6,071,968</u>
Deferred Outflows of Resources		
	<u>25,303</u>	<u>25,100</u>
Liabilities		
Current liabilities		
Accounts payable	135,386	117,283
Accrued liabilities and other	302,910	293,026
Unearned income	10,954	15,294
Long-term debt	281,031	300,396
Total current liabilities	<u>730,281</u>	<u>725,999</u>
Noncurrent liabilities		
Accrued liabilities and other	503,828	498,572
Unearned income	122	50
Long-term debt	1,149,469	1,064,059
Total noncurrent liabilities	<u>1,653,419</u>	<u>1,562,681</u>
Total liabilities	<u>2,383,700</u>	<u>2,288,680</u>
Deferred Inflows of Resources		
	<u>298,819</u>	<u>370,209</u>
Net Position		
Unrestricted	704,100	546,460
Restricted	899,537	865,398
	Expendable	
	306,163	305,496
	Nonexpendable	
Net investment in capital assets	1,701,446	1,720,825
Total net position	<u>\$ 3,611,246</u>	<u>\$ 3,438,179</u>

University of Minnesota
 Analysis of Consolidated Statements of Net Position
 To Accompany December 31, 2016 Financial Statements
 Excluding Component Units, in thousands

	12/31/2016	12/31/2015	Increase / (Decrease)		Explanation
			\$	%	
Assets:					
Current Assets:					
Cash & cash equivalents	376,863	47,760	329,103	689%	Increase substantially related to TIP investment securities maturing and classification of close to maturity date (90 days or less) from investments to cash and cash equivalents.
Short-term investments	86,339	130,832	(44,493)	-34%	Decrease related to timing of TIP securities maturing to cash and cash equivalents.
Receivables, net	611,817	568,225	43,592	8%	\$33 million increase due to FY2016 implementation of GASB 72 related to recording of investment activity. \$6 million increase in State appropriations
Inventories	20,237	31,130	(10,893)	-35%	Decrease primarily due to using inventory for projects completed during FY16. Reduced spending for FM projects during FY17
Student loans receivable, net	10,621	9,920	701	7%	
Prepaid expenses	45,683	36,523	9,160	25%	Increase related to Hormel lease payments, salaries and timing of invoice receipts.
Other assets	1,326	205	1,121	547%	Increase due to GASB 72 implementation
Total current assets	1,152,886	824,595	328,291	40%	
Noncurrent assets:					
Restricted cash and cash equivalents	86,562	101,918	(15,356)	-15%	Decrease due to increased spending on building projects
Investments	1,901,606	2,078,811	(177,205)	-9%	Decrease related to timing of TIP securities maturing to cash and cash equivalents.
Receivables, net	12,095	13,268	(1,173)	-9%	
Student loan receivables, net	61,664	61,199	465	1%	
Prepaid expenses	3,176	1,238	1,938	157%	\$2.0 million increase due to timing of purchases by Libraries for electronic licenses, access and/or service fees. \$1.0 million due to purchases made by the Learning Abroad Center for future services.
Capital assets, net	3,050,473	2,990,939	59,534	2%	Increase relates to Combined Heat and Power Plant project
Total noncurrent assets	5,115,576	5,247,373	(131,797)	-3%	
Total assets	6,268,462	6,071,968	196,494	3%	
Deferred Outflows of Resources	25,303	25,100	203	1%	
Liabilities:					
Current liabilities:					
Accounts payable	135,386	117,283	18,103	15%	\$16m Increase due to FY2016 GASB 72 implementation related to the recording for investment activity
Accrued liabilities and other	302,910	293,026	9,884	3%	
Unearned income	10,954	15,294	(4,340)	-28%	Decrease due to reduced royalties received by the Office of Technology Commercialization
Long-term debt	281,031	300,396	(19,365)	-6%	Decrease due to normal debt reduction payments partially offset by the issuance of 2016A GO Bonds in April 2016
Total current liabilities	730,281	725,999	4,282	1%	
Noncurrent Liabilities:					
Accrued liabilities and other	503,828	498,572	5,256	1%	
Unearned income	122	50	72	144%	Increase relates to dental school tuition that was prepaid and will be earned over the next 2 years
Long-term debt	1,149,469	1,064,059	85,410	8%	Increase due to 2016A bond issuance partially offset by normal debt reduction payments
Total noncurrent liabilities	1,653,419	1,562,681	90,738	6%	
Total liabilities	2,383,700	2,288,680	95,020	4%	
Deferred Inflows of Resources	298,819	370,209	(71,390)	-19%	
Net Position:					
Unrestricted	704,100	546,460	157,640	29%	\$73 million increase due to MSRS & PERA pension valuations \$54 million increase due to investment related activity
Restricted Expendable	899,537	865,398	34,139	4%	
Nonexpendable	306,163	305,496	667	0%	
Net investment in capital assets	1,701,446	1,720,825	(19,379)	-1%	
Total net position	3,611,246	3,438,179	173,067	5%	

