NEW ISSUE - BOOK-ENTRY ONLY **RATINGS:** **Moody's: Aa2**
Standard & Poor's: AA

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, interest to be paid on the Series 2015A Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Such interest is included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions and is included in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax. See "TAX EXEMPTION" and, for a discussion of related tax matters, see "RELATED TAX MATTERS" herein.

$90,075,000
REGENTS OF THE UNIVERSITY OF MINNESOTA
Special Purpose Revenue Refunding Bonds
(State Supported Stadium Debt)
Series 2015A

Dated: Date of Delivery **Due: August 1, as shown on the inside front cover**

The Special Purpose Revenue Refunding Bonds (State Supported Stadium Debt) Series 2015A (the "Series 2015A Bonds") are being issued by Regents of the University of Minnesota (the "University") pursuant to an Order of the University dated as of August 1, 2015 (the "State Supported Bond Order"), executed in accordance with a resolution of the Board of Regents of the University (the "Board of Regents") adopted on June 12, 2015 (the "Resolution"). The Series 2015A Bonds are being issued to refund the University's Special Purpose Revenue Bonds (State Supported Stadium Debt) Series 2006 (the "Series 2006 Bonds"). The Series 2006 Bonds were originally issued to finance a portion of the costs of construction of a new football stadium on the University's Twin Cities campus in Minneapolis and of certain related infrastructure improvements. See "USE OF PROCEEDS."

Interest on the Series 2015A Bonds is payable on February 1 and August 1 of each year, commencing February 1, 2016. The Series 2015A Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "DESCRIPTION OF THE SERIES 2015A BONDS—Redemption."

Maturity Dates, Amounts, Interest Rates, Yields, Prices and CUSIP Numbers are shown on the inside front cover

The Series 2015A Bonds are issuable only as fully registered bonds without coupons, in denominations of $5,000 or any integral multiple thereof and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Ownership interest in the Series 2015A Bonds may be purchased only in book-entry form. Purchasers of Series 2015A Bonds will not receive certificates representing their interests in the Series 2015A Bonds.

So long as Cede & Co. is the owner, references herein to the registered owners shall mean Cede & Co., and shall not mean the beneficial owners of the Series 2015A Bonds (each, a "Beneficial Owner"). Principal and interest on the Series 2015A Bonds will be paid directly by U.S. Bank National Association, St. Paul, Minnesota, or its successor, as Paying Agent, to DTC or its nominee, Cede & Co. Disbursements of such payments to the DTC participants are the responsibility of DTC, and disbursements of such payments to the Beneficial Owners are the responsibility of the DTC participants and the indirect participants. See "DESCRIPTION OF THE SERIES 2015A BONDS—Book-Entry Only System."

THE SERIES 2015A BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE UNIVERSITY OF MINNESOTA. SPECIFIED TRANSFERS EXPECTED TO BE MADE BY THE STATE OF MINNESOTA PURSUANT TO LEGISLATION PROVIDING FOR THE APPROPRIATION OF SUCH TRANSFERS FROM THE GENERAL FUND OF THE STATE ARE PLEDGED UNDER THE STATE SUPPORTED BOND ORDER FOR THE PAYMENT OF THE SERIES 2015A BONDS. THE SERIES 2015A BONDS ARE PAYABLE SOLELY FROM SUCH TRANSFERS AND NEITHER ANY OTHER REVENUES OR ASSETS OF THE UNIVERSITY, NOR THE FULL FAITH AND CREDIT OF THE UNIVERSITY, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2015A BONDS. THE UNIVERSITY HAS NO TAXING POWER. THE SERIES 2015A BONDS ARE NOT AN INDEBTEDNESS OR OTHER OBLIGATION OF THE STATE OF MINNESOTA, ARE NOT PUBLIC DEBT OF THE STATE, AND THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE STATE ARE NOT PLEDGED FOR THEIR PAYMENT OR FOR ANY SUCH TRANSFERS TO THE UNIVERSITY. SEE "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

The Series 2015A Bonds are offered when, as and if issued subject to the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by its General Counsel, for the State of Minnesota by the State Attorney General and for Barclays Capital Inc., the Underwriter, by Faegre Baker Daniels LLP, Minneapolis, Minnesota. It is expected that the Series 2015A Bonds will be available for delivery to DTC on or about August 26, 2015.

Barclays

The date of this Official Statement is August 11, 2015

$90,075,000
REGENTS OF THE UNIVERSITY OF MINNESOTA
Special Purpose Revenue Refunding Bonds
(State Supported Stadium Debt)
Series 2015A

Maturity August 1	Principal Amount	Interest Rate	Yield	Price	CUSIP †
2016	$4,585,000	2.00%	0.31%	101.569%	914468 EJ8
2017	4,745,000	5.00	0.75	108.130	914468 EK5
2018	4,995,000	5.00	1.03	111.430	914468 EL3
2019	5,245,000	5.00	1.24	114.380	914468 EM1
2020	5,515,000	5.00	1.52	116.469	914468 EN9
2021	5,800,000	5.00	1.84	117.676	914468 EP4
2022	6,095,000	5.00	2.10	118.612	914468 EQ2
2023	6,410,000	5.00	2.24	119.950	914468 ER0
2024	6,735,000	5.00	2.39	120.875	914468 ES8
2025	7,080,000	5.00	2.50	121.862	914468 ET6
2026	7,445,000	5.00	2.62*	120.689*	914468 EU3
2027	7,825,000	5.00	2.70*	119.915*	914468 EV1
2028	8,225,000	5.00	2.78*	119.147*	914468 EW9
2029	3,000,000	5.00	2.85*	118.479*	914468 EX7
2030	3,125,000	3.25	3.40	98.253	914468 EY5
2031	3,250,000	3.25	3.47	97.323	914468 EZ2

* *Priced to first call date of August 1, 2025.*

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. Neither the University nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE SERIES 2015A BONDS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL CREATE ANY IMPLICATION THAT THERE HAS NOT BEEN A CHANGE IN THE AFFAIRS OF THE UNIVERSITY OR THE STATE OF MINNESOTA SINCE THE DATE HEREOF. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM THE UNIVERSITY, THE STATE OF MINNESOTA AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF, THE FINANCIAL ADVISOR OR THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION STATED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE. SEE "AVAILABILITY OF STATE INFORMATION," "AVAILABILITY OF UNIVERSITY INFORMATION" AND "CONTINUING DISCLOSURE."

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THE OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT PURSUANT TO ITS RESPONSIBILITIES TO INVESTORS UNDER FEDERAL SECURITIES LAWS, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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OFFICIAL STATEMENT

$90,075,000
Regents of the University of Minnesota
Special Purpose Revenue Refunding Bonds
(State Supported Stadium Debt)
Series 2015A

INTRODUCTORY STATEMENT

This Official Statement is furnished in connection with the offering by Regents of the University of Minnesota, a constitutional corporation under Minnesota law (the "University"), of its Special Purpose Revenue Refunding Bonds (State Supported Stadium Debt) Series 2015A (the "Series 2015A Bonds"). The Series 2015A Bonds are to be issued pursuant to the terms of an Order of the University dated as of August 1, 2015 (the "State Supported Bond Order") that will be executed in accordance with a resolution of the Board of Regents of the University (the "Board of Regents") adopted on June 12, 2015 (the "Resolution"). The proceeds of the Series 2015A Bonds will be used to refund the University's outstanding Special Purpose Revenue Bonds (State Supported Stadium Debt), Series 2006 (the "Series 2006 Bonds"). The Series 2006 Bonds were issued to finance a portion of the costs of construction of a new football stadium (the "Stadium") on the east bank of the University's Twin Cities campus in Minneapolis and of certain related infrastructure improvements. See "THE STADIUM" and "USE OF PROCEEDS." Legislation enacted to authorize the Stadium project and the Series 2006 Bonds was amended in 2015 to authorize the refunding of the Series 2006 Bonds.

The Series 2015A Bonds do not constitute general obligations of the University, but are special limited obligations of the University. Specified transfers expected to be received by the University from the Commissioner of the Department of Management and Budget of the State of Minnesota (the "Commissioner" and the "State") pursuant to Minnesota Statutes, Sections 137.50 to 137.60, as amended (the "Amended Stadium Act" or "the Act") are pledged under the State Supported Bond Order to the extent necessary for the payment of the Series 2015A Bonds. The Act provides that annual amounts are appropriated from the General Fund of the State of Minnesota (the "General Fund") to be transferred by the Commissioner to the University to pay principal and interest on bonds issued by the University to refund the Series 2006 Bonds and certain other purposes. Neither any other revenues or assets of the University, nor the full faith and credit of the University, are pledged for the principal of or interest on the Series 2015A Bonds. In the opinion of Bond Counsel, such appropriations and transfers from the General Fund to the University do not require further State or other approval. The Act provides that such transfer is conditioned upon certain actions by the University. The Act further provides that bonds issued by the University thereunder are not public debt of the State, and that the full faith and credit and taxing powers of the State are not pledged for their payment or of any payments that the State agrees to make thereunder. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

This Official Statement contains brief descriptions of the Series 2015A Bonds, certain provisions of the Act, the State, the University and certain provisions of the State Supported Bond Order, which descriptions do not purport to be comprehensive. All summaries herein of statutes, documents and agreements are qualified in their entirety by reference to such statutes, documents and agreements, copies of which are available for inspection at the principal administrative office of the University.

THE UNIVERSITY

The University was established in 1851 by Chapter 3 of the Territorial Laws of 1851. Under the Territorial Laws, the government of the University was vested in the Board of Regents. Article 8, Section 3, of the Constitution of the State of Minnesota adopted on October 13, 1857, perpetuated all of the rights, immunities, franchises and endowments granted or conferred upon the University by the Territorial Laws; this grant of independent power was reconfirmed in the Minnesota Restructured Constitution of 1974. See "APPENDIX A—THE UNIVERSITY."

Under Minnesota law, the University operates as a public corporation. Management of the University is independent of other branches of State government. The Board of Regents, rather than the Legislature of the State of

Minnesota (the "Legislature"), approves the budget submitted by the University administration. The University is, however, dependent upon the Legislature for substantial portions of its budget. See "APPENDIX A—THE UNIVERSITY—Financial Operations—*Nonoperating Revenues (Expenses)—State Appropriations.*"

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

The Series 2015A Bonds are special limited obligations of the University. Specified transfers expected to be made from the General Fund by the Commissioner pursuant to the Act are pledged pursuant to the State Supported Bond Order to the extent necessary for the payment of the Series 2015A Bonds as the same becomes due. Neither any other revenues or assets of the University, nor the full faith and credit of the University, are pledged for the principal or interest on the Series 2015A Bonds. The University has no taxing power. The Series 2015A Bonds are not an indebtedness or other obligation of the State, are not public debt of the State, and the full faith and credit and taxing powers of the State are not pledged for their payment or for any such annual transfers to the University. In the opinion of Bond Counsel such appropriations and transfers from the General Fund to the University do not require further State or other approval. See "—The Amended Stadium Act," "—The Stadium Act Refunding Agreement," "—Certain University Covenants" and "—Certain Risks."

The State Supported Bond Order establishes a Series 2015A Bonds Debt Service Account (the "Bond Account"). The State Supported Bond Order provides that transfers from the General Fund of the State pursuant to the Act shall be deposited by the University upon receipt into the Bond Account to the extent necessary to pay the principal of and interest on the Series 2015A Bonds when due and that such payments shall be made from the Bond Account. Under the State Supported Bond Order, amounts credited to the Bond Account are pledged to the payment of principal of and interest on the Series 2015A Bonds. The State Supported Bond Order further provides that net proceeds of the Series 2015A Bonds shall be deposited upon receipt by the University in the Escrow Account created under an Escrow Agreement between the University and U.S. Bank National Association and shall be applied to pay costs of issuance of the Series 2015A Bonds and payment of principal, the redemption price and interest on the Series 2006 Bonds. Amounts credited to the Escrow Account are not pledged to pay principal of or interest on the Series 2015A Bonds. See "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE STATE SUPPORTED BOND ORDER."

The Amended Stadium Act

The Amended Stadium Act provides that $10,250,000 is appropriated annually from the General Fund, during the period in which University bonds issued thereunder remain outstanding to fund annual transfers in that amount by the Commissioner, on behalf of the State, to the University ("State Transfers"), provided that the State Transfers in 2029, 2030 and 2031 are limited to the amount necessary to pay the Series 2015A Bonds and meet the requirement of the Act that the University provide $10,000,000 to meet certain needs of the University's Medical School and Academic Health Center (the "$10,000,000 Requirement"). The portion of the annual $10,250,000 transfers in years 2016 through 2028 not required to pay the Series 2015A Bonds or meet the $10,000,000 Requirement may be used for other University purposes. The aggregate principal amount of such University bonds that may be issued to refund the Series 2006 Bonds is limited under the Amended Stadium Act to the lesser of $104,385,000 or the amount necessary to defease the Series 2006 Bonds outstanding immediately prior to the refunding. The University is issuing its General Obligation Taxable Bonds, Series 2015B to fund the $10,000,000 Requirement and intends to use a portion of the State Transfers to pay debt service on such Series 2015B Bonds.

In addition, the Amended Stadium Act provides: (i) that the obligation of the State to make the State Transfers contemplated therein is expressly conditioned upon the University's covenant restricting the use of approximately 2,840 acres (the "Restricted Land") of a parcel of approximately 8,000 acres of undeveloped land owned by the University that is not required for Stadium Project purposes; (ii) that the University shall enter into either a joint powers agreement with the State Department of Natural Resources (the "DNR") or a conservation easement to effect such restrictions; and (iii) that, not later than the date on which the State makes the last such State Transfer, the University shall offer to convey the Restricted Land to the DNR, subject to the perpetual right of the University to use the Restricted Land for certain permitted University purposes. Under the Amended Stadium Act, however, the use restrictions, any joint powers agreement or conservation easement and the University obligation to offer to convey the Restricted Land, all as described in the immediately preceding sentence, shall be null and void if the State fails to make all State Transfers from the General Fund to the University, as required by the Amended Stadium Act, by July 1, 2033. The Amended Stadium Act also imposes certain additional obligations on the University.

The Amended Stadium Act contains no provision establishing any right of holders of the Series 2015A Bonds to require the Commissioner to make the specified State Transfers or limiting the ability of the State to amend or to revoke the Amended Stadium Act or, by other legislative, executive or judicial action, to adversely affect the timely transfer of amounts appropriated by the Amended Stadium Act and necessary to service the Series 2015A Bonds.

The Stadium Act Refunding Agreement

The University will enter into an agreement (the "Stadium Act Refunding Agreement"), with the State acting by and through the Commissioner addressing the Series 2015A Bonds. The Stadium Act Refunding Agreement provides that the Commissioner shall make the annual State Transfers required by the Amended Stadium Act and the portion necessary to make debt service payments on the Series 2015A Bonds is required to be deposited in the Bond Account. See "—General" and "—The Amended Stadium Act." In addition, the Stadium Act Refunding Agreement includes a covenant of the State to provide certain continuing disclosure information. See "—Certain Risks," "AVAILABILITY OF STATE INFORMATION" and "CONTINUING DISCLOSURE."

Certain University Covenants

The State Supported Bond Order includes several covenants by the University, including: (i) to offer to convey the Restricted Land to the DNR in accordance with the Amended Stadium Act not later than the date on which the State makes the last State Transfer necessary to provide for full and timely payment of University bonds payable from State Transfers; (ii) to comply with all use and related restrictions of the Amended Stadium Act with respect to the Restricted Land; (iii) to comply with the Stadium Act Refunding Agreement and to take all such action, and to not omit to take any such action, on the part of the University necessary to assure full and timely receipt, in accordance with the Amended Stadium Act and the Stadium Act Refunding Agreement, of State Transfers with respect to the Series 2015A Bonds; and (v) to deposit all State Transfers received by the University with respect to the Series 2015A Bonds to the Bond Account immediately upon receipt to the extent necessary to pay principal and interest on the Series 2015A Bonds when due. See "—General," "—The Amended Stadium Act," and "—The Amended Stadium Act Resolution and the Stadium Act Refunding Agreement."

The University may defease some or all of the Series 2015A Bonds by depositing in escrow with a bank or trust company cash and defeasance obligations, the principal of, premium, if any, and interest on which when due will, without reinvestment, provide cash which will be, together with the cash, if any, deposited in escrow at the same time, sufficient to pay all principal and interest to become due on such Series 2015A Bonds to maturity or, in the case of Series 2015A Bonds that are subject to mandatory sinking fund redemption, the applicable mandatory redemption date for such Bonds. The University has covenanted in the State Supported Bond Order that prior to defeasing any Series 2015A Bonds it will obtain an opinion from a nationally recognized bond counsel to the effect that such a defeasance will not have an adverse effect on the exclusion from gross income of the interest on any Series 2015A Bonds for United States income tax purposes or from taxable net income of individuals, estates or trusts for Minnesota income tax purposes.

Certain Risks

The Act provides for annual State Transfers of funds from the General Fund to the University for payment of the Series 2015A Bonds, conditioned upon satisfaction of certain requirements by the University. The State Transfers constitute a standing appropriation that does not require any further action by the Legislature. However, pursuant to Minnesota law, a standing appropriation may be reduced or repealed entirely by the Legislature. The Legislature is prohibited from acting to bind any future Legislature.

The State Transfers are subject to unallotment under Minnesota Statutes, Section 16A.152. Article XI, Section 5 of the Minnesota Constitution requires a balanced budget for the State. Pursuant to such requirement, Minnesota law requires the Governor to submit a proposed State budget to the Legislature by the end of January of each odd-numbered year for that year and the ensuing even-numbered year (such years together, the "biennium").

On July 1 of each odd-numbered year, the Commissioner transfers to the Budget Reserve Account within the General Fund (the "Budget Reserve") any amounts specifically appropriated by law to such Budget Reserve. Pursuant to Minnesota Statutes, Section 16A.152, if the Commissioner determines that probable receipts for the General Fund will be less than anticipated, and that the amount available for the remainder of the biennium will be less than needed, the Commissioner, with the approval of the Governor, may use amounts in the Budget Reserve to balance the State budget. Section 16A.152 further permits the Commissioner, with the approval of the Governor, to "unallot" funds as follows:

> (a) An additional deficit shall, with the approval of the governor, and after consulting the legislative advisory commission, be made up by reducing unexpended allotments of any prior appropriation or transfer. Notwithstanding any other law to the contrary, the commissioner is empowered to defer or suspend prior statutorily created obligations which would prevent effecting such reductions.
>
> (b) If the commissioner determines that probable receipts for any other fund, appropriation, or item will be less than anticipated, and that the amount available for the remainder of the term of the appropriation or for any allotment period will be less than needed, the commissioner shall notify the agency concerned and then reduce the amount allotted or to be allotted so as to prevent a deficit.
>
> (c) In reducing allotments, the commissioner may consider other sources of revenue available to recipients of State appropriations and may apply allotment reductions based on all sources of revenue available.

During and after the legislative sessions, revenues are reforecasted to reflect legislative actions that have a direct impact on State revenues and changes in economic conditions that may materially affect the results of previous revenue forecasts. If, during the course of the fiscal year, the Commissioner discovers that probable revenues will be less than anticipated, the Commissioner, with the approval of the Governor, is required to reduce allotments as necessary to balance expenditures and revenues forecast for the then current biennium. The University has several times experienced such reductions in recent fiscal years. The Governor also has the authority to request legislative actions to provide additional sources of revenue, but such requests do not relieve the Commissioner of his obligation to reduce allotments to State agencies. See "APPENDIX A—THE UNIVERSITY—Financial Operations—*State Appropriations.*"

In addition, State governmental shutdowns, resulting from delays in the budget process described above or other events, may delay State Transfers. The State experienced a temporary partial government shutdown during fiscal year 2012.

Any of: (i) a legislative reduction or repeal of the standing appropriation of State Transfers established by the Act; (ii) an unallotment of the State Transfers appropriated by the Act; or (iii) a partial government shutdown affecting the practical ability of the Commissioner to make State Transfers to the University could prevent the anticipated full and timely payment of interest and principal then due on the Series 2015A Bonds from State Transfers. In addition, prospective secondary market purchaser concerns that such an event might occur could materially and adversely affect the market price of the Series 2015A Bonds even if the event does not in fact occur. The Series 2015A Bonds are not an indebtedness or other obligation of the State, are not public debt of the State, and the full faith and credit of the State is not pledged for their payment or for any such annual transfers to the University. The Series 2015A Bonds do not constitute general obligations of the University and no asset or revenue of the University, other than State Transfers deposited to the credit of the Bond Account, is pledged to pay principal of or interest on the Series 2015A Bonds. See "—General," and "—The Amended Stadium Act" and "—The Stadium Act Refunding Agreement."

THE STADIUM

Net proceeds of the Series 2006 Bonds were applied by the University to fund a portion of the costs of constructing the Stadium and related University and public transportation, parking, infrastructure and utility improvements to an approximately 32-acre site which is in close proximity to an existing arena and sports facilities complex on the east bank of the University's Twin Cities campus in Minneapolis. The Stadium provides general admission seating for approximately 50,000 people, as well as a limited amount of premium seating, space for home and visiting team and marching band facilities, print and broadcast media facilities, food service facilities and concessions. Construction was completed in 2009. The Stadium is used primarily by the University's Golden Gophers football team and secondarily for other University activities. The Stadium was used by the Minnesota Vikings professional football team during the 2014 season and will be used by the Vikings during the 2015 season while the Vikings' new stadium is constructed. It is not currently expected that the Stadium will otherwise be made available for non-University use on a regular basis.

In 2005 the University entered into a naming agreement with TCF Financial Corporation and TCF National Bank (collectively, "TCF") which provides that TCF shall pay the University sponsorship fees in the total amount of $35 million over a twenty-five year period. None of the private contributions, the University's net operating revenues from Stadium operation, any sponsorship fees received by the University or any student facilities fees received by the University are pledged to pay, or are expected to be available to fund payments of, principal and interests on the Series 2015A Bonds. The University reserves the right to pledge any or all such private contributions, net operating revenues, sponsorship fees and student facilities fees to secure University bonds other than the Series 2015A Bonds or apply such revenues to other University purposes.

PLAN OF FINANCING

The Series 2015A Bonds are to be issued by the University pursuant to the Act to defease and refund the Series 2006 Bonds. To accomplish the defeasance, the University will deposit the net proceeds of the Series 2015A Bonds in an Escrow Account pursuant to an Escrow Agreement between the University and U.S. Bank National Association. The Series 2006 Bonds maturing on or after August 1, 2017, will be called for prior redemption on August 1, 2016.

The Escrow Account will be invested in Defeasance Obligations which mature and bear interest sufficient to pay the principal and interest due on the Series 2006 Bonds to and including August 1, 2016, and pay the redemption price of the Series 2006 Bonds maturing on or after August 1, 2017, thereby effecting a legal defeasance of the Series 2006 Bonds. The sufficiency of the Defeasance Obligations will be verified by Grant Thornton LLP, independent public accountants.

EXPECTED SOURCES AND USES OF FUNDS

Sources:	
Par Amount of Series 2015A Bonds	$ 90,075,000
Net Premium	14,169,556
Total Sources	$104,244,556
Uses:	
Escrow Deposit	$103,804,025
Costs of Issuance (including underwriter's discount)	440,531
Total Uses	$104,244,556

DESCRIPTION OF THE SERIES 2015A BONDS

General

The Series 2015A Bonds will be issued under the State Supported Bond Order. The Series 2015A Bonds are special limited obligations of the University. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS." The Series 2015A Bonds will be dated as of the date of initial delivery of the Series 2015A Bonds under the State Supported Bond Order. The Series 2015A Bonds will mature in the respective amounts and on the respective dates, and will bear interest from their date of initial delivery, at the respective rates per annum, as set forth on the inside cover page of this Official Statement. Interest on the Series 2015A Bonds will be initially payable on February 1, 2016, and semiannually thereafter on February 1 and August 1 of each year. Interest accruing on the Series 2015A Bonds shall be computed on the basis of a 360-day year, consisting of twelve 30-day months.

The Series 2015A Bonds will be initially issued as fully registered Series 2015A Bonds without coupons in denominations of $5,000 or any integral multiple thereof (the "Authorized Denominations"). No service charge will be made for any transfer or exchange of the Series 2015A Bonds, but the Paying Agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

The Series 2015A Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC. Payment of principal of and interest on the Series 2015A Bonds will be made directly to DTC or its nominee, Cede & Co., by U.S. Bank National Association, St. Paul, Minnesota, or its successor, as Paying Agent (the "Paying Agent"). See "—Book-Entry Only System" and "—Paying Agent." If the Series 2015A Bonds are not in a book-entry only system, payment of principal of and interest on the Series 2015A Bonds will be made directly to Bond owners as provided in the State Supported Bond Order and summarized in "APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE STATE SUPPORTED BOND ORDER—Procedures for Payment of Principal and Interest on Bonds."

Redemption

Optional Redemption. The Series 2015A Bonds maturing on or after August 1, 2026, are subject to optional redemption prior to their maturity at the option of the University, in whole or in part, at any time on or after August 1, 2025, in any order of maturity and any principal amount (in Authorized Denominations) within a maturity as designated by the University, at a redemption price of par plus accrued interest.

Notice of Redemption. The State Supported Bond Order requires the Paying Agent, in the name of the University, to give notice by mail, postage prepaid, to the Bondowners of all Series 2015A Bonds to be redeemed, at the registered addresses appearing in the registration books kept for such purpose, at least 30 days, but not more than 45 days, prior to the redemption date for Series 2015A Bonds. Each notice of redemption of the Series 2015A Bonds will identify the Series 2015A Bonds or portions thereof to be redeemed and will state, among other things, the redemption date that the Series 2015A Bonds will be redeemed at the principal corporate trust office of the Paying Agent and that on the redemption date the redemption price shall become due and payable on each such Series 2015A Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after such date. The failure of a Bondowner to receive notice by mailing or any defect in that notice regarding any Series 2015A Bond will not affect the validity of the proceedings for the redemption of the Series 2015A Bonds.

In addition to the foregoing notice, further notice will be given by the Paying Agent to certain registered securities depositories and information services as provided in the State Supported Bond Order, but no defect in said further notice nor any failure to give all or any portion of such further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in the State Supported Bond Order and summarized above in the preceding paragraph.

Selection of Series 2015A Bonds to Be Redeemed: Partial Redemption. If fewer than all of the Series 2015A Bonds of the same stated maturity and interest rate are to be redeemed, the particular Series 2015A Bonds to be called for redemption will be selected by lot, by the Paying Agent. In the case of a partial redemption of Series 2015A Bonds by lot, each unit of face value of principal thereof equal to the minimum Authorized Denomination thereof (and, with respect to any registered owner, no more than one unit of face value of principal thereof in excess of such minimum Authorized Denomination, but less than twice such minimum Authorized Denomination) (a "Unit") will be treated as though it were a separate Series 2015A Bond in the amount of such Unit. If it is determined that one or more, but not all, of the Units represented by a Series 2015A Bond are to be called for redemption, upon notice of redemption of a Unit or Units of Series 2015A Bonds, the owner or registered owner of that Series 2015A Bond must surrender the Series 2015A Bond to the Paying Agent: (i) for payment of the redemption price of the Unit or Units of Series 2015A Bonds called for redemption; and (ii) for issuance, without charge to the owner or registered owner thereof, of a new Series 2015A Bond or Series 2015A Bonds, aggregating a principal amount equal to the unmatured and unredeemed portion of the Series 2015A Bond surrendered.

Book-Entry Only System

The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the Series 2015A Bonds, payments of principal of and interest on the Series 2015A Bonds to DTC, its nominee, Direct Participants (defined herein), Indirect Participants (defined herein and along with Direct Participants, "Participants"), or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Series 2015A Bonds and debt-related transactions by and

between DTC, Participants and Beneficial Owners has been made available to issuers of bonds for which DTC acts as securities depository by DTC for inclusion in disclosure documents generally.

DTC will act as securities depository for the Series 2015A Bonds. The Series 2015A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015A Bond certificate will be issued for each maturity of the Series 2015A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2015A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015A Bonds on DTC's records. The ownership interest of each actual purchaser of each of the Series 2015A Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015A Bonds, unless use of the book-entry system for the Series 2015A Bonds is discontinued.**

To facilitate subsequent transfers, all the Series 2015A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2015A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2015A Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Series 2015A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the University, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the University, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015A Bonds at any time by giving reasonable notice to the University. Under such circumstances, if a successor depository is not obtained, the Series 2015A Bond certificates are required to be printed and delivered.

The University may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2015A Bond certificates will be printed and delivered to DTC.

The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the University believes to be reliable, but the University takes no responsibility for the accuracy thereof.

DTC may charge the Direct Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Series 2015A Bonds, and the Direct Participants may seek reimbursement therefor from the Beneficial Owners.

NEITHER THE UNIVERSITY NOR THE STATE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, (2) THE PAYMENT BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNERS, IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2015A BONDS, (3) THE DELIVERY BY DTC TO ANY PARTICIPANT, OR BY ANY PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNERS, THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE STATE SUPPORTED BOND ORDER, OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER INCLUDING THE EFFECTIVENESS OF ANY ACTION TAKEN PURSUANT TO AN OMNIBUS PROXY.

So long as the Series 2015A Bonds are held by DTC under a book-entry only system, the University will send any notices with respect to the Series 2015A Bonds required or permitted to be given under the State Supported Bond Order only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Indirect Participant or any Beneficial Owner of any such notice and its content or effect will not affect the validity of any action premised on such notice.

The University may enter into amendments to the agreement with DTC, or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Series 2015A Bonds without the consent of Beneficial Owners or Holders.

If DTC discontinues providing its services, and the University has not entered into an agreement with another securities depository, or the University determines that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners and decides to discontinue the use of a system of book-entry transfers, the Series 2015A Bond certificates are required to be delivered by the University to the Beneficial Owners. A Beneficial Owner will become the registered owner of the Series 2015A Bonds upon the registration of certificates held in the Beneficial Owner's name.

Paying Agent

U.S. Bank National Association, St. Paul, Minnesota, will initially act as Paying Agent for the Series 2015A Bonds. The University reserves the right to remove any Paying Agent upon 30 days' notice and upon appointment of a successor Paying Agent.

The State Supported Bond Order provides that any corporation resulting from any merger, conversion or consolidation to which the Paying Agent is a party shall be the successor Paying Agent without the execution or filing of any paper or any further act.

LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the State or of the University, threatened, either contesting or affecting the validity of the Act or of the State Agreement, the authority of the Commissioner or the University to enter into the State Agreement or of the Commissioner to make transfers from the General Fund, in accordance with the State Agreement, of amounts appropriated under the Act or seeking to restrain or enjoin such transfers by the Commissioner.

There is no controversy or litigation of any nature now pending or, to the knowledge of the University, threatened, restraining or enjoining the offering of the Series 2015A Bonds or in any way contesting or affecting the validity of the Series 2015A Bonds or the pledge by the University pursuant to the State Supported Bond Order of the transfers expected to be made by the Commissioner from the General Fund to the University pursuant to the Act or contesting or affecting any proceedings of the University with respect to the offering thereof. Except as described in "APPENDIX A—THE UNIVERSITY—Litigation" and "APPENDIX B—AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE UNIVERSITY AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013—Note 8 to the Audited Consolidated Financial Statements," there is no other controversy or litigation of any nature which the University believes, individually or in combination, may have a material adverse effect upon the University's financial condition taken as a whole.

TAX EXEMPTION

Tax Exemption

It is the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and on certifications to be furnished at closing, and assuming compliance by the University with certain covenants contained in the State Supported Bond Order and other documents executed in connection with the issuance of the Series 2015A Bonds (the "Tax Covenants"), that interest to be paid on the Series 2015A Bonds (a) is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes; (b) is included in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; (c) is not an item of tax preference included in alternative minimum taxable income for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and (d) is included in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal alternative minimum tax. For a discussion of related tax matters, see "RELATED TAX MATTERS" herein.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met after the issuance of the Series 2015A Bonds in order that interest on the Series 2015A Bonds be and remain excludable from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Series 2015A Bond proceeds and the facilities financed with such proceeds; restrictions on the investment of Series 2015A Bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements may cause interest on the Series 2015A Bonds to become included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Compliance with the Tax Covenants will satisfy the current requirements of the Code with respect to exemption of interest on the Series 2015A Bonds. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Series 2015A Bonds becomes included in federal gross income or in Minnesota taxable net income.

The form of approving legal opinion to be issued by Dorsey & Whitney LLP with respect to the Series 2015A Bonds is set forth in APPENDIX D to this Official Statement.

Bond Premium

Some of the Series 2015A Bonds are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bond owners who acquire Series 2015A Bonds at a premium must, from time to time, reduce their federal and Minnesota tax bases for the Series 2015A Bonds for purposes of determining gain or loss on the sale or payment of such Series 2015A Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a Bond owner's constant yield to maturity or to certain call dates with semiannual compounding. Bond owners who acquire Series 2015A Bonds at a premium might recognize taxable gain upon sale of the Series 2015A Bonds, even if such Series 2015A Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. Bond owners who acquire Series 2015A Bonds at a premium should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling Series 2015A Bonds acquired at a premium.

Original Issue Discount

The initial public offering prices of the 2030 and 2031 maturities of the Series 2015A Bonds are less than the principal amounts payable at maturity (such bonds, collectively, the "Discount Bonds"). The difference between the initial public offering price of each maturity of the Discount Bonds, as set forth inside the cover page of this Official Statement (assuming it is the first price at which a substantial amount of such maturity is sold to the public (the "Issue Price")), and the principal amount payable at maturity of such Discount Bonds will be "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Code is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under section 1288 is added to the owner's federal and Minnesota tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity). Original issue discount is taxable under the Minnesota franchise tax on corporations and financial institutions.

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Bond. If such excess is greater than the amount of remaining original issue discount, the Code's basis reduction rules for amortizable bond premium might result in taxable gain upon sale, redemption or maturity of the Bonds, even if the Bonds are sold, redeemed or retired for an amount equal to or less than their cost.

Except for the Minnesota rules described above, no opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Proposed Legislation and Other Matters

From time to time, there are Presidential proposals and legislative proposals in the Congress and in the states that, if enacted, could adversely affect the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2015A Bonds or otherwise prevent holders of the Series 2015A Bonds from realizing the full benefit of the tax exemption of interest on the Series 2015A Bonds. For example, both President Obama and the Chairman of the Committee on Ways and Means of the U.S. House of Representatives have proposed legislation that effectively would impose a partial tax on otherwise tax exempt interest for certain higher income taxpayers. In addition, regulatory or administrative actions may from time to time be announced that could adversely affect the market value, marketability or tax status of the Series 2015A Bonds. No prediction is made concerning future events.

Purchasers of the Series 2015A Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel in connection with the issuance of the Series 2015A Bonds were based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2015A Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

RELATED TAX MATTERS

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain Social Security and Railroad Retirement benefits to take interest on the Series 2015A Bonds into account in determining the taxability of such benefits. Passive investment income, including interest on the Series 2015A Bonds, may be subject to taxation under Section 1375 of the Code, and corresponding provisions of Minnesota law, for an S corporation that has accumulated earnings and profits at the close of the taxable year, if more than 25 percent of its gross receipts is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2015A Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. Indebtedness may be allocated to the Series 2015A Bonds for this purpose even though not directly traceable to the purchase of the Series 2015A Bonds. Federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Series 2015A Bonds. In the case of a financial institution, no deduction is allowed under the Code for that portion of the Bond owner's interest expense which is allocable to interest on the Series 2015A Bonds within the meaning of Section 265(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Series 2015A Bonds that is received or accrued during the taxable year. Interest on the Series 2015A Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code, and is included in net investment income of foreign insurance companies under Section 842(b) of the Code.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF TAX CONSEQUENCES ARISING FROM OWNERSHIP OR DISPOSITION OF THE SERIES 2015A BONDS OR RECEIPT OF INTEREST ON THE SERIES 2015A BONDS. PROSPECTIVE PURCHASERS OR BOND OWNERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO APPLICABLE FEDERAL, STATE AND LOCAL TAX RULES.

RATINGS

The Series 2015A Bonds have been assigned ratings by Moody's Investors Service ("Moody's") and by Standard & Poor's Ratings Services ("Standard & Poor's"), respectively, as set forth inside the cover of this Official Statement.

Such ratings reflect only the views of Moody's or Standard & Poor's, as the case may be, and do not constitute a recommendation to buy, sell or hold the Series 2015A Bonds. There is no assurance that any such rating will be retained for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's or Standard & Poor's, as the case may be, if, in their respective judgment, circumstances so warrant. Any such downward change in, or withdrawal entirely of, a rating may have an adverse effect on the marketability or market price of the Series 2015A Bonds.

UNDERWRITING

The Series 2015A Bonds are being purchased by Barclays Capital Inc., as Underwriter (the "Underwriter"). The Underwriter has agreed, subject to the terms and conditions set forth in the Contract of Purchase between the University and the Underwriter, to purchase the Series 2015A Bonds from the University at a purchase price of $104,002,389.89 (representing the aggregate principal amount of the Series 2015A Bonds, reflecting a net original issuance premium of $14,169,556.55, and less an underwriters' discount of $242,166.66). The Contract of Purchase provides that the obligation of the Underwriter to purchase the Series 2015A Bonds is subject to certain conditions precedent.

The University has been advised by the Underwriter that it proposes initially to offer the Series 2015A Bonds to the public at prices not in excess of the initial public offering prices, or at yields not below the yields, set forth on the inside cover page of this Official Statement. The Series 2015A Bonds may be offered and sold to certain dealers (including the Underwriter) at prices lower than such public offering prices, and such initial public offering prices may be changed from time to time by the Underwriter.

