

9: Finances

To successfully carry out its mission and remain accountable to all its constituents, the University of Minnesota must maintain a position of strong financial health. This section articulates specific financial goals regarding:

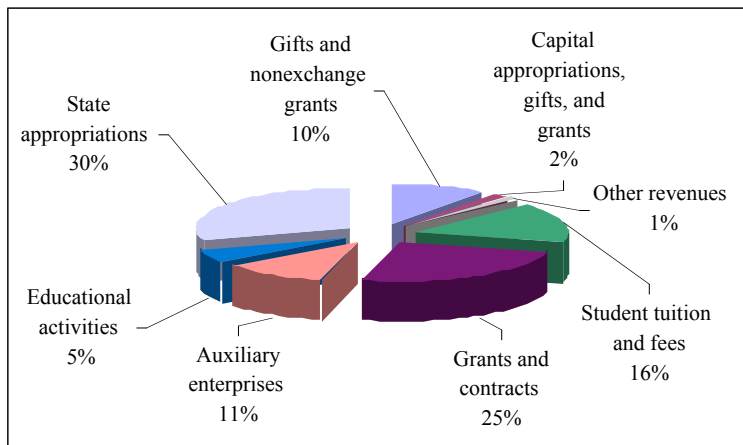
- sound statements of net assets
- balanced revenue streams
- well-managed expenditures

- positive cash flows
- managed long-term debt
- maximized returns of portfolios
- successful fundraising and voluntary support

The indicators supporting these goals show that the University of Minnesota is fiscally sound and in a strong position to strategically manage its financial resources.

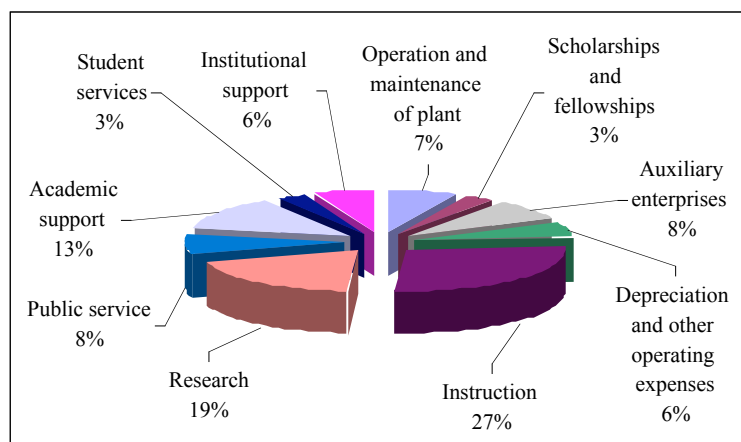
A. Revenues and Expenditures

Figure 9-1. Total revenues, University of Minnesota, FY 2003.



Source: 2003 Annual Report, University of Minnesota.

Figure 9-2. Functional expenses, University of Minnesota, FY 2003.



Source: 2003 Annual Report, University of Minnesota.

B. Annual Financial Statements

The University of Minnesota's audited financial statements are prepared in accordance with generally accepted accounting principles prescribed by the Governmental Accounting Standards Board (GASB). New standards promulgated in 2001 require public colleges and universities to provide three financial statements: the Consolidated Statements of Net Assets; the Consolidated Statements of Revenues, Expenses, and Changes in Net Assets; and the Consolidated Statements of Cash Flows.

These statements and additional financial information are contained in the University's 2002-03 annual report.

Consolidated Statements of Net Assets

The Consolidated Statements of Net Assets presents the consolidated financial position of the University at the end of the fiscal year.

The statements are organized under a classified balance sheet format that reflects current and non-current assets and liabilities,

and reports net assets under the following three classifications:

Unrestricted: 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.

Restricted: Divided into two categories – expendable and non-expendable.

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.

Non-expendable assets are externally restricted, but are also required to be retained in perpetuity, including the University's true endowments and institutional contributions to refundable loan programs.

Invested in capital assets, net of related debt: This category includes property, plant, and equipment, net of accumulated depreciation, reduced by the outstanding balances of debt attributable to these capital assets.

Table 9-1 shows the University's Statement of Net Assets continues to be strong, despite a slight reduction in net assets during FY 2003. Net assets decreased \$7,908,000 from FY 2002 to FY 2003. During FY 2003 the University's state general fund appropriation decreased by \$23.6 million in addition to a \$25 million unallotment mid-year.

To address this reduction in state funding and to preserve fund balances and the quality of the Statement of Net Assets, the University implemented a series of specific revenue enhancement and expense reduction measures. Comparing 2003 to 2002:

- University assets increased by \$81.5 million, or 2.4 percent.
- Cash and investments increased by \$54.5 million, or 4.6 percent, mainly due to increased tuition and fee revenue and timing of state appropriation draws.
- Property, plant, and equipment increased by \$48.0 million, or 2.7 percent, as a result

of building construction and renovation projects.

- University liabilities increased by \$89.4 million, or 7.5 percent.
- Accounts payable decreased by \$15.8 million, or 19.9 percent, primarily as a result of decreased capital spending.
- Accrued and other liabilities increased \$35.6 million, or 11.7 percent, primarily because of increases in accrued payroll and benefits.
- Unearned income increased \$13.3 million, or 14.6 percent, due to an increase in summer session tuition, fees, and enrollment, as well as increased revenue received in advance of expenditures on sponsored funding accounts.
- Long-term debt increased \$56.3 million, or 7.8 percent, as a result of \$81.7 million debt issued during the year, offset by payments of \$25.4 million.