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

For the six months ended December 31, 2016 and 2015 (in thousands)

		12/31/2016	12/31/2015
Revenues			
Operating revenues	Student tuition and fees, net of scholarship allowances of \$138,647 in 2017; \$131,958 in 2016	\$ 384,317	\$ 376,329
	Federal grants and contracts	219,136	223,998
	State and other government grants	38,470	39,858
	Nongovernmental grants and contracts	187,648	175,283
	Student loan interest income	787	795
	Sales and services of educational activities, net of scholarship allowances of \$25 in 2017; \$37 in 2016	74,146	72,170
	Auxiliary enterprises, net of scholarship allowances of \$5,768 in 2017; \$5,491 in 2016	222,190	230,956
	Other operating revenues	40	31
Total operating revenues		<u>1,126,734</u>	<u>1,119,420</u>
Expenses			
Operating expenses	Education and general		
	Instruction	368,161	360,997
	Research	363,827	350,354
	Public service	141,641	134,180
	Academic support	210,224	202,136
	Student services	65,554	62,089
	Institutional support	126,176	123,107
	Operation & maintenance of plant	142,541	149,256
	Scholarships & fellowships	34,588	33,298
	Depreciation	102,580	119,214
	Auxiliary enterprises	159,984	155,472
	Other operating expenses, net	142	92
Total operating expenses		<u>1,715,418</u>	<u>1,690,195</u>
Operating Loss		<u>(588,684)</u>	<u>(570,775)</u>
Nonoperating Revenues (Expenses)			
	Federal appropriations	6,852	9,049
	State appropriations	650,863	663,612
	Grants	82,196	73,636
	Gifts	76,212	72,850
	Investment income, net	46,272	(26,241)
	Interest on capital-asset related debt	(26,028)	(20,711)
	Other nonoperating revenues (expenses), net	5,737	2,191
Net nonoperating revenues		<u>842,104</u>	<u>774,386</u>
Income Before Other Revenues		253,420	203,611
	Capital appropriations	47,019	46,380
	Capital grants & gifts	27,186	11,648
	Additions to permanent endowments	3	19
Total other revenues		<u>74,208</u>	<u>58,047</u>
Increase In Net Position		327,628	261,658
Net position at beginning of year		<u>3,283,618</u>	<u>3,176,521</u>
Net position at December 31		<u>\$ 3,611,246</u>	<u>\$ 3,438,179</u>

University of Minnesota
Analysis of Consolidated Statements of Revenues, Expenses and Changes in Net Position
To Accompany December 31, 2016 Financial Statements
Excluding Component Units, in thousands

	12/31/2016	12/31/2015	Increase / (Decrease)		Explanation
			\$	%	
Revenues:					
Operating revenues:					
Student tuition and fees, net of scholarship allowances	384,317	376,329	7,988	2%	
Federal grants and contracts	219,136	223,998	(4,862)	-2%	
State and other government grants	38,470	39,858	(1,388)	-3%	
Nongovernmental grants and contracts	187,648	175,283	12,365	7%	Increase due to timing of spending and invoicing
Student loan interest income	787	795	(8)	-1%	
Sales and services of educational activities, net of scholarship allowances	74,146	72,170	1,976	3%	
Auxiliary enterprises, net of scholarship allowances	222,190	230,956	(8,766)	-4%	
Other operating revenues	40	31	9	29%	Increase relates to funds raised by student sports clubs
Total operating revenues	1,126,734	1,119,420	7,314	1%	
Expenses					
Operating expenses:					
Education and general:					
Instruction	368,161	360,997	7,164	2%	
Research	363,827	350,354	13,473	4%	Increase due to timing of subcontractor invoicing and payments
Public service	141,641	134,180	7,461	6%	
Academic support	210,224	202,136	8,088	4%	
Student services	65,554	62,089	3,465	6%	
Institutional support	126,176	123,107	3,069	2%	
Operation and maintenance of plant	142,541	149,256	(6,715)	-4%	
Scholarships and fellowships	34,588	33,298	1,290	4%	
Depreciation	102,580	119,214	(16,634)	-14%	Decrease due to change in estimated useful lives for buildings, equipment, infrastructure, and leasehold improvements
Auxiliary enterprises	159,984	155,472	4,512	3%	
Other operating expenses, net	142	92	50	54%	
Total operating expenses	1,715,418	1,690,195	25,223	1%	
Operating Loss	(588,684)	(570,775)	(17,909)	3%	
Nonoperating Revenues (Expenses)					
Federal appropriations	6,852	9,049	(2,197)	-24%	
State appropriations	650,863	663,612	(12,749)	-2%	
Grants	82,196	73,636	8,560	12%	\$6.4 million increase due to long term funding received from MN Department of Agriculture
Gifts	76,212	72,850	3,362	5%	
Investment income, net	46,272	(26,241)	72,513	-276%	Increase in CEF/GIP due to market conditions
Interest on capital-asset related debt	(26,028)	(20,711)	(5,317)	26%	Increase relates to 2016A interest and premium expense
Other nonoperating revenues (expenses), net	5,737	2,191	3,546	162%	\$3.2 million increase due to Ambulatory Care Center interest
Net nonoperating revenues	842,104	774,386	67,718	9%	
Income Before Other Revenues	253,420	203,611	49,809	24%	
Capital appropriations	47,019	46,380	639	1%	
Capital grants and gifts	27,186	11,648	15,538	133%	Increase relates to Athletics Village & Bell Museum capital gifts
Additions to permanent endowments	3	19	(16)	-84%	Decrease relates to lower distributions from DNR due to declined activity in taconite/mining industry
Total other revenues	74,208	58,047	16,161	28%	
Increase In Net Position	327,628	261,658	65,970	25%	
Net position at beginning of year	3,283,618	3,176,521	107,097	3%	
Net position at end of year	3,611,246	3,438,179	173,067	5%	