The University has been advised by the Underwriter that it presently intends to make a market in the Series 2015A Bonds, although the Underwriter is not obligated to do so and may discontinue any market-making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Series 2015A Bonds, or that an active trading market for the Series 2015A Bonds will develop. If an active public market does not develop, the market price and liquidity of the Series 2015A Bonds may be adversely affected. If an Underwriter creates a short position in the Series 2015A Bonds in connection with the offering (i.e., if it sells more Series 2015A Bonds than are set forth on the inside cover page of this Official Statement), that Underwriter may reduce that short position by purchasing Series 2015A Bonds in the open market. In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might otherwise be in the absence of such purchases. Neither the University nor the Underwriter make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series 2015A Bonds. In addition, neither the University nor the Underwriter make any representation that an Underwriter will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Series 2015A Bonds are subject at the date of delivery to the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel. Such opinion will be available on the date of delivery of the Series 2015A Bonds in substantially the form attached hereto as APPENDIX D. Certain other legal matters will be passed upon for the University by its General Counsel, for the State by the State Attorney General and for the Underwriter by Faegre Baker Daniels LLP, Minneapolis, Minnesota.

FINANCIAL ADVISOR

The University has retained Public Financial Management, Inc. of Minneapolis, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Series 2015A Bonds. In reviewing the Official Statement, the Financial Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the University to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Series 2015A Bonds.

Requests for information concerning the University should be addressed to Public Financial Management, Inc., 800 Nicollet Mall, Suite 2710, Minneapolis, Minnesota 55402 (612/338-3535, 612/338-7264 Fax).

INDEPENDENT AUDITORS

The consolidated financial statements of the University as of and for the years ended June 30, 2014 and 2013, included in APPENDIX B, have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which expresses an unmodified opinion on the consolidated financial statements for 2014 and 2013 and includes explanatory wording indicating the audits of the discretely presented component unit financial statements were performed by other auditors, as well as an emphasis of matter paragraph regarding the change in method of accounting for discretely presented component units based on the adoption of Government Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, included in APPENDIX B hereto.

AVAILABILITY OF STATE INFORMATION

The Series 2015A Bonds are special limited obligations of the University. Specified transfers expected to be made by the State pursuant to the Act are pledged pursuant to the State Supported Bond Order for the payment of the Series 2015A Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS." Potential purchasers and owners of the Series 2015A Bonds are advised to consider the likelihood of their full and timely receipt of principal and interest payments on the Series 2015A Bonds when due on the basis of the financial condition of the State, rather than that of the University. Basic financial statements for the State for the Fiscal Year ended June 30, 2014, as well as certain additional information concerning the State are included in the Official Statement of the State of Minnesota dated August 5, 2015 (the "State Official Statement"), with respect to its $1,076,980,000 General Obligation State Bonds. Such additional information addresses the availability of the State's Comprehensive Annual Financial Reports for Fiscal Year 2014 and prior years. The basic financial statements for the State and additional information concerning the State included in the State Official Statement are hereby incorporated by reference herein. The State has, in recent years, issued its General Obligation State Bonds no less frequently than annually, and has authorized the distribution of its Official Statements with respect to such General Obligation State Bonds containing similar information concerning the State. The State Official Statement is currently available on the Minnesota Management & Budget website (http://www.mn.gov/mmb/treasury-bonding/bonding/bond_sale/general_obligation/general-obligation-bonds-current.jsp) and from the Municipal Securities Rulemaking Board. See "APPENDIX E—SUMMARY OF CONTINUING DISCLOSURE CERTIFICATE." The State most recently released its February economic forecast prepared by Minnesota Department of Management and Budget ("MMB") on February 27, 2015. On July 10, 2015, MMB released the July 2015 Economic Update. Information concerning such forecasts and updates, as well as certain 2015 Legislative Session(s) documentation can be found on the website at www.mmb.state.mn.us.

Any amendment or supplement to such basic financial statements or such additional information, including the final State Official Statement, and any subsequent financial statements published by the State and made publicly available prior to the termination of the initial offering of the Series 2015A Bonds offered hereby, shall be deemed to be incorporated by reference in this Official Statement from the date made publicly available. Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently publicly available document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. See "APPENDIX E—SUMMARY OF CONTINUING DISCLOSURE CERTIFICATE."

AVAILABILITY OF UNIVERSITY INFORMATION

The Series 2015A Bonds are special limited obligations of the University. Specified transfers expected to be made by the State pursuant to the Act are pledged pursuant to the State Supported Bond Order for the payment of the Series 2015A Bonds. Neither any other University revenues or assets, nor the full faith and credit of the University is pledged for the payment of the principal of or interest on the Series 2015A Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" and "AVAILABILITY OF STATE INFORMATION." Prospective purchasers and owners of the Series 2015A Bonds are advised to consider the information contained herein in "APPENDIX A—THE UNIVERSITY" and in "APPENDIX B—AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE UNIVERSITY AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013" for general informational purposes concerning the University rather than as directly affecting the likelihood of their full and timely receipt of principal and interest payments on the Series 2015A Bonds when due. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

The University's current policy is to make its current annual report, which includes the University's Audited Consolidated Financial Statements as of and for the most recent years ending June 30, publicly available online at http://www.finsys.umn.edu/controller/annualreports.html. Any amendment or supplement to the University's Audited Consolidated Financial Statements as of and for the years ended June 30, 2014 and 2013 (the "Financial Report"), and any subsequent Financial Report published by the University and made publicly available prior to the termination of the initial offering of the Series 2015A Bonds offered hereby, shall be deemed to be incorporated by reference in this Official Statement from the date made publicly available. Any statement contained in any document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently publicly available document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. The University does not currently intend to provide any additional information to investors. See "CONTINUING DISCLOSURE."

CONTINUING DISCLOSURE

The University has covenanted for the benefit of the Owners and Beneficial Owners of the Series 2015A Bonds to provide certain financial information and operating data relating to the State and to the University by not later than the December 31 following the end of the University's Fiscal Year (presently June 30) (the "Annual Report"), commencing with the report for the 2015 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the University under the Electronic Municipal Market Access System ("EMMA") created by the Municipal Securities Rulemaking Board. Any notice of certain enumerated events will also be filed under EMMA. The specific nature of the information to be contained in the Annual Report or the notices of certain enumerated events is summarized under the caption "APPENDIX E—SUMMARY OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). A failure by the University to provide any information required thereunder shall not constitute an event of default under the State Supported Bond Order.

The University is in full compliance with its obligations under all such continuing disclosure covenants during the past five years.

MISCELLANEOUS

The references herein to the Amended Stadium Act, the Escrow Agreement, the Stadium Act Refunding Agreement and the State Supported Bond Order and other materials are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and, for full and complete statements of such provisions, reference is made to such instruments and other materials, draft copies of which during the period of offering are on file at the principal offices of the Underwriter and executed counterparts of which will be on file at the administrative offices of the Treasurer of the University following the delivery of the Series 2015A Bonds.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

REGENTS OF THE UNIVERSITY OF MINNESOTA

By: /s/ Eric W. Kaler
President

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APPENDIX A

THE UNIVERSITY

Introduction

The University was established in 1851 by Chapter 3 of the Territorial Laws of 1851. Under the Territorial Laws, the government of the University was vested in a Board of Regents. Article XIII, Section 3, of the Constitution of the State of Minnesota, adopted on October 13, 1857, perpetuated all of the rights, immunities, franchises, and endowments granted or conferred upon the University by the Territorial Laws; this grant of independent power was reconfirmed in the Minnesota Restructured Constitution of 1974.

Under Minnesota law, the University operates as a public corporation. Management of the University is independent of other branches of State government. The Board of Regents, rather than the Legislature of the State of Minnesota (the "Legislature"), approves the budget submitted by the University administration. The University is, however, dependent upon the Legislature for substantial portions of its budget. See "THE UNIVERSITY - Financial Operations—*Nonoperating Revenues (Expenses)—State Appropriations*" herein. The Internal Revenue Service (the "IRS"), at the University's request, has ruled that the University is tax-exempt as an integral part of the State of Minnesota for federal income tax purposes.

Board of Regents

The members of the Board of Regents are elected biennially to six year terms by a joint convention of both branches of the Legislature. By statute, one regent is elected from each of the eight congressional districts of Minnesota, and the other four regents are elected at large. Upon the occurrence of a vacancy on the Board of Regents when the Legislature is not in session, the Governor of the State of Minnesota is authorized to fill such vacancy by appointment. The members of the Board of Regents serve without pay but are compensated for expenses incurred directly in the performance of their duties.

The table below identifies the current members of the Board of Regents and sets forth each regent's city of residence, the date first elected or appointed, the date the current term expires and the district represented.

Current Members

Name	City of Residence	First Elected or Appointed	Expiration of Term	District Represented
Dean E. Johnson, Chair	Willmar	2007	2019	At Large
David J. McMillan, Vice Chair	Duluth	2011	2017	District #8
Thomas J. Anderson	Alexandria	2015	2021	District #7
Richard B. Beeson	St. Paul	2009	2021	District #4
Laura M. Brod	New Prague	2011	2017	At Large
Linda A. Cohen	Minnetonka	2007	2019	At Large
Thomas W. Devine	Chanhassen	2012	2017	District #2
Michael D. Hsu	Blaine	2015	2021	District #6
Peggy E. Lucas	Minneapolis	2013	2019	District #5
Abdul M. Omari	Minneapolis	2013	2019	At Large
Darrin M. Rosha	Independence	2015	2017	District #3
Patricia S. Simmons	Rochester	2003	2021	District #1

Administration

The following table identifies certain administrative officers of the University as of July 31, 2015:

Principal Administrative Officers

Name	Position
Eric W. Kaler	President
Karen Hanson	Senior Vice President for Academic Affairs and Provost
Richard H. Pfutzenreuter	Vice President and Chief Financial Officer/Treasurer
Scott Studham	Vice President and Chief Information Officer
Katrice Albert	Vice President for Equity and Diversity
J. Brooks Jackson	Vice President for Health Sciences and Dean of the Medical School
Kathryn F. Brown	Vice President for Human Resources
Brian Herman	Vice President for Research
Pamela Wheelock	Vice President for University Services
William P. Donohue	General Counsel
Julie Tonneson	Associate Vice President for Budget & Finance
Michael D. Volna	Associate Vice President for Finance and Controller
Gail L. Klatt	Associate Vice President for Internal Audit
Stuart H. Mason	Associate Vice President for Investments & Banking and Chief Investment Officer

The biographies of these officers follow:

Eric W. Kaler. Dr. Kaler became the sixteenth President of the University of Minnesota on July 2, 2011. Before coming to the University, Dr. Kaler served from 2007 to 2011 as provost and senior vice president for academic affairs at Stony Brook University in Stony Brook, New York. Previously, he was dean of the University of Delaware's College of Engineering. He also taught at the University of Washington.

In 2010, Dr. Kaler was elected to the National Academy of Engineering, the highest honor for a leader of that discipline and profession, and based on distinguished and continuing achievements in original research. In 2012, Secretary of Homeland Security Janet Napolitano named him to the U.S. Department of Homeland Security Academic Advisory Council, on which he continues to serve. In 2013, he was named a Charter Fellow of the National Academy of Inventors.

He received his undergraduate degree from the California Institute of Technology in 1978. Dr. Kaler received his Ph.D. in chemical engineering from the University in 1982. He went on to become one of the nation's foremost experts on "complex fluids," which have applications in drug delivery, food processing, pharmaceuticals, and manufacturing.

Karen Hanson. Dr. Hanson began her post as Senior Vice President for Academic Affairs and Provost on February 1, 2012. She served as Provost of the Bloomington campus and Executive Vice President of Indiana University from 2007 to January 2012. Prior to being appointed provost of the Bloomington campus, she served as dean of the Hutton Honors College from 2002 to 2007 and chaired the Department of Philosophy from 1997 to 2002. She has won numerous campus and all-university teaching awards, along with a Lilly Fellowship and a number of research grants.

Dr. Hanson received a B.A. in Philosophy and Mathematics, summa cum laude, from the University of Minnesota in 1970. She received her Ph.D., and A.M., in Philosophy from Harvard University in 1980. She is a co-editor of *Romantic Revolutions: Criticism and Theory*, and the author of *The Self Imagined: Philosophical Reflections on the Social Character of Psyche*, as well as numerous essays, articles, and book chapters.

Richard H. Pfutzenreuter. Mr. Pfutzenreuter was appointed Vice President in March 2004, Chief Financial Officer (CFO) in July 1998, and Treasurer in February 2000. He served as Associate Vice President for Budget and Finance from 1992 to 2004. University offices reporting directly to him include the Controller's Office, the University Tax Management Office, University Budget and Finance, the Office of Investments & Banking, and the

Office of Real Estate. In his capacity as CFO, Mr. Pfutzenreuter is a member of the President's Senior Leadership Group and the administration's representative to the Finance Committee of the Board of Regents.

Mr. Pfutzenreuter received his B.A. from Hamline University in 1974. Subsequently, he held several positions with the State of Minnesota, including Fiscal Staff Director of the Ways & Means Committee, Minnesota House of Representatives, from 1986 to 1992; Fiscal Analyst for the Minnesota House of Representatives from 1981 to 1985; and Transportation Planner/Budget Analyst and Management Analyst in the Minnesota Department of Transportation from 1975 to 1981. In November 2010, Mr. Pfutzenreuter was named CFO of the Year in the category of Large Civic/Educational Nonprofits by the Minneapolis/St. Paul Business Journal.

Scott Studham. Mr. Studham was named Vice President and Chief Information Officer (CIO) for the University of Minnesota in February 2012. He is tasked with ensuring strategic and operational excellence of both academic and administrative information technology systems. Previously, Mr. Studham was CIO at the University of Tennessee and Oak Ridge National Laboratory. He also served as chief technology officer for the National Center for Computational Sciences, which is host to the world's fastest computer.

Mr. Studham has a bachelor's degree in chemistry from Washington State University and a master's degree in business administration from the University of Tennessee. Six times in his career, he has been the program manager or architect for one of the world's top ten supercomputers. He won the Institute of Electrical and Electronics Engineers (IEEE) Supercomputing Conference StorCloud Challenge award for the most innovative use of storage in 2004, and in 2003 was named the Computerworld Honors Laureate, the Smithsonian Institute's award for innovative technologies.

Katrice Albert. Dr. Albert began her tenure as Vice President for Equity and Diversity in June 2013. The Vice President for Equity and Diversity provides leadership for strategic positioning efforts in the area of equity and diversity, including the continuing implementation of a diversity plan, for the University of Minnesota system and also provides leadership on issues relating to faculty, staff, and student diversity on the Twin Cities campus, including the administrative oversight of departments that provide direct service to its diverse population.

Dr. Albert came to the University of Minnesota from Louisiana State University, where she served since 2005 as the institution's chief diversity officer. Previously, she held positions at Boston University and Auburn University. Dr. Albert holds a Ph.D. in Counseling Psychology from Auburn University, a Master of Science in Counseling Psychology from the University of Southern Mississippi, and a Bachelor of Science in Psychology from Xavier University of Louisiana. She has also written, presented, and consulted on issues of cultural competence, corporate social responsibility, educational and workforce diversity, gender and the complexities of diverse populations.

J. Brooks Jackson. Dr. Jackson became Vice President for Health Sciences and Dean of the Medical School in February 2014. As Vice President for Health Sciences, Dr. Jackson leads the six health sciences schools within the University's Academic Health Center. As Dean of the Medical School, he leads efforts to build on the school's strengths and national leadership, promoting excellence in education, research, outreach and clinical care.

Dr. Jackson earned his M.D. from Dartmouth Medical School and his M.B.A. from Dartmouth College. From 2001-2014 he was the Baxley Professor and Director of the Department of Pathology at Johns Hopkins University School of Medicine and Pathologist-in-chief at John Hopkins Hospital. Dr. Jackson is the current Chair of the Blood Products Advisory Committee for the Food and Drug Administration and has been the Chair of the NIH-funded IMPAACT network, the largest maternal child health clinical trial network for the prevention and treatment of HIV. For the past 25 years he has conducted a number of NIH funded clinical trials in Uganda and China where he has served as principal investigator. In 1999 he received the Global Strategies for HIV Prevention Special Recognition Award, and in 2004 he received the HIV Prevention Trials Network Service Award.

Kathryn F. Brown. Ms. Brown was appointed Vice President for Human Resources in July 2011. She is responsible for the leadership of human resources, including Employee Benefits, Employee Relations and Compensation, Payroll, Organizational Development, and Employment. Previously she was the Vice President and Chief of Staff since December 2002, serving as Chief Advisor to the President and playing an integral role in establishing and implementing policy at the University of Minnesota.

Ms. Brown has also served as Associate Vice Provost of Student Affairs, Interim Associate and Assistant Vice President in the Office of Multicultural and Academic Affairs, and Associate General Counsel. Previously Ms. Brown was in private practice with the law firm of Squire, Sanders & Dempsey in Columbus, Ohio. She holds a B.S. in Education from the Ohio State University, a M.Ed. from Miami University, and a J.D. from the University of Toledo College of Law.

Brian Herman. Dr. Herman was appointed Vice President for Research in January 2013, with oversight and administration of externally funded research on the five campuses of the University of Minnesota system. He has primary responsibility for the overall vitality of the University-wide research environment, including supporting evolution of new research, maintaining a competitive research infrastructure, developing and managing campus-wide research policies, and overseeing administrative management of all sponsored research activity. He is also responsible for technology commercialization activities and for the administration of regulatory offices associated with research.

Dr. Herman received his undergraduate degree in Biology from Adelphi University, his doctorate from the University of Connecticut Health Science Center, and postgraduate training at Harvard Medical School. Following the completion of his postgraduate training, he joined the faculty at the University of North Carolina at Chapel Hill School of Medicine. In June 1998, he assumed the position of Professor and Chair of the Department of Cellular and Structural Biology at the University of Texas Health Science Center at San Antonio (UTHSCSA) and served in this capacity until October 2004, when he assumed the position of Vice President for Research at the UTHSCSA.

Pamela Wheelock. As Vice President for University Services, Ms. Wheelock is the chief operations officer for the University and is responsible for creating and sustaining a physical environment and service culture that supports and advances the teaching, research, and outreach mission of the University of Minnesota system. She has leadership and oversight responsibility for Capital Planning and Project Management; Public Safety; Facilities Management; University Health and Safety; and Auxiliary Services (Bookstores, Housing and Residential Life, Dining Services, Parking and Transportation, Printing and General Services, Contract Administration/Dining and Beverage, and U Stores).

Prior to her appointment in August 2012, VP Wheelock served as interim president and chief executive officer of Blue Cross Blue Shield of Minnesota, where she also served as board chair. Her professional experience includes time as vice president for leadership and community engagement with the Bush Foundation; deputy mayor under former St. Paul Mayor Norm Coleman; senior leadership roles with Minnesota Sports and Entertainment, the parent company of the Minnesota Wild; and four years as the State of Minnesota's finance commissioner. She holds a Master of Arts in Applied Economics from Marquette University and a Bachelor of Arts from the College of St. Catherine.

William P. Donohue. Mr. Donohue is General Counsel of the University. As chief legal officer, he is responsible for all legal matters involving the University of Minnesota and supervises both the Office of Athletic Compliance and the Office of Records and Information Management. Mr. Donohue is a graduate of Carleton College and received his law degree cum laude from the University of Minnesota Law School in 1974. From 1974-1982 he served as a Special Assistant Attorney General for the State of Minnesota litigating cases on behalf of the State. In 1982 he joined the Office of General Counsel as a litigator representing the University. From 1988 to 1990 he served as Acting Vice President and General Counsel. After that time he served as Deputy General Counsel and Director of Litigation for the University until his appointment as General Counsel in May 2013. Mr. Donohue is an adjunct in the College of Education and Human Development teaching "The Law and Postsecondary Institutions" to graduate students. He served on the Ramsey County District Ethics Committee for Lawyers for several years and served as a member of the Minnesota Lawyers Professional Responsibility Board for five years and was Chair of their Rules Committee.

Julie Tonneson. Ms. Tonneson was appointed the Associate Vice President for Budget and Finance in July 2011. She joined the University in 1993 as a budget analyst, and was promoted to Assistant Budget Director in 1998 and Budget Director in 2003. She is responsible for coordinating the annual budget process for all units of the University, working with financial staff in those units to analyze their fiscal health and understand resource needs as they work to advance the strategic goals of the institution. She also assists senior University leadership in developing a financial framework to support the institution's strategic priorities and annual allocation processes, and led the development and implementation of the University's current Earned Income and Full Cost Budget Model.

Ms. Tonneson received her B.A. from Augustana College in 1986 and her M.A. from the University of Minnesota in 1993. From 1988 to 1993 she served in the Minnesota Department of Finance as an Executive Budget Officer specializing in development of the State's preK-12 education budget.

Michael D. Volna. Mr. Volna became Associate Vice President for Finance and Controller in November 2001 after serving as Interim Controller (2000-2001), Associate Controller (1998-2000) and Chief Accountant (1992-1998) for the University. His industry experience includes financial services (1988-1991) and public accounting (1984-1988). Mr. Volna has a B.S. in Accounting and a B.A. in Economics and Political Science from the University of Minnesota. He passed the Certified Public Accountant exam in 1984 (his license to practice is currently inactive) and is a member of the Minnesota Society of Certified Public Accountants and the American Institute of Certified Public Accountants.

Gail L. Klatt. Ms. Klatt was hired in 1994 and appointed Associate Vice President for Internal Audit in 1997. Ms. Klatt came to the University with 17 years of experience auditing financial services organizations. She received her B.B.S. from the University of Minnesota in 1976. She is a member of the Institute of Internal Auditors and is a Certified Internal Auditor.

Stuart H. Mason. Mr. Mason's responsibilities as Associate Vice President for Investments and Banking and Chief Investment Officer include managing the University's broadly-diversified endowment portfolio and long-term reserves and directing the cash management and treasury operations, including direct investment of the University's operating reserves. He also serves as the Treasurer and Chief Investment Officer of the University's captive insurance company, RUMINCO, Ltd.

Prior to joining the University in 2002, Mr. Mason served for 15 years as a senior investment banker or executive officer in several investment banks including Dougherty & Company, EVEREN Securities, and Dain Rauscher Corporation. He also served for 10 years as a Vice President of Wells Fargo Corporation. Mr. Mason serves as a director on the boards of several non-profit organizations. Mr. Mason received a B.A. from St. Olaf College and an M.B.A. from the University of Minnesota Carlson School of Management.

Campuses and Enrollment

The University operates campuses in the Twin Cities, Duluth, Morris, Crookston, and Rochester, Minnesota.

The table below sets forth enrollment information for the University:

Fall Term Enrollments

Fall Terms	Total	Twin Cities	Duluth	Morris	Crookston	Rochester*
2010-11	67,932	51,721	11,729	1,811	2,528	143
2011-12	69,221	52,557	11,806	1,932	2,653	273
2012-13	68,418	51,853	11,491	1,896	2,764	414
2013-14	68,047	51,526	11,241	1,946	2,839	495
2014-15	67,477	51,147	11,093	1,899	2,850	488
*2015-16***	*67,350*	*51,250*	*10,900*	*1,860*	*2,900*	*440*

* *Accepted enrollments beginning in fall term 2009-2010*

** *Enrollments for fall term 2015-16 are estimates as of June 30, 2015, based on registrations to date. Final enrollments will not be known until September 2015.*

Accreditation and Degrees

All of the campuses of the University operate under the accreditation of the Higher Learning Commission (HLC) of the North Central Association of Colleges and Schools. The Crookston, Duluth, Morris and Twin Cities campuses are each accredited separately. The Rochester campus is included under the accreditation of the Twin Cities campus. The University offers a wide range of degree programs in the total set of 877 degree programs: 306

Bachelor's programs, 198 Master's programs, 102 Doctoral programs, 6 first professional, and 265 other programs (e.g., certificates).

The University also maintains several branch facilities and certain experimental facilities outside of the formal college campuses. These facilities provide a variety of continuing education courses. The table below sets forth information pertaining to the degrees and certificates conferred by the University during the past five years:

Degrees Conferred

Academic Year	Associates	Bachelors	Masters & Doctorates	Certificates
2009-10	7	9,246	5,225	535
2010-11	2	9,525	5,309	525
2011-12	4	10,273	5,291	585
2012-13	0	10,395	5,242	738
2013-14	0	10,514	5,270	865
*2014-15**	*0*	*10,520*	*5,250*	*620*

* *Degrees conferred for academic year 2014-15 are estimates as of June 23, 2015*

Freshman Applications, Acceptances and Matriculants at All Campuses

Fall Terms	Applications	Acceptances	Acceptances %	Matriculants	Matriculants %
2010-11	47,885	25,819	53.9	8,447	32.7
2011-12	50,556	26,449	52.3	8,317	31.4
2012-13	48,148	26,222	54.5	8,189	31.2
2013-14	53,791	26,912	50.0	8,435	31.3
2014-15	56,466	28,866	51.1	8,526	29.5
*2015-16**	*59,065*	*29,399*	*49.8*		

* *Actual applications and acceptances as of June 30, 2015*

Starting in 2006, the number of high school graduates in Minnesota began to decline, and reached its low point in 2013. According to the Western Interstate Commission for Higher Education, the Minnesota high school graduating class of 2013 was projected to drop to approximately 59,400, after which the number of high school graduates is expected to increase slowly through 2024, when it is projected to reach approximately 65,800. Despite the recent declines in high school graduates, the University has continued to see an increased number of applications, and its applicants are better qualified. Comparing Twin Cities freshmen in fall 2014 to fall 2006, the average ACT score has risen to 27.9 from 25.2, and the average high school rank has risen to 86.6% from 83.2%. The University-wide Honors Program was started in 2007, attracting high-profile students from across the country, with over 600 freshmen enrolling in the program each year. The average ACT score of the fall 2014 Honors freshman was 32.3; his or her average high school rank was 96.9%.

The University has reciprocity agreements with the states of Wisconsin, North Dakota and South Dakota, and the province of Manitoba, Canada. Residents of any of these states or such province may qualify for reciprocity tuition rates, which are lower than non-resident tuition rates and, in some cases, comparable to resident rates. The University reduced its Twin Cities campus undergraduate non-resident tuition rate significantly beginning with students matriculating in fall 2008, in anticipation of the need to recruit more students from outside the traditional resident/reciprocity area of Minnesota, North Dakota, South Dakota and Wisconsin. This is because the decline in high school graduates was expected to be quite steep in the tuition reciprocity states, especially the Dakotas. The difference between the resident/reciprocity undergraduate student tuition and non-resident undergraduate student tuition for fiscal year 2016 is $8,600 on the Twin Cities campus and $3,950 on the Duluth campus. The Crookston, Morris, and Rochester campuses, given their size and location, will continue to have a single undergraduate rate for both resident and non-resident students. The number and proportion of non-resident, non-reciprocity undergraduate students on the Twin Cities campus has increased from 2,217 (7.7%) in fall 2007 to 5,962 (19.9%) in fall 2014. The University has expanded its national recruiting profile, and plans to continue its efforts to draw students from outside of the Midwest. Current strategy is to slowly increase the gap between resident vs. non-resident tuition rates over a period of time to develop new markets and address demographic trends by encouraging a long-term increase in non-resident, non-reciprocity enrollment. The University expects it will continue to be able to meet its established enrollment and tuition revenue targets.

Academic and Other Employees

Academic. As of April 2015, the academic staff of the University paid from all fund sources included approximately 10,600 individuals. Of these individuals, approximately 2,900 are faculty that are tenured or are working toward being tenured (and are therefore in probationary status), and approximately 1,600 are faculty with clinical, visiting, adjunct, temporary or non-tenure track appointments. Also included in the academic staff are approximately 6,100 individuals in academic/administrative and professional positions.

Other Employees. As of April 2015, the University employed approximately 25,200 other full-time and part-time employees, of which approximately 15,200 were students and 10,000 were civil service or members of one of seven collective bargaining units with which the University has entered into or currently is negotiating employment contracts. The University characterizes its employee relations as good.

Financial Operations

Effective with the fiscal year ended June 30, 2013, the University implemented Government Accounting Standards Board ("GASB") Statement No. 60 (GASB 60), *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61 (GASB 61), *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34;* GASB Statement No. 62 (GASB 62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements;* and GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

GASB 63 amended the net asset reporting requirement to rename Net Assets to Net Position. In addition, GASB 63 required the Statement of Net Position to include two additional categories for deferred outflows and inflows of resources. The Statement of Net Position was updated to include these additional categories; however, the University did not have any activity to report under either category.

In fiscal year 2014, the University implemented GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*; GASB Statement No. 66 (GASB 66), *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62;* and GASB Statement No. 70 (GASB 70), *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. There are no financial statement impacts to the University as a result of the implementation of GASB 66 and 70.

Previous GASB guidance allowed for bond issuance costs to be recorded as a prepaid expense on the statements of net position and amortized over the life of the bond. GASB 65 revised this guidance and requires bond issuance costs to be expensed during the year of the bond issuance. The implementation of GASB 65 resulted in $4.8 million dollars of additional expense recognized in fiscal year 2014 related to the remaining unamortized bond issuance costs.

GASB Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, improves the accounting and financial reporting for pensions, along with improving information regarding financial support for pensions provided by other entities. The provisions of this Statement are effective for fiscal year 2015.

GASB Statement No. 71 (GASB 71), *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, addresses an issue regarding application of the transition provisions of GASB 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for fiscal year 2015.

These two standards together collectively set new accounting and financial reporting requirements for employer pension plans administered through trusts or equivalent arrangements. The University is impacted by these two standards due to its participation in the State Employees Retirement Fund (SERF), and the Public Employee Police and Fire Fund (PEPFF) which are managed by the Minnesota State Retirement System (MSRS) and the Public Employees Retirement Association (PERA), respectively—both of which are cost-sharing multiple-employer pension plans. As such, the University expects to include its proportionate share of the total long-term cost of benefits in its statement of net position and statement of revenues, expenses, and changes in net position for the fiscal year ending June 30, 2015.

According to the SERF portion and PEPFF portion of the MSRS and PERA 2014 Comprehensive Annual Financial Reports as of June 30, 2014, respectively, an actuarial calculation of the combined Net Pension Liability (NPL) of $2.7 billion was recorded. The University's proportionate share of the combined NPL is currently estimated at approximately $266.5 million (unaudited). In addition, GASB 68 also requires the reporting of changes in actuarial assumptions and other actuarial factors to be categorized as deferred inflows of resources or deferred outflows of resources, both of which are currently amortized over a five-year period. Also, due to the actuarial valuation measurement date being July 1, 2014, GASB 71 requires any subsequent contributions related to fiscal year 2015 be recorded as a deferred outflow of resources, which are not amortized. Currently, the estimated deferred outflows of resources to be recorded in the University's financial statements are approximately $23.0 million (unaudited) and the estimated deferred inflows of resources are approximately $368.2 million (unaudited).

MSRS' employer and employee contribution rates (based on covered payroll) for SERF and PEPFF are currently 5.5% for both employer and employee and 16.2% for employer and 10.8% for employee, respectively. Contribution rates are set by the Minnesota State Legislature. Therefore, the issuance of GASB 68 and 71 and the University's adoption of them will have no direct impact on changes to plan documents, the legal obligation to fund the plans through employer and employee contributions, or the payment of participant benefits. Any additional cash flow impacts will be a direct result of the Legislature changing the contribution rates associated with the plans.

The University's summary consolidated statements of net position for the fiscal years ended June 30, 2010 through June 30, 2014, are summarized as follows:

SUMMARY CONSOLIDATED STATEMENTS OF NET POSITION
AS OF JUNE 30,
(in thousands)

	2010	2011	2012	2013	2014
Assets					
Current assets	$ 598,999	$ 590,555	$ 585,161	$ 629,376	$ 589,977
Noncurrent investments	1,345,967	1,595,855	1,725,670	1,889,156	2,091,718
Other noncurrent assets	2,622,294	2,839,368	2,943,219	3,027,806	3,040,715
Total assets	4,567,260	5,025,778	5,254,050	5,546,338	5,722,410
Deferred outflows of resources				--	--
Liabilities					
Current liabilities	866,050	733,921	726,076	728,516	716,345
Noncurrent liabilities	710,480	988,615	1,100,031	1,200,040	1,218,999
Total liabilities	1,576,530	1,722,536	1,826,107	1,928,556	1,935,344
Deferred inflows of resources				--	--
Net position					
Unrestricted	613,688	607,364	727,348	820,146	812,356
Restricted	754,667	1,056,467	1,049,599	1,143,420	1,293,557
Net investment in capital assets	1,622,375	1,639,411	1,650,996	1,654,216	1,681,153
Total net position	$2,990,730	$3,303,242	$3,427,943	$3,617,782	$3,787,066

The University's summary consolidated statements of revenues, expenses, and changes in net position for the five fiscal years ended June 30, 2010 through June 30, 2014, are summarized as follows:

SUMMARY CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30,

(in thousands)

	2010	**2011**	**2012**	**2013**	**2014**
Operating revenues					
Student tuition and fees (net of scholarship allowances)	$ 576,363	$ 634,042	$ 696,278	$ 720,510	$ 732,821
Grants and contracts	746,870	817,045	858,810	836,423	836,819
Auxiliary enterprises (net of scholarship allowances)	324,068	345,537	351,571	365,459	376,449
Sales and services of educational activities (net of scholarship allowances)	198,761	117,870	160,230	155,973	145,303
Other operating revenues	4,294	4,566	2,028	2,002	1,968
Total operating revenues	1,850,356	1,919,060	2,068,917	2,080,367	2,093,360
Nonoperating revenues					
Federal appropriations	64,948	69,416	15,145	22,039	19,072
State appropriations	651,350	623,300	572,075	575,491	614,791
Grants and gifts	331,302	322,116	319,656	354,308	398,067
Investment income, net	54,801	180,865	36,895	122,797	234,407
Other nonoperating revenues	2,460	—	2,354	3,433	—
Total operating and nonoperating revenues	2,955,217	3,114,757	3,015,042	3,158,435	3,359,697
Capital appropriations	98,555	75,801	60,570	98,396	83,081
Capital grants and gifts and additions to permanent endowments	49,021	46,931	42,783	41,259	34,357
Total revenues	3,102,793	3,237,489	3,118,395	3,298,090	3,477,135
Total operating expenses	(2,900,389)	(2,886,024)	(2,948,366)	(3,064,216)	(3,260,294)
Nonoperating expenses					
Interest on capital asset-related debt	(30,876)	(36,592)	(45,328)	(44,035)	(45,637)
Other nonoperating expenses	—	(2,361)	—	—	(1,920)
Total operating and nonoperating expenses	(2,931,265)	(2,924,977)	(2,993,694)	(3,108,251)	(3,307,851)
Increase in net position	171,528	312,512	124,701	189,839	169,284
Cumulative effect of change in accounting principle*	(12,619)	—	—	—	—
Net position, beginning of year	2,831,821	2,990,730	3,303,242	3,427,943	3,617,782
Net position, end of year	$2,990,730	$3,303,242	$3,427,943	$3,617,782	$3,787,066

* *The cumulative effect of change in accounting principle is due to implementation of GASB 51.*

Operating Revenues

Operating revenues result from exchange activities that contribute to the University's mission of research and discovery; teaching and learning; and outreach and public service. Exchange activities are transactions in which the amount received approximates the fair market value of the goods or services given up. The University considers student tuition and fees (net of scholarship allowances), most grants and contracts, interest on student loans (included in other operating revenues), and sales and services of auxiliary and educational activities (net of scholarship allowances) to be exchange transactions.

Student Tuition and Fees, Net of Scholarship Allowances. The University collects tuition and fees from its students in return for its instructional and other services. The University is committed, as a State of Minnesota assisted institution, to providing educational opportunities to the people of the State of Minnesota through a combination of affordable tuition rates and available student aid. As a result of declining State support over the last several years, tuition revenue now exceeds, and is a higher percentage of total revenue than, State appropriation revenue. Tuition rates for resident undergraduate students on all campuses rose 3.5% for fiscal year 2013. The University committed to hold resident undergraduate tuition at the fiscal year 2013 level in both fiscal years 2014 and 2015 in connection with an incremental increase of $14.2 million from the State of Minnesota in each year of the biennium. The rates for resident undergraduate tuition on all campuses for fiscal year 2016 will increase 1.5% over fiscal year 2015, with a 2.5% increase for most resident graduate and professional programs.

Tuition rates for fiscal year 2014 for non-resident undergraduate students rose 3.5% on the Crookston, Morris, and Rochester campuses and 4.0% on each of the Twin Cities and Duluth campuses. Fiscal year 2014 tuition for non-resident undergraduate students on the Twin Cities and Duluth campuses increased by $1,000, with an additional $1,000 increase for non-resident undergraduate students on the Twin Cities campus for fiscal year 2015. Fiscal year 2016 tuition for non-resident undergraduate students on the Twin Cities campus is increasing by $1,350 (7%), resulting in a difference between the resident and non-resident tuition of $8,420, and by $461 (3%) for the Duluth campus, resulting in a difference between the resident and non-resident tuition of $3,950. The Crookston, Morris, and Rochester campuses, given their size and location, will continue to have a single undergraduate rate for both resident and non-resident students. Non-resident graduate and professional rates will increase by 3.5%.

Tuition rates for fiscal year 2016 and increases from fiscal year 2015 are reflected in the table below:

	FY2016 Tuition *Resident*	**FY2016 Tuition** *Nonresident*	**$ Increase from FY2015** *Resident*	**$ Increase from FY2015** *Nonresident*	**% Increase from FY2015** *Resident*	**% Increase from FY2015** *Nonresident*
Twin Cities Undergraduate	$12,240	$20,660	$ 180	$1,350	1.5%	7.0%
Duluth Undergraduate	11,896	15,846	176	461	1.5	3.0
Morris Undergraduate	11,896	11,896	176	176	1.5	1.5
Crookston Undergraduate	10,180	10,180	150	150	1.5	1.5
Rochester Undergraduate	11,896	11,896	176	176	1.5	1.5
Graduate General Programs	15,844	24,508	386	828	2.5	3.5
Dentistry	42,656	77,603	1,442	3,341	3.5	4.5
Law (1st year students)	40,172	48,314	980	1,634	2.5	3.5
Medicine (1st year students)	37,872	51,510	0	1,743	0	3.5
Pharmacy	25,112	36,760	612	860	2.5	2.4
Veterinary Medicine	29,050	53,992	556	1,032	2.0	1.9
MBA Day (1st year students)	36,140	46,500	880	1,500	2.5	3.5

Grants and Contracts. The University receives funds from federal, State and other government sources as well as private industry for both sponsored and non-sponsored projects in the form of grants and contracts that provide for reimbursement of costs incurred. Generally, these funds are given to support medical, technical and agricultural research and education, with most of the funds going to health sciences and technology. Fiscal year 2014 award amounts from all sources reflected an overall increase of 6.8% as compared to fiscal year 2013 with increases in nearly all individual sponsor groups. Approximately 40% of annual research award amounts for the fiscal years 2007 through 2014 were received from the National Institute of Health (NIH).