Table 9-1. University of Minnesota assets, liabilities, and net assets, FY 2002 and FY 2003.

Item	Year ended June 30, 2002	Year ended June 30, 2003
Current assets	\$511,457,000	\$626,710,000
Capital assets, net	1,789,695,000	1,837,689,000
Other non-current assets	1,063,686,000	981,964,000
Total assets	<u>3,364,838,000</u>	<u>3,446,363,000</u>
Current liabilities	629,255,000	846,435,000
Non-current liabilities	564,280,000	436,533,000
Total liabilities	<u>1,193,535,000</u>	<u>1,282,968,000</u>
Unrestricted assets	334,989,000	313,401,000
Restricted assets – expendable	486,067,000	515,079,000
Restricted assets – non-expendable	188,742,000	192,604,000
Invested in capital assets, net of related debt	1,161,505,000	1,142,311,000
Net assets	<u>\$2,171,303,000</u>	<u>\$2,163,395,000</u>

Source: 2003 Annual Report, University of Minnesota.

Revenues, Expenses, Changes in Net Assets

The Consolidated Statements of Revenues, Expenses, and Changes in Net Assets presents the University's operating, non-operating, and capital- and endowment-related financial activity during the year.

This statement differentiates between operating and non-operating revenues and expenses, and 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 considered non-operating revenues, as are gifts and other revenues for which the University does not

give equal value in exchange for the resources received.

Table 9-2 shows the University's revenues, expenses, and changes in net assets for FY 2002 and 2003. Among the key points are:

- Total operating revenues increased \$106.7 million, or 9.4 percent, as a result of tuition and fee increases as well as increases in auxiliary enterprises, sales and services of educational activities, and grant and contract revenues.
- Total state appropriations decreased \$85.6 million, or 13.4 percent, due to decreases in the general fund appropriation and capital appropriations.
- Investment performance showed a net gain of \$17.7 million in FY 2003 versus a net loss of \$56.7 million in FY 2002.

Table 9-2. University of Minnesota revenues, expenses, and changes in net assets, FY 2002 and FY 2003.

Item	Year ended June 30, 2002	Year ended June 30, 2003
Operating revenues		
Student tuition and fees (net)	\$ 293,127,000	\$348,675,000
Grants and contracts	508,328,000	526,298,000
Auxiliary enterprises (net)	206,721,000	229,367,000
Educational activities	99,440,000	113,746,000
Federal appropriations	18,215,000	15,562,000
Other revenues	<u>4,833,000</u>	<u>3,710,000</u>
Total operating revenues	<u>1,130,664,000</u>	<u>1,237,358,000</u>
Operating expenses	<u>2,000,156,000</u>	<u>2,117,739,000</u>
Operating loss	<u>(869,492,000)</u>	<u>(880,381,000)</u>
Non-operating revenues (expenses)		
State appropriations	643,088,000	633,747,000
Grants and gifts	203,895,000	214,135,000
Net investment gain (loss)	(56,719,000)	17,723,000
Interest expense	(22,400,000)	(29,420,000)
Other non-operating expenses (net)	<u>(1,432,000)</u>	<u>(1,022,000)</u>
Loss before other revenues	<u>(103,060,000)</u>	<u>(45,218,000)</u>
Capital appropriations	81,711,000	5,502,000
Capital and endowment gifts and grants	<u>23,631,000</u>	<u>31,808,000</u>
Total other revenues	<u>105,342,000</u>	<u>37,310,000</u>
(Decrease) increase in net assets	2,282,000	(7,908,000)
Net assets, beginning of year	2,281,059,000	2,171,303,000
Cumulative effect of change in accounting principles	<u>(112,038,000)</u>	==
Net assets, end of year	<u>\$2,171,303,000</u>	<u>\$2,163,395,000</u>

Source: 2003 Annual Report, University of Minnesota.

Cash Flows

The Consolidated Statements of Cash Flows presents 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 as gross amounts, differentiating these activities into cash flows arising from operating activities; non-capital financing; capital financing; and investing activities.

Examples of sources of cash include: proceeds from investment sales and maturities, state appropriations, grants and contracts,

tuition and fees, sales of goods and services, bond proceeds, and direct lending receipts.

Examples of uses of cash include: payments to employees, investment purchases, purchase of capital assets, fringe benefit payments, direct lending loan disbursements, and scholarship and fellowships.

As shown in Table 9-3, cash increased by \$102.1 million in FY 2003, mainly due to financing and investing activities and increased tuition and fee income.

Table 9-3. University of Minnesota cash flows, FY 2002 and FY 2003.

Item	Year ended June 30, 2002	Year ended June 30, 2003
Cash provided (used) by:		
Operating activities	\$(760,429,000)	\$(715,127,000)
Non-capital financing activities	878,968,000	856,125,000
Capital and related financing activities	(62,292,000)	(126,959,000)
Investing activities	<u>28,338,000</u>	<u>88,059,000</u>
Net change in cash	<u>84,585,000</u>	<u>102,098,000</u>
Cash, beginning of the year	<u>154,037,000</u>	<u>238,622,000</u>
Cash, end of the year	<u>\$238,622,000</u>	<u>\$340,720,000</u>

Source: 2003 Annual Report, University of Minnesota.