Cash Flow

University of Minnesota

Consolidated Statements of Cash Flows (Excluding Component Units)

Six months ended December 31, 2016 and 2015 (in thousands)

	12/31/2016	12/31/2015
Cash Flows From Operating Activities		
Grants and contracts (federal, state, nongovernmental, other)	\$ 458,088	\$ 451,323
Student tuition and fees	433,839	433,836
Auxiliary enterprises	193,018	197,442
Sales and services of educational activities	37,807	36,233
Collection of loans to students	5,891	5,827
Other operating revenues	1,014	32
Payments to employees for services	(834,134)	(801,172)
Payments to suppliers for goods and services	(480,747)	(488,762)
Payments for fringe benefits	(260,663)	(268,019)
Payments for scholarships and fellowships	(44,378)	(46,048)
Loans issued to students	(5,622)	(7,035)
Net cash used by operating activities	(495,887)	(486,343)
Cash Flows From Noncapital Financing Activities		
State appropriations	309,366	330,207
Gifts for other than capital purposes	88,017	71,474
Grants for other than capital purposes	83,111	74,831
Other nonoperating revenues, net	11,612	328
Federal appropriations	8,272	8,921
Private gifts for endowment purposes		7,650
Direct lending receipts	173,973	174,191
Direct lending disbursements	(175,392)	(177,334)
Agency transactions	5,121	13,819
Net cash provided by noncapital financing activities	504,080	504,087
Cash Flows From Capital and Related Financing Activities		
Capital appropriations	47,549	42,668
Capital grants and gifts	33,105	5,231
Proceeds from sale of capital assets	756	164
Principal received on notes receivable	287	276
Interest received on notes receivable	276	258
Proceeds from capital debt		114,355
Purchases of capital assets	(129,949)	(158,633)
Principal paid on capital debt	(68,269)	(168,081)
Interest paid on capital debt	(29,665)	(27,219)
Net cash used by capital and related financing activities	(145,910)	(190,981)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	1,416,830	375,825
Investment income, net	34,245	68,173
Purchase of investments	(1,307,740)	(452,808)
Net cash provided (used) by investing activities	143,335	(8,810)
Net Increase (Decrease) in Cash and Cash Equivalents	5,618	(182,047)
Cash and Cash Equivalents at Beginning of Year	457,807	331,725

Cash Flow

Cash and Cash Equivalents at End of Year

\$	463,425	\$	149,678
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Cash Flow

University of Minnesota

Consolidated Statements of Cash Flows (Excluding Component Units)

Six months ended December 31, 2016 and 2015 (in thousands)

**Reconciliation of Net Operating Revenues (Expenses)
to Net Cash Used by Operating Activities**

	12/31/2016	12/31/2015
Operating loss	\$ (588,684)	\$ (570,775)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation expense	102,580	119,214
Changes in assets and liabilities		
Receivables, net	30,160	27,271
Inventories	2,045	(8,546)
Prepaid and other items	(22,852)	(17,911)
Accounts payable	7,132	(7,227)
Accrued liabilities	25,066	29,733
Unearned income	(51,334)	(58,102)
Net cash used by operating activities	\$ (495,887)	\$ (486,343)