Fiscal 2015 year-to-date award amounts as of March 31, 2015, reflect an overall increase of 6.5% as compared to the same fiscal year-to-date period in fiscal 2014. Total federal award dollars have decreased $8.8 million (-17.7% decrease in NIH, but a 33.6% increase in NSF and other federal awards), private award dollars have increased $24.1 million (44.2%), and State and local awards have increased $19.8 million (40.9%). Approximately 26% of total research award amounts for fiscal 2015 year-to-date as of March 31, 2015, were received from NIH. Although the grantors have made significant annual awards to the University, they are under no legal obligation to make such awards and no assurances can be given that such awards will continue.

To be classified as an operating grant or contract the grantor must be a direct recipient of the goods or service provided, and the fair market value of the goods or services provided by the University must approximate the amounts received in exchange.

Auxiliary Enterprises, Net of Scholarship Allowances. The University receives revenues from its operation of bookstores, housing and parking facilities, transportation, food and health services, telecommunications and other auxiliary enterprise services, as well as from the operation of its intercollegiate athletic programs.

Sales and Services of Educational Activities, Net of Scholarship Allowances. Various departments of the University provide services or products to the public or to agencies of the State as part of the process of educating and providing experience to students. The College of Food, Agricultural and Natural Resource Sciences, the College of Veterinary Medicine and the School of Dentistry are significant examples of University units that generate revenues through the provision of services or the production of goods, but other University units also generate revenues in this manner. Royalty income is also included in this revenue category.

Other Operating Revenues. The primary sources of other operating revenues are miscellaneous revenues and settlements and interest on student loans.

Operating Expenses

Operating expenses represent the costs incurred by the University in the delivery of its primary mission services of research and discovery, teaching and learning, and outreach and public service. Operating expenses are displayed functionally within the Consolidated Statements of Revenues, Expenses, and Changes in Net Position, but natural classifications can also be found in Note 12 to the Audited Consolidated Financial Statements in APPENDIX B.

Nonoperating Revenues (Expenses)

Nonoperating revenues and expenses represent nonexchange activities. The primary sources of revenues are federal appropriations, State appropriations, gifts, federal and State financial aid grants, investment income, net, and other nonexchange grants and contracts. Although the University relies upon these revenue sources to fund the cost of operations, the grantor or donor is not the direct recipient of the goods or services delivered under the grant or gift terms. Insurance recovery proceeds are also classified as nonoperating revenues.

Federal Appropriations. The University, as a land grant institution, receives appropriations from the federal government. These funds, which primarily support agricultural research and education, must be applied for on an annual basis. Although they have represented a consistent source of funding in the past, there are no guarantees the appropriations will be continued in future governmental budgets.

State Appropriations. The University receives substantial support from the State of Minnesota (the "State"). Although the Legislature has made significant annual appropriations to the University, the Legislature is under no legal obligation to appropriate funds to the University to enable the University to pay the principal of or interest on its debt with two exceptions. See *Capital Appropriations* herein.

Future levels of State support are dependent upon the ability and willingness of the Legislature to make and fund appropriations to the University, taking into consideration the availability of financial resources and other potential uses of such resources.

The State operates on a biennial budget basis, with each biennium ending on June 30 of an odd numbered year. The University submits its biennial general operations legislative request in October of the year preceding the new biennium. The resulting biennial State appropriation is incorporated into the University's budgeting process when enacted.

Legislative appropriations are allotted by Minnesota Management and Budget ("MMB") to the University and to other State agencies to which such appropriations are made. Such allotments have the effect of timing the disbursements of funds over monthly periods during the State's fiscal year.

Revenue forecasts are revised during and after the legislative sessions to reflect legislative actions that have a direct impact on State revenues and changes in economic conditions that may materially affect the results of previous revenue forecasts. If, during the course of the fiscal year, the Commissioner of MMB (the "Commissioner") discovers that probable revenues will be less than anticipated, the Commissioner, with the approval of the Governor, is required to reduce allotments as necessary to balance expenditures and revenues forecast for the then current biennium. Such reductions to a previously enacted appropriation are referred to, for State budget purposes and herein, as "unallotments" and may be either nonrecurring (a one-time appropriation reduction not reducing the recurring base) or recurring (a reduction to the appropriation base). The University has experienced both a recurring unallotment and a nonrecurring unallotment in the past decade. The Governor also has the authority to request legislative actions to provide additional sources of revenue, but such requests do not relieve the Commissioner of the obligation to reduce allotments.

	2014-2015 Biennium		***2016-2017 Biennium***	
	FY2014	**FY2015**	**FY2016**	**FY2017**
		(in thousands)		
Beginning General Fund Appropriations*	$545,344	$ 576,799	$ 598,949	$ 625,549
Net increase (decrease) for the current fiscal year	31,455	23,200	26,600	0
FY General Fund Appropriations*	$576,799	$599,999	$625,549	$625,549
% increase from prior year	*5.8%*	*4.0%*	*4.4%*	*0.0%*
Adjustments for FY2016 base:				
- FY2015 nonrecurring appropriations		(4,550)		
- Bell Museum of Natural History		3,500		
Beginning FY2016 base		$598,949		

* *This amount includes both the operation and maintenance and special appropriations but excludes non-general fund appropriations, e.g., cigarette funding, MNCare, and special one-time project appropriations, all of which are included in the State appropriations amount as reported in the Summary Consolidated Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30.*

The University's final general fund appropriation for fiscal year 2014 totaled $576.8 million, reflecting a $14.2 million increase corresponding to a commitment by the University to hold resident undergraduate tuition at the fiscal year 2013 level, $17.775 million for the MnDRIVE (Minnesota Discovery, Research and InnoVation Economy) funding program, and two minor deductions totaling $520,000. This was incorporated into the fiscal year 2014 annual operating budget approved by the Board of Regents on June 14, 2013. The total appropriation in those same funds for fiscal year 2015 was set at $600.0 million, which included an additional $14.2 million for the second year of tuition relief and a $100,000 increase to the MnDRIVE program, plus recurring and non-recurring increases in the State special appropriations totaling $8.9 million approved during the 2014 legislative session. The fiscal year 2015 annual operating budget was approved by the Board of Regents on June 13, 2014.

In developing the appropriation base for the 2016-2017 biennium, two adjustments were made to the final fiscal year 2015 funding level. First, the $600.0 million was reduced by $4.55 million to eliminate the nonrecurring State special appropriations for that year: $150,000 of a $4.5 million appropriation for Regenerative Medicine; a $1.0 million appropriation for a Forever Green initiative, and $3.4 million for research on Invasive Species. In addition, $3.5 million was added for a new appropriation included in the Laws of 2014 (for fiscal years 2016 to 2041) to support the costs of the Bell Museum capital project.

The University's biennial budget request to the State Legislature for fiscal years 2016 and 2017 resulted in a 4.4% increase in the annual base appropriation for fiscal year 2016, with no additional increase to the base appropriation for fiscal year 2017. The increased State appropriation will be leveraged to limit the tuition rate increases, invest in academic excellence, and target internal operating budget reductions while increasing internal unit resources to support crucial competitive needs. The fiscal year 2016 annual operating budget was approved by the Board of Regents on June 24, 2015.

Grants. The University is awarded various grants and contracts from governmental and private sources for which the granting agency does not receive a direct, quid pro quo benefit in return. The largest sources of these funds are Pell and Supplemental Educational Opportunity Grants, student aid program revenues, student financial aid from the Minnesota Office of Higher Education, and amounts from the University of Minnesota Physicians for academic support.

Gifts. This category represents gifts received from the three recognized University foundations for other than capital or endowment purposes.

Investment Income (Loss), Net. This category includes interest income, net realized gains and losses and adjustments to market value as well as endowment income. Amounts reported as investment income include income earned from all of the University's internal investment pools, as well as income earned on investments related to indebtedness. The University has been the beneficiary of endowment support from both the private and public sectors. In 1862, the federal government, through the Morrill Act, conveyed to the State a "land grant" for the support of the University. In the intervening years, proceeds from the sale of these lands (classified as Additions to Permanent Endowments) and the income generated from investment of the proceeds (classified as Investment Income) have been deposited in the Permanent University Fund, which now constitutes the basic public endowment of the University. Earnings on Permanent University Fund proceeds can be used to support endowed chairs, research activities, and undergraduate scholarships. In addition to this public sector endowment, the University has been the recipient of gifts and bequests that are typically consolidated for investment purposes into the University's Consolidated Endowment Fund. The majority of the University's endowment funds are managed by several outside professional investment counselors under policies authorized by the Board of Regents.

Interest on Capital Asset-Related Debt. This category reflects the cost of interest expense on capital asset-related debt.

Other Nonoperating Expenses. This category primarily represents the net loss on disposal of capital assets.

<u>Other Revenues</u>

Capital Appropriations. This category includes State appropriations for specific capital projects as designated by State law. Capital appropriations are awarded on a biennial schedule based upon State budget constraints and are paid through a cost reimbursement method whereby the University certifies expenditures on approved projects when requesting draws. "Capital appropriations" also includes appropriations under Minnesota Statutes, Sections 137.50 to 137.60, enacted by the Legislature in 2006, providing for an annual transfer to the University from an appropriation from the General Fund to pay the principal and interest on the University's Special Purpose Revenue Bonds (State Supported Stadium Debt) Series 2006, and appropriations under Minnesota Statutes, Sections 137.61 to 137.65, enacted by the Legislature in 2008, that established a biomedical science research facilities funding program to pay up to 75 percent of the project costs for each of four biomedical science facilities. See "Outstanding Indebtedness" herein.

Capital Grants and Gifts, and Additions to Permanent Endowments. The University receives various grants and gifts from both governmental and private sources that are restricted for either the purchase or renovation of capital assets. Funds received from donors to increase the principal of a permanent endowment established before the creation of the foundations (new endowments must be established through one of the University foundations) are also reflected in this category.

Outstanding Indebtedness

Outstanding debt as of the fiscal years ended June 30, 2014 and June 30, 2015, consisted of the following:

	2014	*(Unaudited)* 2015
General Obligation Bonds, Series 2014B, at coupon rates ranging from 2.0% to 5.0%, due at various dates through fiscal year 2044	$ -	$ 145,760,000
General Obligation Taxable Bonds, Series 2013D, at coupon rates ranging from 0.6% to 4.848%, due at various dates through fiscal year 2039	12,760,000	12,530,000
General Obligation Taxable Bonds, Series 2013B, at coupon rates ranging from 2.6% to 3.75%, due at various dates through fiscal year 2038*	13,435,000	13,060,000
General Obligation Bonds, Series 2013A, at coupon rates ranging from 2.0% to 5.0%, due at various dates through fiscal year 2038*	71,820,000	69,945,000
General Obligation Bonds, Series 2011D, at coupon rates ranging from 2.0% to 5.0%, due at various dates through fiscal year 2037*	51,255,000	50,025,000
General Obligation Bonds, Series 2011C, at coupon rates ranging from 0.9% to 4.56%, due at various dates through fiscal year 2037*	18,505,000	17,970,000
General Obligation Bonds, Series 2011A, at coupon rates ranging from 2.0% to 5.5%, due at various dates through fiscal year 2037*	275,590,000	252,975,000
General Obligation Bonds, Series 2010B, at coupon rates ranging from 0.74% to 5.02%, due at various dates through fiscal year 2036	38,200,000	36,880,000
General Obligation Bonds, Series 2010D, at coupon rates ranging from 3.86% to 5.77%, due at various dates through fiscal year 2030	27,200,000	27,200,000
General Obligation Bonds, Series 2010C, at coupon rates ranging from 2.0% to 4.0%, due at various dates through fiscal year 2016*	3,015,000	1,530,000
General Obligation Bonds, Series 2009D, at coupon rate of 6.3%, due at various dates through fiscal year 2029*	37,330,000	37,330,000
General Obligation Bonds, Series 2009C, at coupon rates ranging from 1.5% to 5.0%, due at various dates through fiscal year 2022*	30,580,000	27,300,000
General Obligation Bonds, Series 2009B, at coupon rates ranging from 2.5% to 6.0%, due at various dates through fiscal year 2029	14,145,000	13,485,000
General Obligation Bonds, Series 2009A, at coupon rates ranging from 3.0% to 5.25%, due at various dates through fiscal year 2034*	36,060,000	34,920,000
Special Purpose Revenue Bonds, Series 2013C, at coupon rates ranging from 2.0% to 5.0%, due at various dates through fiscal year 2039*	35,395,000	34,985,000
Special Purpose Revenue Bonds, Series 2011B, at coupon rates ranging from 3.0% to 5.0%, due at various dates through fiscal year 2037*	50,930,000	49,705,000

Special Purpose Revenue Bonds, Series 2010A, at coupon rates ranging from 3.0% to 5.0%, due at various dates through fiscal year 2036*	105,510,000	102,730,000
Special Purpose Revenue Bonds, Series 2006, at coupon rates ranging from 4.0% to 5.0%, due at various dates through fiscal year 2030*	109,300,000	104,385,000
Commercial Paper Notes, Series A, B, C, D, and E, at rates ranging from 0.06% to 0.16%, due at various dates through fiscal year 2040	214,800,000	249,620,000
Obligations to the State of Minnesota pursuant to Infrastructure Development Bonds, at 3.55% to 5.7%, due at various dates through fiscal year 2026	21,511,000	17,844,000
Subtotal - bonds payable & commercial paper, at par	1,167,341,000	1,300,179,000
Unamortized bond premium/discount, net	72,525,000	81,810,000
Capital leases and other, at 1.94% to 4.21%, due at various dates through fiscal year 2025**	42,641,000	41,181,000
Total Indebtedness	$1,282,507,000	$1,423,170,000

* *Bonds were issued at a premium or discount*

** *Includes capitalization of leased space at the Twin Cities and Rochester campuses.*

The proceeds of the general obligation bonds are used to fund various capital projects of the University, including purchases of land and buildings and the acquisition and installation of equipment, and to pay costs of issuance. All general obligation bonds are secured by the full faith and credit of the University and subject to mandatory sinking fund requirements set forth in the respective official statements.

The University issued tax-exempt Commercial Paper Notes, Series A, B, C, D, and E to defease outstanding bond obligations, to finance purchases of land and buildings, to finance construction and remodeling projects to be undertaken by the University, and to finance the acquisition and installation of equipment. The commercial paper is backed by the University's self-liquidity. Although commercial paper is short-term in nature and classified as current liabilities on the Consolidated Statements of Net Position in the University's Annual Report, the University intends to hold the commercial paper as a long-term financing vehicle.

The Special Purpose Revenue Bonds, Series 2010A, 2011B and 2013C, were issued as the State Supported Biomedical Science Research Facilities Funding Program bonds. Net proceeds of these bonds are used to fund a portion of the costs of construction of one or more biomedical science research facilities in the University's Biomedical Discovery District. State of Minnesota legislation provides for an annual appropriation to reimburse the University for the annual debt service on these bonds.

The Special Purpose Revenue Bonds, Series 2006, were issued to finance a portion of the cost of TCF Bank Stadium on the Twin Cities campus and to pay costs of issuance. Pursuant to Minnesota Statutes, Section 137.54, State funding of up to $10,250,000 per year for no more than 25 years is provided to reimburse the University for the annual debt service on these bonds. The statute was amended in May 2015 to allow for refunding of the Series 2006 bonds, and to require the amount of the State's annual payment to the University be equal to the maximum annual appropriation of $10,250,000.

Every other year the State approves funding for certain capital projects for the University and other State agencies. The State, through the Infrastructure Development Bonds ("IDB") program, may issue bonds for these capital projects. The State requires each beneficiary of such bond proceeds, including the University, to pay one third of the debt service on allocable IDB program bonds issued for capital projects that are not primarily for renewal or code improvements. Debt was issued for this purpose between July 1990 and October 2005. The total amount of outstanding debt issued by the State on behalf of the University was $53,530,000 (unaudited) as of June 30, 2015, $64,531,000 as of June 30, 2014, and $77,448,000 as of June 30, 2013, of which the University owes $17,844,000 (unaudited), $21,511,000 and $25,817,000, respectively.

On August 6, 2014, the University issued General Obligation Bonds, Series 2014B in the par amount of $145,760,000. The 2014B bonds were issued at coupon rates of 2.0 – 5.0 percent with a premium of $13,778,000. The proceeds will be used to fund the costs of construction of an Ambulatory Care Center, and to pay capitalized interest during the construction period and costs of issuance.

On December 17, 2014, the University issued Taxable Commercial Paper Notes, Series E in the par amount of $51,620,000. The proceeds will be used to fund a portion of the costs of construction of a new James Ford Bell Natural History Museum and Planetarium on the St. Paul campus, and to pay costs of issuance. In 2014 the Legislature increased the University's general State appropriation by $3,500,000 million for fiscal years 2016 through 2041 to support the costs of the Bell Museum capital project.

Current University policies permit the University to enter into various interest rate swap agreements with counterparties meeting University credit criteria for the purposes of managing interest cost and risk associated with its debt. Certain information with respect to certain interest rate swap agreements that were outstanding on June 30, 2014, and June 30, 2013, is included in "APPENDIX B—AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE UNIVERSITY FOR THE YEARS ENDED JUNE 30, 2014 AND 2013—Note 5 to the Audited Consolidated Financial Statements." Two freestanding swaps with notional amounts of $37,500,000 each matured in fiscal year 2013. Both were pay-fixed and receive-variable interest rate swaps, with fixed rates of 4.88% and 4.90%, respectively, to two separate counterparties. At June 30, 2015 and June 30, 2014, the University had one freestanding pay-fixed and receive-variable interest rate swap that is considered an ineffective hedge, where the changes in fair value are included in investment income reported in the Consolidated Statements of Revenues, Expenses, and Changes in Net Position. The swap, with a notional amount of $70,000,000, terminates in August 2017 and had a fair value of ($7,161,000) (unaudited) as of June 30, 2015 and ($9,498,000) as of June 30, 2014. Under the terms of the interest rate swap agreements, the University makes periodic payments determined on the basis of a fixed rate of interest applied to a nominal principal amount and receives periodic payments determined on the basis of a variable rate of interest applied to such nominal principal amount. There can be no assurance as to the terms of any interest rate swap agreements into which the University may enter in the future or as to whether existing or any future University interest rate swap agreements will remain in effect without amendment throughout their stated terms.

Effective July 19, 2013, the University terminated its line of credit agreement which backed the University's self-liquidity supporting its Commercial Paper Notes Series A, B, C, and D. The maximum line of credit had been established at $40,000,000 for the period October 1, 2012 through September 30, 2013. No amounts were ever drawn under the line of credit.

Endowment and Other Investments

Total endowment and other investments, including those in the Group Income Pool, Temporary Investment Pool, the Permanent University Fund, other gifts combined in the Consolidated Endowment Fund, and Separately Invested Funds at June 30 of the five fiscal years indicated are shown at market value in the following table.

	2010	2011	2012	2013	2014
Market Value	$1,375,967,000	$1,648,120,000	$1,859,256,000	$1,978,690,000	$2,092,394,000

Unaudited market value of the endowment and other investments as of March 31, 2015, approximates $2,119,000,000. Investment securities are exposed to various risks, such as credit, interest rate, foreign currency and other capital market risks. Due to the nature of certain investment securities, market values are expected to fluctuate.

Cash and Cash Equivalents

Cash and cash equivalents is defined as cash and short-term, highly liquid investments, with original maturities of 90 days or less, that bear little or no market risk. Restricted cash and cash equivalents represent unspent bond proceeds that are externally restricted for the construction or purchase of buildings or other capital assets. Total cash and cash equivalents at June 30 of the previous five fiscal years is shown on the following table:

2010	2011	2012	2013	2014
$290,580,000	$419,032,000	$355,520,000	$281,011,000	$309,937,000

Unaudited cash and cash equivalents as of March 31, 2015, approximates $577,749,000.

Reporting Entity

The financial reporting entity for the University of Minnesota includes the financial results of the five campuses and, as required under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* (GASB 61), its legally separate component units. The component units are included in the University's reporting entity because of the significance of their operational or financial relationships with the University or its other component units.

Blended Component Units. The University has two component units that provide services entirely for the University's own benefit. As a result, GASB 61 requires blended presentation combining the component units and University financial information together, displayed as one entity. These component units are RUMINCO, Ltd. and UMore Development LLC.

Discretely Presented Component Units. The University's financial statements include the financial data of two tax-exempt component units reported in separate columns on separate pages. GASB 61 requires discrete presentation of component units when either the resources held by these entities can only be used by, or for the benefit of, the University or its component units; or the component units are closely related to, or financially integrated with, the University. In conjunction with the implementation of GASB 61, effective for the fiscal year ended June 30, 2013, the University refined its significance dollar threshold and as a result, is no longer required to discretely report the following three component units in its annual report: Minnesota Landscape Arboretum, Minnesota 4-H Foundation, and University of Minnesota Alumni Association.

The two component units listed below are included in the University's financial statements for the years ended June 30, 2014 and June 30, 2013.

University of Minnesota Foundation. The University of Minnesota Foundation ("UMF") is a legally separate, tax-exempt organization, dedicated to raising and managing private gifts to benefit the University. Since February 1, 2013, when the Minnesota Medical Foundation was merged into UMF, UMF's voting interest in University Gateway Corporation ("Gateway") was increased to 67%. As a result, the consolidation of Gateway's financial information with that of UMF is required as of the effective date of the merger.

At June 30, 2014 and 2013, respectively, the net assets of the UMF were approximately $2,298,490,000 and $2,079,304,000, of which approximately $80,800,000 and $55,032,000 was unrestricted, $1,266,264,000 and $1,122,564,000 was temporarily restricted, and $951,426,000, and $901,708,000 was permanently restricted. During the fiscal years ended June 30, 2014 and 2013 UMF distributed approximately $209,829,000 and $181,005,000, respectively, to the University. Such distributions are primarily recorded as private gifts.

The market value as of June 30, 2014 and June 30, 2013, of the endowments managed by the UMF was $2,267,360,000 and $2,003,970,000, respectively.

University of Minnesota Physicians. University of Minnesota Physicians ("UMPhysicians") is a legally separate, tax-exempt clinical practice organization for the faculty of the University of Minnesota School of Medicine. At June 30, 2014 and 2013, respectively, the net assets of UMP, all unrestricted, were approximately $106,252,000 and $83,085,000. During the fiscal years ended June 30, 2014 and 2013, UMPhysicians distributed approximately $83,447,000 and $83,122,000, respectively, to the University.

Financial Management

Fund Accounting. Fund balances and activity are no longer presented in the external financial statements; however, the University continues to manage its assets and operations under fund accounting principles. Teaching, research and public service are the primary objectives of the University; thus, the primary obligation of accounting and reporting is to account for resources received and used rather than to determine net income. The funds received by the University are often restricted and may be used only for the particular program, purpose, department or school specified by the donor. In order to account properly for the diversity of resources of the University and the many uses to which those resources are applied, the University maintains a fully integrated fund accounting and budgetary system. Resources are maintained in separate groups, or funds, according to their particular sources and uses. The funds are grouped as follows: current unrestricted funds, current restricted funds, loan funds, endowment and similar funds, agency funds, and plant funds. For a discussion of the accounting policies used by the University, see the notes to the Audited Consolidated Financial Statements contained in "APPENDIX B—AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE UNIVERSITY FOR THE YEARS ENDED JUNE 30, 2014 AND 2013."

Budgeting Procedures. The University, in conjunction with the compact planning process, has a specific strategic planning and budgeting model linking the operating and capital budget decisions to the strategic plans of the University while maintaining an all funds approach to budgeting.

At present, only the current unrestricted and restricted nonsponsored funds are budgeted annually. The primary sources of unrestricted funding available for the general operation of the University are general appropriations from the State, student tuition and University fees, and other general income.

The recurring planning process is based on the University's mission statement, goals, objectives and priorities. The results of this planning process help to shape the development of legislative requests for funding. Since the State operates on a biennial budget basis, major legislative requests are submitted every two years and the resulting biennial State appropriations are incorporated into the budget process when enacted, usually in mid-May of odd-numbered years. See "Financial Operations—*Nonoperating Revenues (Expenses)—State Appropriations*" herein. The general State appropriation is unrestricted and use of the funds is determined by the University through collegiate and administrative compacts or agreements.

The President is the chief planning officer and is responsible for preparing and submitting a complete budget recommendation to the Board of Regents each year.

Each year a set of Budget Development Principles is the first step in the formal budget process. These principles outline in a narrative fashion the goals and objectives of the next budget. Concurrently, resource and expenditure estimates are prepared for the University as budget planning and development parameters. Included in these parameters are planning assumptions related to the size of tuition increase, size of salary and fringe benefit increases, and other projected operating cost increases.

General financial parameters and detailed budget plans are then completed by the colleges and administrative units based on the Budget Development Principles, the University's planning parameters and the individual unit's assessment of its revenue and expenditure projections. The President and his administrative team review collegiate and administrative unit budgets, and a comprehensive budget is compiled that is submitted to the Board of Regents for approval, usually at its June meeting.

Monitoring Budgeted to Actual Results. Once balanced and approved, the budget allocations are integrated into the accounting system. An allocation specifies an amount of resources that is available for expenditure during the fiscal year. A department that has received an allocation may make encumbrances against its allocation for specific expenses that will be incurred. An encumbrance is an accounting transaction used to reserve portions of the allocation for expenditures that are planned but not yet incurred. A department or other unit cannot make encumbrances in excess of its anticipated resources. Actual expenditures are subtracted from total resources. If the expenditures from any account exceed the resources, the result is a deficit account balance. University policy generally prohibits maintaining deficit account balances.

Procedures to monitor the adherence to budget include periodic budget to actual comparison reports and account balance reports. These reports are the basis of management review and the detection of potential fiscal problems within a college, department or other unit. When warranted, the appropriate dean or vice president may initiate corrective action.

Cash Management Program. The University has maintained an active, centralized cash management program for over 20 years, focusing on daily cash forecasting and concentration and disbursement of funds. The University presently consolidates on a daily basis cash received throughout its statewide network and disburses funds through a number of controlled accounts. Virtually all bank accounts are run on a zero balance basis. Banks are compensated for their service by the payment of fees.

The cash management system is structured to provide early and maximum availability of resources to timely meet all University financial obligations. Excess working capital funds are invested on a daily basis according to guidelines established by the Board of Regents. Securities that may be purchased are fixed income securities including U.S. Treasury obligations, federal agency securities and corporate bonds, notes and commercial paper; bank paper; repurchase agreements; mutual funds; and money market funds. The policy additionally places limits on all investments based on credit quality, duration and concentration exposure.

The cash management function at the University is handled by the Office of Investments and Banking, which reports directly to the Vice President and Chief Financial Officer.

Certain Contingent Payment Obligations Relating to Construction Contracts

The University regularly enters into contracts for the construction of new facilities and the rehabilitation of existing facilities. As of May 31, 2015, the University had approximately $1.056 billion (unaudited) in Regent approved capital improvements in various stages of design and construction that are managed by Capital Planning and Project Management (CPPM) and had paid approximately $513 million toward the cost of these projects. The balance, approximately $543 million, includes both contracted obligations and intended future obligations. Projects are funded from a variety of sources including general obligation and special purpose revenue bonds issued by the University, debt issued by the State, State general appropriations, gifts, and other University funds.

Insurance

Minnesota Statute Section 3.736, Tort Claims, establishes certain limits of governmental liability and provides that procurement of insurance shall act as a waiver of such limits of governmental liability to the extent that valid and collectible insurance exceeds such limits and covers the claim. Because of the insurance described below, the limitation on the total liability of the University or its employees acting within the scope of their employment on any tort claim is: (i) $1,000,000 per claim, and (ii) $3,000,000 per occurrence.

RUMINCO, Ltd., a wholly-owned subsidiary of the University, was organized for the purpose of providing the University's general and professional liability (including medical professional liability) insurance. RUMINCO, Ltd. provides coverage for claims made covering incidents occurring after December 30, 1986, the retroactive date of the policy. Subsequently, automobile liability and Non-Profit Organizational Liability (NPOL) coverage was added to the insurance provided through RUMINCO, Ltd. RUMINCO's insurance agreements limit its exposure to loss on a per occurrence and annual aggregate basis as follows:

Commercial General & Professional Liability Coverage – covers bodily injury, property damage, and professional liability. Limits are $1,000,000 each claim; $3,000,000 each occurrence with a $5,000,000 annual aggregate.

Business Auto Liability Coverage – for combined bodily injury and property damage. Limits of $500,000 each person; $1,500,000 each occurrence with an annual aggregate of $5,000,000.

NPOL – for civil claim against the insured for loss arising from false arrest, libel or slander, wrongful entry or eviction, assault and battery, and negligent or intentional infliction of emotional distress. Limits are $500,000 each claim/$1,500,000 each occurrence. The annual aggregate for the entire policy is $3,000,000.

Excess Automobile Liability Declarations – From March 25, 1995 to the present, RUMINCO has insured the University for combined bodily injury and property damage. Limits of $500,000 each person and $1,000,000 annual aggregate.

The University's investment in RUMINCO, Ltd. is consolidated within the University's financial statements. The management financial statements of RUMINCO, Ltd., reported the total outstanding liability of $3,431,712 and $3,746,782 at June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013 the book value of RUMINCO, Ltd.'s total assets as reported in its management financial statements was $39,463,513 and $36,030,762, respectively, with $36,031,801 and $32,283,980, respectively, being its shareholder's equity.

The University currently has in force property insurance through the Midwestern Higher Education Compact's Master Property Program. The lead insurer is Lexington Insurance Company, which insures the first $100,000,000 of an occurrence. The University has a limit of $1,750,000,000 per occurrence and insures property values of approximately $13,000,000,000, including business interruption coverage.

The University is self-insured for workers' compensation exposures, and the accrued liability for outstanding claims as of June 30, 2014 and June 30, 2013, was approximately $13,046,000 and $11,760,000, respectively.

The University maintains self-insured programs for medical and dental coverage. The University pays claims and establishes reserves. An annual actuarial estimate of the University's liability for medical claims, including Incurred But Not Reported (IBNR) claims, is recorded.

Coverage	Group Covered	Administrator(s)	IBNR June 30, 2014	IBNR June 30, 2013
Medical UPlan[(1)]	Health coverage for faculty and staff & their dependents	Medica – for medical plan administration Prime Therapeutics – for pharmacy benefit management	$15,308,000	$16,365,000
Dental UPlan	Dental coverage for faculty and staff & their dependents	Delta Dental and HealthPartners	$821,000	$1,286,000
Graduate Assistant Medical Plan[(2)]	Health coverage for eligible graduate assistants	HealthPartners	$960,000	$1,446,000
Student Health Benefit Plan (SHBP)[(3)] Academic Health Center (AHC) Student Health Benefit Plan[(4)]	Health coverage for eligible students and their dependents AHC students	Blue Cross and Blue Shield of Minnesota Blue Cross and Blue Shield of Minnesota	$4,549,000	$4,436,000
Medical Residents & Fellows Medical Plan[(5)]	Health coverage for Medical Residents and Fellows	HealthPartners	$407,000	$504,000

(1) *A medical conversion carrier provides policies to the University under which terminated employees are able to convert their UPlan coverage to single coverage once their continuation (COBRA) rights expire. The University also carries stop-loss coverage, which protects the University against the risk that an individual participant will incur medical expenses greater than $800,000 in a single year.*

(2) *The Graduate Assistant Plan also offers self-insured dental plan benefits at Boynton Health Service without a third party administrator.*

(3) *The administrator of the SHBP offers medical conversion policies to eligible University students who are able to convert their SHBP coverage to single coverage after graduation. The University also carries stop-loss coverage, which protects the University against the risk that an individual participant will incur medical expenses greater than $250,000 in a single year in addition to aggregate stop-loss coverage for claims totals over 115% of plan year claims.*

(4) *An estimated claims liability for the Academic Health Center (AHC) Student Health Benefit Plan ensures that funds are available to cover claims up to the point where stop-loss coverage begins. The AHC Plan also offers self-insured Dental Plan preventive benefits at Boynton Health Service without a third party administrator.*

(5) *The Medical & Resident group also offers a fully insured Dental Benefit Plan through Delta Dental.*

Litigation

There is no controversy or litigation of any nature now pending or, to the knowledge of the University, threatened, that the University believes, individually or in combination, may have a material adverse effect upon the University's financial condition taken as a whole.

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APPENDIX B

AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE UNIVERSITY AS OF AND FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

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University of Minnesota

Consolidated Financial Statements for the Years Ended June 30, 2014 and 2013, Independent Auditors' Report, and Management's Discussion and Analysis

Financial Report

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INDEPENDENT AUDITORS' REPORT

The Board of Regents
University of Minnesota
Minneapolis, Minnesota

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of net position of the University of Minnesota (the "University") as of June 30, 2014 and 2013, the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the discretely presented component units. Those statements were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained and the reports of the other auditors are sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended and the financial statements of the discretely presented component units as of and for the years ended June 30, 2014 and 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress, as listed in the table of contents, which are the responsibility of the University's management, be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Deloitte & Touche LLP

October 29, 2014

Management's Discussion and Analysis
(Unaudited)

Introduction

This discussion and analysis of the University of Minnesota's (the University) consolidated financial statements provides an overview of the consolidated financial position and activities of the University for the years ended June 30, 2014, 2013, and 2012. The discussion has been prepared by management and should be read in conjunction with the consolidated financial statements and the accompanying notes.

The University of Minnesota is both the state's land-grant university, with a strong tradition of education and public service, and a major research institution, with faculty of national and international reputation. Its mission is to offer undergraduate, graduate, and professional instruction through the doctoral degree, and to be the primary state-supported academic institution for research and extension services.

The University of Minnesota, founded in 1851, has five campuses (Twin Cities, Duluth, Morris, Crookston, and Rochester), research and outreach centers, and extension service offices throughout the state.

The Twin Cities campus is the fourth largest campus in the country in terms of enrollment (approximately 52,000 students) and among the top nine public research institutions nationally. The University is the state's major research institution with expenditures of approximately $679.7 million, $656.6 million, and $633.2 million in fiscal years 2014, 2013, and 2012, respectively, for research under various programs funded by governmental and private sources.

The Duluth campus is a comprehensive regional university that offers instruction through the doctoral degree and has unique research strengths in natural and freshwater resources. The Duluth campus consistently ranks among the top Midwestern regional universities.

The Morris campus is ranked as one of the top public liberal arts colleges in the nation and is a leader in environmental issues.

The Crookston campus provides career-oriented education at the baccalaureate level, primarily in polytechnical disciplines.

The Rochester campus is focused on meeting the educational needs of students in the southeastern Minnesota area at the upper division undergraduate and post-baccalaureate levels.

Mission

The University of Minnesota's mission, carried out on multiple campuses and throughout the state, is threefold: research and discovery, teaching and learning, and outreach and public service.

- Research and Discovery—To generate and preserve knowledge, understanding, and creativity by conducting high quality research, scholarship, and artistic activities that benefit students, scholars, and communities across the state, the nation, and the world.

- Teaching and Learning—To share that knowledge, understanding, and creativity by providing a broad range of educational programs in a strong and diverse community of learners and teachers, and to prepare graduate, professional, and undergraduate students, as well as non-degree-seeking students interested in continuing education and lifelong learning, for active roles in a multiracial and multicultural world.

- Outreach and Public Service—To extend, apply, and exchange knowledge between the University and society by applying scholarly expertise to community problems, by helping organizations and individuals respond to their changing environments, and by making the knowledge and resources created and preserved at the University accessible to the citizens of the state, the nation, and the world.

Operations

The University of Minnesota conducts its mission activities at its campuses and other facilities throughout the state. Each year, the University of Minnesota:

- provides instruction for approximately 68,000 students;

- graduates approximately 15,600 students, 40 percent with graduate or first professional degrees on the Twin Cities campus;

- conducts research sponsored by the National Institutes of Health, the National Science Foundation, other federal, state, and governmental agencies, and numerous private companies and foundations;

- reaches out to more than one million Minnesotans through various outreach and public service activities.

Consolidated Financial Statements

The consolidated financial statements are prepared in accordance with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB). The consolidated financial statements required under these reporting standards include the Consolidated Statements of Net Position; the Consolidated Statements of Revenues, Expenses, and Changes in Net Position; and the Consolidated Statements of Cash Flows. All are reported on a consolidated basis for the University as a whole. Also required are the financial results of the University's legally separate component units.

In fiscal year 2014, the University implemented GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities,* GASB Statement No. 66 (GASB 66), *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No.* 62, and GASB Statement No. 70 (GASB 70), *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. There are no financial statement impacts to the University as a result of the implementation of GASB standards 66 and 70.

Previous GASB guidance allowed for bond issuance costs to be recorded as a prepaid expense on the balance sheet and amortized over the life of the bond. GASB 65 revised this guidance and requires bond issuance costs to be expensed during the year of the bond issuance. The implementation of GASB 65 resulted in $4.8 million dollars of additional expense recognized in fiscal year 2014 related to the remaining unamortized bond issuance costs.

Financial Highlights

The University's financial position remains strong with assets of $5.7 billion, an increase of $0.2 billion from fiscal year 2013. Liabilities remained unchanged at $1.9 billion for both fiscal years. The University's net position, the difference between total assets and total liabilities, increased year over year to $3.8 billion as of June 30, 2014 compared to $3.6 billion as of June 30, 2013.