C. Debt Management

Debt financing allows the University to pay for an asset over a period of time, up to its useful life, rather than pay for it at the time of purchase. This is a financially responsible practice for certain types of capital investments within appropriate limitations and at market interest rates.

Long-term debt is issued primarily to finance capital expenditures. Short-term debt and a line of credit are used to finance short-term liquidity needs.

Debt financing may be financially beneficial if borrowing rates are below investment returns or if the University invests in capital assets that provide investment returns or cost savings which are larger than the costs of borrowing. Since debt-financing capital is limited and an institution's demand for debt may exceed the supply at some point in time, it is imperative that borrowings are structured effectively.

The University of Minnesota's debt management goal is to ensure that each long-

term debt financing is completed in the most cost efficient and professional manner and in accordance with the highest standards of the industry, law, and governmental practices. To achieve this goal, the University has established five objectives:

- maintain the University's long-term and short-term credit ratings;
- minimize borrowing costs;
- limit issuance of revenue bonds due to uncertain internal revenue streams and higher costs of debt service;
- align maturity of debt with life expectancy of projects to be financed; and
- issue debt for qualified capital projects only and not for operating and maintenance costs.

Table 9-4 shows the University's current outstanding debt.

Table 9-4. University of Minnesota current outstanding debt, June 30, 2003.

Bond	Interest Rate	Due at various dates through	Ending Balance June 30, 2003
General Obligation Bonds			
Series 2003A	4.39%	2031	\$71,000,000
Series 2001C	4.40%	2004	159,950,000
Series 2001B	4.33%	2004	3,250,000
Series 2001A	3.08%	2004	14,565,000
Series 1999A	4.16%	2004	184,200,000
Series 1996A	4.50% – 5.75%	2021	177,708,000
Series 1993A	4.80%	2003	84,000,000
State of Minnesota obligations – infrastructure development bonds	4.00% – 6.90%	2022	64,281,000
Auxiliary revenue bonds	3.00%	2013	10,066,000
Capital leases and other	1.56% – 8.00%	2011	6,578,000
Total debt payable			\$775,598,000

Source: 2003 Annual Report, University of Minnesota.

D. Key Ratios

Capital Ratios

The University enjoys the second highest credit ratings for its general obligation bonds from Moody’s Investors Service – Aa2 – and Standard & Poor’s Corporation – AA. These credit ratings permit the University to borrow at a low interest rate and are a reflection of the University’s management, financial controls, economic conditions, and moderate debt levels.

Moody’s long-term ratings are based on a scale from highest quality (Aaa) to lowest quality (C). Numerical modifiers (1, 2, and 3) are applied in each generic rating classification from Aa through Caa. So, for example, the University of Minnesota’s rating of Aa2 is slightly more favorable than the University of Illinois’s rating of Aa3, but less favorable than the University of North Carolina’s rating of Aa1, which, in turn, is less favorable than the University of Virginia’s rating of Aaa.

In its report on bonds issued in May 2003, Moody’s noted: “...under its strong leadership, the University of Minnesota will

maintain and strengthen its reputation as one of the nation’s leading public universities in terms of financial resource base, academic reputation, and student demand.”

In addition to these basic ratings, Moody’s calculates capital ratios to measure institutions’ financial resources, in varying degrees of liquidity, relative to debt.

Table 9-5 shows that the University of Minnesota’s performance in FY 2002 was within the range between the median of Aa2 and Aa3 benchmark institutions on three of the four Moody’s key capital ratios. The significant decline during fiscal years 2001 and 2002 in the unrestricted operating resources to debt ratio was influenced primarily by the budget cuts resulting from reduced state appropriations. The total resources to debt ratio decline during the same period reflected the completion of major construction projects for which bonds were issued, delays in principal payments, and the refinancing of other debt.

Table 9-5. Moody's Investors Service key capital ratios, FY 1999 – FY 2002.

Ratio	University of Minnesota				Moody's 2002 Benchmark Medians	
	Year ended June 30, 1999	Year ended June 30, 2000	Year ended June 30, 2001	Year ended June 30, 2002	Aa2 Institutions	Aa3 Institutions
Unrestricted operating resources to debt (%)	64.5%	64.1%	41.1%	43.7%	89%	68%
Expendable resources to debt (%)	268.8%	192.3%	184.4%	199.6%	200%	132%
Total resources to debt (%)	385.9%	448.9%	297.8%	281.1%	284%	221%
Actual debt service to operations (%)	1.3%	1.8%	2.1%	2.9%	2.3%	3.6%

Source: Office of the Controller, University of Minnesota.

Financial Ratios

Moody's also maintains key financial ratios for institutions in their database.

Table 9-6 shows the University of Minnesota's performance for FY 1999 to FY 2002 relative to the benchmark medians of Aa2- and Aa3-rated institutions.

Selectivity ratio. Moody's uses a selectivity ratio to reflect how selectively an institution accepts students. This ratio is calculated by

dividing the number of acceptances by the number of applicants. The desired trend for this ratio is downward, i.e., the lower the ratio, the more selective the institution is in accepting students for admittance.