Noncash Investing, Capital, and Financing Activities

Net unsettled investment trades	\$ (41,061)	
Capital assets on account	22,379	\$ 22,876
Unrealized gains (losses) on investments	13,484	(91,404)
Contribution of capital assets	3,026	6,428
Amortization of bond discount/premium	2,939	2,383
Capital assets acquired with capital lease	1,076	1,187
Gain on retirement of debt		2,050

Cash and Cash Equivalents at December 31

Cash and cash equivalents	\$ 376,863	\$ 47,760
Restricted cash and cash equivalents	86,562	101,918
Total cash and cash equivalents at December 31	\$ 463,425	\$ 149,678

University of Minnesota
Component Units - Statements of Financial Position

December 31, 2016 and 2015 (in thousands)

	University of Minnesota Foundation		University of Minnesota Physicians	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Assets				
Cash and cash equivalents	\$ 47,995	\$ 49,592	\$ 59,601	\$ 76,374
Investments, substantially at fair market value	2,353,673	2,309,516	17,184	17,894
Pledges receivable, net	187,893	185,104		
Accounts and other receivables	57,972	32,893	98,210	86,923
Interest in charitable lead trusts, unitrusts, pooled income, and trusts	87,751	90,369		
Gift annuities	34,867	35,657		
Property and equipment, net	61,631	64,477	4,230	5,838
Prepays and other assets	784	831	24,622	5,470
Total assets	2,832,566	2,768,439	203,847	192,499
Liabilities				
Accounts payable and accrued liabilities	23,429	26,397	71,544	68,063
Gift annuities payable	17,930	18,705		
Unitrusts, pooled income, and annuity trusts payable	10,174	10,635		
Investments held for custody of others	243,172	240,407		
Bonds and capital lease payable	49,477	50,335		
Total liabilities	344,182	346,479	71,544	68,063
Net Assets				
Unrestricted	107,225	109,087	132,303	124,436
Temporarily restricted	1,242,513	1,263,652		
Permanently restricted	1,138,646	1,049,221		
Total net assets	2,488,384	2,421,960	132,303	124,436
Total liabilities and net assets	\$ 2,832,566	\$ 2,768,439	\$ 203,847	\$ 192,499

University of Minnesota

Component Units - Statement of Activities

Six months ended December 31, 2016 and 2015 (in thousands)

	University of Minnesota Foundation				
	Unrestricted	Temporarily restricted	Permanently restricted	Total 12/31/2016	Total 12/31/2015
Revenues					
Contributions	\$ 369	\$ 66,877	\$ 54,605	\$ 121,851	\$115,837
Investment income, net	1,393	3,483	24	4,900	1,819
Net realized and unrealized gains (losses) on investments	1,384	40,780	(8)	42,156	(37,562)
Change in value of trusts	(30)	997	(1,787)	(820)	(1,239)
Support services revenue	115			115	1,280
UMF - Real Estate Advisors rental revenue	3,011			3,011	3,015
University Gateway Corporation revenue	3,151			3,151	3,138
Other revenue	121	851	2	974	1,374
Net assets released from restriction	134,160	(148,259)	14,099	-	-
Total revenues	143,674	(35,271)	66,935	175,338	87,662
Expenses					
Program services					
Distributions for educational purposes	108,541			108,541	82,208
Support services					
Management and general	5,649			5,649	5,280
Fund-raising	14,324			14,324	12,782
UMF - Real Estate Advisors	3,808			3,808	3,301
University Gateway Corporation	3,128			3,128	2,928
Total expenses	135,450	-	-	135,450	106,499
Increase (decrease) in net assets	8,224	(35,271)	66,935	39,888	(18,837)
Net assets at beginning of year	99,001	1,277,784	1,071,711	2,448,496	2,440,797
Net assets at end of year	\$ 107,225	\$ 1,242,513	\$ 1,138,646	\$ 2,488,384	\$ 2,421,960

University of Minnesota
Component Units - Statements of Activities
Six months ended December 31, 2016 and 2015 (in thousands)

	University of Minnesota Physicians	
	Total (unrestricted)	
	12/31/2016	12/31/2015
Revenues		
Net patient service revenue	\$ 88,563	\$ 103,963
Investment income, net	309	394
Other revenue	178,866	145,959
Total revenues	267,738	250,316
Expenses		
Program services		
Health care services	237,142	220,182
Support services		
Management and general	22,347	22,275
Total expenses	259,489	242,457
Increase in net assets	8,249	7,859
Net assets at beginning of year	124,054	116,577
Net assets at end of year	\$ 132,303	\$ 124,436