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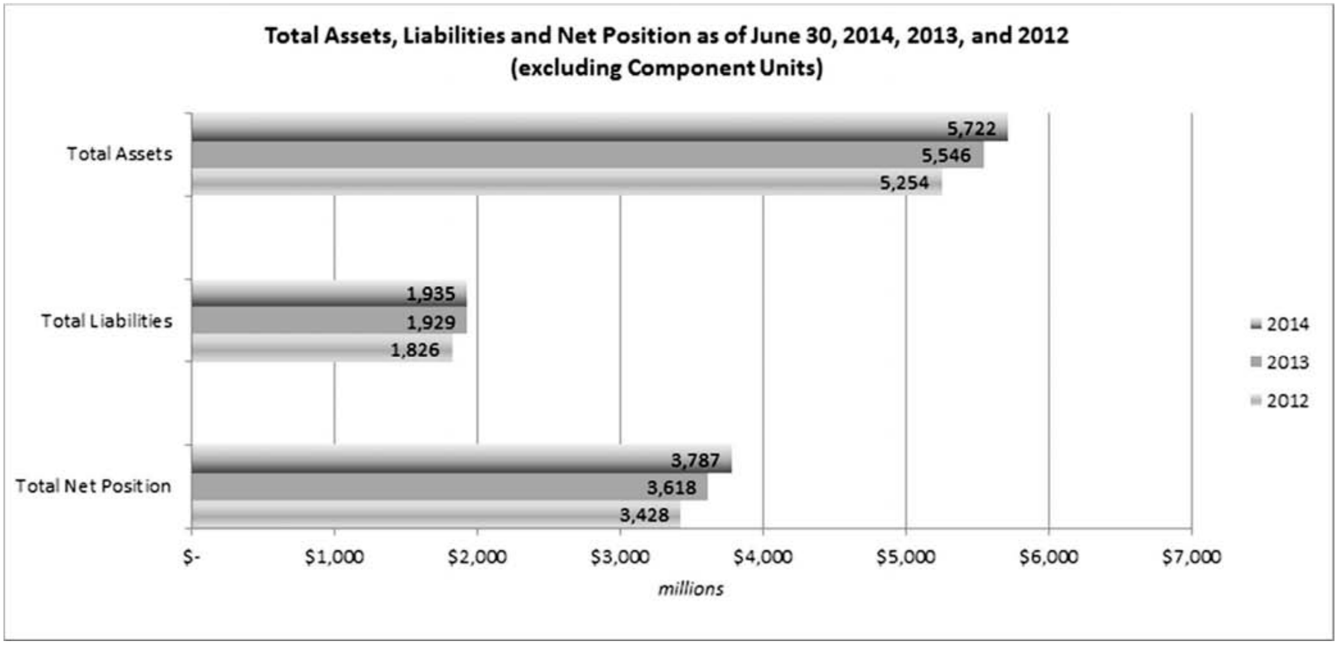
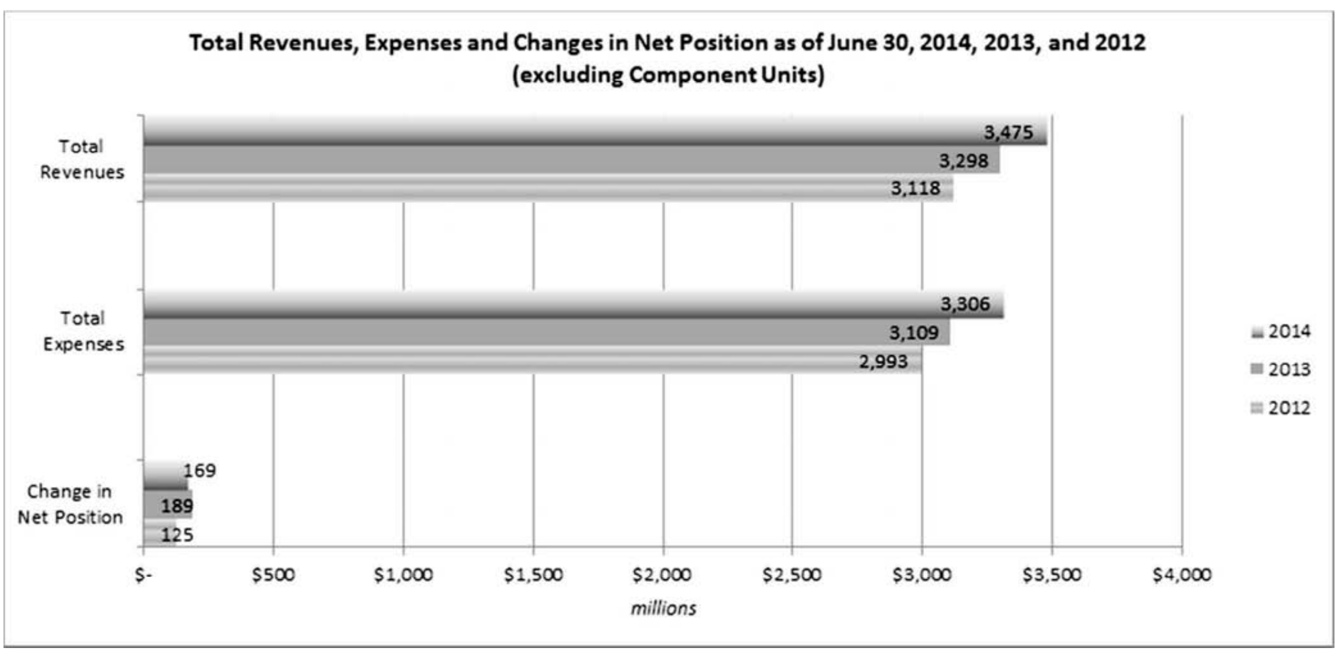
The following chart summarizes total assets, liabilities and net position for the periods ending June 30, 2014, 2013 and 2012, respectively:



The change in net position represents the financial results during the fiscal year and is the difference between total revenue and total expense. The University's net position increased $169.3 million in fiscal year 2014 and $189.8 million in fiscal year 2013.

The following chart summarizes total revenues, expenses and the changes in net position for the periods ending June 30, 2014, 2013 and 2012, respectively:



The University experienced an increase in total revenue of $177.1 million or 5.4 percent with operating revenues contributing $13.0 million or 0.6 percent increase in operating revenues. Total expenses increased

$197.7 million or 6.4 percent primarily consisting of operating expenses. The University continues to focus on instruction, research and public service while continuing to emphasize controlling operating expenses.

Consolidated Statements of Net Position

The Consolidated Statements of Net Position present the consolidated financial position of the University at the end of the fiscal year, under a classified balance sheet format that reflects current and noncurrent assets and liabilities and reports net position under four separate classifications.

A comparison of the University's assets, liabilities, and net position as of June 30, 2014, 2013 and 2012 is summarized in the table below:

Condensed Statements of Net Position
(in thousands)

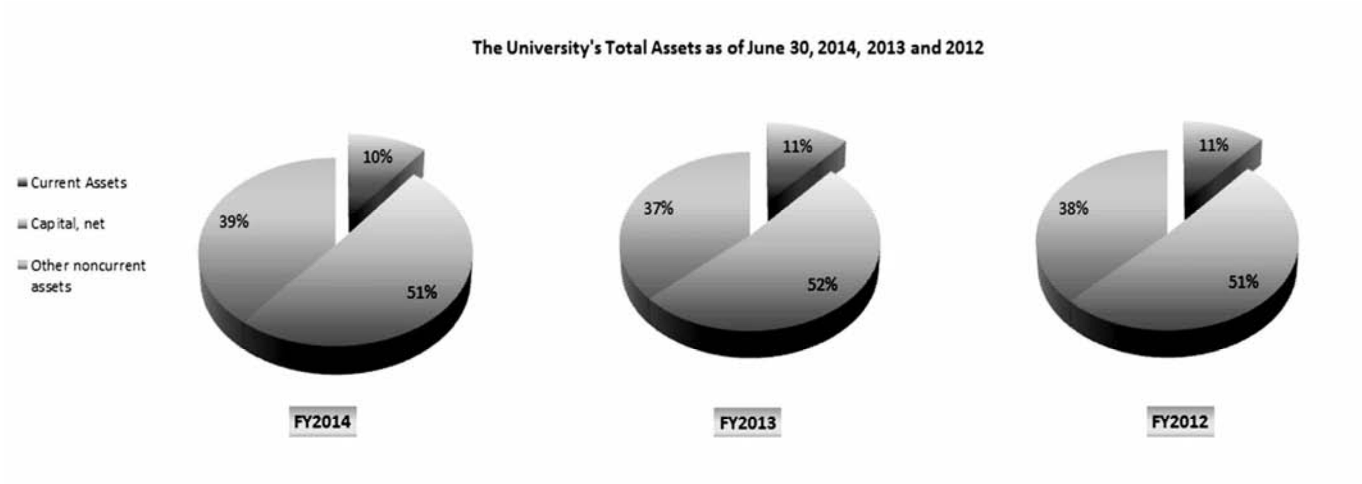
	2014	2013	2012
Assets			
Current assets	$ 589,977	$ 629,376	$ 585,161
Noncurrent assets, excluding capital assets	2,231,939	2,040,048	1,971,938
Capital assets, net	2,900,494	2,876,914	2,696,951
Total assets	5,722,410	5,546,338	5,254,050
Liabilities			
Current liabilities	444,319	443,100	432,135
Noncurrent liabilities, excluding long-term debt	208,518	184,726	167,583
Long-term debt	1,282,507	1,300,730	1,226,389
Total liabilities	1,935,344	1,928,556	1,826,107
Net position			
Unrestricted	812,356	820,146	727,348
Restricted—expendable	1,004,191	865,819	784,443
Restricted—nonexpendable	289,366	277,601	265,156
Net investment in capital assets	1,681,153	1,654,216	1,650,996
Total net position	3,787,066	3,617,782	3,427,943
Total net position and liabilities	$ 5,722,410	$ 5,546,338	$ 5,254,050

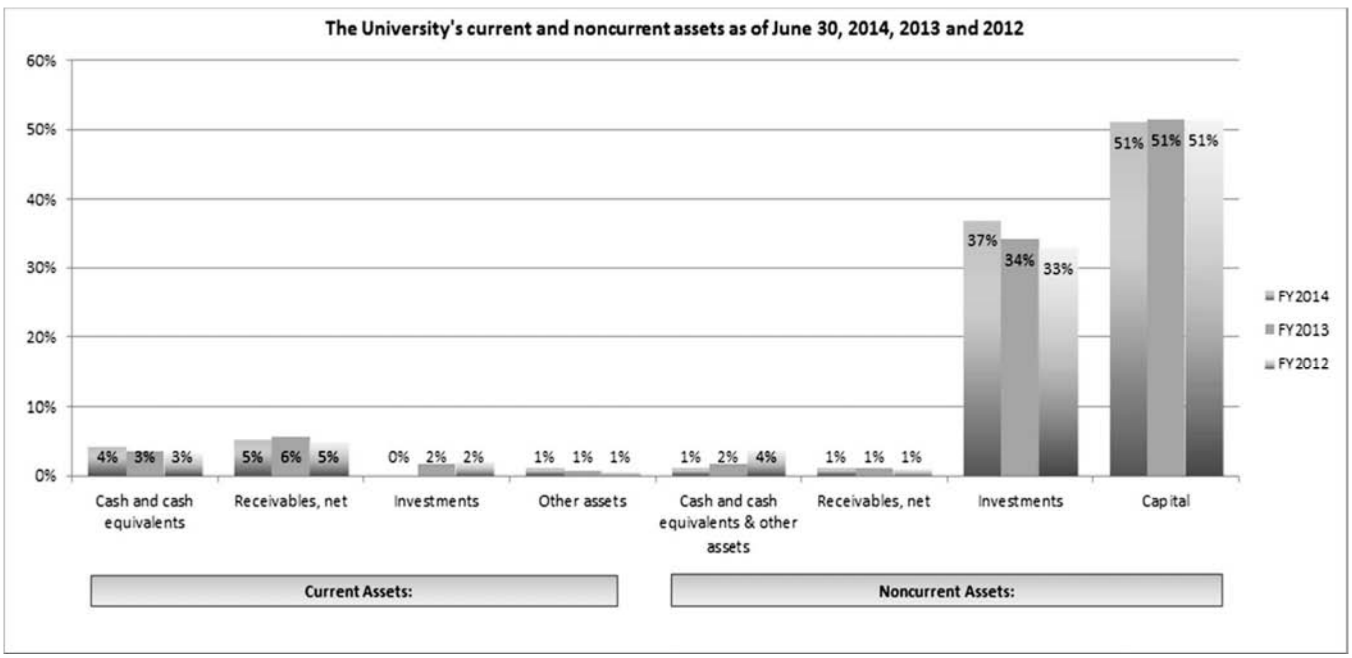
Assets

Current assets are used to support current operations and consist primarily of cash and cash equivalents, net receivables and short-term investments.

Noncurrent assets consist primarily of investments and capital assets net of accumulated depreciation. Noncurrent receivables consist mainly of student loan receivables scheduled for collection after the current report year.

The following charts illustrate the composition of total assets:





The University's current and noncurrent assets as of June 30, 2014, 2013 and 2012 *(in thousands)*							
				Increase (Decrease)			
				From 2013 to 2014		From 2012 to 2013	
	2014	2013	2012	Amount	Percent	Amount	Percent
Current assets							
Cash and cash equivalents	$ 243,049	$ 194,006	$ 167,751	$ 49,043	25.3%	$ 26,255	15.7%
Receivables, net	312,323	310,878	251,814	1,445	0.5%	59,064	23.5%
Investments	676	89,534	133,586	(88,858)	(99.2%)	(44,052)	(33.0%)
Other assets	33,929	34,958	32,010	(1,029)	(2.9%)	2,948	9.2%
Total current assets	589,977	629,376	585,161	(39,399)	(6.3%)	44,215	7.6%
Noncurrent assets							
Capital	2,900,494	2,876,914	2,696,951	23,580	0.8%	179,963	6.7%
Other noncurrent assets							
Cash and cash equivalents & other assets	68,522	92,656	192,781	(24,134)	(26.0%)	(100,125)	(51.9%)
Receivables, net	71,699	58,236	53,487	13,463	23.1%	4,749	8.9%
Investments	2,091,718	1,889,156	1,725,670	202,562	10.7%	163,486	9.5%
Total other noncurrent assets	2,231,939	2,040,048	1,971,938	191,891	9.4%	68,110	3.5%
Total assets	$5,722,410	$ 5,546,338	$ 5,254,050	$ 176,072	3.2%	$ 292,288	5.6%

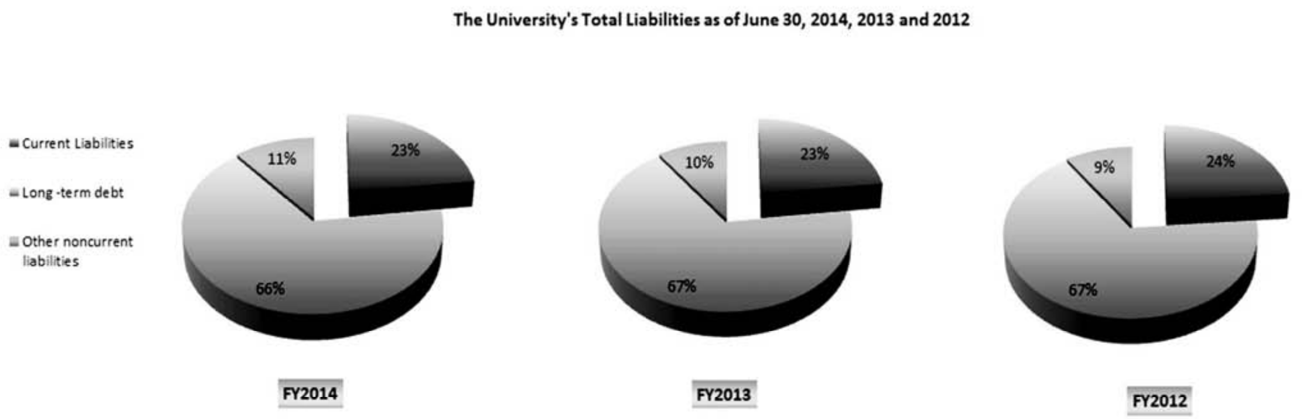
As of June 30, 2014, total assets increased $176.1 million primarily due to increases in cash and cash equivalents, investments and capital. Investments increased $113.7 million primarily due to increases in Consolidated Endowment Fund fair market value, partially offset by decreases in Temporary Investment Pool investment activity. Cash and cash equivalents increased $24.9 million. Noncurrent cash and cash equivalents consist of unspent bond proceeds of $66.9 million and $87.0 million in fiscal year 2014 and 2013, respectively. Capital assets, net of accumulated depreciation, increased $23.6 million due to increased spending on construction projects, specifically the Ambulatory Care Clinic and the Amundson Hall Addition. Refer to Footnote 4 for additional information related to capital assets.

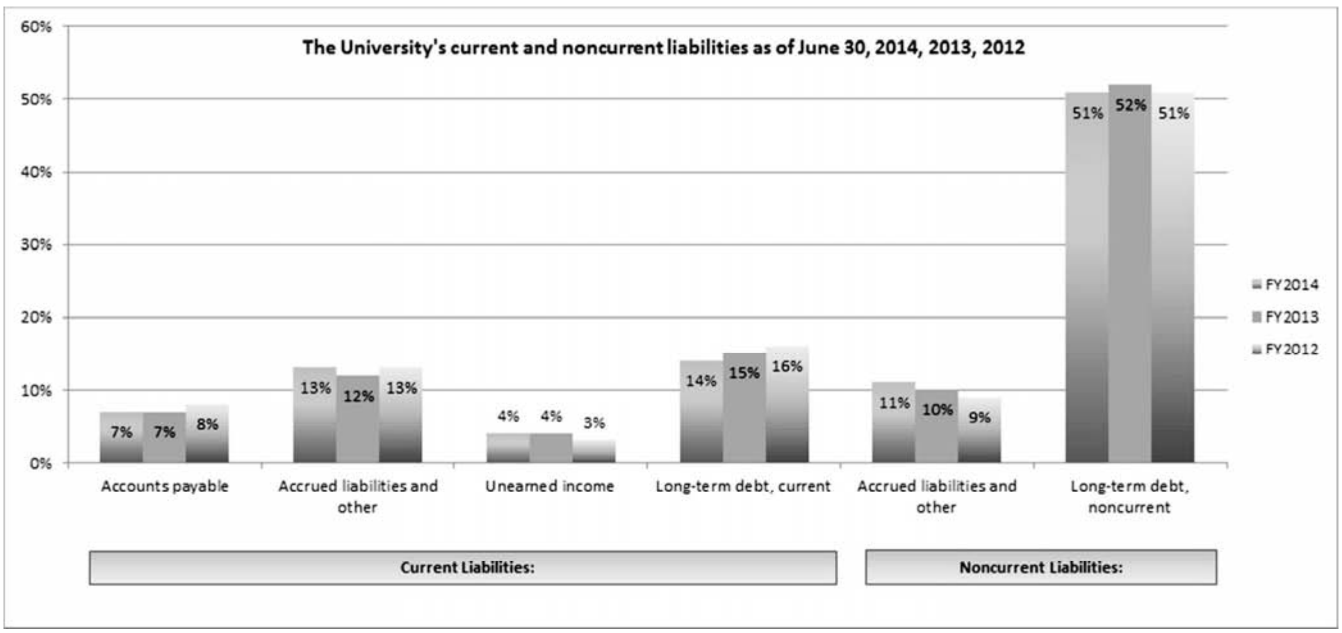
Liabilities

Current liabilities are obligations that are expected to become due and payable during the next fiscal year. Current liabilities consist primarily of accounts payable and accrued liabilities including salaries and compensation-related expenditures, and unearned income. Current unearned income is comprised of revenue related to summer session tuition and fees deferred to the following fiscal year, and funds received in advance of expenditures on sponsored accounts.

The University's noncurrent liabilities consist primarily of capital obligations, notes payable, leases and bonds payable (long-term debt). The University's long-term debt represents 66 percent of total liabilities or $1,282.5 million as of June 30, 2014 compared to 67 percent or $1,300.7 million as of June 30, 2013.

The following charts illustrate the composition of total liabilities:





The University's current and noncurrent liabilities as of June 30, 2014, 2013 and 2012 *(in thousands)*							
				Increase (Decrease)			
				From 2013 to 2014		From 2012 to 2013	
	2014	2013	2012	Amount	Percent	Amount	Percent
Current liabilities							
Accounts payable	$ 131,403	$ 134,954	$ 144,073	$ (3,551)	(2.6%)	$ (9,119)	(6.3%)
Accrued liabilities and other	244,389	239,401	228,360	4,988	2.1%	11,041	4.8%
Unearned income	68,527	68,745	59,702	(218)	(0.3%)	9,043	15.1%
Long-term debt, current	272,026	285,416	293,941	(13,390)	(4.7%)	(8,525)	(2.9%)
Total current liabilities	716,345	728,516	726,076	(12,171)	(1.7%)	2,440	0.3%
Noncurrent liabilities							
Accrued liabilities and other	205,360	184,564	167,259	20,796	11.3%	17,305	10.3%
Unearned income *	3,158	162	324	2,996	1849.4%	(162)	(50.0%)
Long-term debt, noncurrent	1,010,481	1,015,314	932,448	(4,833)	(0.5%)	82,866	8.9%
Total noncurrent liabilities	1,218,999	1,200,040	1,100,031	18,959	1.6%	100,009	9.1%
Total Liabilities	$1,935,344	$ 1,928,556	$ 1,826,107	$ 6,788	0.4%	$ 102,449	5.6%

** Total is less than 1 percent - not included in the graph.*

As of June 30, 2014, total liabilities increased $6.8 million. Long-term debt decreased $18.2 million or 5.2 percent. The University issued Special Purpose Revenue Bonds Series 2013C and General Obligation Bonds Series 2013D, with a par amount of $35.4 million and $12.8 million in fiscal year 2014, respectively. Additions from the issuance were offset by normal amortization of the bonds, premiums and discounts. Refer to Footnote 5 for additional information related to long-term debt. Accrued liabilities increased $25.8 million due to the gradual amortization of the University's full liability related to Other Post- Employment Benefits (OPEB). The University recorded an OPEB liability of $18.9 million in fiscal year 2014 and $19.4 million in fiscal year 2013. As of June 30, 2014, the cumulative OPEB liability of $101.3 million was recorded as a current liability of $6.6 million and a noncurrent liability of $94.7 million.

Net Position

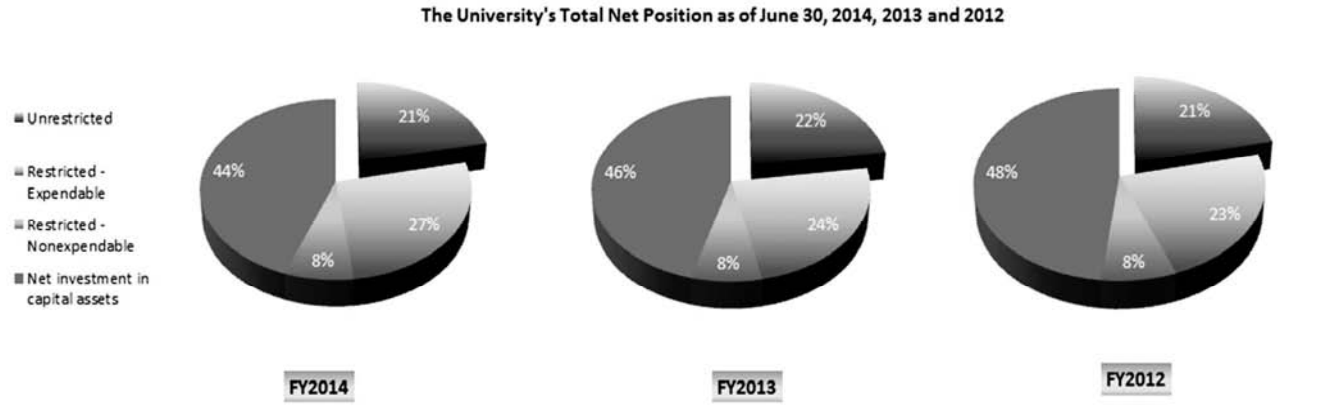
Net position represents the residual value of the University's assets after deducting liabilities and consists of the following three classifications:

- Unrestricted net position—Includes assets that are not subject to limitations or stipulations imposed by external entities and that have not been set aside for capital or endowment purposes. These assets are available for any lawful purpose of the institution and include resources that may be designated for specific purposes as determined by management or the Board of Regents.

- Restricted net position, which is divided into two categories—expendable and nonexpendable—Expendable assets are available for expenditure by the institution, but only in accordance with restrictions placed on their use by donors and other external entities. Nonexpendable assets are also externally restricted, but are required to be retained in perpetuity, including the University's true endowments and institutional contributions to refundable loan programs.

- Net investment in capital assets—Includes property, plant, and equipment, net of accumulated depreciation, reduced by the outstanding balances of debt attributable to these capital assets.

The following charts illustrate the composition of the University's total net position:

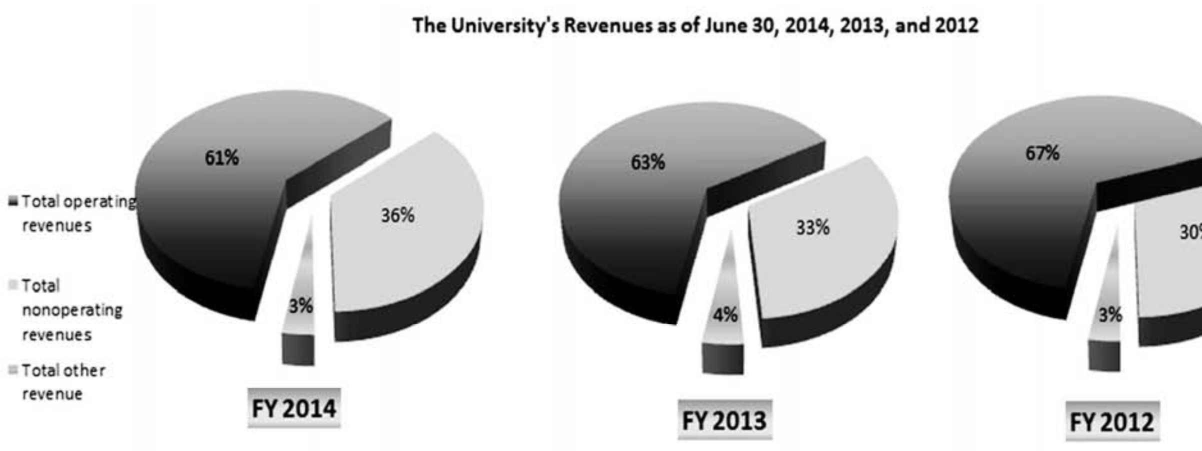


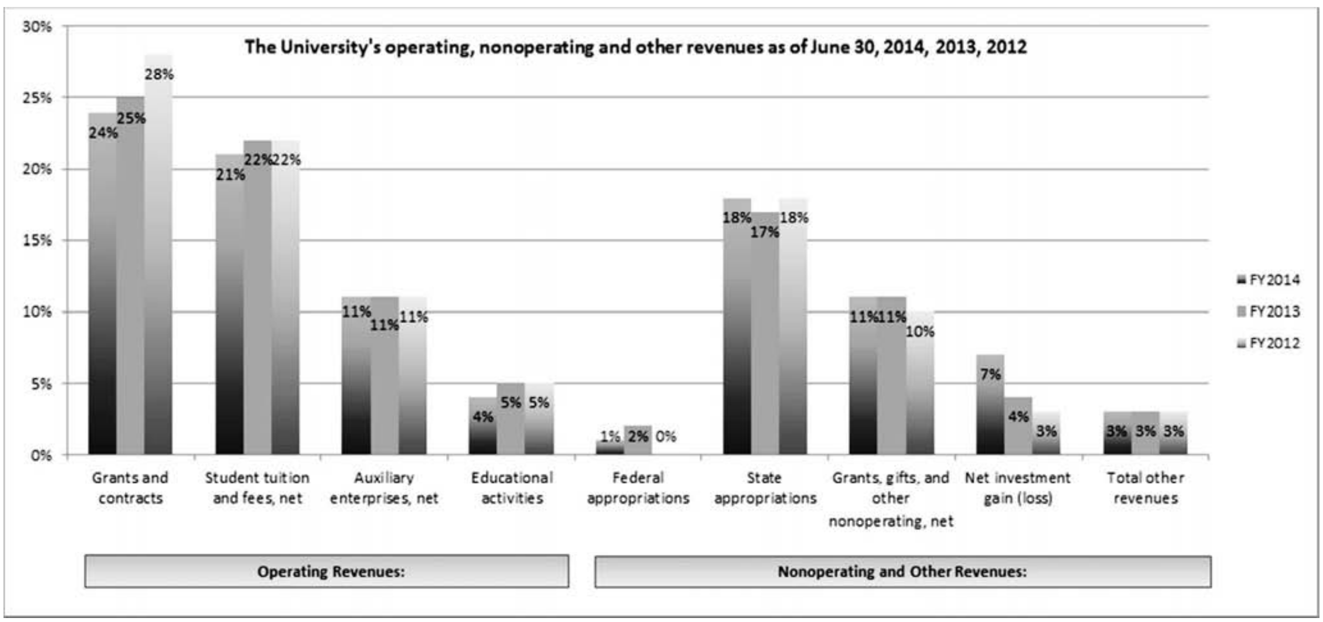
The University's total net position as of June 30, 2014, 2013 and 2012 *(in thousands)*							
				Increase (Decrease)			
				From 2013 to 2014		From 2012 to 2013	
	2014	2013	2012	Amount	Percent	Amount	Percent
Unrestricted	$ 812,356	$ 820,146	$ 727,348	$ (7,790)	(0.9%)	$ 92,798	12.8%
Restricted:							
Expendable	1,004,191	865,819	784,443	138,372	16.0%	81,376	10.4%
Nonexpendable	289,366	277,601	265,156	11,765	4.2%	12,445	4.7%
Net investment in capital assets	1,681,153	1,654,216	1,650,996	26,937	1.6%	3,220	0.2%
Total net position	$ 3,787,066	$ 3,617,782	$ 3,427,943	$ 169,284	4.7%	$ 189,839	5.5%

The University's restricted expendable net position increased $138.4 million in fiscal year 2014 compared to an increase of $81.4 million in fiscal year 2013 due to changes in market values related to endowments.

Consolidated Statements of Revenues, Expenses and Changes in Net Position

The Consolidated Statements of Revenues, Expenses, and Changes in Net Position present the institution's operating, nonoperating, and capital- and endowment-related financial activity during the year. This statement differentiates between operating and nonoperating revenues and expenses, and it displays the net income or loss from operations. Operating revenues are those generated by the University's principal ongoing operations such as tuition, sponsored research grants and contracts, and sales and services provided by the University's educational and self-supporting auxiliary units. State appropriations are reported as nonoperating revenues, as are gifts and other revenues for which the University does not give equal value in exchange for the resources received. Operating revenues were 61 percent and 63 percent of total revenues for fiscal year 2014 and 2013, respectively.


The University's Revenues as of June 30, 2014, 2013, and 2012
Total operating revenues
Total nonoperating revenues
Total other revenue
61%
36%
3%
FY 2014
63%
33%
4%
FY 2013
67%
30%
3%
FY 2012


The University's operating, nonoperating and other revenues as of June 30, 2014, 2013, 2012
30%
25%
20%
15%
10%
5%
0%
24% 25% 28%
21% 22% 22%
11% 11% 11%
4% 5% 5%
1% 2% 0%
18% 17% 18%
11% 11% 10%
7% 4% 3%
3% 3% 3%
Grants and contracts
Student tuition and fees, net
Auxiliary enterprises, net
Educational activities
Federal appropriations
State appropriations
Grants, gifts, and other nonoperating, net
Net investment gain (loss)
Total other revenues
Operating Revenues:
Nonoperating and Other Revenues:
FY2014
FY2013
FY2012

The University's operating, nonoperating and other revenue for the years ended June 30, 2014, 2013 and 2012 *(in thousands)*							
				Increase (Decrease)			
				From 2013 to 2014		From 2012 to 2013	
	2014	2013	2012	Amount	Percent	Amount	Percent
Operating revenues							
Grants and contracts	$ 836,819	$ 836,423	$ 858,810	$ 396	0.0%	$ (22,387)	(2.6%)
Student tuition and fees, net	732,821	720,510	696,278	12,311	1.7%	24,232	3.5%
Auxiliary enterprises, net	376,449	365,459	351,571	10,990	3.0%	13,888	4.0%
Educational activities	147,134	157,840	162,096	(10,706)	(6.8%)	(4,256)	(2.6%)
Other operating revenue *	137	135	162	2	1.5%	(27)	(16.7%)
Total operating revenues	2,093,360	2,080,367	2,068,917	12,993	0.6%	11,450	0.6%
Nonoperating revenues							
Federal appropriations	19,072	22,039	15,145	(2,967)	(13.5%)	6,894	45.5%
State appropriations	614,791	575,491	572,075	39,300	6.8%	3,416	0.6%
Grants, gifts, and other nonoperating, net	396,147	357,741	322,010	38,406	10.7%	35,731	11.1%
Net investment gain	234,407	122,797	36,895	111,610	90.9%	85,902	232.8%
Total nonoperating revenues	1,264,417	1,078,068	946,125	186,349	17.3%	131,943	13.9%
Total other revenues	117,438	139,655	103,353	(22,217)	(15.9%)	36,302	35.1%
Total revenues (noncapital)	$ 3,475,215	$ 3,298,090	$3,118,395	$ 177,125	5.4%	$ 179,695	5.8%

** Total is less than 1 percent - not included in the graph.*

Total revenues increased in fiscal year 2014 by $177.1 million due to increases in State appropriations and net investment gains due to market increases. Grants, gifts and other nonoperating revenue increased primarily due to increased funding from the University of Minnesota Foundation as well as other donors. Operating revenues increased $13.0 million or 0.6 percent mainly due to increases in student tuition and fees and auxiliary enterprises. Revenues from sales and services of educational activities decreased $10.7 million due to timing of normal business activity.

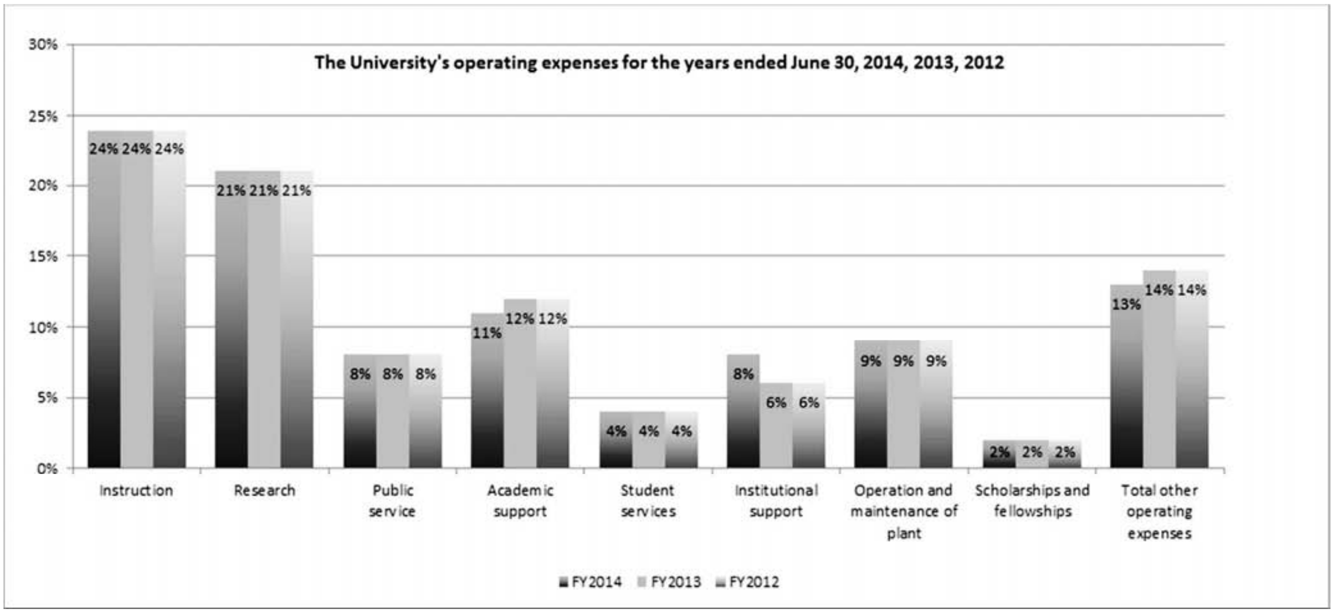
State appropriations increased $39.3 million compared to fiscal year 2013 increasing to $614.8 million in fiscal year 2014 from $575.5 million in fiscal year 2013. New State appropriations for fiscal year 2014 included appropriations for the MnDRIVE project and Tuition Relief program. MnDRIVE (Minnesota's Discovery Research and InnoVation Economy) is an $18 million annual investment by the state of Minnesota in four research areas: Global Food Ventures; Advancing Industry, Conserving Our Environment; Discoveries and Treatments for Brain Conditions; and Robotics, Sensors and Advanced Manufacturing. The initiative combines the University's distinctive research strengths with the state's key and emerging industries to develop innovative solutions that propel Minnesota's economy forward. As one of these areas, Global Food Ventures aims to partner research, agriculture and industry to develop holistic approaches to ensuring a safe, sustainable and resilient food system.

Tuition, educational and auxiliary activities and State appropriations, in addition to other sources of unrestricted revenue, funded a number of University priorities including competitive compensation plans for faculty and staff; various academic initiatives; enhancement of services to students including technology improvements; upgrades to the financial aid process and freshman seminars; and increases in facilities costs.

Other significant sources of nonoperating revenue to the University included gifts in support of operating expenses of $197.2 million, $159.2 million, and $143.0 million, and grants and gifts for capital purposes of $22.9 million, $28.8 million, and $31.3 million in fiscal years 2014, 2013, and 2012, respectively.