Matriculation ratio. Moody's also uses a matriculation ratio to show the percentage of accepted students who actually enroll. The desired trend of this ratio is upward.

Table 9-6. Moody's Investors Service key financial ratios, FY 1999 – FY 2002.

Ratio	University of Minnesota				Moody's 2002 Benchmark Medians	
	Year ended June 30, 1999	Year ended June 30, 2000	Year ended June 30, 2001	Year ended June 30, 2002	Aa2 Institutions	Aa3 Institutions
Selectivity ratio	79.9%	77.2%	77.6%	77.8%	77.3%	70.6%
Matriculation ratio	48.3%	48.0%	46.6%	45.3%	46.7%	45.8%
Net tuition per student (\$)	\$3,618	\$3,770	\$4,077	\$4,559	\$5,364	\$3,536
State appropriation per student (\$)	\$11,404	\$12,143	\$12,475	\$12,523	\$9,354	\$10,320
Education expenses per student (\$)	\$28,790	\$31,895	\$32,905	\$39,509	\$28,598	\$25,458
Total tuition discount (%)	32.8%	34.3%	34.1%	35.2%	26.8%	29.6%

Source: Office of the Controller, University of Minnesota.

Table 9-7 shows a calculation by Lehman Brothers of the relative strength of institutional resources on a per student basis at the

University of Minnesota and several of its public university peers.

Table 9-7. Total resources per student for selected public research universities, FY2002.

Institution (Moody's rating)	Resources per student
University of Virginia (Aaa)	\$136,275
University of Michigan (Aaa)	106,141
University of Texas (Aaa)	94,239
University of North Carolina (Aa1)	67,987
University of California (Aa2)	59,111
University of Washington (Aa2)	48,620
University of Minnesota (Aa2)	41,930
Purdue University (Aa1)	35,175
Ohio State University (Aa2)	30,082
Michigan State University (Aa2)	29,551
Pennsylvania State University (Aa2)	22,408
Indiana University (Aa2)	20,657
University of Illinois (Aa3)	18,392

Source: Lehman Brothers.

Note: Resources per student calculated as the sum of unrestricted net assets, restricted expendable net assets, restricted nonexpendable net assets, and foundation total net assets divided by total full-time equivalent students.

E. Return on Invested Assets

The University of Minnesota has invested assets in four investment pools:

Consolidated Endowment Fund (CEF), a broadly diversified group of asset classes, whose goal is to preserve the inflation adjusted value of the fund and to maximize total return (income plus capital appreciation).

Temporary Investment Pool (TIP), a pool of cash generated from the University's operations. This operating capital is invested in short-term securities intended to provide significant protection of principal amounts, and investment returns exceeding the 13-week T-Bill.

Group Income Pool (GIP), a pool of assets belonging to various University departments directed toward asset classes that have

intermediate or longer-term investment horizons than those employed by TIP. GIP is invested primarily in a broad range of fixed income investments through outside investment managers.

RUMINCO, Ltd., the underlying reserves of the wholly owned insurance subsidiary of the University. These reserves are intended to address the potential exposure to the University for the self-insured or the deductible portions of various property, casualty, health, or workers compensation policies in effect.

Table 9-8 shows the University's one-, three- and five-year performance in these four investment pools relative to their benchmark indices.

Table 9-8. University of Minnesota return on invested assets.

Investment Pool	Value at June 30, 2003	One-Year Return		Three-Year Return		Five-Year Return	
		U of M	Benchmark	U of M	Benchmark	U of M	Benchmark
Consolidated Endowment Fund	\$528,903,000	17.5%	18.4%	-7.7%	-6.6%	5.0%	2.3%
Temporary Investment Pool	\$493,644,000	2.7%	1.6%	4.1%	3.7%	4.8%	4.4%
Group Income Pool	\$46,870,000	17.2%	14.4%	11.6%	10.4%	5.9%	5.7%
RUMINCO, Ltd.	\$25,241,000	11.5%	13.3%	1.0%	2.9%	2.3%	3.6%
Total	\$1,094,658,000						

Source: Office of Asset Management, University of Minnesota.

F. Endowment and Annual Giving

University of Minnesota Foundation

An independent, non-profit organization, the Foundation raises and manages gifts from the University’s alumni and friends. It serves as the central development office for the University and tracks and reports gifts to all campuses, colleges, and departments.

Endowment: More than half of endowment funds managed by the Foundation provide scholarships and fellowships to students. In FY 2003, endowment funds supported 982 scholarships and 389 fellowships.