For the year ended June 30, 2014, other revenues, which consist of capital appropriations, and capital endowments gifts and grants decreased $22.2 million or 15.9 percent in fiscal year 2014 compared to an increase of $36.3 million or 35.1 percent in fiscal year 2013.

Total Operating Expenses



The University's total operating expenses by functional category for the years ended June 30, 2014, 2013 and 2012 *(in thousands)*							
				Increase (Decrease)			
				From 2013 to 2014		From 2012 to 2013	
	2014	2013	2012	Amount	Percent	Amount	Percent
Education and general							
Instruction	$769,479	$737,596	$696,217	$31,883	4.3%	$41,379	5.9%
Research	679,718	656,551	633,176	23,167	3.5%	23,375	3.7%
Public service	253,141	249,257	245,511	3,884	1.6%	3,746	1.5%
Academic support	394,927	367,265	360,626	27,662	7.5%	6,639	1.8%
Student services	116,575	110,230	106,152	6,345	5.8%	4,078	3.8%
Institutional support	256,641	197,319	189,040	59,322	30.1%	8,279	4.4%
Operation and maintenance of plant	285,938	266,994	254,553	18,944	7.1%	12,441	4.9%
Scholarships and fellowships	54,519	50,435	52,014	4,084	8.1%	(1,579)	(3.0%)
Total education and general	2,810,938	2,635,647	2,537,289	175,291	6.7%	98,358	3.9%
Other operating expenses							
Depreciation	192,705	193,139	183,875	(434)	(0.2%)	9,264	5.0%
Auxiliary enterprises	256,068	235,411	227,397	20,657	8.8%	8,014	3.5%
Other operating expenses, net	583	19	(195)	564	2968.4%	214	(109.7%)
Total other operating expenses	449,356	428,569	411,077	20,787	4.9%	17,492	4.3%
Total operating expenses	$3,260,294	$3,064,216	$2,948,366	196,078	6.4%	115,850	3.9%

Total operating expenses increased $196.1 million or 6.4 percent in fiscal year 2014 compared to fiscal year 2013. Across almost all functional categories, salaries and compensation-related expenditures continued to represent the most significant expense to the University at $2.1 billion or 63.3 percent, $2.0 billion or 63.8 percent and $1.9 billion or 64.5 percent of operating expenses in fiscal years 2014, 2013 and 2012, respectively. Compensation related expenditures increased $108.7 million or 5.6 percent in fiscal year 2014 and $53.4 million or 2.8 percent in fiscal year 2013. These increases are primarily due to the University's salary increase of 2.5 percent, in addition to increases in compensation related liabilities. Institutional support expenses increased percentage-wise more than the other categories of operating expenses, driven primarily by two factors. First, $23.8 million of the increase is attributable to compensation related expenditures such as normal salary increases, fringe benefit costs, and accrued liabilities. Second, the merger of the University of Minnesota Foundation and Minnesota Medical Foundation (MMF) resulted in $24.6 million in increased compensation and other related expenses being recorded on the University's financial statements. Prior to the Foundation merger, MMF expenses were recorded in an Agency fund and incorporated into the University's Statement of Net Position. After the merger, MMF expenses are now recorded in the Statements of Financial Position.

Consolidated Statements of Cash Flows

The University's cash flows for the years ended June 30, 2014, 2013 and 2012
(in thousands)

				Increase (Decrease)			
				From 2013 to 2014		From 2012 to 2013	
	2014	2013	2012	Amount	Percent	Amount	Percent
Cash (used in) provided by							
Operating activities	$ (924,284)	$ (781,600)	$ (659,788)	$ (142,684)	(18.3%)	$ (121,812)	(18.5%)
Noncapital financing activities	1,038,968	925,488	913,558	113,480	12.3%	11,930	1.3%
Capital and related financing activities	(204,533)	(223,374)	(140,030)	18,841	8.4%	(83,344)	(59.5%)
Investing activities	118,775	4,977	(177,252)	113,798	2286.5%	182,229	102.8%
Net increase (decrease) in cash	28,926	(74,509)	(63,512)	103,435	138.8%	(10,997)	(17.3%)
Cash, beginning of year	281,011	355,520	419,032	(74,509)	(21.0%)	(63,512)	(15.2%)
Cash, end of year	$ 309,937	$ 281,011	$ 355,520	$ 28,926	10.3%	$ (74,509)	(21.0%)

The Consolidated Statements of Cash Flows present information about changes in the University's cash position using the direct method of reporting sources and uses of cash. The direct method reports all major cash inflows and outflows at gross amounts, differentiating these activities into cash flows arising from operating activities; noncapital financing such as nonexchange grants and contributions; capital financing, including bond proceeds from debt issued to purchase or construct buildings and other capital assets; and investing activities.

As illustrated in above table, the University's cash and cash equivalents increased $28.9 million due to cash inflows from investing activities and noncapital financing activities, partially offset by the use of funds by operating activities, and capital and related financing activities. The cash used by capital and financing activities decreased $18.8 million primarily due to a reduction in capital equipment purchases. During fiscal year 2014, the University issued $48.2 million in new bond issuances compared to $96.5 million in fiscal year 2013. The most significant sources of cash provided by noncapital financing activities included State appropriations totaling $616.4 million and $575.0 million, grants totaling $197.3 million and $181.7 million and gifts totaling $190.1 million and $150.8 million in 2014 and 2013, respectively. Cash inflows for capital acquisitions from State appropriations, gifts and grants, and bonds issued during the year funded a portion of the University's equipment needs and ongoing renovation and construction initiatives.

Investing Activities

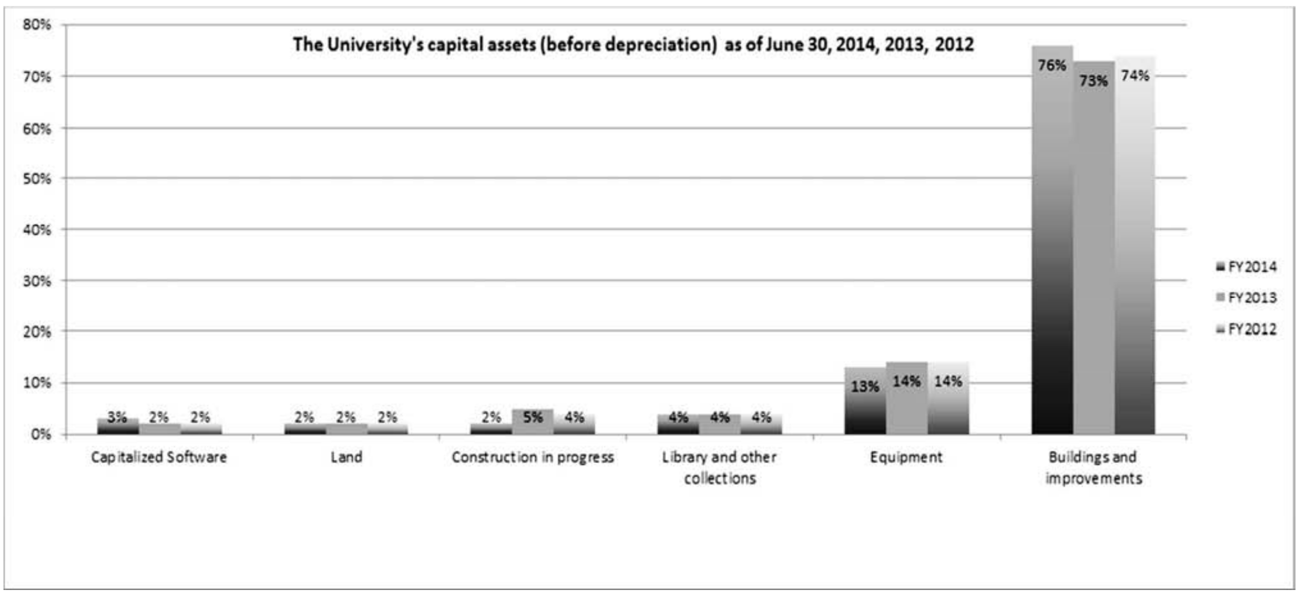
The University's endowment funds are invested to preserve the inflation-adjusted value of the endowment and to maximize total return within acceptable risk parameters. These objectives are benchmarked over three-to five-year periods.

Long-term endowment and other investments included increases from net unrealized gains on the endowment and other investments of $120.6 million and $13.5 million in fiscal year 2014 and 2013, respectively. In addition, decreases of $46.7 million and $45.2 million in 2014 and 2013, respectively related to annual distributions of the endowment to departments, partially offset by reinvested endowment earnings.

To provide a relatively stable level of support for endowed programs, a specified percentage rate based on a five-year, moving-average market value of the endowment is distributed each year. These distributions provide funds for a variety of purposes, including instructional needs, research activities, scholarships, and academic support. An endowment spending policy requires balancing current needs with the long-term focus of the institution. The endowment funds distribution rate was 4.5 percent in fiscal years 2014 and 2013.

Capital and Debt Activities

The following charts illustrate the composition of capital assets before depreciation:



The University's capital asset categories (before depreciation) for the years ended June 30, 2014, 2013 and 2012
(in thousands)

				Increase (Decrease)			
				From 2013 to 2014		From 2012 to 2013	
	2014	2013	2012	Amount	Percent	Amount	Percent
Capital assets (gross)							
Buildings and improvements	$4,256,855	$ 3,966,992	$ 3,760,552	$ 289,863	7.3%	$ 206,440	5.5%
Equipment	742,667	741,166	721,675	1,501	0.2%	19,491	2.7%
Library and other collections	211,287	199,366	191,117	11,921	6.0%	8,249	4.3%
Construction in progress	120,380	278,103	186,973	(157,723)	(56.7%)	91,130	48.7%
Land	94,015	91,089	90,189	2,926	3.2%	900	1.0%
Software and other intangibles	140,259	122,991	116,422	17,268	14.0%	6,569	5.6%
Total capital assets (gross)	$5,565,463	$ 5,399,707	$ 5,066,928	$ 165,756	3.1%	$ 332,779	6.6%

Capital additions totaled $225.8 million, $375.3 million, and $277.0 million in fiscal year 2014, 2013 and 2012, respectively. Fiscal year 2014 spending included the completion of the Physics and Nanotech Building, the Fourth Street Housing Project, and the Northrop Interior Renovation, in addition to spending on existing projects such as the Ambulatory Care Clinic and the Amundson Hall Addition. See Note 4 of the consolidated financial statements for more detailed information about capital assets. Project spending continuing in fiscal year 2015 is projected to be \$148.9 million, \$48.1 million, and \$14.9 million for the Ambulatory Care Clinic, the Microbiology Research Facility, and the Lysaker Wellness Recreation Center Addition, respectively.

Fiscal year 2014 activity included the issuance of General Obligation Taxable Bonds, Series 2013D and Special Purpose Revenue Bonds, Series 2013C to fund the Biomedical Science Research Facilities. During fiscal year 2014, the University's final auxiliary bond debt obligations matured. Student housing and food services net revenues were pledged until fiscal year 2014, at which time the debt obligation on these auxiliary revenue bonds were satisfied.

Capital leases of \$1.9 million and \$45.3 million were issued in fiscal year 2014 and 2013, respectively. Refer to Note 5 for additional information.

Factors Affecting Future Economic Conditions

Following the completion of the 2013 legislative session, the University received a significant boost in State appropriations which allowed for the implementation of two notable events:

1. The approval of \$42,600,000 in new State appropriations to hold Minnesota resident undergraduate tuition increase to zero percent in each of the next two years, saving a Minnesota resident undergraduate on the Twin Cities campus, more than \$2,500 over the next four years.

2. The establishment of a new Minnesota Discovery, Research and InnoVation Economy (MNDRIVE) funding program through the commitment of \$33,650,000 by the State of Minnesota over the next two years.

President Kaler's biennial operating budget request for fiscal years 2016 and 2017 to the State of Minnesota for the upcoming 2015 legislative session calls for the commitment of an additional \$127,200,000 above current levels of state funding. Key elements of the request include:

1. An increase of \$65,200,000 in new funds for the University of Minnesota to achieve

    a. a second biennium of zero percent tuition increases for Minnesota resident undergraduate students, which has been exceedingly popular. Continued state investment will save Minnesota students and families an average of \$2,500 over their four-year degree program at the time the state needs a highly trained work force and

    b. the proposal also recognizes the need to address tuition increases for graduate and professional students. Savings for students and families will vary by program (\$1,500 for graduate students, \$5,000 for medical students, \$7,000 for law students) as the tuition costs and time to degree are different by program.

    The proposal to hold tuition to a zero percent increase in each of the next two years would improve access and decrease debt for resident students – at the undergraduate, as well as graduate and professional school levels. Middle class families have experienced stagnant incomes over the last decade. Meanwhile historic state budget cuts to the University shifted a significant financial burden to students and families through tuition increases. The State of Minnesota cut higher education funding per student twice the national average over the past decade. The University's request represents a reinvestment in Minnesota students and our state's innovation and economic future. This proposed tuition freeze would give many Minnesota students and families a full four years of zero tuition increases, allowing them to begin to recover from the Great Recession, reduce their debt burden and make the dream of graduating from the University of Minnesota a reality.

2. An increase of $34,500,000 in funds to support a healthy Minnesota initiative to improve the health of Minnesotans through research, clinical services, and innovative programs.

3. An increase of $15,000,000 in funds to support facilities condition improvements in order to ensure that students and faculty have modern educational and research facilities to ensure their success.

4. An increase of $12,500,000 in funds to support a vibrant economy to ensure Minnesota has strong communities with economic development opportunities.

Reducing costs is also a top priority for the University. President Kaler and his administration are on track to reduce administrative costs by $90 million over a six-year period. These dollars are being reinvested in mission-centered activities (e.g., faculty, student services, instructional and other program support, research support, etc.) that directly enhance student education, maintain the University's exceptional quality, and ensure research innovation and outreach continue to strengthen the entire state.

At its October 2014 meeting, the University of Minnesota Board of Regents approved a strategic plan that articulates a vision and priorities for the next decade. The plan builds on the Twin Cities campus' exceptional strengths and opportunities as one of the country's most comprehensive research universities and one of the few located in a large metropolitan area. The plan, shaped by faculty, staff, and students over nearly 12 months, aims to reinvigorate the institution as a 21st-century land-grant research university of ambition, innovation, and impact. It will create new learning and career pathways for students, build and retain a faculty of field-shaping researchers and teachers, expand campus-community partnerships, and combine university strengths more broadly and deeply to address the most pressing and complex problems facing the state, nation, and world.

The plan calls on the University to:

- Leverage its breadth and depth to take on society's grand challenges through more cross-cutting research, creative scholarship, and curriculum;

- Support excellence and reject complacency by changing practices to create an invigorated campus culture of ambition, challenge, exploration, and innovation;

- Aggressively recruit, retain and promote diverse field-shaping researchers and teachers; and

- Build a culture of mutual engagement between the University and many partners and stakeholders that capitalizes on the institution's dynamic metropolitan location.

To jump-start institutional transformation, three initial grand challenge areas have been identified that harness University expertise across many fields of knowledge, from the core disciplines of the liberal arts to the new frontiers of the biosciences:

1. Ensuring sustainable, healthy, secure food;

2. Advancing industry while conserving the environment and addressing climate change; and

3. Building vibrant communities that enhance human potential and collective well-being in a diverse and changing society.

Additional grand challenge priorities will be identified and developed through collaborative processes.

The plan is focused on a set of strategic goals and is intended to be dynamic. It will be a framework for a more detailed set of goals, outcomes, and implementation steps. Beginning in fall 2014, resources and work plans will be aligned with the plan, which will be incorporated into ongoing academic planning by the provost to develop indicators for excellence; integrate into compact planning; connect the Twin Cities campus plan with plans of academic and administrative units; advance action plans to achieve goals derived from the compact planning; and share successes and report outcomes. Concurrently, the provost's office will coordinate an ongoing process of communication and engagement with the campus community and external stakeholders to continue to refine the plan as a dynamic framework that advances the University's land grant, research, and teaching missions.

University of Minnesota
Consolidated Statements of Net Position (Excluding Component Units)
June 30, 2014 and 2013 (in thousands)

			2014	2013
Assets				
Current assets				
	Cash and cash equivalents		$ 243,049	$ 194,006
	Short-term investments		676	89,534
	Receivables, net		302,424	297,021
	Inventories		22,519	22,554
	Student loans receivable, net		9,899	13,857
	Prepaid expenses		11,034	12,028
	Other assets		376	376
		Total current assets	589,977	629,376
Noncurrent assets				
	Restricted cash and cash equivalents		66,888	87,005
	Investments		2,091,718	1,889,156
	Receivables, net		14,554	4,148
	Student loan receivables, net		57,145	54,088
	Prepaid expenses		1,634	5,636
	Other assets			15
	Capital assets, net		2,900,494	2,876,914
		Total noncurrent assets	5,132,433	4,916,962
Total assets			5,722,410	5,546,338
Deferred Outflows of Resources				
		Total deferred outflows of resources	-	-
Total assets and deferred outflows of resources			5,722,410	5,546,338
Liabilities				
Current liabilities				
	Accounts payable		131,403	134,954
	Accrued liabilities and other		244,389	239,401
	Unearned income		68,527	68,745
	Long-term debt-current portion		272,026	285,416
		Total current liabilities	716,345	728,516
Noncurrent liabilities				
	Accrued liabilities and other		205,360	184,564
	Unearned income		3,158	162
	Long-term debt		1,010,481	1,015,314
		Total noncurrent liabilities	1,218,999	1,200,040
Total liabilities			1,935,344	1,928,556
Deferred Inflows of Resources				
		Total deferred inflows of resources	-	-
Total liabilities and deferred inflows of resources			1,935,344	1,928,556
Net Position				
	Unrestricted		812,356	820,146
	Restricted	Expendable	1,004,191	865,819
		Nonexpendable	289,366	277,601
	Net investment in capital assets		1,681,153	1,654,216
Total net position			$ 3,787,066	$ 3,617,782

See notes to consolidated financial statements.

University of Minnesota
Component Units - Statements of Financial Position
June 30, 2014 and 2013 (in thousands)

	University of Minnesota Foundation	University of Minnesota Physicians	
	2014	2014	2013
Assets			
Cash and cash equivalents	$ 21,910	$ 73,179	$ 47,539
Investments, substantially at fair market value	2,267,360	28,561	17,626
Pledges receivable, net	142,775		
Accounts and other receivables	20,202	80,432	82,336
Interest in charitable lead trusts, unitrusts, pooled income, and trusts	97,416		
Gift annuities	40,256		
Property and equipment, net	64,637	8,012	13,825
Prepaids and other assets	830	1,849	4,202
Total assets	2,655,386	192,033	165,528
Liabilities			
Accounts payable and accrued liabilities	23,507	84,929	68,887
Deferred revenue and gains			13,556
Gift annuities payable	20,344		
Unitrusts, pooled income, and annuity trusts payable	11,633		
Investments held for custody of others	250,176		
Bonds and capital lease payable	51,236	852	
Total liabilities	356,896	85,781	82,443
Net Assets			
Unrestricted	80,800	106,252	83,085
Temporarily restricted	1,266,264		
Permanently restricted	951,426		
Total net assets	2,298,490	106,252	83,085
Total liabilities and net assets	$ 2,655,386	$ 192,033	$ 165,528

See notes to consolidated financial statements.

University of Minnesota
Consolidated Statements of Revenues, Expenses and Changes in Net Position
(Excluding Component Units)
Years ended June 30, 2014 and 2013 (in thousands)

			2014	2013
Revenues				
Operating revenues	Student tuition and fees, net of scholarship allowances of $248,030 in 2014; $239,066 in 2013		$ 732,821	$ 720,510
	Federal grants and contracts		480,177	497,444
	State and other government grants		63,848	60,775
	Nongovernmental grants and contracts		292,794	278,204
	Student loan interest income		1,831	1,867
	Sales and services of educational activities, net of scholarship allowances of $28 in 2014; $36 in 2013		145,303	155,973
	Auxiliary enterprises, net of scholarship allowances of $9,423 in 2014; $7,792 in 2013		376,449	365,459
	Other operating revenues		137	135
Total operating revenues			2,093,360	2,080,367
Expenses				
Operating expenses	Education and general			
		Instruction	769,479	737,596
		Research	679,718	656,551
		Public service	253,141	249,257
		Academic support	394,927	367,265
		Student services	116,575	110,230
		Institutional support	256,641	197,319
		Operation & maintenance of plant	285,938	266,994
		Scholarships & fellowships	54,519	50,435
		Depreciation	192,705	193,139
	Auxiliary enterprises		256,068	235,411
	Other operating expenses, net		583	19
Total operating expenses			3,260,294	3,064,216
Operating Loss			(1,166,934)	(983,849)
Nonoperating Revenues (Expenses)				
Federal appropriations			19,072	22,039
State appropriations			614,791	575,491
Grants			200,895	195,141
Gifts			197,172	159,167
Investment income, net			234,407	122,797
Interest on capital-asset related debt			(45,637)	(44,035)
Other nonoperating revenues (expenses), net			(1,920)	3,433
Net nonoperating revenues			1,218,780	1,034,033
Income Before Other Revenues			51,846	50,184
Capital appropriations			83,081	98,396
Capital grants & gifts			22,929	28,801
Additions to permanent endowments			11,428	12,458
Total other revenues			117,438	139,655
Increase In Net Position			169,284	189,839
Net position at beginning of year			3,617,782	3,427,943
Net position at end of year			$ 3,787,066	$ 3,617,782

See notes to consolidated financial statements.

University of Minnesota

Component Units - Statement of Activities

Year ended June 30, 2014 (in thousands)

	University of Minnesota Foundation			
	Unrestricted	Temporarily restricted	Permanently restricted	Total 2014
Revenues				
Contributions	$ 278	$ 139,856	$ 49,462	$ 189,596
Investment income, net	2,536	11,045	154	13,735
Net realized and unrealized gains (losses) on investments	16,819	203,735		220,554
Change in value of trusts	5	6,683	102	6,790
Support services revenue	7,091			7,091
UMF - Real Estate Advisors rental revenue	5,986			5,986
University Gateway Corporation revenue	4,376			4,376
Other revenue	2,488			2,488
Net assets released from restriction	217,619	(217,619)		
Total revenues	257,198	143,700	49,718	450,616
Expenses				
Program services				
Distributions for educational purposes	183,951			183,951
Support services				
Management and general	8,742			8,742
Fund-raising	27,153			27,153
UMF - Real Estate Advisors	5,921			5,921
University Gateway Corporation	5,663			5,663
Total expenses	231,430	-	-	231,430
Increase in net assets	25,768	143,700	49,718	219,186
Net assets at beginning of year	55,032	1,122,564	901,708	2,079,304
Net assets at end of year	$ 80,800	$ 1,266,264	$ 951,426	$ 2,298,490

See notes to consolidated financial statements.

University of Minnesota
Component Units - Statements of Activities
Years ended June 30, 2014 and 2013 (in thousands)

	University of Minnesota Physicians	
	Total (unrestricted)	
	2014	2013
Revenues		
Net patient service revenue	$ 198,100	$ 187,242
Investment income, net	1,263	1,188
Net realized and unrealized gains (losses) on investments	143	(120)
Other revenue	270,151	261,909
Gain on sale of oncology clinic	13,556	
Total revenues	483,213	450,219
Expenses		
Program services		
Health care services	415,121	397,378
Support services		
Management and general	44,925	40,576
Total expenses	460,046	437,954
Increase in net assets	23,167	12,265
Net assets at beginning of year	83,085	70,820
Net assets at end of year	$ 106,252	$ 83,085

See notes to consolidated financial statements.

University of Minnesota
Consolidated Statements of Cash Flows (Excluding Component Units)
Years ended June 30, 2014 and 2013 (in thousands)

	2014	2013
Cash Flows From Operating Activities		
Grants and contracts (federal, state, nongovernmental, other)	$ 842,339	$ 828,937
Student tuition and fees	731,580	719,758
Auxiliary enterprises	381,991	362,450
Sales and services of educational activities	152,455	151,848
Collection of loans to students	15,798	6,828
Other operating revenues	137	141
Payments to employees for services	(1,540,179)	(1,464,867)
Payments to suppliers for goods and services	(958,378)	(862,842)
Payments for fringe benefits	(494,881)	(468,608)
Payments for scholarships and fellowships	(41,713)	(43,069)
Loans issued to students	(13,433)	(12,176)
Net cash used by operating activities	(924,284)	(781,600)
Cash Flows From Noncapital Financing Activities		
State appropriations	616,446	575,044
Grants for other than capital purposes	197,328	181,695
Gifts for other than capital purposes	190,094	150,787
Other nonoperating revenues, net	10,616	6,022
Federal appropriations	19,329	14,963
Private gifts for endowment purposes	11,428	12,458
Direct lending receipts	315,294	322,178
Direct lending disbursements	(314,944)	(321,565)
Agency transactions	(6,623)	(16,094)
Net cash provided by noncapital financing activities	1,038,968	925,488
Cash Flows From Capital and Related Financing Activities		
Capital appropriations	81,521	99,989
Proceeds from capital debt	50,986	96,483
Capital grants and gifts	10,579	18,347
Proceeds from sale of capital assets	863	1,149
Principal received on notes receivable	844	
Interest received on notes receivable	321	
Purchases of capital assets	(223,333)	(324,447)
Principal paid on capital debt	(67,121)	(63,723)
Interest paid on capital debt	(50,438)	(51,172)
Issuance of notes receivable	(8,755)	
Net cash used by capital and related financing activities	(204,533)	(223,374)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	930,671	1,059,348
Investment income, net	96,702	124,239
Purchase of investments	(908,598)	(1,178,610)
Net cash provided by investing activities	118,775	4,977
Net Increase (Decrease) in Cash and Cash Equivalents	28,926	(74,509)
Cash and Cash Equivalents at Beginning of Year	281,011	355,520
Cash and Cash Equivalents at End of Year	$ 309,937	$ 281,011

See notes to consolidated financial statements.

University of Minnesota
Consolidated Statements of Cash Flows (Excluding Component Units)
Years ended June 30, 2014 and 2013 (in thousands)

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used by Operating Activities	2014	2013
Operating loss	$ (1,166,934)	$ (983,849)
Adjustments to reconcile net operating loss to net cash used by operating activities		
Depreciation expense	192,705	193,139
Changes in assets and liabilities		
Receivables, net	13,218	(22,477)
Inventories	(84)	851
Prepaid and other items	726	(4,008)
Accounts payable	10	(7,485)
Accrued liabilities	32,453	34,487
Unearned income	3,622	7,742
Net cash used by operating activities	$ (924,284)	$ (781,600)

Noncash Investing, Capital, and Financing Actvities		
Unrealized gains on investments	$ 140,458	$ 1,507
Capital assets on account	33,540	42,345
Contribution of capital assets	7,639	3,747
Amortization of bond discount/premium	4,031	3,725
Capital assets acquired with capital lease	1,944	45,306

Cash and Cash Equivalents at End of Year		
Cash and cash equivalents	$ 243,049	$ 194,006
Restricted cash and cash equivalents	66,888	87,005
Total cash and cash equivalents at end of year	$ 309,937	$ 281,011

See notes to consolidated financial statements.

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Organization

The University of Minnesota (the University) is both a state land-grant university, with a strong tradition of education and public service, and a major research institution serving the State of Minnesota through five campuses: Crookston, Duluth, Morris, Rochester, and Twin Cities.

The University is considered a constitutional corporation and an agency of the State of Minnesota. As a result of this unique status, authority to govern the University is reserved to the Board of Regents rather than state law. The University complies with state law when specifically included by statute or when compliance does not conflict with the University's ability to accomplish its mission and purpose as established by the constitution of the State of Minnesota.

Tax Status—The Internal Revenue Service (IRS) has ruled that the University is an integral part of the State of Minnesota. Therefore, the University is generally exempt from federal income taxes, although certain activities are subject to federal unrelated business income tax.

Reporting Entity

The financial reporting entity for the University of Minnesota includes the financial results of the five campuses and, as required under Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (GASB 61), its legally separate component units. The component units are included in the University's reporting entity because of the significance of their operational or financial relationships with the University or its other component units.

Blended Component Units—The University has two component units that provide services entirely for the University's own benefit. As a result, GASB 61 requires blended presentation—combining the component units and University financial information together, displayed as one entity.

RUMINCO, Ltd.

RUMINCO, Ltd. is a wholly owned single parent captive insurance company. Although it is legally separate from the University, RUMINCO, Ltd. is reported as if it were part of the University because its sole purpose is to handle medical malpractice, general liability, directors' and officers' liability, and automobile liability on behalf of the University.

UMore Development Limited Liability Company (LLC)

UMore Development Limited Liability Company (LLC) is a wholly owned company with a purpose of providing oversight and management for the planning and development for the University's UMore Park property. Although it is legally separate from the University, based on its purpose, it is reported as if it were part of the University.

Discretely Presented Component Units—The University's financial statements include the financial data of two tax-exempt component units. They are reported in separate columns on separate pages. GASB 61 requires discrete presentation of component units when either the resources held by these entities can only be used by, or for the benefit of, the University or its component units; or the component units are closely related to, or financially integrated with the University.

University of Minnesota Foundation

The University of Minnesota Foundation (UMF) is a legally separate, tax-exempt organization dedicated to raising and managing private gifts to benefit the University of Minnesota. The Board of Trustees of the UMF consists of between 30 and 45 members and includes the president of the University of Minnesota. One fourth of the members of the Board of Trustees are appointed by the University. Although the UMF is an independent organization, the majority of resources that it holds and invests, including income from its investments, is restricted by donors to the activities of the University. The factor that contributes to UMF being classified as a discretely presented component unit relates to the significant resources UMF holds on behalf of the University. The University has access to these resources.

During fiscal year 2013, the Board of Trustees for UMF and the Board of Trustees for the Minnesota Medical Foundation (MMF) agreed to combine their operations to better fulfill their respective missions, to enhance their ability to serve the University and their donors, and to create one voice for private giving at the University. The effective date of the Legal Plan of Merger was February 1, 2013. Under this Legal Plan of Merger, the MMF was merged with and into UMF, and MMF's separate existence ceased. Prior to the merger with MMF, UMF had a 50 percent voting interest in University Gateway Corporation (Gateway). Under Generally Accepted Accounting Principles (GAAP), consolidation was not required. Subsequent to the merger, UMF has a 67 percent voting interest which thus requires consolidation of Gateway's assets, liabilities, income, and expense activity commencing with the effective merger date of February 1, 2013.

As a result of the merger, fiscal year 2013 only reflects a partial year of the newly combined organization; therefore, UMF's fiscal year 2014 financial statements are in single year presentation.

During fiscal years 2014 and 2013, the UMF distributed \$209,829 and \$181,005, respectively, to the University. Complete financial statements for the University of Minnesota Foundation can be obtained from the UMF office, McNamara Alumni Center, 200 Oak Street S.E., Suite 500, Minneapolis, MN 55455.

University of Minnesota Physicians

University of Minnesota Physicians (UMP) is a legally separate, tax-exempt clinical practice organization for the faculty of the University of Minnesota School of Medicine. The Board of UMP consists of at least 25 and not more than 29 voting directors, ex-officio voting directors, and ex-officio non-voting directors. Included in the composition of UMP's board of directors is the dean of the University of Minnesota Medical School, faculty, and department heads of the University Medical School totaling 19 members. Based on the University appointing a voting majority of board members, the University has the ability to impose its will on UMP, as management and direction of the business and affairs of UMP is vested in the board. As a result, this contributes to UMP being classified as a discretely presented component unit.

During fiscal years 2014 and 2013, UMP distributed \$83,447 and \$83,122, respectively, to the University. Complete financial statements for University of Minnesota Physicians can be obtained from the Chief Financial Officer, 720 Washington Ave S.E., Suite 200, Minneapolis, MN 55414.

Component Units

The University's discretely presented component units are nonprofit organizations, organized under IRS Code Section 501(c)(3). These units report under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. The component units' financial data has been aggregated into like categories for presentation purposes and is shown in these statements in thousands.

Joint Ventures

A joint venture is a legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which participants retain an ongoing financial interest or an ongoing financial responsibility.

2407 University Investment, LLC

The University is a participant in a joint venture, 2407 University Investment, LLC with United Properties Investment, LLC. The joint venture owns and operates a hotel and acts as a lessor of a restaurant on property adjacent to the Twin Cities campus. The joint venture also provides the University the opportunity to plan with United Properties Investment, LLC future redevelopment of the parcel of land. It is governed by a five member board of governors, for which the University shall have the right to appoint two of the governors. In addition, the University has 49 percent membership based on its initial capital contribution of $1,960. During fiscal year ended June 30, 2014, the University provided an interest-bearing loan to the joint venture in the amount of $8,750, which is expected to be repaid over a period of 20 years. As of June 30, 2014, the University received $208 in interest income and the $8,750 principal remains outstanding. Complete financial statements can be obtained from 2407 University Investment, LLC, c/o United Properties Investment, LLC, 3600 American Blvd, Ste. 750, Minneapolis, MN 55431.

Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles prescribed by GASB. These statements are prepared on a consolidated, entity-wide basis. All significant inter-fund balances have been eliminated upon consolidation.

Basis of Accounting

The University is considered to be a special purpose government engaged primarily in business type activities (BTA). As a BTA, the University prepares its financial statements using the accrual basis of accounting and the economic-resources-measurement focus. Under the accrual basis of accounting, revenues and expenses are recognized when earned or incurred, respectively.

Significant Accounting Policies

Cash and Cash Equivalents—For purposes of the statement of cash flows, the University defines cash and cash equivalents as highly liquid, short-term (90 days or less) investments that bear little or no market risk. The intent of the Consolidated Endowment Fund (CEF), the Group Income Pool (GIP), and the Separately Invested Funds (SIF) is long-term appreciation. Any cash balances held at the date of the statements are due to the timing of reinvesting the proceeds within the funds.

Investments—Investments in securities are reported at market value as determined by the major securities markets. Land and other real estate investments held in endowment are reported at market value as well. The values are determined using standardized industry practices, including a third party appraisal performed to validate internal valuations. Alternative investment strategies involving thinly traded securities are determined by the most recent purchase or sale price publicly available for that security. Private investments including real estate, timber, and venture capital are independently appraised annually and reported by investment managers as an updated estimate to that appraisal. As a result, these investments bear a greater risk that the reported value may be materially different than actual value. Certain alternative investments and intellectual property (e.g., income-producing patents) are reported on a cost basis. Purchases and sales of investments are recorded on a settlement-date basis. Investment income is reported on the accrual basis and includes: interest income; realized and unrealized gains and losses; and endowment income (interest earned on endowments but allocated to other funds).

The University uses derivative instruments for a variety of purposes. Financial futures are used to maintain investment portfolio asset allocations in accordance with institutional policy and to enhance the investment returns of certain asset classes. Forward foreign exchange contracts are used to protect against foreign currency exposure; gas commodity forward contracts are used to synthetically fix the price of other physical gas purchases used for University consumption; and interest rate swaps are used to manage the cost of debt. Financial futures and forward foreign exchange contracts are recorded on the contract date and are carried at fair value using listed price quotations or amounts that approximate fair value. The University is required to post collateral, typically U.S. Treasury bills, for derivative contracts held. Collateral required by these contracts is monitored daily and required deposits or withdrawals are made as necessary. In general, the University follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Minnesota, for donor-restricted endowments. Under UPMIFA, the Board of Regents determines the prudent amount of realized and unrealized endowment appreciation to be allocated to fund current operations. Investment of the realized or unrealized appreciation in excess of the annual spending limits is discussed in Note 2.

Inventories—Inventories held for resale are carried at the lower of cost (first-in, first-out) or market value. Other inventories are carried primarily at cost, which approximates market value.

Receivables and Student Loan Receivables, Net—Receivables and student loan receivables are shown net of estimated allowance for uncollectible accounts.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent unspent bond proceeds, which are externally restricted for the construction or purchase of buildings or other capital assets. Although these funds meet the University's definition of cash and cash equivalents, they are recorded as long-term assets, as these funds are required to be used for long-term capital projects.

Capital Assets—Land, buildings, and other property are recorded at cost, if purchased or constructed, or at market value on the date of gift, if received by gift or bequest. Depreciation is determined using the straight-line method, based on the estimated useful lives of the assets. Interest that qualified for interest capitalization is $1,473 and $2,987 for fiscal years 2014 and 2013, respectively.

The following schedule summarizes the useful lives and capitalization thresholds:

Asset category	Useful life (in years)	Capitalization threshold
Capitalized software (intangible asset)	Shorter of legal life or 5 years	$500,000
Licenses (intangible asset)	License term	500,000
Non income-producing intellectual property (intangible asset)	Legal life	500,000
All other intangible assets	5	500,000
Buildings and improvements	10-40	50,000
Infrastructure	10-40	50,000
Leasehold improvements	Lease term	50,000
Equipment	3-20	5,000
Land	Indefinite	
Museums and collections	Indefinite	
Library and reference books	10	
Permanent right-of-way easements (intangible asset)	Indefinite	

Unearned Income—Unearned income represents amounts received from tuition, auxiliary services, and grants and contracts prior to fiscal year-end but not yet earned.

Noncurrent Liabilities—Noncurrent liabilities represent the principal portion of bonds, notes, and capital lease obligations as well as estimated amounts of accrued compensated absences, other postemployment benefits, and other liabilities that will not be paid within the next fiscal year.

Net Position—Net position is reported in three components based upon the type of external restriction imposed.

- **Unrestricted**: Net position that has no external restriction imposed. Unrestricted net position may be designated for specific purposes by the Board of Regents or subject to contractual limitations, but generally are designated to fund the academic, research, and public service mission of the University.

- **Restricted**:

  Expendable—Net position that is restricted for specific purposes by grantors, donors, or law. Restrictions on these assets are released when the University complies with the stipulations required by the grantor, donor, or legislative act.

  Nonexpendable—Net position that is required to be retained permanently by the University. These assets represent the principal portion (historical value) of gifts to the University's true and life endowment funds, and institutional contributions to refundable loan programs.

- **Net investment in capital assets**: Net investment in capital assets represents capital assets net of accumulated depreciation and outstanding debt used to purchase, construct, or improve such assets. If debt has been incurred but not yet expended for capital assets, these unspent proceeds are classified as restricted-expendable net position.

If both restricted and unrestricted resources are to be used for the same purpose, the resources are used in accordance with applicable instructions of the grantor, donor, or law.

Revenue Recognition—The University recognizes exchange revenue in accordance with GASB Statement No. 34 (GASB 34), *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, when the University receives and gives up essentially equal values, and recognizes nonexchange revenue in accordance with GASB Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*, when the University receives something of value without directly giving something of equal value in exchange.

Revenue and Expense Classifications—The University has classified revenues and expenses as operating or nonoperating based upon the following criteria:

- **Operating revenues**: Revenues that result from exchange activities that contribute to the University's mission of Research and Discovery; Teaching and Learning; and Outreach and Public Service. Exchange activities are transactions where the amount received approximates the fair market value of the goods or services given up. The University considers student tuition and fees (net of scholarship allowances), most grants and contracts, interest on student loans, and sales and services of auxiliary and educational activities (net of scholarship allowances) to be exchange transactions.

- **Nonoperating revenues**: Revenues that represent nonexchange activities. The primary sources of these revenues are federal and State appropriations, gifts, capital grants, federal and state financial aid grants (such as Pell and Supplemental Educational Opportunity Grants), and other nonexchange grants and contracts. Although the University relies upon these revenue sources to fund the cost of operations, the grantor or donor is not the direct recipient of the goods or services delivered under the grant or gift terms. Insurance recovery proceeds are also classified as nonoperating revenues as part of other nonoperating revenues, net, which total $2,195 and $2,510 for fiscal years 2014 and 2013, respectively.

- **Operating expenses**: Expenses that are paid to acquire or produce goods and services in return for operating revenues. The University has classified operating expenses based upon their functional classification. Operating expenses by natural classification are presented in Note 12.

  During fiscal years 2014 and 2013, departmental research in nonsponsored accounts of $182,617 and $180,713, respectively, was recorded as research expense.

- **Nonoperating expenses**: Expenses incurred in the performance of activities that are not directly related to generating University operating revenues, such as interest on capital asset-related debt.

Reclassifications—Certain prior-year amounts have been reclassified to conform to the presentation used in the current year. These reclassifications had no impact on net position as previously reported.

Use of Estimates—To prepare the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas that require the use of management's estimates relate to investment valuations, accounts payable, allowances for uncollectible accounts, self-insurance reserves, scholarship discounts and allowances, arbitrage rebates, and vacation pay and pension accruals.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued new accounting standards that may be applicable to the University effective in future fiscal years.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* improves the accounting and financial reporting for pensions, along with improving information regarding financial support for pensions provided by other entities. The provisions of this Statement are effective for fiscal year 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68,* addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for fiscal year 2015.

Management is in the process of evaluating whether these GASB statements will be applicable to the University and the impact these statements may have on the University's financial statements.

2. Cash and Investments

Summary

The University maintains centralized management of substantially all of its cash and investments which are held in several investment pools. Each pool has a specific set of guidelines designed to meet its respective investment objectives within risk parameters established for that pool. Securities held in these portfolios are exposed to various types of risk such as credit, interest rates, foreign currency and other capital market risks. Material changes in the value of securities subsequent to June 30, 2014 could affect the market values reported in the consolidated financial statements.

The following table summarizes cash and investments, including RUMINCO, Ltd., a wholly-owned captive insurance company, as of June 30, 2014:

	Temporary Investment Pool	Consolidated Endowment Fund	Group Income Pool	Separately Invested Funds and other	Invested assets related to indebtedness	RUMINCO, Ltd. insurance subsidiary	Total
Cash and cash equivalents	$ 150,717	$ 90,007	$ 1,882			$ 443	$ 243,049
Short-term investments	676						676
Total current assets	151,393	90,007	1,882			443	243,725
Restricted cash and cash equivalents					$ 66,888		66,888
Long-term investments							
Fixed Income	805,992	211,651	43,485			13,478	1,074,606
Public Equity		390,831				25,337	416,168
Private Capital		365,253					365,253
Inflation Hedges		198,132					198,132
Other		21,014		$ 16,545			37,559
Total noncurrent investments	805,992	1,186,881	43,485	16,545		38,815	2,091,718
Total cash and investments	$ 957,385	$ 1,276,888	$ 45,367	$ 16,545	$ 66,888	$ 39,258	$ 2,402,331

The following table summarizes cash and investments, including RUMINCO, Ltd., a wholly-owned captive insurance company, as of June 30, 2013:

	Temporary Investment Pool	Consolidated Endowment Fund	Group Income Pool	Separately Invested Funds and other	Invested assets related to indebtedness	RUMINCO, Ltd. insurance subsidiary	Total
Cash and cash equivalents	$ 166,847	$ 24,496	$ 713		$ 1,756	$ 194	$ 194,006
Short-term investments	89,534						89,534
Total current assets	256,381	24,496	713		1,756	194	283,540
Restricted cash and cash equivalents					87,005		87,005
Long-term investments							
Fixed Income	731,220	193,329	45,304			21,032	990,885
Public Equity		287,051				14,601	301,652
Private Capital		343,386					343,386
Inflation Hedges		216,647					216,647
Other		10,557		$ 26,029			36,586
Total noncurrent investments	731,220	1,050,970	45,304	26,029		35,633	1,889,156
Total cash and investments	$ 987,601	$ 1,075,466	$ 46,017	$ 26,029	$ 88,761	$ 35,827	$ 2,259,701

Authorizations

The Board of Regents (Board) establishes the investment policies and objectives for all University funds. RUMINCO, Ltd., a wholly-owned captive insurance company, has an independent Board of Directors that establishes the investment policies and objectives for its reserves. Guidelines to manage the investment pools are described below:

Temporary Investment Pool (TIP)—Short-Term Reserves—The TIP funds are intended to meet the current obligations of the University. The investment objectives for the TIP are to maximize current income and investment returns, maintain sufficient liquidity for University operations, and provide backup liquidity for certain University short-term or variable-rate debt obligations. The pool may invest in money market funds, corporate obligations, and U.S. government and agency securities, within specified credit quality and term constraints.

The Board's Investment of Reserves policy allows for up to 30 percent of the pool to be invested in the Consolidated Endowment Fund (CEF). As of June 30, 2014 and 2013, the market value of the TIP assets invested in the CEF was $134,237 and $123,638, respectively. These assets are reported in the total cash and investments of the CEF. In addition, the Investment of Reserves policy guidelines include the following: average duration of four years or less for the entire pool and maximum duration of seven years for any individual holding; average credit quality of A1/A+ or better; no use of leverage; and credit ratings of investment grade defined as Baa3/BBB- or better by Moody's or Standard & Poor's. Retention of a lower rated security requires approval by the President or delegate with notification to the Board.

For June 30, 2014 and 2013 the TIP's average Standard & Poor's credit rating was AA and AA+, respectively.

Consolidated Endowment Fund (CEF)—The CEF represents the pooling of funds from both public and private sources for which donor intent, law, or institutional decree determines the principal amount that must be invested in perpetuity or other specified time frames. The funds are invested to achieve an inflation-adjusted rate of return, after expenses are deducted, that exceeds the current payout rate of 4.5 percent of the average of the endowment's trailing month-end market values for the prior 60 months. The Board reserves the authority to approve asset allocation ranges for this pool. For fiscal years ended June 30, 2014 and 2013, $46,653 and $46,267, respectively, in net appreciation over the prior fiscal year was made available for departmental spending in restricted expendable net assets.

Minnesota State Chapter 309, Section 745, governs the expenditure or accumulation of endowment funds. An institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent.

The University makes distributions from the CEF for activities targeted by the individual endowments. When the CEF investment return is less than the payout rate, accumulated capital gains are used to supplement the distribution payout to meet the spending policy. If investment income exceeds the amount needed for distribution the excess remains as a capital gain in the respective endowment.

The CEF is a diversified portfolio that utilizes external investment managers. The CEF assets are held in separately managed accounts, commingled pools, and limited partnerships (LP). Each of these fund structures has different risk and return characteristics. LP investments are privately negotiated transactions with limited liquidity. LPs are required to conduct an external audit annually in accordance with the Financial Accounting Standards Board or the International Accounting Standards Board. As of June 30, 2014 and 2013, the University had unfunded commitments to LPs of $220,576 and $161,157, respectively, which are commitments that have not been drawn down by the general partners.

Group Income Pool (GIP)—Long-Term Reserves—The GIP represents assets invested for the benefit of various University units for long-term capital purposes. The investment objective of the GIP is to maximize the total investment return while preserving capital balances until such time as the principal is required to fund the intended use. The GIP is invested in fixed-income funds through external investment managers. Additionally, up to 50 percent of the pool can be invested in the CEF. As of June 30, 2014 and 2013, the market value of the GIP assets invested in the CEF was $13,459 and $11,916, respectively. These assets are reported in the total cash and investments of the CEF.

Separately Invested Funds (SIF) and Other—The SIF represent restricted assets which include future licensing or royalty interests and equity in companies that are established based on University owned technology, as well as minerals and future mineral rights assigned to the University from privately owned real estate. All of these assets have been assigned a nominal value. Investments defined as "Other" represent investments made by the University in its own intellectual property, such as copyrights, patents, and trademarks, which are developed with the primary purpose of generating royalty income from its licensing to external customers. These other investments are valued at cost, which is based on certain filing and legal expenses incurred to establish the University's legal ownership.

Invested Assets Related to Indebtedness—Invested Assets Related to Indebtedness are internally managed and held in custodial accounts. These assets are invested in high quality, short-term fixed income securities until needed for capital projects for which the debt was issued.

Regents of the University of Minnesota Insurance Company, Ltd. (RUMINCO)—RUMINCO is a wholly-owned captive insurance company (Note 9) whose principal activities are the insurance of certain risks to the University. Coverage includes: commercial general and professional liability, non-profit organization liability, business auto liability and excess automobile liability. RUMINCO insurance agreements limit the exposure to loss on a per-occurrence and annual aggregate basis.

The investment objectives for the liability reserves, which cover specific known and expected claims, are capital preservation and near term liquidity. The investment objectives for the capital surplus in excess of the liability reserves are to maximize the total return within acceptable risk parameters and to achieve at least 400 basis points of return above the inflation rate over multiple year periods.

Components of the Net Investment Income (Loss)—Components of the net investment income (loss) include interest, dividends, realized and unrealized gains or losses and all changes in fair market value on investments. Investment income is current year investment income that could include net increase or decrease in fair market values of investments from prior years.

The components of the net investment income (loss) are as follows:

	Investment income (net)	Net increase (decrease) in the fair market value of investments	Net investment income (loss)
Temporary Investment Pool	$ 12,266	$ 3,842	$ 16,108
Consolidated Endowment Fund	97,572	127,386	224,958
Group Investment Pool	(478)	1,313	835
Separately Invested Funds and Other	253	(14,343)	(14,090)
Invested Assets Related to Indebtedness	7	2,401	2,408
RUMINCO, Ltd. Insurance Subsidiary	510	3,678	4,188
Total 2014	$ 110,130	$ 124,277	$ 234,407
Total 2013	$ 108,715	$ 14,082	$ 122,797

Investment Risks

Credit and Interest Rate Risk—Credit risk is the risk that company specific events may cause a bond issuer to default, which results in a failure to repay principal or interest owed to the University in a timely manner. The Board’s Investment of Reserves policy affecting the assets of the TIP limits investments in fixed income instruments to those with credit ratings of investment grade as a means of managing its exposure to market value losses arising from credit deterioration or defaults.

Interest rate risk is the risk that changes in interest rates will adversely affect the market value of the University’s fixed income investments. The Board’s Investment of Reserves policy affecting assets in the TIP limits investment duration as a means of managing its exposure to market value losses arising from increasing interest rates.

The following table summarizes the TIP, CEF, GIP, and RUMINCO credit and interest rate exposures as of June 30, 2014:

Fixed-income securities:		Market value	Weighted average maturity (years)	AA or better	BBB to A	BB or lower	Not rated
Cash & equivalents	$	246,211		100			
Mortgage-backed securities		97,179	19.8	100			
US Agency		461,975	3.2	100			
US Treasury		245,492	2.9	100			
Mutual Funds		250,384	4.3	49	51		
Total marketable fixed-income securities		1,301,241	4.0				
Private fixed-income securities		19,260					
Total fixed-income securities	$	1,320,501					

The following table summarizes the TIP, CEF, GIP, and RUMINCO credit and interest rate exposures as of June 30, 2013:

Fixed-income securities:		Market value	Weighted average maturity (years)	AA or better	BBB to A	BB or lower	Not rated
Cash & equivalents	$	205,380		100			
Mortgage-backed securities		93,636	20.6	100			
US Agency		601,139	3.1	100			
US Treasury		124,160	3.5	100			
Mutual Funds		224,655	5.7				100
Total marketable fixed-income securities		1,248,970	4.4				
Private fixed-income securities		35,010					
Total fixed-income securities	$	1,283,980					

Concentration of Credit Risk—Concentration of credit risk is the risk of loss attributed to the exposure of the University's investment in a single issuer. The Board's Endowment Fund policy prohibits investing directly in individual issuers in the CEF and places limits on exposures to individual managers and funds. The Board's Investment of Reserves policy places limits on concentrations to a single corporate issuer in the TIP of no more than 5 percent. As of June 30, 2014, and 2013, all securities held in the pools were in compliance with policy guidelines.

Foreign Currency Risk—The University invests in foreign currency denominated assets. Fluctuations in exchange rates may adversely affect the fair market value of such investments.

The following table summarizes the University's exposure to foreign currency risk, stated in U.S. dollar equivalents, as of June 30, 2014 and 2013:

Investment type	Foreign currency	Market value 2014	Market value 2013
Equity/Debt/RE	Euro	$ 70,441	$ 53,281
Equity	British Pound Sterling	39,855	32,336
Equity	Japanese Yen	27,717	24,251
Equity	Hong Kong Dollar	15,436	10,024
Equity	Canadian Dollar	7,806	7,382
Equity/Debt	Brazilian Real	7,220	3,729
Equity	South African Rand	6,164	4,088
Equity	Swiss Franc	5,943	5,555
Equity	Australian Dollar	5,404	5,368
Equity	South Korean Won	4,963	2,344
Equity	Thailand Baht	4,184	1,233
Equity/Debt	Mexican Peso	3,509	3,690
Equity	Swedish Krona	2,519	2,227
Equity	Singapore Dollar	2,411	3,131
Equity	Turkish Lira	2,185	638
Equity	Indonesian Rupiah	2,167	927
Equity	Malaysian Ringgit	2,004	1,985
Equity	New Taiwan Dollar	1,906	644
Equity/Debt	Indian Rupee	1,760	317
Equity	Norwegian Krone	1,613	670
Equity	Philippine Peso	990	801
Equity	Danish Krone	971	679
Equity/Debt	Other Currency	841	234
Equity	Polish Zloty	499	88
Equity	Chile Peso	458	214
Equity	Israeli Shekel	325	289
Equity	New Zealand Dollar	138	80
Equity	Russian Ruble	86	761
Equity	Chinese Renminbi	2	
Equity	Uruguay Peso		211
Equity	Argentine Peso		73
Total		$ 219,517	$ 167,250

Securities Lending—The University does not participate in a securities lending program.

Financial Institution Credit Risk

Deposits—Depository credit risk is the risk that in the event of a bank failure, the University's deposits may not be recovered. Beginning December 31, 2010, and ending December 31, 2012, all non-interest-bearing accounts were fully insured, regardless of balance, at qualified FDIC-insured institutions. This change was due to the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited insurance coverage for such non-interest-bearing accounts. As scheduled, the Dodd-Frank Wall Street Reform and Consumer Protection Act expired on December 31, 2012. Deposits held in noninterest-bearing transaction accounts are now aggregated with any interest-bearing deposits that are held in the same ownership category, and the FDIC insured amount reverted back to $250 thousand. As of June 30, 2014 the University's bank balances of $244,132 were uninsured and uncollateralized and as of June 30, 2013 the University's bank balances of $203,130 were uninsured and uncollateralized.

Investments—Custodial credit risk is the risk that, in the event of failure of the counterparty, the University may not be able to recover the value of its investments held in custodial accounts. The University currently has custodial accounts at State Street Bank & Trust Company and JPMorgan Chase. As of June 30, 2014 and 2013, the market value of investments held in the custodial accounts was $804,646 and $818,936 in TIP; and $101,002 and $69,574 in CEF; and $21,757 and $0 in GIP, respectively.

3. Other Asset and Liability Information

Receivables, net, and student loans receivable, net, as of June 30, 2014, consisted of the following:

	Current	Noncurrent	Total
State and federal appropriations	$ 7,612		$ 7,612
Sponsored grants and contracts	102,080		102,080
Notes receivable	904	$ 14,537	15,441
Student receivables	41,613		41,613
Trade receivables	131,044		131,044
Accrued interest	1,887		1,887
Other	29,987	17	30,004
Allowance for uncollectible accounts	(12,703)		(12,703)
Total receivables, net	$ 302,424	$ 14,554	$ 316,978
Student loans receivable	12,401	57,722	70,123
Allowance for uncollectible accounts	(2,502)	(577)	(3,079)
Student loans receivable, net	$ 9,899	$ 57,145	$ 67,044

Accrued liabilities as of June 30, 2014, consisted of the following:

	Current	Noncurrent	Total
Trade liabilities	$ 10,120	$ 458	$ 10,578
Compensation and benefits	142,273	137,960	280,233
Self-insurance reserves	31,062	11,571	42,633
Accrued interest	12,283		12,283
Refundable advances		53,870	53,870
Other	48,651	1,501	50,152
Total accrued liabilities	$ 244,389	$ 205,360	$ 449,749

Activity for certain liabilities consisted of the following for the year ended June 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated balances (excluding pensions, OPEB, termination benefits, see Notes 6, 10, 11)	$ 245,195	$ 154,851	$ (121,779)	$ 278,267	$ 142,273
Self-insurance reserves (see Note 9)	42,980	264,681	(265,028)	42,633	31,062
Refundable advances	53,330	540		53,870	
Other	50,969	50,152	(50,969)	50,152	48,651

Receivables, net, and student loans receivable,net, as of June 30, 2013, consisted of the following:

	Current	Noncurrent	Total
State and federal appropriations	$ 9,498		$ 9,498
Sponsored grants and contracts	108,265		108,265
Notes receivable	1,300	$ 4,136	5,436
Student receivables	40,737		40,737
Trade receivables	122,893		122,893
Accrued interest	2,283		2,283
Other	24,010	12	24,022
Allowance for uncollectible accounts	(11,965)		(11,965)
Total receivables, net	$ 297,021	$ 4,148	$ 301,169
Student loans receivable	16,926	54,634	71,560
Allowance for uncollectible accounts	(3,069)	(546)	(3,615)
Student loans receivable, net	$ 13,857	$ 54,088	$ 67,945

Accrued liabilities as of June 30, 2013, consisted of the following:

	Current	Noncurrent	Total
Trade liabilities	$ 14,553	$ 714	$ 15,267
Compensation and benefits	130,661	119,206	249,867
Self-insurance reserves	32,445	10,535	42,980
Accrued interest	11,552		11,552
Refundable advances		53,330	53,330
Other	50,190	779	50,969
Total accrued liabilities	$ 239,401	$ 184,564	$ 423,965

Activity for certain liabilities consisted of the following for the year ended June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated balances (excluding pensions, OPEB, termination benefits, see Notes 6, 10, 11)	$ 220,097	$ 144,233	$ (119,135)	$ 245,195	$ 130,661
Self-insurance reserves (see Note 9)	48,109	256,536	(261,665)	42,980	32,445
Refundable advances	55,037		(1,707)	53,330	
Other	41,123	50,969	(41,123)	50,969	50,190

4. Capital Assets

Capital assets, net as of June 30, 2014, consisted of the following:

	Beginning balance	Additions	Transfers	Retirements	Ending balance
Depreciable / amortizable capital assets					
Buildings and improvements	$ 3,495,733	$ 545	$ 299,013	$ (17,094)	$ 3,778,197
Leasehold improvements	9,734	645			10,379
Equipment	741,165	53,158		(51,656)	742,667
Infrastructure	461,525	3,096	3,657		468,278
Library and reference books	144,672	5,683			150,355
Capitalized software (intangible asset)	117,935	16,597			134,532
All other intangible assets	5,052	672			5,724
Total depreciable / amortizable capital assets	4,975,816	80,396	302,670	(68,750)	5,290,132
Non-depreciable / amortizable capital assets					
Land	91,090	2,925			94,015
Museums and collections	54,695	6,285	(48)		60,932
Construction in progress	278,103	136,233	(290,564)	(3,392)	120,380
Permanent right-of-way easements (intangible asset)	2	1			3
Total non-depreciable / amortizable capital assets	423,890	145,444	(290,612)	(3,392)	275,330
Accumulated depreciation / amortization					
Buildings and improvements	(1,581,243)	(95,623)	(12,058)	12,252	(1,676,672)
Leasehold improvements	(5,123)	(782)			(5,905)
Equipment	(517,497)	(59,688)		50,335	(526,850)
Infrastructure	(232,422)	(16,458)			(248,880)
Library and reference books	(84,783)	(12,184)			(96,967)
Capitalized software (intangible asset)	(98,140)	(7,412)			(105,552)
All other intangible assets	(3,584)	(558)			(4,142)
Total accumulated depreciation / amortization	(2,522,792)	(192,705)	(12,058)	62,587	(2,664,968)
Capital assets, net	$ 2,876,914	$ 33,135	$ -	$ (9,555)	$ 2,900,494
Summary					
Depreciable / amortizable capital assets	$ 4,975,816	$ 80,396	$ 302,670	$ (68,750)	$ 5,290,132
Non-depreciable / amortizable capital assets	423,890	145,444	(290,612)	(3,392)	275,330
Total capital assets	5,399,706	225,840	12,058	(72,142)	5,565,462
Less accumulated depreciation / amortization	(2,522,792)	(192,705)	(12,058)	62,587	(2,664,968)
Capital assets, net	$ 2,876,914	$ 33,135	$ -	$ (9,555)	$ 2,900,494

Capital assets, net as of June 30, 2013, consisted of the following:

	Beginning balance	Additions	Transfers	Retirements	Ending balance
Depreciable / amortizable capital assets					
Buildings and improvements	$ 3,313,255	$ 41,854	$ 140,625		$ 3,495,733
Leasehold improvements	9,242	409	124	$ (41)	9,734
Equipment	721,675	61,663		(42,173)	741,165
Infrastructure	438,055	(83)	23,553		461,525
Library and reference books	139,389	5,283			144,672
Capitalized software (intangible asset)	111,949	5,986			117,935
All other intangible assets	4,473	579			5,052
Total depreciable / amortizable capital assets	4,738,038	115,691	164,302	(42,214)	4,975,816
Non-depreciable / amortizable capital assets					
Land	90,189	901			91,090
Museums and collections	51,728	2,246	721		54,695
Construction in progress	186,973	256,499	(165,023)	(346)	278,103
Permanent right-of-way easements (intangible asset)	2				2
Total non-depreciable / amortizable capital assets	328,892	259,646	(164,302)	(346)	423,890
Accumulated depreciation / amortization					
Buildings and improvements	(1,489,974)	(91,269)			(1,581,243)
Leasehold improvements	(4,327)	(796)			(5,123)
Equipment	(496,331)	(61,492)		40,326	(517,497)
Infrastructure	(217,352)	(15,070)			(232,422)
Library and reference books	(72,275)	(12,508)			(84,783)
Capitalized software (intangible asset)	(86,762)	(11,378)			(98,140)
All other intangible assets	(2,958)	(626)			(3,584)
Total accumulated depreciation / amortization	(2,369,979)	(193,139)		40,326	(2,522,792)
Capital assets, net	$ 2,696,951	$ 182,198	$ -	$ (2,234)	$ 2,876,914

	Beginning balance	Additions	Transfers	Retirements	Ending balance
Summary					
Depreciable / amortizable capital assets	$ 4,738,038	$ 115,691	$ 164,302	$ (42,214)	$ 4,975,816
Non-depreciable / amortizable capital assets	328,892	259,646	(164,302)	(346)	423,890
Total capital assets	5,066,930	375,337		(42,560)	5,399,706
Less accumulated depreciation / amortization	(2,369,979)	(193,139)		40,326	(2,522,792)
Capital assets, net	$ 2,696,951	$ 182,198	$ -	$ (2,234)	$ 2,876,914

5. Long-Term Debt

Long-term debt as of June 30, 2014, consisted of the following:

	Original issued amount (par)	Fiscal year issued	Coupon rates	Due at various dates through fiscal year	FY 2014 beginning balance	Additions	Reductions	FY 2014 ending balance	Current portion
General obligation bonds									
Series 2013D (taxable)	$ 12,760	2014	0.60%-4.848%	2039		$ 12,760		$ 12,760	$ 230
Series 2013B (taxable)	13,780	2013	2.60%-3.75%	2038	$ 13,780		$ 345	13,435	375
Series 2013A (tax-exempt)	73,570	2013	2.00%-5.00%	2038	73,570		1,750	71,820	1,875
Series 2011D (tax-exempt)	53,610	2012	2.00%-5.00%	2037	52,450		1,195	51,255	1,230
Series 2011C (taxable)	19,335	2012	0.90%-4.56%	2037	19,035		530	18,505	535
Series 2011A (tax-exempt)	335,270	2011	2.00%-5.50%	2037	297,005		21,415	275,590	22,615
Series 2010B (taxable)	41,720	2011	0.74%-5.02%	2036	39,505		1,305	38,200	1,320
Series 2010D (taxable)	27,200	2010	3.86%-5.77%	2030	27,200			27,200	
Series 2010C (tax-exempt)	8,480	2010	2.00%-4.00%	2016	4,440		1,425	3,015	1,485
Series 2009D (taxable)	37,330	2009	6.30%	2029	37,330			37,330	
Series 2009C (tax-exempt)	44,625	2009	1.50%-5.00%	2022	33,700		3,120	30,580	3,280
Series 2009B (taxable)	17,035	2009	2.50%-6.00%	2029	14,785		640	14,145	660
Series 2009A (tax-exempt)	41,000	2009	3.00%-5.25%	2034	37,170		1,110	36,060	1,140
Commercial paper notes, Series A	159,100	2006	0.06%–0.08%	2015	117,100		7,000	110,100	110,100
Commercial paper notes, Series B	61,000	2007	0.08%	2015	43,000		3,000	40,000	40,000
Commercial paper notes, Series C	70,000	2008	0.06%–0.08%	2015	50,500		3,500	47,000	47,000
Commercial paper notes, Series D	25,000	2010	0.07%–0.10%	2015	19,450		1,750	17,700	17,700
Obligations to the State of Minnesota pursuant to Infrastructure development bonds	109,234	1991-2006	3.55%–5.70%	2026	25,817		4,306	21,511	3,667
Auxiliary revenue bonds	10,080	1971-1977	3.00%	2014	620		620		
Special purpose revenue bonds, Series 2013C (tax-exempt)	35,395	2014	2.00%–5.00%	2039		35,395		35,395	410
Special purpose revenue bonds, Series 2011B (tax-exempt)	52,485	2012	3.00%–5.00%	2037	52,110		1,180	50,930	1,225
Special purpose revenue bonds, Series 2010A (tax-exempt)	111,400	2011	3.00%–5.00%	2036	108,165		2,655	105,510	2,780
Special purpose revenue bonds, Series 2006 (tax-exempt)	137,250	2007	4.00%–5.00%	2030	113,995		4,695	109,300	4,915
Unamortized premiums and discounts	87,800	2007-2014		2016-2039	73,725	2,831	4,031	72,525	4,070
Capital leases and other		1999-2014	1.94%–4.21%	2025	46,278	1,944	5,581	42,641	5,414
Total	$ 1,584,459				$ 1,300,730	$ 52,930	$ 71,153	$ 1,282,507	$ 272,026

Long-term debt as of June 30, 2013, consisted of the following:

	Original issued amount (par)	Fiscal year issued	Coupon rates	Due at various dates through fiscal year	FY 2013 beginning balance	Additions	Reductions	FY 2013 ending balance	Current portion
General obligation bonds									
Series 2013B (taxable)	$ 13,780	2013	2.60%-3.75%	2038		$ 13,780		$ 13,780	$ 345
Series 2013A (tax-exempt)	73,570	2013	2.00%-5.00%	2038		73,570		73,570	1,750
Series 2011D (tax-exempt)	53,610	2012	2.00%-5.00%	2037	$ 53,610		$ 1,160	52,450	1,195
Series 2011C (taxable)	19,335	2012	0.90%-4.56%	2037	19,335		300	19,035	530
Series 2011A (tax-exempt)	335,270	2011	2.00%-5.50%	2037	317,580		20,575	297,005	21,415
Series 2010B (taxable)	41,720	2011	.74%-5.02%	2036	40,800		1,295	39,505	1,305
Series 2010D (taxable)	27,200	2010	3.86%-5.77%	2030	27,200			27,200	
Series 2010C (tax-exempt)	8,480	2010	2.00%-4.00%	2016	5,825		1,385	4,440	1,425
Series 2009D (taxable)	37,330	2009	6.30%	2029	37,330			37,330	
Series 2009C (tax-exempt)	44,625	2009	1.50%-5.00%	2022	36,665		2,965	33,700	3,120
Series 2009B (taxable)	17,035	2009	2.50%-6.00%	2029	15,405		620	14,785	640
Series 2009A (tax-exempt)	41,000	2009	3.00%-5.25%	2034	38,245		1,075	37,170	1,110
Commercial paper notes, Series A	159,100	2006	.10%–.16%	2014	124,100		7,000	117,100	117,100
Commercial paper notes, Series B	61,000	2007	.11%–.15%	2014	46,000		3,000	43,000	43,000
Commercial paper notes, Series C	70,000	2008	.11%–.16%	2014	54,000		3,500	50,500	50,500
Commercial paper notes, Series D	25,000	2010	.12%–.15%	2014	22,250		2,800	19,450	19,450
Obligations to the State of Minnesota pursuant to Infrastructure development bonds	109,234	1991-2006	3.55%–5.70%	2026	30,639		4,822	25,817	4,306
Auxiliary revenue bonds	12,555	1971-1977	3.00%	2014	1,420		800	620	620
Special purpose revenue bonds, Series 2011B (tax-exempt)	52,485	2012	3.00%–5.00%	2037	52,485		375	52,110	1,180
Special purpose revenue bonds, Series 2010A (tax-exempt)	111,400	2011	3.00%–5.00%	2036	110,705		2,540	108,165	2,655
Special purpose revenue bonds, Series 2006 (tax-exempt)	137,250	2007	4.00%–5.00%	2030	118,490		4,495	113,995	4,695
Unamortized premiums and discounts	84,969	2007-2013		2016-2038	68,316	9,133	3,724	73,725	3,956
Capital leases and other		1999-2013	1.98%–10.00%	2024	5,988	45,306	5,016	46,278	5,119
Total	$ 1,535,948				$ 1,226,388	$ 141,789	$ 67,447	$ 1,300,730	$ 285,416

General Obligation Bonds

The University issued General Obligation Taxable Bonds for the University Supported Biomedical Science Research Facilities Funding Program. The proceeds will be used to fund a portion of the costs of construction of one or more biomedical science research facilities. The Series 2013D bonds were issued on November 6, 2013 in the par amount of $12,760 at coupon rates of 0.600 – 4.848 percent. The Series 2011C bonds were issued on October 13, 2011 in the par amount of $19,335 at coupon rates of 0.9 – 4.56 percent with a discount of $13. The Series 2010B bonds were issued on September 30, 2010 in the par amount of $41,720 at coupon rates of 0.74 – 5.02 percent.

On February 19, 2013, the University issued General Obligation Taxable Bonds, Series 2013B and General Obligation Bonds, Series 2013A in the par amount of $13,780 and $73,570, respectively. The proceeds will be used to fund various capital projects including the renovation of Northrop Memorial Auditorium, the construction of a student residence hall and dining facility, and the construction of the Physics & Nanotechnology Building, all on the Twin Cities campus, and construction of residence halls on each of the Crookston and Morris campuses. The 2013B bonds were issued at coupon rates of 2.6 – 3.75 percent with a premium of $354. The 2013A bonds were issued at coupon rates of 2.0 – 5.0 percent with a premium of $8,779.

On December 21, 2011, the University issued General Obligation Bonds, Series 2011D in the par amount of $53,610. The proceeds will be used to fund various capital projects including portions of the renovation of Northrop Memorial Auditorium, the renovation of the Recreation Center, and construction of the student residence hall and dining facility, all on the Twin Cities campus, and the acquisition and installation of equipment related to these projects. The 2011D bonds were issued at coupon rates of 2.0 – 5.0 percent with a premium of $7,354.

The University has outstanding General Obligation Taxable Bonds, Series 2010D, Series 2010B and Series 2009D. These Series are Build America Bonds – Direct Payment to Issuer, whereby the University is expected to receive a 35 percent annual interest subsidy from the Federal Government for the life of the bonds. Due to the implementation of federal sequestration during FY13, the subsidy payments received to offset the June 1, 2014, February 1, 2014 and December 1, 2013 interest payments were reduced by 7.2 percent, and the August 1, 2013 and June 1, 2013 interest payments were reduced by 8.7 percent.

All general obligation bonds are secured by the full faith and credit of the University and subject to mandatory sinking fund requirements set forth in the prospectuses.

Special Purpose Revenue Bonds

The University issued Special Purpose Revenue Bonds for the State Supported Biomedical Science Research Facilities Funding Program. The proceeds will be used to fund a portion of the costs of construction of one or more biomedical science research facilities. The Series 2013C bonds were issued on November 6, 2013 in the par amount of $35,395 at coupon rates of 2.0 – 5.0 percent with a premium of $2,831. The Series 2011B bonds were issued on October 13, 2011 in the par amount of $52,485 at coupon rates of 3.0 – 5.0 percent with a premium of $5,408. The Series 2010A bonds were issued on September 30, 2010 in the par amount of $111,400 at coupon rates of 3.0 – 5.0 percent with a premium of $12,827. State of Minnesota legislation provides for an annual appropriation to reimburse the University for the annual debt service on these bonds.

The University issued Special Purpose Revenue Bonds, Series 2006 to finance a portion of the cost of the TCF Bank Stadium on the Twin Cities campus and to pay costs of issuance. State funding of up to $10,250 per year for no more than 25 years is provided to reimburse the University for the annual debt service on these bonds.

Commercial Paper Notes

The University issued tax-exempt Commercial Paper Notes, Series A, B, C, and D, to defease outstanding bond obligations, to finance purchases of land and buildings, to finance construction and remodeling projects to be undertaken by the University, and to finance the acquisition and installation of equipment by the University. The commercial paper is backed by the University's self-liquidity, which was supported by a line of credit with a major commercial bank through July 19, 2013. No amounts were ever drawn under the line of credit.

Although commercial paper is short-term in nature and classified as current liabilities in the financial statements, the University intends to hold the commercial paper notes as a long-term financing vehicle.

Auxiliary Revenue Bonds

On November 1, 2013, the University's final auxiliary revenue bond debt obligations matured. The University's auxiliary revenue bonds were secured by the revenues, net of expenses, of the auxiliary activity to which they related, debt-service subsidy grants provided by the U.S. Department of Housing and Urban Development, and the full faith and credit of the University. Student housing and food services net revenues of $1,504 in fiscal year 2014 and $1,544 in fiscal year 2013 were pledged as security to pay total debt service payments of $639 and $887 for auxiliary revenue bonds in fiscal years 2014 and 2013, respectively. Revenues were pledged until fiscal year 2014, at which time the debt obligation on these auxiliary revenue bonds was satisfied.

Infrastructure Development Bond Obligations

Pursuant to Minnesota law, the University is obligated to pay the state one third of the debt service of infrastructure development bonds issued by the state for University capital projects. Debt was issued for this purpose between July 1990 and October 2005. The total amount of outstanding debt issued by the state on behalf of the University was $64,531 as of June 30, 2014 and $77,448 as of June 30, 2013 of which the University owes $21,511 and $25,817, respectively.

Capital Leases and Other Debt

The University has six distinct capital leases. Three of the six agreements are financed through third-party financing for purchase of fleet vehicles and other equipment. The remaining three capital leases have payments being paid directly to the lessor and represent leases for buildings. Associated capital assets acquired through capital leases for buildings are $55,451 with related accumulated depreciation of $18,621 and capital leases for vehicles and equipment are $11,384 and related accumulated depreciation of $5,573. The capital leases bear interest rates between 1.94 percent and 4.21 percent, with none extending beyond fiscal year 2025. One of the third-party financing agreements bears interest, which is tied to the 30 Day LIBOR Index** that cannot fall below a floor of 3.0 percent. The 3.0 percent floor for the note payable was maintained during the fiscal year ended June 30, 2014 and does not extend beyond fiscal year 2017. A second third–party financing agreement has interest rates tied to commercial paper, which ranged from 1.94 percent to 2.31 percent during fiscal year ended June 30, 2014.

Interest Rate Swaps

At June 30, 2014 the University has one freestanding pay-fixed and receive-variable interest rate swap that is considered an ineffective hedge, where the changes in fair value are included in investment income reported in the Consolidated Statements of Revenues, Expenses, and Changes in Net Position.

The University had two freestanding pay-fixed, receive-variable interest rate swaps with notional amounts of $37,500 each that matured in fiscal year 2013. Fixed rates of 4.88 percent and 4.90 percent, respectively, were paid to two separate counterparties. The variable rate received on both was based on the LIBOR Index**.