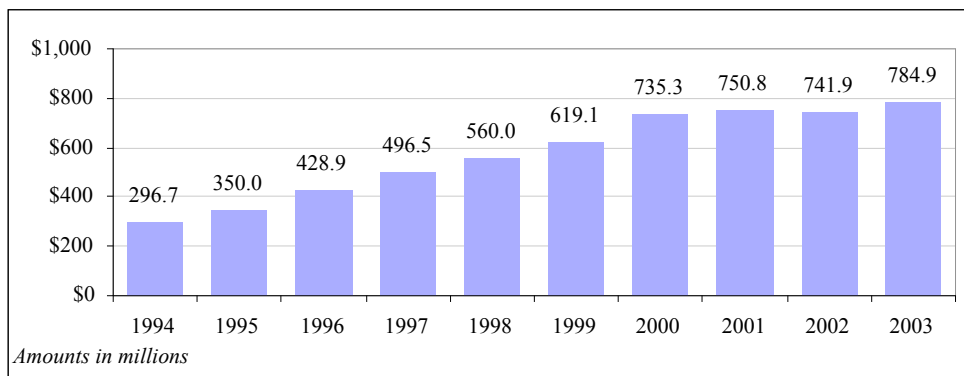
Figure 9-3 shows the Foundation’s endowment increased in nine of the past 10 years, reaching an historic high of \$784,900,000 in FY 2003.

Table 9-9 shows total endowment assets for the top 10 U.S. public and private research universities for FY 2002. The University of Minnesota ranked 24th nationally, the same position it held in FY 2002.

Table 9-10 shows the change in the University’s endowment assets relative to its national and Big Ten peer groups.

Table 9-11 shows the rates of return for Foundation investments and its one-, three-, and five-year performance relative to its benchmark peer group.

Figure 9-3. University of Minnesota Foundation endowment (in millions), FY 1994-2003.



Source: University of Minnesota Foundation.

Table 9-9. Endowment assets for top 10 U.S. public and private research universities, University of Minnesota, and other Big Ten public universities, 2002.

Rank	National Research Universities	Endowment Assets	% Change From 1994
1	Harvard University	\$17,169,757,000	128.1%
2	Yale University	10,523,600,000	145.7
3	Princeton University	8,319,600,000	98.8
4	Stanford University	7,613,000,000	128.0
5	Massachusetts Institute of Technology	5,359,423,000	148.3
6	Emory University	4,551,873,000	121.7
7	Columbia University	4,208,373,000	80.7
8	Washington University	3,517,104,000	66.7
9	Texas A&M University	3,503,862,000	43.4
10	University of Pennsylvania	3,393,297,000	90.9
24	University of Minnesota	1,501,394,000	88.6
Big Ten Public Universities			
12	University of Michigan	\$3,240,661,000	176.7%
24	University of Minnesota	1,501,394,000	88.6
35	Purdue University	1,098,939,000	81.0
42	University of Wisconsin	1,000,857,000	117.6
45	Ohio State University	960,079,000	62.7
59	Pennsylvania State University	695,128,000	146.2
65	University of Iowa	657,682,000	224.6
68	University of Illinois	608,545,000	154.1
82	Michigan State University	523,284,000	319.3
83	Indiana University	497,115,000	118.1

Source: *The Top American Research Universities*: The Center, University of Florida, 2003.

Note: Percent change based on 1998 constant dollars. University of Minnesota figures include the endowments of the University of Minnesota, University of Minnesota Foundation, and the Minnesota Medical Foundation.

Table 9-10. Average endowment assets for top 10 U.S. public and private research universities, Big Ten public universities, and University of Minnesota, 1999-2002.

	1999	2000	2001	2002	4-Year Change
Top 10 Average	\$5,696,817,000	\$7,374,043,000	\$7,126,146,000	\$6,815,989,000	
% Change		+29.4%	-3.4%	-4.4%	+19.6%
University of Minnesota	\$1,509,769,000	\$1,808,812,000	\$1,650,969,000	\$1,501,394,000	
Nat'l Rank	23rd	23rd	24th	24th	
% Change		+19.8%	-8.7%	-9.1%	-0.6%
Big Ten Publics Average ¹	\$882,397,000	\$1,080,030,000	\$1,087,762,000	\$1,031,366,000	
% Change		22.4%	+0.7%	-5.2%	+16.9%

Source: *The Top American Research Universities*: The Center, University of Florida, 2003.

¹ Excluding University of Minnesota.

Table 9-11. Rates of return for University of Minnesota Foundation investments and benchmark data.

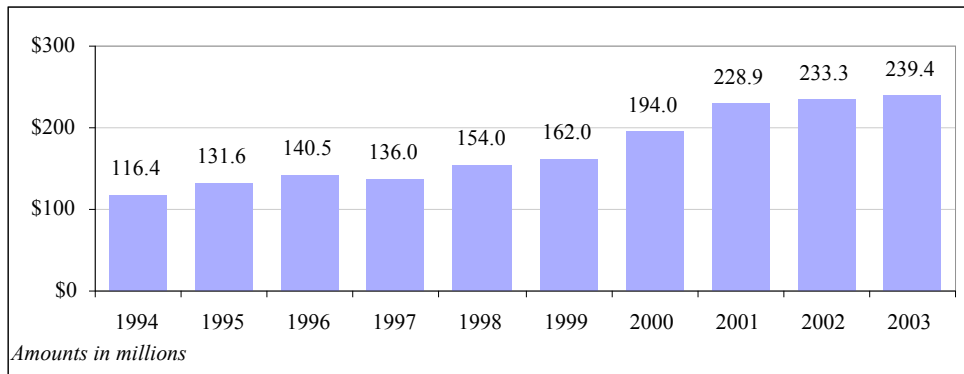
Investment Pool Returns	1-Year Return (2002-2003)	3-Year Return (2000-2003)	5-Year Return (1998-2003)
U of Minnesota Foundation	6.84%	2.55%	6.75%
5 th Percentile	7.65%	3.53%	10.05%
25 th Percentile	4.65%	-0.07%	5.72%
50 th Percentile	2.99%	-2.14%	3.90%
75 th Percentile	1.93%	-3.71%	2.59%
Overall Average	3.30%	-1.72%	4.36%

Source: University of Minnesota Foundation.

Annual Giving: Voluntary support of the University of Minnesota through the Foundation takes many forms. Figure 9-4 shows the annual growth of private gifts and

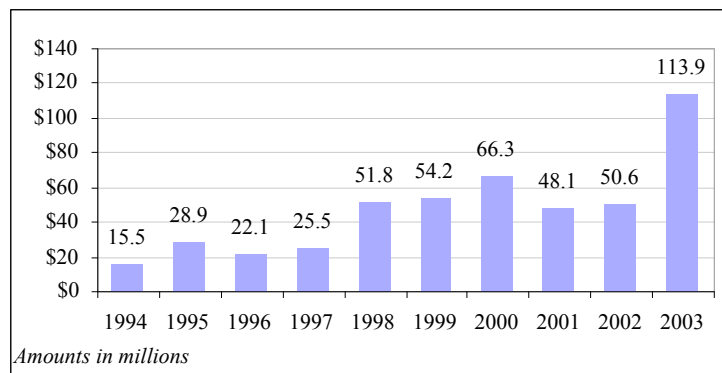
grants for the past decade. Figures 9-5 and 9-6 suggest the important role that alumni and contributors to the Alumni Fund play in supporting the University’s mission.

Figure 9-4. University of Minnesota Foundation private gifts and grants (in millions), FY 1994-2003.



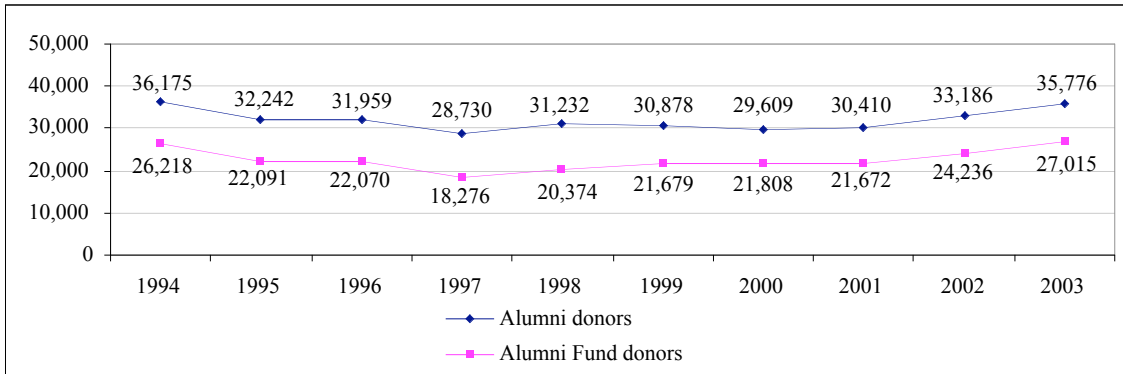
Source: University of Minnesota Foundation.

Figure 9-5. Funds contributed by University of Minnesota alumni, 1994-2003.



Source: University of Minnesota Foundation.

Figure 9-6. Number of University of Minnesota alumni donors and Alumni Fund donors, 1994-2003.



Source: University of Minnesota Foundation.

Table 9-12 shows annual giving totals for the top 10 U.S. public and private research universities for FY 2002. The University of Minnesota ranked 14th nationally, up one position from FY 2002.

Table 9-13 shows the change in annual gifts to the University relative to the top 10 public and private research universities and public Big Ten institutions over the past four years.

Table 9-12. Annual giving for top 10 U.S. public and private research universities, University of Minnesota, and other Big Ten public universities, 2002.

Rank	National Research Universities	Annual Giving	% Change From 1993
1	University of Southern California	\$585,162,000	327.3%
2	Harvard University	477,617,000	73.0
3	Stanford University	454,770,000	100.3
4	Cornell University	363,032,000	59.6
5	University of Pennsylvania	319,742,000	34.2
6	Johns Hopkins University	318,687,000	181.6
7	University of Wisconsin – Madison	307,214,000	70.2
8	University of California – Los Angeles	282,343,000	206.3
9	Columbia University	271,232,000	39.5
10	Duke University	264,580,000	46.9
14	University of Minnesota	233,338,000	53.9
Big Ten Public Universities			
7	University of Wisconsin – Madison	\$307,214,000	70.2%
14	University of Minnesota	233,338,000	53.9
18	Michigan State University	211,629,000	233.5
26	Ohio State University – Columbus	179,493,000	61.6
28	Purdue University – West Lafayette	164,000,000	179.2
29	University of Michigan – Ann Arbor	161,383,000	37.8
31	Pennsylvania State University	140,931,000	99.7
34	University of Illinois – Urbana-Champaign	129,555,000	37.8
52	University of Iowa	85,260,000	56.6
68	Indiana University – Bloomington	64,269,000	2.0

Source: *The Top American Research Universities*: The Center, University of Florida, 2003.