The terms, fair values, and credit rating of the outstanding swap as of June 30, 2014, are as follows:

Associated bond issue	Nature of association	Notional amounts	Effective date	Fixed rate	Variable rate	Swap type	Fair value	Swap maturity date
CP, Series 2005A	Freestanding	$ 70,000	8/27/1997	4.98%	SIFMA Index*	Pay fixed and receive variable	$ (9,498)	8/27/2017
		$ 70,000					$ (9,498)	

* SIFMA (Securities Industry Financial Markets Association) Index, *previously known as the BMA (Bond Market Association) Index, is a 7-day high-grade market index comprised of tax-exempt variable demand obligations from the MMD (Municipal Market Data).*

** LIBOR Index is an *average yield of interbank offered rates for one-year US dollar-denominated deposits in the London Market.*

Credit Risk—The swap that exists at the end of fiscal year 2014 is with a counterparty that is rated Aa3 by Moody's Investors Service**.** The University faces maximum possible losses equivalent to the amount of the derivative's fair value should the counterparty not perform under the terms of the swap agreements. Due to the fair value of the swap being negative as of June 30, 2014, the University was not exposed to credit risk.

It is the University's practice to net payments to/from a counterparty required under the derivatives instrument as allowed under the terms of the Master Agreements.

Interest Rate Risk—The University is exposed to interest rate risk since the changes in interest rates may adversely affect the fair value of the University's interest rate swaps and/or cash flows related to the net interest payments.

Basis Risk—The University was exposed to basis risk on the two swaps that matured during the current fiscal year since the variable-rate payments received by the University on the swaps were based on a rate or index other than interest rates the University pays to the holders of its commercial paper.

Termination Risk—The University is exposed to termination risk on its existing freestanding swap. Per the swap agreement, the counterparty is allowed to terminate the swap agreement if the variable rate paid by the counterparty to the University averages above 7.0 percent for any rolling consecutive 90-day period.

Variable-rate bond interest payments and net swap payments will vary depending on current market conditions from week to week. Using rates as of June 30, 2014, debt service requirements of the University's outstanding long-term debt obligations and net swap payments for the next five years and in subsequent five-year periods are as follows:

	Bonds and obligations	Commercial paper notes	Capital lease and other	Total principal	Interest	Net interest rate swaps	Total obligations
Fiscal year ending June 30							
2015	$ 51,812	$ 214,800	$ 5,414	$ 272,026	$ 47,535	$ 3,444	$ 323,005
2016	53,951		5,447	59,398	44,486	3,444	107,328
2017	55,805		5,172	60,977	41,936	3,444	106,357
2018	57,889		5,073	62,962	39,340	547	102,849
2019	59,656		5,007	64,663	36,551		101,214
2020-2024	236,774		15,949	252,723	146,657		399,380
2025-2029	249,532		579	250,111	90,466		340,577
2030-2034	173,941			173,941	38,503		212,444
2035-2039	85,706			85,706	7,022		92,728
	$ 1,025,066	$ 214,800	$ 42,641	$ 1,282,507	$ 492,496	$ 10,879	$ 1,785,882

Defeased Bonds

In previous years, the University defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt-service payments on the old bonds. The defeased bonds are as follows:

Associated bond issue	Refunding date	Amount defeased	Refunded amount	Amount outstanding on June 30, 2014	Bond call date
General obligation bonds 1982 Series A	4/23/1985	$ 112,635	$ 112,635	$ 29,600	12/1/2016
General obligation bonds 1996 Series A	10/2/2005	159,000	159,000	110,000	7/1/2021

The Series 1982A bonds were issued December 1, 1982, to finance the construction and equipment for the University Hospital and Clinics. They were defeased in fiscal year 1985, resulting in a recognized loss of $13,945.

The Series 1996A bonds were issued to provide funds for capital projects and to refund the general obligation variable rate demand bonds Series 1985F, 1985G, 1985H, and 1985I and the Series 1991A and Series 1991B Commercial Paper. As required under the terms of a put option exercised July 5, 2005, the proceeds from the issuance of Commercial Paper Notes, Series A in October 2005 were used to defease the remaining outstanding Series 1996A bonds. There was no gain or loss incurred with the defeasance of the Series 1996A bonds.

Neither the outstanding indebtedness nor the related trust account assets for the defeased bonds are included in the University's financial statements.

Arbitrage

University general obligation and special purpose debt issuances issued after the Federal Tax Reform Act of 1986 are subject to federal arbitrage regulations. This results when earnings on the invested gross proceeds of a bond issue exceed the issuer's tax-exempt borrowing rates. The University continues to monitor and report any arbitrage in accordance with the Internal Revenue Code. The University had no arbitrage liability at June 30, 2014 or June 30, 2013.

6. Pension Plans

The University and its employees contribute to pension plans characterized as either a defined benefit (specifies the amount of pension benefits to be provided at a future date) or defined contribution (specifies how contributions are to be determined, rather than an amount) plan.

Defined Benefit Plans

Cost-sharing plans, multiple-employer plans

United States Government (Federal) Retirement Plans

All University employees with federal benefits work for the University of Minnesota Extension (Extension) or its partner colleges; College of Food, Agricultural and Natural Resources Science (CFANS), College of Design, and College of Education and Human Development. These employees were grandfathered in, allowing them to keep their federal benefits, which were formerly offered exclusively to Extension staff. No new participants are being accepted into the federal retirement plans listed below. An exception would be granted to allow for a new participant when an appointment transfers from another Extension service. Questions regarding the federal plans listed below, including requests for financial statements and required supplementary information can be directed to the United States Office of Personnel Management (OPM), 1900 E Street N.W., Washington, DC 20415.

Civil Service Retirement System (CSRS)

The Civil Service Retirement System (CSRS) is a federal program that provides retirement benefits for approximately 23 employees who work for the University. Participation is limited to those who initially entered federal service prior to January 1, 1984, and have been continuously employed since December 31, 1983, or before, or have had a break in federal service of one year or less since 1984. It is closed to new members. Retirement benefits are based on years and months of service. CSRS provides full retirement benefits at age 55 with 30 years of service, age 60 with 20 years of service, or age 62 with 5 years of service. Deferred benefits are payable at age 62 with 5 years of service. The annuity formula provides 1.5 percent of average salary for the first five years of service, 1.75 percent for the next five years, and 2.0 percent for any remaining service, up to a maximum of 80 percent of average salary (based on the highest three consecutive years of salary).

Civil Service Retirement System Offset Retirement (CSRS Offset)

The Civil Service Retirement System Offset Retirement (CSRS Offset) is administered in conjunction with the standard CSRS by the OPM. It provides retirement benefits for five employees who work for the University. Participation is limited to federal employees who had at least five years of creditable civilian federal service prior to January 1, 1987, and had rejoined federal service since January 1, 1984, after a break of CSRS coverage of more than one year; or were hired before January, 1, 1984, and acquired CSRS interim coverage (precursor to CSRS Offset coverage) between 1984 and 1987.

Federal Employees Retirement System (FERS)

The Federal Employees Retirement System (FERS) is a federal program that provides retirement benefits for approximately 91 employees who work for the University. In general, all civilian service employees newly hired on or after January 1, 1984, are mandatorily covered by FERS. In addition, employees rehired after January 1, 1984, who had less than five years of prior civilian service as of December 31, 1986, are mandatorily covered by FERS. Using Social Security as a base, FERS provides an additional defined benefit and a voluntary thrift savings plan. An employee who receives a new appointment can often elect FERS coverage voluntarily during the first six months of the appointment. FERS provides full retirement benefits at the "Minimum Retirement Age" (MRA) with 30 years of service, at age 60 with 20 years of service, or at age 62 with 5 years of service. The MRA is 55 for those born before 1948, and incrementally increases to 57 for those born in or after 1970. Deferred retirement benefits are available at or after the MRA with 10 years of service at reduced benefit levels. The annuity formula generally provides 1.0 percent of the employee's average salary (based on the highest three consecutive years of salary) multiplied by the number of years of creditable service. If retirement is at age 62 or later with at least 20 years of service, a factor of 1.1 percent is used rather than 1.0 percent.

State of Minnesota Retirement Plans

Public Employee Police and Fire Fund (PEPFF)

The Public Employee Police and Fire Fund (PEPFF) covers approximately 62 active law enforcement staff; participation is mandatory and begins from the first day of employment. PEPFF, in total, provides coverage to approximately 500 local governmental subdivisions within the state of Minnesota. Each participant earns service credit for each month retirement deductions are withheld from the employee's salary. Retirement benefits are based on years and months of service. Normal retirement age is 55. The annuity formula for each member is 3.0 percent of average salary for each year of service in that plan. The fund covers all those hired since 1980. A publicly available financial report, which includes financial statements and required supplementary information for this plan, can be obtained from the Public Employees Retirement Association (PERA), 60 Empire Drive, Suite 200, St. Paul, MN 55103.

State Employees' Retirement Fund (SERF)

The State Employees' Retirement Fund (SERF) covers approximately 8,900 active Civil Service and non-faculty bargaining unit employees. SERF, in total, provides coverage to approximately 33 employers within the state of Minnesota. Participation is mandatory and begins from the first day of employment. Each participant earns service credit for each month retirement deductions are withheld from the employee's salary. Retirement benefits are based on years and months of service. Normal retirement age is 65. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement or a level rate (the higher step rate) with an actuarial reduction for early retirement. Applicable rates for each year of allowable service are 1.2 percent and 1.7 percent of a member's average salary, which is defined as the highest salary paid in five successive years of service. A publicly available financial report, which includes financial statements and required supplementary information for this plan, can be obtained from the Minnesota State Retirement System (MSRS), 60 Empire Drive, Suite 300, St. Paul, MN 55103.

Funding Policy

	CSRS	CSRS Offset	FERS	PEPFF	SERF
Statutory authority					
Minnesota chapter	N/A	N/A	N/A	353	352
United States code	Title 5, Chapter 83	Title 5, Chapter 83	Title 5, Chapter 84	N/A	N/A
Required contribution rates (%)					
Active plan members	7.00%	1.20%	0.80%	10.20%	5.00%
University	7.00%	8.51%	11.90%	15.30%	5.00%
Required contributions ($)					
Employee					
2014	$ 152	$ 6	$ 60	$ 513	$ 20,411
2013	172	6	59	511	20,800
2012	226	5	61	462	20,244
University					
2014	$ 152	$ 35	$ 894	$ 770	$ 20,411
2013	172	34	878	766	20,800
2012	226	33	900	693	20,249

Single-employer plan

Supplemental Benefits Plan (SBP)

The Supplemental Benefits Plan (SBP) is a plan sponsored by the University pursuant to the Board of Regents governing authority. This plan is in addition to the Faculty Retirement Plan (FRP), where faculty members employed prior to 1963 and female participants employed prior to July 1, 1982, may be eligible to receive additional benefits. SBP is designed to provide additional retirement benefits for certain groups of individuals who participated in the FRP, but who, due to plan design, have retirement income levels that are significantly lower than those of current participants. It accounts for 151 eligible participants. SBP is funded in an amount equal to or greater than the amount required under statute. Each plan provides retirement, disability, and death benefits to plan members and beneficiaries. The eligible population under the plan is a closed group. An internal faculty and staff retirement program report is prepared on a fiscal year basis. Questions regarding the SBP may be directed to Employee Benefits, 100 Donhowe Building, 319 15th Avenue S.E., Minneapolis, MN 55455.

Funding Policy

Statutory authority	
Minnesota chapter	356
Required contribution rates (%)	
Active plan members	N/A
University	N/A

Due to the plan being closed, required contribution rates do not apply. Contribution amounts are determined by funding status and actuarial value in compliance with state statutes. The University makes all contributions to the SBP using a variable rate.

Annual Pension Cost and Net Pension Obligation

Annual required contribution (ARC)	$	380
Interest on net pension obligation (NPO)		121
Adjustment to ARC		(374)
Annual pension cost (expense)	$	127
Less contributions made – fiscal year ended June 30, 2014		(393)
Decrease in NPO	$	(266)
NPO—June 30, 2013		2,422
NPO—June 30, 2014	$	2,156

Three-Year Trend Information

Fiscal year ended	Annual pension cost	Employer contribution	Percentage of annual pension cost contributed	Net pension obligation
6/30/2014	$ 127	$ 393	309.45%	$ 2,156
6/30/2013	149	409	274.50%	2,422
6/30/2012	177	409	231.07%	2,682

Schedule of Funding Progess

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
7/1/2013	$ 1,761	$ 4,219	$ 2,458	41.74%	$ 558	440.50%
7/1/2012	1,883	4,672	2,789	40.30%	659	423.22%
7/1/2011	2,106	5,263	3,157	40.02%	731	431.87%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Valuation date	7/1/2013
Actuarial cost method	Entry age
Amortization method	Level of dollar by 6/30/2021, closed
Remaining amortization period	8 years
Asset valuation method	Fair market value, smoothed over 5 years
Actuarial assumptions	
Investment rate of return	5.00%
Projected salary increase	3.50%
Cost of living adjustment	2.50%

Defined Contribution Plans

The University's defined contribution plans represent benefits to be received. They are limited to the value of the participant's account balance, depending on the plan. Accordingly, there is no unfunded actuarial accrued liability (UAAL), or actuarial accrued liability (AAL), associated with the following plans.

Description of Plans and Contribution Information

Faculty Retirement Plan (FRP)

The Faculty Retirement Plan (FRP) is a mandatory retirement savings/investment plan contingent on meeting certain prescribed eligibility requirements. Pursuant to the University's Board of Regents governing authority, in compliance with Section 401(a) of the Internal Revenue Code, it authorizes the University to contribute to the plan and governs the requirements of this plan. Eligibility requirements involve an employee appointment of at least nine months; employee appointments between 67 to 99 percent time are granted prorated participation. The waiting period for certain salary classes was eliminated effective June 29, 2014. The plan is funded through employee pre-tax contributions and University contributions. Eligible academic employees with hire dates prior to January 2, 2012 contribute 2.5 percent of covered salary and the University contributes 13.0 percent. Eligible employees with a start date (or were rehired) on or after January 2, 2012 contribute 5.5 percent of covered salary and the University contributes 10.0 percent. The FRP covers approximately 9,080 active faculty and professional and administrative (P&A) staff. This amount includes approximately 2,280 with hire dates on or after January 2, 2012.

University of Minnesota Optional Retirement Plan (ORP)

The Optional Retirement Plan (ORP) is a voluntary retirement savings/investment plan covered under Section 403(b) of the Internal Revenue Code. All faculty and staff members who are paid on a continuous basis are eligible to participate in this plan. The plan is funded mainly through employee pre-tax contributions. However, the University may make discretionary contributions for select staff based on employment contracts. Approximately 4,000 full- and part-time employees contribute to this plan.

University of Minnesota Section 457 Deferred Compensation Plan

The 457 Deferred Compensation Plan is a voluntary retirement savings plan authorized under Section 457 of the Internal Revenue Code. This plan is funded exclusively through employee pre-tax contributions. All faculty and staff members who are paid on a continuous basis are eligible to participate in this plan. Approximately 940 full- and part-time employees contribute to this plan.

University of Minnesota 415(m) Retirement Plan

The 415(m) Retirement Plan is a qualified excess benefit plan authorized under Section 415(m) of the Internal Revenue Code. This plan is provided to select staff based on individual employment contracts negotiated. All contributions provided by the University are negotiated on an individual employee basis and are contingent on vesting requirements being satisfied. Ten University employees are part of this plan.

Contributions Made for Fiscal Year 2014

	FRP	ORP	457	415(m)
Employee	$ 23,179	$ 39,842	$ 12,962	N/A
University	98,809	312	N/A	448

7. Related Organization

The University is responsible for appointing eight members of the 15-member Board of Directors of UCare Minnesota, a licensed nonprofit health maintenance organization (HMO) that provides medical services for its members. The University's accountability for this organization, however, does not extend beyond making Board appointments. The dean of the University of Minnesota Medical School and the head of the University's Department of Family Medicine and Community Health appoint six board members; two members are automatically appointed by virtue of the University positions that they hold.

8. Commitments and Contingencies

Construction projects in progress, principally buildings, approximated $120,380 on June 30, 2014. The estimated cost to complete these facilities is $421,430, which is to be funded from plant fund assets and $19,296 in appropriations available from the State of Minnesota as of June 30, 2014.

The University owns steam production facilities that produce steam for heating and cooling the Twin Cities campus, which by agreement are managed, operated, and maintained by an unaffiliated company. The original agreement was for five years and began May 17, 2004, with a contract end date of May 2019. Under the agreement, the University must make minimum fixed payments for certain operating and maintenance costs, as well as contingent payments based upon performance requirements.

The University is obligated under various operating leases for the use of real property and equipment. Total operating lease expenditures for the years ended June 30, 2014 and 2013, were $18,638 and $18,264, respectively, of which $14,512 and $14,640 were for real property and $4,126 and $3,624 were for equipment, respectively.

The future steam plant and operating lease commitments as of June 30, 2014, for the next five years and in subsequent five-year periods are as follows:

	Steam plant	Operating leases	Total
Fiscal year ending June 30			
2015	$ 246	$ 8,634	$ 8,880
2016	246	7,404	7,650
2017	246	6,788	7,034
2018	246	4,482	4,728
2019	246	3,712	3,958
2020-2024		13,524	13,524
2025-2029		11,583	11,583
2030-2034		11,646	11,646
2035-2039		1,810	1,810
Total commitments	$ 1,230	$ 69,583	$ 70,813

The University receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. Management is not aware of any disallowed claims at this time, and any such disallowances that are currently being reviewed by grantor agencies are immaterial.

The University is a defendant in cases involving claims of medical malpractice, personal injuries, breach of contract, and other civil matters. 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 material adverse effect on the overall financial position of the University.

9. Self-Insurance Programs

The University is self-insured for medical malpractice, general liability, directors and officers liability, and automobile liability through RUMINCO, Ltd., a wholly-owned, single parent captive insurance company (see Note 1). Claims are reported to a third-party administrator, which pays expenses and estimates claim liabilities. The total expense of a claim is estimated and booked as a liability when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In addition, an actuarial liability is established for incurred but not reported (IBNR) claims using a discount rate of 0.46 percent.

The University is also self-insured for workers' compensation through an internally maintained fund, and excess claims insurance is maintained through the Workers' Compensation Reinsurance Association (WCRA). The internal fund for workers' compensation is maintained only to fund the current year's expected payouts. Each year, an actuarial estimate of the University's liability for workers' compensation is compiled and recorded within the consolidated statements of net position, but the liability is not separately funded.

The University's medical (health) coverage for faculty and staff and their dependents is a self-insured program (UPlan). Under UPlan Medical, the University pays claims and establishes reserves, and the administration of the program is handled by two independent administrators: Medica for medical plan administration, and Prime Therapeutics for pharmacy benefit management. The medical conversion carrier, that provided policies to the University under which terminated employees were able to convert their UPlan coverage to single coverage once their COBRA rights expired, discontinued this service as of January 1, 2014 due to the Affordable Care Act. The University also carries stop-loss coverage, which protects the University against the risk that an individual participant will incur medical expenses greater than $800,000 in a single year. An annual actuarial estimate of the University's liability for medical claims, including IBNR, is recorded within the consolidated statements of net position.

The University's dental coverage for faculty and staff and their dependents is also a self-insured program (UPlan). Under UPlan Dental, the University pays claims and establishes reserves, and the administration of the program is handled by two independent administrators, Delta Dental and HealthPartners. An annual actuarial estimate of the University's liability for dental claims, including IBNR, is recorded.

Medical coverage for eligible graduate assistants is a self-insured program. Under the graduate assistant medical plan, the University pays claims and establishes reserves. The program is administered by HealthPartners. An annual actuarial estimate of the University's liability for medical claims, including IBNR, is recorded. The Graduate Assistant Plan also offers self-insured Dental Plan benefits at Boynton Health Service without a third party administrator.

The University's medical (health) coverage for eligible students and their dependents is a self-insured program (Student Health Benefit Plan). Under the Student Health Benefit Plan, the University pays claims and establishes reserves, and the administration of the program is handled by Blue Cross and Blue Shield of Minnesota. The administrator offers medical conversion policies to eligible University students who are able to convert their SHBP coverage to single coverage after graduation. The University also carries stop-loss coverage, which protects the University against the risk that an individual participant will incur medical expenses greater than $250,000 in a single year in addition to aggregate stop-loss coverage for claims totals over 115 percent of plan year claims. An annual actuarial estimate of the University's liability for medical claims, including IBNR, is recorded. The University also carries a student health plan for the Academic Health Center (AHC-Student Health Benefit Plan). The plan is self-insured and the health carrier is Blue Cross and Blue Shield of Minnesota. An estimated claims liability ensures that funds are available to cover claims up to the point where stop-loss coverage begins. The AHC Plan also offers self-insured Dental Plan preventive benefits at Boynton Health Service without a third party administrator.

Medical coverage for eligible Medical Residents and Fellows is also a self-insured program. Under the Medical & Resident medical plan, the University pays claims and establishes reserves. The program is administered by HealthPartners. An annual actuarial estimate of the University's liability for medical claims, including IBNR, is recorded. The Medical & Resident group also offers a fully insured Dental Benefit Plan through Delta Dental.

Reported liabilities as of June 30, 2014, are shown below:

	Liability beginning of year	New Claims	Claim payments	Other adjustments	Liability end of year
RUMINCO, Ltd.	$ 7,181	$ 2,395	$ (2,709)	$ 675	$ 7,542
Workers' compensation	11,760	3,578	(3,578)	1,286	13,046
UPlan medical	16,365	222,766	(221,835)	(1,988)	15,308
UPlan dental	1,286	17,078	(16,724)	(819)	821
Graduate assistant health plan	1,446	19,239	(19,239)	(486)	960
Student health plan	4,436			113	4,549
Medical Residents & Fellows	504			(97)	407

Reported liabilities as of June 30, 2013, are shown below:

	Liability beginning of year	New Claims	Claim payments	Other adjustments	Liability end of year
RUMINCO, Ltd.	$ 8,142	$ 801	$ (1,639)	$ (123)	$ 7,181
Workers' compensation	11,574	2,999	(2,999)	186	11,760
UPlan medical	21,139	216,606	(215,935)	(5,445)	16,365
UPlan dental	996	16,934	(16,131)	(513)	1,286
Graduate assistant health plan	1,198	18,942	(18,942)	248	1,446
Student health plan	4,561			(125)	4,436
Medical Residents & Fellows	499			5	504

Other adjustments reflect reserve changes on prior years' claims and changes in estimated IBNR.

10. Termination Benefits

Termination benefits are defined as benefits received for involuntarily or voluntarily terminating employment with the University in accordance with GASB Statement No. 47, *Accounting for Termination Benefits* (GASB 47). University benefits that qualify and meet GASB 47 criteria include contract buyouts, retirement incentives, severance lump-sum payouts and continuing healthcare subsidies, and vacation. Benefits that are otherwise offered in exchange for, or are considered conditional on, future employee services do not qualify under GASB 47; rather they qualify as a pension benefit or other postemployment benefits (OPEB) as referenced in Notes 6 and 11, respectively.

Contract Buyouts

University contract buyouts apply when an employee resigns his or her duty and the University has agreed to pay additional compensation based on the contractual employment agreement. Benefits outstanding as of June 30, 2014 and 2013 are paid in the subsequent fiscal year and affect only the Twin Cities campus. Due to the nature and timing of the payments, the outstanding liability is not discounted and reflects current cost level amounts due.

Retirement Incentives

The University of Minnesota is currently not offering any retirement incentive options (RIO's).

Severance Lump-Sum Payouts and Continuing Healthcare Subsidies

Eligible Civil Service and Represented Bargaining Unit staff members may fall under the University of Minnesota's Layoff Severance Program. This program is an elected program provided to Civil Service and Represented Bargaining Unit staff members who receive a notice of layoff and who meet the eligibility requirements as described. Benefits are based on years of continuous service with the University in designated types of appointments. Severance payouts may apply to tenured faculty members and academic professionals with continuous appointments under the University of Minnesota Terminal Agreement Program and University of Minnesota Federal Terminal Agreement Program. The University of Minnesota Phased Retirement Program also provides continuing healthcare subsidies, though it does not provide severance payouts. These programs are designed to facilitate change within units by providing remuneration in return for tenure resignation. Due to the nature and timing of the payments, the outstanding liability is not discounted and reflects current cost level amounts due. Severance lump-sum payouts and continuing healthcare subsidies impact all University campuses.

Vacation

Vacation payouts apply to employees that have terminated employment prior to the end of the fiscal year and subsequently receive compensation payment in the next fiscal year. Due to the nature and timing of the payments, the outstanding liability is not discounted and reflects current cost level amounts due.

Academic Professional and Administrative (P&A) Contracts

Benefits below reflect contract buyouts, retirement incentives, severance lump-sum payouts and continuing healthcare subsidies, and vacation:

University liability as of June 30	Number of staff members	Liability amount
2014	88	$ 768
2013	73	632

Civil Service Contracts

Benefits below reflect retirement incentives, severance lump-sum payouts and continuing healthcare subsidies, and vacation:

University liability as of June 30	Number of staff members	Liability amount
2014	73	$ 639
2013	83	988

Faculty Contracts

Benefits below reflect severance lump-sum payouts and continuing healthcare subsidies and vacation:

University liability as of June 30	Number of staff members	Liability amount
2014	109	$ 1,208
2013	82	1,017

Graduate Assistant Contracts

Benefits below reflect severance lump-sum payouts and continuing healthcare subsidies and vacation:

University liability as of June 30	Number of staff members	Liability amount
2014	15	$ 26
2013	12	21

Represented Bargaining Unit Staff Contracts

Benefits below reflect retirement incentives, severance lump-sum payouts and continuing healthcare subsidies, and vacation:

University liability as of June 30	Number of staff members	Liability amount
2014	193	$ 2,600
2013	136	1,316

11. Other Postemployment Benefits

Description of Plan

The University administers the UPlan—a self-insured, single-employer, defined benefit healthcare plan. It is a partnership between the University and its employees to provide quality, cost-effective health benefits to employees, retirees, and their families. Pursuant to the University's Board of Regents governing authority, non-Medicare retirees and former employees can purchase medical and dental insurance coverage. The University also provides a continuation of pay and benefits beyond active employment under the Academic Disability Plan (ADP) for Faculty and Academic Professional and Administrative (P&A) employees after three months of medical leave. The benefit provision process is initiated through the Benefits Advisory Committee (BAC). The BAC comprises representatives from all employee groups who advise the University administration on health program benefit offerings. An internal UPlan financial report is prepared on a calendar year basis. Questions regarding the UPlan may be directed to Employee Benefits, 100 Donhowe Building, 319 15th Avenue S.E., Minneapolis, MN 55455.

Funding Policy

The University has established that a former employee must pay the entire premium for continuation coverage, except as otherwise provided in a collective bargaining agreement or personnel policy. Non-Medicare retirees can purchase medical and dental insurance coverage at the full premium rate applicable to active employees, and COBRA participants can purchase coverage at 102 percent of the full group rate. Eligible participants under the ADP receive full healthcare benefits at employee cost for up to two years from disability onset and beyond that point disabled participants would pay the full premium as if they were retirees. The self-insured portion of the ADP program also provides disability income and retirement contributions for up to 9 months—months 4 through 12 after disability onset. The following premium rates were in effect for fiscal year 2014:

Beneficiary type	Beneficiary annual rate (Actual amounts, not rounded to thousands)
Non-Medicare retiree	$ 6,279
COBRA	6,405
Disabled Participants	6,279

The UPlan is currently financed on a pay-as-you-go basis. For fiscal year 2014, the University paid $5,411 on behalf of former employees and eligible disabilitants who participate in the UPlan.

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). This amount is actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each fiscal year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed 30 years. The University has elected to amortize the unfunded actuarial liability over 20 years.

The components of the University's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation are as follows:

Annual required contribution (ARC)	$	27,048
Interest on net OPEB obligation		2,746
Adjustment to annual required contribution		(5,528)
Annual OPEB cost (expense)		24,266
Less contributions made – fiscal year ended June 30, 2014		(5,411)
Increase in net OPEB obligation		18,855
Net OPEB obligation—June 30, 2013		82,433
Net OPEB obligation—June 30, 2014	$	101,288

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation are as follows:

Fiscal year ended	Annual OPEB cost	Employer contribution	Percentage of annual OPEB cost contributed	Net OPEB obligation
6/30/2014	$ 24,266	$ 5,411	22.3%	$ 101,288
6/30/2013	26,192	6,746	25.8%	82,433
6/30/2012	24,800	5,944	24.0%	62,987

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, is as follows:

Actuarial accrued liability (AAL)	$	113,145
Actuarial value of plan assets		
Unfunded actuarial accrued liability (UAAL)	$	113,145
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Increase in net OPEB obligation	$	18,855
Covered payroll (active plan members)	$	1,252,154
UAAL as a percentage of covered payroll		9.04%

The actuarial accrued liability (AAL) is the present value of projected future benefits earned by employees to date. Whereas, the unfunded actuarial accrued liability (UAAL) is the AAL less any cash, investments, and other resources the University is holding to specifically fund the AAL.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Some of the specific assumptions that were taken into consideration when calculating the actuarial valuations were participant age, years of service, salary increases, benefit election patterns, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, shown as required supplementary information following the notes to the financial statements, presents the results of the University's OPEB valuation as of June 30, 2014.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan, the plan as understood by the employer and plan members. This includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial methods and assumptions incorporated in the UPlan's valuation are as follows:

Valuation date	7/1/2014
Actuarial cost method	Entry age
Amortization method	Level Dollar, Open Group
Remaining amortization period	20 years
Asset valuation method	N/A
Actuarial assumptions	
Investment rate of return	3.33%
Projected Payroll growth	4.00%
Benefit increase	N/A
Assumed inflation rate	3.00%
Healthcare cost trend rate	
Initial rate	6.50%
2nd year rate	6.40%
Ultimate rate	5.00%
Year ultimate rate reached	2060

12. Operating Expenses by Natural Classification

Operating expenses by natural classification for the year ended June 30, 2014, are summarized as follows:

Function	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	$ 663,245	$ 106,234			$ 769,479
Research	426,256	253,462			679,718
Public service	158,203	94,938			253,141
Academic support	300,725	94,202			394,927
Student services	91,033	25,542			116,575
Institutional support	193,901	62,740			256,641
Operation and maintenance of plant	116,123	169,815			285,938
Scholarships and fellowships	9,449	2,684	$ 42,386		54,519
Depreciation				$ 192,705	192,705
Auxiliary enterprises	105,836	150,232			256,068
Other operating expense		583			583
	$ 2,064,771	$ 960,432	$ 42,386	$ 192,705	$ 3,260,294

Operating expenses by natural classification for the year ended June 30, 2013, are summarized as follows:

Function	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	$ 637,233	$ 100,363			$ 737,596
Research	423,002	233,549			656,551
Public service	158,293	90,964			249,257
Academic support	284,620	82,645			367,265
Student services	86,978	23,252			110,230
Institutional support	151,181	46,138			197,319
Operation and maintenance of plant	110,147	156,847			266,994
Scholarships and fellowships	8,427	2,689	$ 39,319		50,435
Depreciation				$ 193,139	193,139
Auxiliary enterprises	96,224	139,187			235,411
Other operating expense		19			19
	$ 1,956,105	$ 875,653	$ 39,319	$ 193,139	$ 3,064,216

13. Subsequent Events

On August 6, 2014, the University issued General Obligation Bonds, Series 2014B in the par amount of $145,760. The proceeds will be used to fund the costs of construction of the Ambulatory Care Center and to pay capitalized interest during the construction period and costs of issuance. The 2014B bonds were issued at coupon rates of 2.0 – 5.0 percent with a premium of $13,778.

The Ambulatory Care Center is owned by the University and will be leased to University of Minnesota Physicians and Fairview Health Services.

14. Component Units

Discretely Presented Component Units

Based on significant balances reported in the University's discretely presented component units' Statements of Financial Position, the note disclosures for investments, temporarily restricted net assets, and permanently restricted net assets, as reported in the separately issued financial statements of the University of Minnesota Foundation (UMF), are presented below.

Investments

Investments in cash equivalents, corporate bonds, other fixed income securities, equity securities, and Treasury inflation protected securities with readily determinable fair values are reported at fair value as set forth in Note 3 of UMF's annual report (traditional structures). Investments held in alternative structures are recorded at net asset values provided by external investment managers as a practical expedient in determining fair value. Because such investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for such investments existed.

Donated investments are recorded at their fair values, as determined on the date of donation. Investment income and gains and losses are recorded in the period incurred.

For management efficiency, investments of the unrestricted and restricted net assets are pooled, except for certain net assets that the board of trustees or the donors have designated to be segregated and maintained separately.

Receivables from pending liquidations represent sales of investments made prior to the end of the fiscal year, but settled after the fiscal year-end.

The investments as of June 30, 2014, are summarized as follows:

	Traditional structures	Alternate structures	Total
Cash and cash equivalents	$ 406,328		$ 406,328
Fixed income	254,161	$ 78,417	332,578
Global equity	80,985	293,909	374,894
Hedge funds	22,909	378,697	401,606
Natural resources		128,701	128,701
Treasury inflation protected securities (TIPS)	74,983		74,983
Real estate		111,639	111,639
Private equity		471,463	471,463
Other investments		3,433	3,433
Subtotal	839,366	1,466,259	2,305,625
Less charitable gift annuities reported separately			(38,265)
Total			$ 2,267,360

Fixed income investments include high yield bonds, bank loans, mortgage, and related securitizations.

Investments held in traditional structures represent those held directly by UMF in custodial accounts with financial institutions. Investments held in alternative structures include those held through interests in collective trust funds, limited partnerships, commingled funds, and limited liability companies.

Net asset values provided by external investment managers for alternative structures include estimates, appraisals, assumptions, and methods that are reviewed by management. It is possible that the redemption rights may be restricted by the funds in the future in accordance with the underlying fund agreements. Changes in market conditions and the economic environment may impact the net asset value of the funds and, consequently, the fair value of UMF's interests in the funds. UMF has $1,466,259 of investments in alternative structures which are reported at net asset value as a practical expedient. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if UMF were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

Fair Value Measurements

UMF follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, UMF has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

> Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access.
>
> Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fixed income securities are generally traded in the over-the-counter market and are valued at a price that reflects fair value as quoted by dealers in these securities or by an independent pricing service. These prices are based on observable market data for the same or similar securities, including quoted prices in markets that are not active, or matrix pricing or other similar techniques that use observable market inputs, such as benchmark yields, expected prepayment speeds and volumes, and issuer ratings.
>
> Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table summarizes UMF's financial assets and other liabilities measured at fair value on a recurring basis as of June 30, 2014:

	Fair value measurements using			
	Level 1	Level 2	Level 3	Total
Investments:				
Fixed income:				
Asset backed securities		$ 59,901		$ 59,901
Mortgages		26,947		26,947
Alternative structures			$ 78,417	78,417
Corporate bonds	$ 50	9,369		9,419
Government	556	147,702		148,258
Other	6,266	3,370		9,636
Global equity:				
Small cap	37,959			37,959
Large cap	43,011			43,011
Alternative structures			293,909	293,909
Other		15		15
Hedge funds:				
Directional long biased equity			137,345	137,345
Fixed income arbitrage	22,910		81,620	104,530
Long/short nonequity			79,400	79,400
Market neutral equity			22,047	22,047
Structured credit			58,284	58,284
Natural resources			128,701	128,701
Real estate			111,639	111,639
Treasury inflation protected securities (TIPS)		74,983		74,983
Private equity:				
Buyout			141,979	141,979
Distressed			64,043	64,043
Special situations			45,419	45,419
Venture capital			220,022	220,022
Other investments			3,433	3,433
Total investments	$ 110,752	$ 322,287	$ 1,466,258	$ 1,899,297
Cash and cash equivalents				406,328
Total investments and cash				$ 2,305,625
Gift annuities not categorized above	$ 1,990			$ 1,990
Beneficial interest in perpetual trusts			$ 67,573	67,573
Assets held in charitable trusts	21,758	$ 3,744		25,502
Beneficial interest in trusts			4,341	4,341
UGC derivative financial instrument		(1,911)		(1,911)

There were no transfers between Level 1, Level 2, or Level 3 during the year ended June 30, 2014.

The changes in investments measured at fair value on a recurring basis included as Level 3 measurements are summarized as follows:

	Beginning balance at July 1, 2013	Investment income	Net realized and unrealized gains (losses)	Purchases	Sales	Ending balance at June 30, 2014
Fixed income:						
Alternative structures	$ 22,465		$ 1,670	$ 67,284	$ (13,002)	$ 78,417
Global equity:						
Alternative structures	223,555	$ 1,396	42,390	27,024	(456)	293,909
Hedge funds:						
Directional long-biased equity	139,344		12,984	10,000	(24,983)	137,345
Fixed income arbitrage	91,788		(3,589)	11,000	(17,579)	81,620
Long/short nonequity	49,188		5,560	25,000	(348)	79,400
Market neutral equity	24,279		2,475	5,000	(9,707)	22,047
Structured credit	43,776		12,508	2,000		58,284
Natural resources	110,296		8,044	17,698	(7,337)	128,701
Real estate	90,857		18,095	40,814	(38,127)	111,639
Private equity:						
Buyout	143,709		14,372	7,247	(23,349)	141,979
Distressed	69,367		11,894	4,531	(21,749)	64,043
Special situations	39,521		406	12,691	(7,199)	45,419
Venture capital	148,320		79,013	20,186	(27,497)	220,022
Other investments	3,378		(1)	145	(89)	3,433
Total	$ 1,199,843	$ 1,396	$ 205,821	$ 250,620	$ (191,422)	$ 1,466,258

The changes in other investments or financial assets measured at fair value on a recurring basis included as Level 3 measurements are summarized as follows:

	Beginning balance at July 1, 2013	Change in carrying value of trusts	Net realized and unrealized gains (losses)	Purchases/ Sales	Ending balance at June 30, 2014
Beneficial interest in trusts	$ 5,630	$ (1,289)			$ 4,341
Beneficial interest in perpetual trusts	67,619	(44)			67,575

Net Assets

Net assets of UMF and changes therein are classified into the following three categories:

1. Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of UMF.