Note: Percent change based on 1998 constant dollars. "Annual giving" includes contributions received during the fiscal year in cash, securities, company products, and other property from alumni, non-alumni, corporations, foundations, religious organizations, and other groups. Not included are public funds, investment earnings held by the institution, and unfulfilled pledges.

Table 9-13. Average annual giving to top 10 U.S. public and private research universities, Big Ten public universities, and University of Minnesota, 1999-2002.

	1999	2000	2001	2002	4-Year Change
Nat'l Top 10 Average % Change	\$282,219,000	\$345,346,000 +22.4%	\$367,494,000 +6.4%	\$364,438,000 -0.8%	+29.1%
University of Minnesota Nat'l Rank % Change	\$161,966,000 18th	\$193,950,000 20th +19.7%	\$228,926,000 15th +18.0%	\$233,338,000 14th +1.9%	+44.1%
Big Ten Publics Average ¹ % Change	\$125,967,000	\$144,410,000 +14.6%	\$163,990,000 +13.6%	\$160,415,000 -2.2%	+27.3%

Source: *The Top American Research Universities*: The Center, University of Florida, 2003.

¹ Excluding University of Minnesota.

Minnesota Medical Foundation

The Minnesota Medical Foundation is a non-profit service organization dedicated to supporting the advancement of health-related education and research at the University of Minnesota. Established in 1939, the Foundation's primary function is to attract philanthropic support to assist the programs of the University of Minnesota's medical schools in the Twin Cities and Duluth and the School of Public Health.

Among its many services, the Foundation manages more than 3,500 funds that support faculty positions, scholarships, equipment purchases, lectureships, fellowships, loans for medical students, and research grants for faculty members and students.

Among the Foundation's notable accomplishments in 2003 were:

- Campaign Minnesota, which concluded on June 30, 2003, raised more than \$516 million for the University of Minnesota Medical School and School of Public Health, exceeding the goal of \$500 million.
- Through the Minnesota Medical Foundation, \$55 million was committed to

the Twin Cities and Duluth medical schools and the School of Public Health during the fiscal year ending June 30, 2003, including pledges and future gifts – the second-best year ever in the Foundation's history.

- Earnings from endowments and outright gifts provided more than \$1.4 million for scholarships, with 535 scholarships awarded.
- Gifts directed to medical and public health research supported approximately 400 faculty research projects, including those focused on cancer, heart disease, diabetes, infectious diseases, and local and national public health issues.
- The Minnesota Medical Foundation grants program awarded \$1.3 million for 93 start-up research projects and equipment purchases.

Table 9-14 shows the performance of the Foundation's investments over one, three, five, and 10 years, as of June 30, 2003, compared to comparable performance indices.

Table 9-14. Minnesota Medical Foundation investment performance, as of June 30, 2003.

Assets			Investment Performance							
Segment	Amount	Percent	1 year		3 years		5 years		10 years	
			Actual	Index	Actual	Index	Actual	Index	Actual	Index
Bond	\$53,648,000	30.4%	2.6%	2.5%	9.4%	10.1%	7.3%	7.4%	7.1%	7.1%
Domestic equity	114,269,000	64.5	15.4%	16.8%	-18.6%	-9.8%	-4.3%	-1.1%	10.0%	10.2%
International equity	9,114,000	5.1	16.6%	19.3%	-11.2%	-13.5%	n/a	n/a	n/a	n/a
Total Endowment	\$177,031,000	100.0%	11.3%	12.8%	-8.5%	-0.9%	0.3%	3.8%	9.4%	9.7%
Special programs	\$39,824,000	100%	1.4%	1.4%	3.1%	2.9%	3.6%	3.7%	n/a	n/a

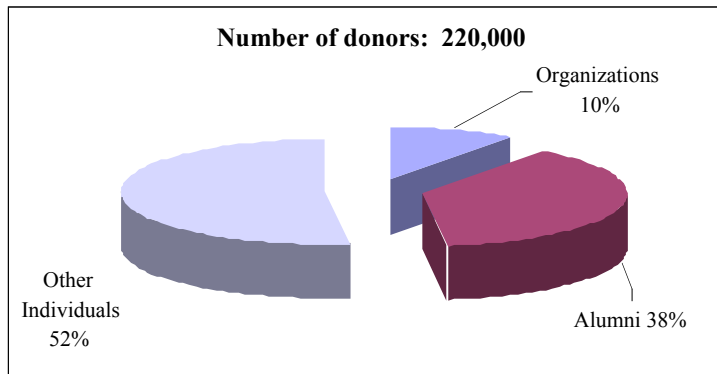
Source: Minnesota Medical Foundation.

Campaign Minnesota

Campaign Minnesota, the largest fund-raising drive in the University’s history, concluded on June 30, 2003, with \$1.66 billion raised for endowment and ongoing support – one of the

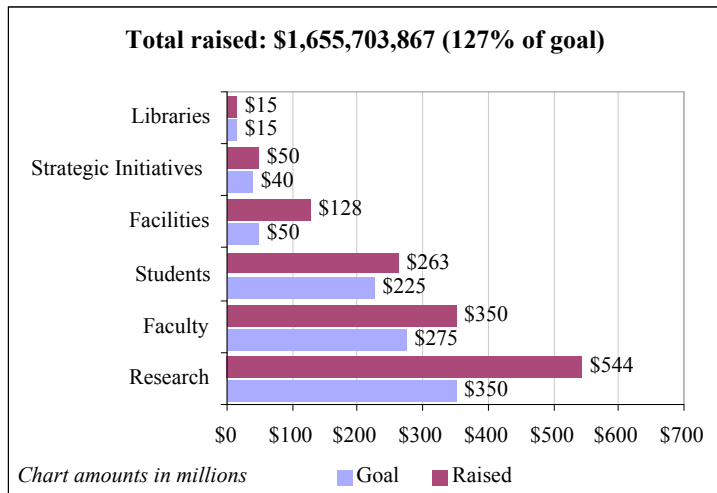
most successful campaigns ever in American higher education. Figure 9-7 shows the source and number of donors to the campaign. Figure 9-8 shows campaign results, by category.

Figure 9-7. Donors to Campaign Minnesota.



Source: University of Minnesota Foundation.

Figure 9-8. Campaign Minnesota results, by category.



Source: University of Minnesota Foundation.

F. Internal Allocation of State Appropriations

The State of Minnesota appropriated \$571,956,000 to the University in FY 2003-04: O & M (Operations and Maintenance) appropriation of \$483,917,000; State Special appropriation of \$63,367,000; and Health Care

Access and Cigarette Tax appropriation of \$24,672,000.

Table 9-15 shows where the University allocated these funds within the institution.

Table 9-15. Internal allocation of state appropriations to the University of Minnesota, FY 2003-04.

Unit	O & M Appropriation	State Special Appropriation	Health Care Access and Cigarette Tax
Twin Cities Campus			
Academic Health Center (AHC)			
College of Pharmacy	\$2,865,592		
College of Veterinary Medicine	9,014,876	1,829,503	
Medical School	25,873,170	1,033,922	
School of Dentistry	8,303,650		
School of Nursing	2,476,191		
School of Public Health	4,117,428	372,564	
AHC – Shared	20,595,751	1,693,011	24,222,000
Health Sciences – Office of Senior Vice President	3,641,972		
Carlson School of Management	6,381,249	774,681	
College of Agricultural, Food, and Environmental Sciences	4,872,569		
College of Architecture and Landscape Architecture	2,113,292		
College of Biological Sciences	8,436,207		
College of Continuing Education	3,617,914		
College of Education and Human Development	7,055,071		
College of Human Ecology	2,176,269		
College of Liberal Arts	22,680,260		
College of Natural Resources	2,133,652	168,678	
General College	1,484,876		
Humphrey Institute of Public Affairs	1,514,280	110,155	
Institute of Technology	41,319,356	1,387,000	
Law School	2,823,035		
Athletics	6,565,962		
Crookston Campus	7,309,381		
Duluth School of Medicine	4,286,782		
Duluth – Other	33,135,365	3,242,389	
Morris Campus	11,780,699	280,363	
Rochester Campus	1,011,268		450,000
University-wide Academic, Research, and Outreach			
Agricultural Experiment Station	7,977,041	32,987,000	
Graduate School	10,636,453	845,377	
Minnesota Extension Service	6,190,422	17,638,000	
University Libraries	8,874,344		
Office of Executive Vice President and Provost	35,802,104	1,004,357	
Office of Vice President for Research	4,958,228		
Service and Support Units			
Audits	1,359,470		
Auxiliary Services	839,994		
Board of Regents	629,397		
Campus Life	2,434,860		
Capital Planning and Project Management	1,571,200		
Controller’s Organization	5,797,119		
Facilities Management	75,701,527		
General Counsel	3,077,443		

Table 9-15 (continued). Allocation of state appropriations to the University of Minnesota, FY 2003-04.

Service and Support Units (cont.)			
Human Resources	7,349,030		
Information Technology	35,133,933		
Office of Budget and Finance	7,501,318		
President's Office	3,105,058		
Public Safety	5,012,555		
University Health and Safety	3,610,403		
University Relations	6,312,164		
University Services – Office of Vice President	<u>2,456,820</u>		
Total:	\$483,917,000	\$63,367,000	\$24,672,000

Source: Office of Budget and Finance, University of Minnesota.

G. Leveraging Other Resources

In FY 2002-03 the State of Minnesota provided operational support of \$633,747,000 and capital support of \$5,502,000 for a total appropriation of \$639,249,000. The University of Minnesota generated additional revenues from other sources of \$1,501,024,000. Thus, for every dollar of

State support, the University brought in \$3.35 of other revenues.

Table 9-16 identifies FY 2002-03 total revenues for the University of Minnesota by source.

Table 9-16. Sources of revenue, University of Minnesota, FY 2002-03.

Revenue Source	Amount
State of Minnesota appropriations	\$639,249,000
Other revenues	
Student tuition and fees (net)	\$348,675,000
Grants and contracts	526,298,000
Auxiliary enterprises (net)	229,367,000
Educational activities	113,746,000
Federal appropriations	15,562,000
Non-operating grants and gifts	214,135,000
Net investment gain	17,723,000
Capital and endowment gifts and grants	31,808,000
Other operating revenues	<u>3,710,000</u>
Total other revenues	\$1,501,024,000
Total revenues	\$2,140,273,000

Source: Office of Budget and Finance, University of Minnesota.