2. Temporarily restricted net assets consist of contributions that have been restricted by the donor for specific purposes or are time restricted.

3. Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources be maintained permanently, but permit UMF to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Temporarily Restricted Net Assets

Temporarily restricted net assets are available as of June 30, 2014, for the following purposes.

The portion of unexpended investment return generated from donor-restricted endowment funds subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) consists of:

Capital improvement/facilities	$ 8,479
Faculty support	9,652
Scholarships and fellowships	133,737
Lectureships, professorships, and chairs	191,232
College program support	62,928
Research	13,469
Other	2,184
Subtotal	$ 421,681

Gifts and other unexpended revenues and gains available for:

Capital improvement/facilities	$ 118,783
Faculty support	15,142
Scholarships and fellowships	145,544
Lectureships, professorships, and chairs	40,742
College program support	370,911
Research	132,441
Trusts	12,878
Other	8,142
Subtotal	844,583
Total temporarily restricted net assets	$ 1,266,264

Permanently Restricted Net Assets

Permanently restricted net assets are restricted to investment in perpetuity. The permanently restricted net asset balances and purposes the income is expendable to support, as of June 30, 2014, are as follows:

Capital improvement/facilities	$ 7,744
Faculty support	21,612
Scholarships and fellowships	387,190
Lectureships, professorships, and chairs	339,752
College program support	80,276
Research	37,916
Trusts	74,337
Other	2,599
Total permanently restricted net assets	$ 951,426

Blended Component Units

Condensed statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows for fiscal years ended June 30, 2014 and 2013 for RUMINCO, Ltd, a blended component unit of the University, are as follows:

Condensed statements of net position:	**2014**	**2013**
Current assets	$ 648	$ 398
Noncurrent assets	38,816	35,633
Total assets	39,464	36,031
Deferred outflows of resources		
Total assets & deferred outflows of resources	39,464	36,031
Current liabilities	1,615	2,103
Noncurrent liabilities	1,817	1,644
Total liabilities	3,432	3,747
Deferred inflows of resources		
Total liabilities & deferred inflows of resources	3,432	3,747
Unrestricted net position	$ 36,032	$ 32,284

Condensed statements of revenues, expenses, and changes in net position:	**2014**	**2013**
Operating revenues:		
Net underwriting income	$ 589	$ 2,030
Operating expenses	1,029	1,036
Operating income (loss)	(440)	994
Nonoperating revenues:		
Investment income, net	4,188	2,969
Increase in net position	3,748	3,963
Net position at beginning of year	32,284	28,321
Net position at end of year	$ 36,032	$ 32,284

Condensed statements of cash flows:	**2014**	**2013**
Net cash provided (used) by:		
Operating activities	$ (360)	$ 1,134
Investing activities	403	(1,162)
Net increase (decrease) in cash	43	(28)
Cash at beginning of year	67	95
Cash at end of year	$ 110	$ 67

Required Supplementary Information

Required Supplementary Information (RSI) (Unaudited)
Years ended June 30, 2014 and 2013 (in thousands)

Schedule of Funding Progress for the Supplemental Benefits Plan (SBP)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL)—entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
7/1/2013	$ 1,761	$ 4,219	$ 2,458	41.74%	$ 558	440.50%
7/1/2012	1,883	4,672	2,789	40.30%	659	423.22%
7/1/2011	2,106	5,263	3,157	40.02%	731	431.87%

Additional information related to the SBP Plan is provided in Note 6.

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL)—entry age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
7/1/2014		$ 113,145	$ 113,145	0.00%	$ 1,252,154	9.04%
7/1/2013		94,555	94,555	0.00%	1,203,994	7.85%
7/1/2012		116,182	116,182	0.00%	1,222,548	9.50%

Additional information related to OPEB is provided in Note 11.

Supplemental Schedules

as of and for the Years Ended June 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULES

The Board of Regents
University of Minnesota
Minneapolis, Minnesota

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements as of and for the years ended June 30, 2014 and 2013, as a whole. The accompanying schedules of net position by campus, and of revenues, expenses, and changes in net position by campus as of and for the years ended June 30, 2014 and 2013 are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. These schedules are the responsibility of the University's management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such schedules directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion such schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Deloitte & Touche LLP

October 29, 2014

Statements of Net Position by Campus
June 30, 2014 (in thousands)

	Crookston	Duluth	Morris	Rochester	Twin Cities	Total
Assets						
Current assets						
Cash and cash equivalents	$ 6,128	$ 39,996	$ 5,470	$ 2,347	$ 189,108	$ 243,049
Short-term investments					676	676
Receivables, net	194	7,448	1,147	587	293,048	302,424
Inventories	174	2,331	101		19,913	22,519
Student loans receivable, net	111	1,657	228		7,903	9,899
Prepaid expenses		438			10,596	11,034
Other assets					376	376
Total current assets	6,607	51,870	6,946	2,934	521,620	589,977
Noncurrent assets						
Restricted cash and cash equivalents					66,888	66,888
Investments	3,207	97,237	3,491		1,987,783	2,091,718
Receivables, net			45	3,505	11,004	14,554
Student loan receivables, net	530	8,412	1,131		47,072	57,145
Prepaid expenses		15	3		1,616	1,634
Other assets						
Capital assets, net	41,401	209,717	66,765	36,760	2,545,851	2,900,494
Total noncurrent assets	45,138	315,381	71,435	40,265	4,660,214	5,132,433
Total assets	51,745	367,251	78,381	43,199	5,181,834	5,722,410
Deferred Outflows of Resources						
Total deferred outflows of resources						
Total assets and deferred outflows of resources	51,745	367,251	78,381	43,199	5,181,834	5,722,410
Liabilities						
Current liabilities						
Accounts payable	647	5,641	857	544	123,714	131,403
Accrued liabilities and other	1,227	18,151	2,236	657	222,118	244,389
Unearned income	971	4,183		46	63,327	68,527
Long-term debt-current portion					272,026	272,026
Total current liabilities	2,845	27,975	3,093	1,247	681,185	716,345
Noncurrent liabilities						
Accrued liabilities and other	1,704	18,468	2,931	309	181,948	205,360
Unearned income					3,158	3,158
Long-term debt					1,010,481	1,010,481
Total noncurrent liabilities	1,704	18,468	2,931	309	1,195,587	1,218,999
Total liabilities	4,549	46,443	6,024	1,556	1,876,772	1,935,344
Deferred Inflows of Resources						
Total deferred inflows of resources						
Total liabilities and deferred inflows of resources	4,549	46,443	6,024	1,556	1,876,772	1,935,344
Net Position						
Unrestricted	661	1,835	(3,961)	2,014	811,807	812,356
Restricted						
Expendable	4,117	44,738	8,480	2,869	943,987	1,004,191
Nonexpendable	1,017	64,711	1,074		222,564	289,366
Net investment in capital assets	41,401	209,524	66,764	36,760	1,326,704	1,681,153
Total net position	$ 47,196	$ 320,808	$ 72,357	$ 41,643	$ 3,305,062	$ 3,787,066

Statements of Net Position by Campus

June 30, 2013 (in thousands)

	Crookston	Duluth	Morris	Rochester	Twin Cities	Total
Assets						
Current assets						
Cash and cash equivalents	$ 5,815	$ 38,472	$ 6,917	$ (1,790)	$ 144,592	$ 194,006
Short-term investments					89,534	89,534
Receivables, net	94	7,573	676	1,264	287,414	297,021
Inventories	152	2,218	121		20,063	22,554
Student loans receivable, net	104	1,391	226		12,136	13,857
Prepaid expenses	31	412	41		11,544	12,028
Other assets					376	376
Total current assets	6,196	50,066	7,981	(526)	565,659	629,376
Noncurrent assets						
Restricted cash and cash equivalents					87,005	87,005
Investments	2,881	86,492	3,133		1,796,650	1,889,156
Receivables, net			50	3,643	455	4,148
Student loan receivables, net	511	8,320	1,150		44,107	54,088
Prepaid expenses					5,636	5,636
Other assets					15	15
Capital assets, net	42,442	214,118	68,610	39,769	2,511,975	2,876,914
Total noncurrent assets	45,834	308,930	72,943	43,412	4,445,843	4,916,962
Total assets	52,030	358,996	80,924	42,886	5,011,502	5,546,338
Deferred Outflows of Resources						
Total deferred outflows of resources						
Total assets and deferred outflows of resources	52,030	358,996	80,924	42,886	5,011,502	5,546,338
Liabilities						
Current liabilities						
Accounts payable	578	4,241	768	379	128,988	134,954
Accrued liabilities and other	1,691	16,892	2,315	657	217,846	239,401
Unearned income	1,018	4,166	142	51	63,368	68,745
Long-term debt-current portion					285,416	285,416
Total current liabilities	3,287	25,299	3,225	1,087	695,618	728,516
Noncurrent liabilities						
Accrued liabilities and other	1,804	17,398	2,700	275	162,387	184,564
Unearned income					162	162
Long-term debt					1,015,314	1,015,314
Total noncurrent liabilities	1,804	17,398	2,700	275	1,177,863	1,200,040
Total liabilities	5,091	42,697	5,925	1,362	1,873,481	1,928,556
Deferred Inflows of Resources						
Total deferred inflows of resources						
Total liabilities and deferred inflows of resources	5,091	42,697	5,925	1,362	1,873,481	1,928,556
Net Position						
Unrestricted	1,398	7,909	1,627	(522)	809,734	820,146
Restricted						
Expendable	2,427	35,187	3,946	2,277	821,982	865,819
Nonexpendable	1,018	59,085	1,052		216,446	277,601
Net investment in capital assets	42,096	214,118	68,374	39,769	1,289,859	1,654,216
Total net position	$ 46,939	$ 316,299	$ 74,999	$ 41,524	$ 3,138,021	$ 3,617,782

Statements of Revenues, Expenses, and Changes in Net Position by Campus

Year ended June 30, 2014 (in thousands)

	Crookston	Duluth	Morris	Rochester	Twin Cities	Total
Revenues						
Operating revenues						
Student tuition and fees, net	$ 11,345	$ 90,151	$ 10,037	$ 7,182	$ 614,106	$ 732,821
Federal grants and contracts	226	8,292	294		471,365	480,177
State and other government grants	68	4,312	51		59,417	63,848
Nongovernmental grants and contracts	306	2,412	1,496	21	288,559	292,794
Student loan interest income	16	280	30		1,505	1,831
Sales and services of educational activities, net	422	4,843	205	37	139,796	145,303
Auxiliary enterprises, net	3,935	37,130	7,438	1,738	326,208	376,449
Other operating revenues					137	137
Total operating revenues	16,318	147,420	19,551	8,978	1,901,093	2,093,360
Expenses						
Operating expenses						
Educational and general						
Instruction	9,872	68,042	12,423	2,499	676,643	769,479
Research	113	18,327	1,098	619	659,561	679,718
Public service	317	8,238	746	19	243,821	253,141
Academic support	3,077	24,191	4,571	1,386	361,702	394,927
Student services	2,521	14,623	4,512	1,636	93,283	116,575
Institutional support	2,434	12,690	2,901	5,119	233,497	256,641
Operation and maintenance of plant	4,207	26,346	6,561	143	248,681	285,938
Scholarships and fellowships	424	1,931	1,245	89	50,830	54,519
Depreciation	2,249	12,611	4,239	3,140	170,466	192,705
Auxiliary enterprises	5,770	30,672	8,949	160	210,517	256,068
Other operating expenses, net	(6)	59	(42)		572	583
Total operating expenses	30,978	217,730	47,203	14,810	2,949,573	3,260,294
Operating Loss	(14,660)	(70,310)	(27,652)	(5,832)	(1,048,480)	(1,166,934)
Nonoperating Revenues (Expenses)						
Federal appropriations					19,072	19,072
State appropriations	8,926	35,592	19,158	7,597	543,518	614,791
Grants	4,328	23,171	5,848		167,548	200,895
Gifts	778	5,283	1,153	71	189,887	197,172
Investment income, net	228	4,342	259		229,578	234,407
Interest on capital asset-related debt					(45,637)	(45,637)
Other nonoperating revenues (expenses), net	7	(1,841)	333	(219)	(200)	(1,920)
Net nonoperating revenues	14,267	66,547	26,751	7,449	1,103,766	1,218,780
Income (Loss) Before Other Revenues	(393)	(3,763)	(901)	1,617	55,286	51,846
Capital appropriations					83,081	83,081
Capital grants and gifts		1,055	(39)		21,913	22,929
Additions to permanent endowments		2,833	28		8,567	11,428
Transfers	3,737	24,143	2,568	1,912	(32,360)	
Other internal charges	(3,087)	(19,759)	(4,298)	(3,410)	30,554	
Total other revenues (expenses)	650	8,272	(1,741)	(1,498)	111,755	117,438
Increase (Decrease) in Net Position	257	4,509	(2,642)	119	167,041	169,284
Net position at beginning of year	46,939	316,299	74,999	41,524	3,138,021	3,617,782
Net position at end of year	$ 47,196	$ 320,808	$ 72,357	$ 41,643	$ 3,305,062	$ 3,787,066

Statements of Revenues, Expenses, and Changes in Net Position by Campus

Year ended June 30, 2013 (in thousands)

	Crookston	Duluth	Morris	Rochester	Twin Cities	Total
Revenues						
Operating revenues						
Student tuition and fees, net	$ 10,906	$ 91,844	$ 10,440	$ 5,962	$ 601,358	$ 720,510
Federal grants and contracts	462	7,961	421	50	488,550	497,444
State and other government grants	39	2,480	31	2	58,223	60,775
Nongovernmental grants and contracts	404	2,985	685	166	273,964	278,204
Student loan interest income	19	304	46		1,498	1,867
Sales and services of educational activities, net	393	4,717	190	12	150,661	155,973
Auxiliary enterprises, net	3,875	37,235	5,950	1,392	317,007	365,459
Other operating revenues					135	135
Total operating revenues	16,098	147,526	17,763	7,584	1,891,396	2,080,367
Expenses						
Operating expenses						
Educational and general						
Instruction	9,545	61,806	12,134	2,030	652,081	737,596
Research	139	17,265	919	516	637,712	656,551
Public service	565	7,827	521	117	240,227	249,257
Academic support	3,106	23,758	4,795	1,523	334,083	367,265
Student services	2,526	13,553	4,553	1,718	87,880	110,230
Institutional support	2,728	13,045	3,097	4,394	174,055	197,319
Operation and maintenance of plant	4,471	24,640	6,261		231,622	266,994
Scholarships and fellowships	433	1,985	1,209	116	46,692	50,435
Depreciation	1,747	12,472	3,881	3,072	171,967	193,139
Auxiliary enterprises	5,128	31,047	6,946	137	192,153	235,411
Other operating expenses, net	(8)	5	(53)		75	19
Total operating expenses	30,380	207,403	44,263	13,623	2,768,547	3,064,216
Operating Loss	(14,282)	(59,877)	(26,500)	(6,039)	(877,151)	(983,849)
Nonoperating Revenues (Expenses)						
Federal appropriations					22,039	22,039
State appropriations	8,541	30,816	18,756	7,428	509,950	575,491
Grants	4,595	22,677	5,508		162,361	195,141
Gifts	623	4,955	664	80	152,845	159,167
Investment income, net	204	4,156	256		118,181	122,797
Interest on capital asset-related debt					(44,035)	(44,035)
Other nonoperating revenues (expenses), net	15	(97)	283	(5)	3,237	3,433
Net nonoperating revenues	13,978	62,507	25,467	7,503	924,578	1,034,033
Income (Loss) Before Other Revenues	(304)	2,630	(1,033)	1,464	47,427	50,184
Capital appropriations					98,396	98,396
Capital grants and gifts		555	31	5,800	22,415	28,801
Additions to permanent endowments		6,153	6		6,299	12,458
Transfers	5,673	(13,236)	4,067	14,801	(11,305)	
Other internal charges	(3,122)	(19,662)	(4,209)	(3,005)	29,998	
Total other revenues (expenses)	2,551	(26,190)	(105)	17,596	145,803	139,655
Increase (Decrease) in Net Position	2,247	(23,560)	(1,138)	19,060	193,230	189,839
Net position at beginning of year	44,692	339,859	76,137	22,464	2,944,791	3,427,943
Net position at end of year	$ 46,939	$ 316,299	$ 74,999	$ 41,524	$ 3,138,021	$ 3,617,782

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Regents
University of Minnesota
Minneapolis, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated statement of net position of the University of Minnesota (the "University") as of June 30, 2014, the related consolidated statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the consolidated financial statements, which collectively comprise the University's basic consolidated financial statements, and have issued our report thereon dated October 29, 2014. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, as described in our report on the University's consolidated financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

October 29, 2014

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE STATE SUPPORTED BOND ORDER

A brief description of the State Supported Bond Order and the definition of certain terms used therein and herein are contained in this APPENDIX C. All references to the State Supported Bond Order are qualified in their entirety by reference to the State Supported Bond Order.

Definitions of Certain Terms

"*Bond Account*" means the debt service account established for the Bonds by the State Supported Bond Order.

"*Bond Counsel*" means any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt financing, selected by the University.

"*Bondowner*", "*owner*" or "*Holder*" or any similar term, when used with reference to a Bond or Bonds, means any Person who is the registered owner of any Bond.

"*Bonds*" means the Series 2015A Bonds.

"*Business Day*" means any day other than a Saturday, Sunday or day on which the New York Stock Exchange or banking institutions are authorized or required by law or executive order to be closed for commercial banking purposes in New York or Minnesota.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time.

"*Commissioner*" means the Commissioner of the Department of Management and Budget of the State.

"*Defeasance Escrow*" means an escrow fund established in accordance with the State Supported Bond Order with respect to any Defeased Bonds.

"*Defeasance Obligations*" means non-callable direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

"*Defeased Bonds*" means any Bonds as to which the obligations of the University with respect thereto have been discharged in accordance with the State Supported Bond Order.

"*Opinion of Bond Counsel*" means a written opinion of Bond Counsel.

"*Outstanding*" when used in reference to Bonds, means as of a particular date, all Bonds authenticated and delivered under the State Supported Bond Order except: (i) any Bond cancelled by the Paying Agent at or before such date; (ii) any Bond or portion thereof, paid or deemed paid; and (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the State Supported Bond Order.

"*Person*" means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, any unincorporated organization, a limited liability company, a governmental body or a political subdivision, a municipality, a municipal authority or any other group or organization of individuals.

"*Record Date*" means with respect to the Series 2015A Bonds, the fifteenth day of the month preceding a date on which an interest payment is due, whether or not such day is a Business Day.

"*Series 2006 Bonds*" means the University's Special Purpose Revenue Bonds (State Supported Stadium Debt), Series 2006.

"*Regents*" means the Board of Regents of the University.

"*Series 2015A Bonds*" means the Special Purpose Revenue Refunding Bonds (State Supported Stadium Debt) Series 2015A of the University, authorized to be issued under the State Supported Bond Order.

"Stadium Act Refunding Agreement" means the Stadium Act Refunding Agreement dated as of August __, 2015, between the State and the University.

"State" means the State of Minnesota.

"State Payments" means the amounts payable to the University by the State pursuant to Minnesota Statutes, Section 137.54(b).

"University" means Regents of the University of Minnesota.

Appointment of Paying Agent; Payments by University to Paying Agent

U.S. Bank National Association, St. Paul, Minnesota, is appointed to serve as the initial Paying Agent with respect to the Bonds. After receipt of the State Payments, the Treasurer of the University shall transmit to the Paying Agent, from the State Payments, moneys sufficient to timely pay all principal and interest due on the Bonds during the same fiscal year. The University agrees in the State Supported Bond Order to deposit State Payments in the Bond Account to the extent necessary to pay principal and interest on the Bonds.

Security Provisions

In the State Supported Bond Order the University pledges the State Payments received by the University to the extent necessary to pay the principal of and interest on the Bonds as the same become due. Neither the full faith and credit nor any funds or revenues of the University (aside from the State Payments) is pledged to the obligation of the University to pay the principal of and the interest on the Bonds as the same come due. By the State Supported Bond Order the Bond Account is established on the books and records of the University as a separate bookkeeping account. The University covenants in the State Supported Bond Order to deposit State Payments immediately upon receipt into the Bond Account in an amount necessary to make payments of principal and interest on the Bonds during the same fiscal year and payments due on the Bonds shall be made from amounts in the Bond Account. By the State Supported Bond Order the University pledges the Bond Account and any amounts deposited therein to the payment of the principal of and interest on the Bonds as the same become due.

The University agrees in the State Supported Bond Order that it will faithfully perform at all times any and all agreements, undertakings, stipulations and provisions contained in the State Supported Bond Order, in any and every Bond, and in all proceedings of the University pertaining thereto. The University represents and warrants in the State Supported Bond Order that it is authorized under the laws of the State of Minnesota to issue the Bonds and to execute, deliver and perform the State Supported Bond Order, and that all action on its part for the issuance of the Bonds and the execution, delivery and performance of the State Supported Bond Order has been effectively taken, and that the Bonds are and will be legal, valid, binding and enforceable special purpose revenue obligations of the University according to the import thereof.

In the State Supported Bond Order the University covenants to comply with the Stadium Act Refunding Agreement and to take all such action, and not omit to take any action, on the part of the University necessary to assure full and timely receipt, in accordance with the Stadium Act Refunding Agreement, of State Revenues.

Procedures for Payment of Principal and Interest on Bonds

When Bonds are not in the book-entry only system, interest shall be payable on each interest payment date of any Bonds by check or draft issued by the Paying Agent to the registered owner at his or her address as it appears on the registration books kept by the Paying Agent at the close of business on the Record Date. Except as provided above, payment of the principal of all Bonds shall be made upon the presentation and surrender of such Bonds at the principal office of the Paying Agent as the same shall become due and payable. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

Paying Agent

The effect of registration of the ownership of the Bonds by the Paying Agent and the rights and duties of the University and the Paying Agent with respect thereto shall be as follows:

(a) *Bond Register*. The Paying Agent shall keep at its principal office a bond register (the "Bond Register") in which the Paying Agent shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

(b) *Transfer of Bonds*. Upon surrender for transfer of any Bond duly endorsed by the owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Paying Agent, duly executed by the owner thereof or by an attorney duly authorized by the owner in writing, the Paying Agent shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like series, stated maturity, aggregate principal amount, interest rate and authorized denomination, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the Record Date preceding each interest payment date until such interest payment date.

(c) *Exchange of Bonds*. Whenever any Bonds are surrendered by the owner for exchange the Paying Agent shall authenticate and deliver one or more new Bonds of a like series, stated maturity, aggregate principal amount, interest rate and authorized denomination, as requested by the owner or the owner's attorney, in writing. No exchange of Bonds shall be required to be made by a Paying Agent after a Record Date until the next succeeding Interest Payment Date.

(d) *Cancellation*. All Bonds surrendered upon any transfer or exchange shall be promptly canceled by the Paying Agent. The University may at any time deliver to the Paying Agent for cancellation any Bonds previously issued and authenticated under the State Supported Bond Order which the University may have acquired in any manner whatsoever, and all Bonds so delivered by the University shall be promptly canceled by the Paying Agent.

(e) *Improper or Unauthorized Transfer*. When any Bond is presented to the Paying Agent for transfer, the Paying Agent may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Paying Agent shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) *Persons Deemed Owners*. The University and the Paying Agent shall treat the person in whose name any Bond is at any time registered in the Bond Register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the registered owner's written order shall be valid and effectual to satisfy and discharge the University's liability upon such Bond to the extent of the sum or sums so paid.

(g) *Taxes, Fees and Charges*. For every transfer or exchange of Bonds, the Paying Agent may impose a charge upon the owner thereof sufficient to reimburse the Paying Agent for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) *Mutilated, Lost, Stolen and Destroyed Bonds*. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Paying Agent shall deliver a new Bond of like series, stated maturity, principal amount, interest rate and authorized denomination in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Paying Agent in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Paying Agent of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Paying Agent of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the University and the Paying Agent shall be named as obligees. All Bonds so surrendered to the Paying Agent shall be canceled by it and evidence of such cancellation shall be given to the University. If the mutilated, destroyed, stolen or lost Bond has already matured or been called for redemption, it shall not be necessary to issue a new Bond prior to payment.

Covenants with Respect to Tax Exemption of Series 2015A Bonds

By the State Supported Bond Order, the University covenants and agrees with the owners from time to time of the Series 2015A Bonds that it will not take or permit to be taken or omit to take or cause to be taken by any of its officers, employees or agents any action the taking or omission of which, as applicable, would cause the interest on any Bonds to become includable in gross income under the Code and the Treasury Regulations promulgated thereunder (the "Regulations") as in effect at the time of issuance of the Series 2015A Bonds or subject to the inclusion in taxable net income of individuals, estates or trusts for Minnesota income tax purposes, and covenants to take any and all actions within its powers to ensure that the interest on the Series 2015A Bonds will not become includable in gross income under the Code and the Regulations or includable in taxable net income of individuals, estates and trusts for Minnesota income tax purposes.

Defeasance of Bonds

The University may at any time discharge its obligations with respect to payment of the principal of and interest on any Bonds, subject to the provisions of law authorizing and regulating such action, by depositing irrevocably in escrow, with a bank or trust company qualified by law as an escrow agent for this purpose, cash or Defeasance Obligations, bearing interest payable at such time and at such rates and maturing on such dates as shall be required, without reinvestment, to pay all principal and interest to become due thereon to the maturity thereof, or in the case of Bonds subject to mandatory sinking fund redemption, the applicable mandatory redemption date for such Bonds, and in the case of any Bonds called for redemption in accordance with the State Supported Bond Order, to the redemption date of such Bonds.

The University covenants that prior to the establishment of any Defeasance Escrow it will obtain an Opinion of Bond Counsel to the effect that (i) the establishment of such Defeasance Escrow will not have an adverse effect on the exclusion from gross income of the interest on any Bonds, if any, for United States income tax purposes or from taxable net income of individuals, estates or trusts for Minnesota income tax purposes, and (ii) upon the establishment of the Defeasance Escrow the Bonds secured by such Defeasance Escrow will no longer be Outstanding under the State Supported Bond Order.

If any such deposit is made by the University with respect to fewer than all of the Bonds of any maturity of a series of Bonds, the Bonds of such series and maturity to be secured by such deposit shall be selected by the Paying Agent by lot. Upon such deposit with respect to any Bonds, the obligations of the University with respect to the payment of the principal of and interest on such Bonds shall be discharged and such Bonds shall constitute Defeased Bonds and such Defeased Bonds shall be secured thereafter only by the Defeasance Escrow established with respect to such Defeased Bonds.

Supplements and Amendments to the State Supported Bond Order

(a) Without the consent of the owners of any Bonds, the University, may, at any time and from time to time, enter into one or more instruments to supplement the State Supported Bond Order, for any one of the following purposes:

1. To add to the covenants of the University, for the benefit of the owners of the Bonds, or to surrender any right or power herein conferred upon the University; or

2. To add to the covenants of the University, for the benefit of the owners of the Bonds or of any series of Bonds, or to surrender any right or power herein conferred upon the University; or

3. To add, modify or eliminate any provision which, in the Opinion of Bond Counsel to the University, it is necessary or desirable to add, modify or eliminate in order to preserve the exemption of interest on any Bonds from federal or State of Minnesota income taxation; or

4. To cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under the State Supported Bond Order which shall not be inconsistent with the provisions of the State Supported Bond Order, provided such action shall not adversely affect the interests of the owners of the Bonds then Outstanding.

(b) With the consent of the owners of not less than a majority in aggregate principal amount of the Bonds Outstanding which are affected by such supplement to the State Supported Bond Order, the University may enter into an instrument or instruments supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the State Supported Bond Order or of modifying in any manner the rights of the owners of the Bonds under the State Supported Bond Order; provided, however, that no such instrument shall, without the consent of the Owner of each Outstanding Bond affected thereby,

1. change the maturity of the principal of, or any interest payment date of, any Bond, or reduce the principal amount thereof or the interest thereon, or change the coin or currency in which any Bond or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the maturity thereof, or

2. reduce the percentage in principal amount of the Outstanding Bonds the consent of whose owners is required for any such supplement, or

3. modify any of the provisions of this subsection (b) except to increase any such percentage or to provide that certain other provisions of the State Supported Bond Order cannot be modified or waived without the consent of the owner of each Bond affected thereby.

For all purposes of this subsection (b), Bonds shall be deemed to be "affected" by a supplement to the State Supported Bond Order if such supplement adversely affects or diminishes the rights of owners thereof against the University.

It shall not be necessary for the owners of the Bonds under this subsection (b) to approve the particular form of any proposed supplement to the State Supported Bond Order, but it shall be sufficient if such consent shall approve the substance thereof.

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APPENDIX D

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

Regents of the University of Minnesota
Minneapolis, Minnesota

Barclays Capital Inc., as representative
New York, New York

Re: Regents of the University of Minnesota
Special Purpose Revenue Refunding Bonds (State Supported Stadium Debt) Series 2015A

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Regents of the University of Minnesota (the "University") of its Special Purpose Revenue Refunding Bonds (State Supported Stadium Debt) Series 2015A in the aggregate principal amount of $90,075,000 (the "Bonds"), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the University in the authorization, sale and issuance of the Bonds, including the Order of the University dated as of August 1, 2015 (the "August 1, 2015 State Supported Bond Order"), executed by the President and Treasurer of the University, the Stadium Act Refunding Agreement dated as of August 26, 2015 (the "Stadium Act Refunding Agreement"), between the University and the State of Minnesota (the "State"), acting by and through its Commissioner of the Department of Management and Budget (the "Commissioner"), and the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of the State Supported Bond Order, the Stadium Act Refunding Agreement and such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds have been duly authorized and issued by the University and are valid and binding special limited obligations of the University, enforceable in accordance with their terms except to the extent to which enforceability thereof may be limited by State or federal laws relating to bankruptcy, reorganization, moratorium, and other laws relating to or affecting the enforcement of creditors' rights. The principal of and interest on the Bonds are payable from specified transfers to be made by the Commissioner from an appropriation from the General Fund of the State (the "State Transfers") pursuant to Minnesota Statutes, Section 137.54 (b), which State Transfers have been validly pledged by the University to the payment of the principal of and interest on the Bonds pursuant to the State Supported Bond Order, but the Bonds are not payable from any other funds of the University. The Bonds are not an indebtedness or other obligation of the State, are not public debt of the State, and the full faith and credit and taxing powers of the State is not pledged for their payment. The appropriation from the General Fund of the State of the State Transfers and the payment by the Commissioner of the State Transfers to the University, does not require any further State or other approval.

2. The Stadium Act Refunding Agreement has been duly and validly authorized, executed and delivered by the University and, assuming the due authorization, execution and delivery thereof by the State, is in full force and effect and is a valid and binding obligation of the University enforceable in accordance with its terms except to the extent to which enforceability thereof may be limited by State or federal laws relating to bankruptcy, reorganization, moratorium, and other laws relating to or affecting the enforcement of creditors' rights.

3. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes; (b) is included in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; (c) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and (d) is included in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the University comply with all the requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded

from gross income for federal income tax purposes. The University has covenanted in the State Supported Bond Order to comply with these continuing requirements. Failure of the University to comply with these requirements may result in the inclusion of interest on the Bonds in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal or state tax consequences arising with respect to the Bonds.

Dated this 26th day of August 2015.

Very truly yours,

APPENDIX E

SUMMARY OF CONTINUING DISCLOSURE CERTIFICATE

The Continuing Disclosure Certificate generally described under the caption "CONTINUING DISCLOSURE" of this Official Statement is summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Continuing Disclosure Certificate.

The Continuing Disclosure Certificate (the "Disclosure Certificate") is being executed and delivered by Regents of the University of Minnesota (herein the "Issuer") in connection with the execution and delivery of the Series 2015A Bonds. The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. The Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners and Beneficial Owners of the Regents of the University of Minnesota Special Purpose Revenue Refunding Bonds (State Supported Stadium Debt), Series 2015A (the "Series 2015A Bonds") and in order to assist the Underwriters in complying with the Rule (as hereinafter defined).

SECTION 2. Definitions. In addition to the definitions set forth in the Order of the University dated as of August 1, 2015 (the "State Supported Bond Order"), which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of the Disclosure Certificate.

"Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015A Bonds (including persons holding Series 2015A Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" means the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by the Disclosure Certificate.

"Notice Events" means any of the events listed in Section 5(a) of the Disclosure Certificate.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" means the State of Minnesota.

"Underwriter" means Barclays Capital Inc.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the December 31 following the end of each of the Issuer's Fiscal Years (presently June 30), commencing with the report for the 2015 Fiscal Year, provide to the MSRB, an Annual Report which is consistent with the requirements of Section 4 of the Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of the Disclosure Certificate; provided that the Comprehensive Annual Financial Report of the State and the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Notice Event under Section 5(b).

(b) Not later than fifteen (15) Business Days prior to the date set forth in paragraph (a) above, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send a notice to the MSRB in substantially the form attached to the Disclosure Certificate as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the MSRB; and

(ii) (if the Dissemination Agent is other than the Issuer), file a report with the Issuer certifying that the Annual Report has been provided pursuant to the Disclosure Certificate, stating the date it was provided and listing, as recipients of the Annual Report, the MSRB.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(1) The Comprehensive Annual Financial Report of the State for the State's Fiscal Year ending on the previous June 30, prepared by the Commissioner of the Department of Management and Budget in accordance with generally accepted accounting principles for governmental entities as prescribed by the Government Accounting Standards Board as in effect from time to time or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles, noting the variances therefrom and the effect thereof, together with an independent auditor's report prepared with respect thereto by the Office of the Legislative Auditor of the State or other auditing authority designated by State law;

(2) To the extent not included in the financial statements referred to in clause (1) hereof, the numerical and tabular information for such Fiscal Year of the type contained in the Official Statement of the State dated August 5, 2015, with respect to its $1,076,980,000 General Obligation State Bonds;

(3) The audited financial statements of the Issuer for the Issuer's Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the audited financial statements of the Issuer are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(4) To the extent not contained in the audited financial statements referred to in clause (1) hereof, numerical and tabular information for such Fiscal Year of the type contained in APPENDIX A to the Official Statement relating to the Series 2015A Bonds, in the following sections or under the following captions:

(a) The section headed "Campuses and Enrollment";

(b) The section headed "Accreditation and Degrees";

(c) The section headed "Degrees Conferred";

(d) The section headed "Freshman Applications, Acceptances and Matriculants at All Campuses";

(e) The section headed "Academic and Other Employees";

(f) The section headed "Financial Operations";

(g) The section headed "Outstanding Indebtedness";

(h) The section headed "Endowment and Other Investments";

(i) The section headed "Cash and Cash Equivalents";

(j) The section headed “Component Units—Foundations”; and

(k) The section headed “Insurance”.

The University has not undertaken in the Disclosure Certificate to provide all information an investor may want to have in making decisions to hold, sell or buy Series 2015A Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the State, the Issuer or related public entities, which have been submitted to the MSRB, or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

If any part of the information described in clauses (2) or (4) hereof can no longer be generated because the operations of the State or of the University have materially changed or been discontinued, such information need no longer be provided if the Issuer’s Annual Report includes a statement to such effect; provided; however, if such operations have been replaced by other State or University operations in respect of which data is not included in the Issuer’s Annual Report and the University determines that certain specified data regarding such replacement operations would be a Notice Event, then, from and after such determination, the Issuer’s Annual Report shall include such additional specified data regarding the replacement operations. If the Issuer’s Annual Report is changed or this Section 4 is amended as permitted by this paragraph or Section 8 hereof, then the next Issuer’s Annual Report to be delivered hereunder shall include, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

SECTION 5. Reporting of Notice Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to any of the Series 2015A Bonds, whether relating to the Issuer or otherwise:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) modifications to rights of holders of the Series 2015A Bonds, if material;

(4) Series 2015A Bond calls, if material, and tender offers;

(5) defeasances;

(6) rating changes;

(7) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Series 2015A Bonds, or other material events affecting the tax-exempt status of the Series 2015A Bonds;

(8) unscheduled draws on the debt service reserves reflecting financial difficulties;*

(9) unscheduled draws on the credit enhancements reflecting financial difficulties;*

(10) substitution of the credit or liquidity providers or their failure to perform;*

(11) release, substitution or sale of property securing repayment of the Series 2015A Bonds, if material;*

* *Not applicable at date of initial delivery.*

(12) bankruptcy, insolvency, receivership or similar event of the Issuer, which for the purposes of the event identified in this clause, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(14) appointment of a successor or additional paying agent or the change of name of a paying agent, if material.

(b) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to the MSRB. Notwithstanding the foregoing, notice of Notice Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series 2015A Bonds pursuant to the State Supported Bond Order.

(c) Any notice of a defeasance of the Series 2015A Bonds shall state whether the Series 2015A Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under the Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Series 2015A Bonds. If such termination occurs prior to the final maturity date of the Series 2015A Bonds, the Issuer shall give notice of such termination in the same manner as for a Notice Event under Section 5(b).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to the Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the Issuer may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2015A Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2015A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Series 2015A Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Notice Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in the Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the names of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by the Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Notice Event in addition to that which is specifically required by the Disclosure Certificate, the issuer shall have no obligation under the Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Notice Event.

SECTION 10. Default. If the Issuer fails to comply with any provision of the Disclosure Certificate, any Owner or Beneficial Owner of Series 2015A Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the State Supported Bond Order, and the sole remedy under the Disclosure Certificate for any failure of the Issuer to comply with the Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. A Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Certificate, and the Issuer agrees to indemnify and save such Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2015A Bonds.

SECTION 12. Beneficiaries. The Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, the Underwriters and Owners and Beneficial Owners from time to time of the Series 2015A Bonds, and shall create no rights in any other person or entity.

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OMNIBUS VINCULUM ARTIBUS COMMUNE

REGENTS OF THE UNIVERSITY OF MINNESOTA

REGENTS OF THE UNIVERSITY OF MINNESOTA • SPECIAL PURPOSE REVENUE REFUNDING BONDS (STATE SUPPORTED STADIUM DEBT) SERIES 2015A

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