



**UNIVERSITY OF MINNESOTA FOUNDATION**

Consolidated Financial Statements

June 30, 2008

(With Independent Auditors' Report Thereon)

# UNIVERSITY OF MINNESOTA FOUNDATION

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**KPMG LLP**  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

## **Independent Auditors' Report**

The Board of Trustees  
University of Minnesota Foundation:

We have audited the accompanying consolidated statement of financial position of the University of Minnesota Foundation (the Foundation) as of June 30, 2008, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's fiscal year 2007 financial statements and, in our report dated October 8, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

October 10, 2008

**UNIVERSITY OF MINNESOTA FOUNDATION**

Consolidated Statement of Financial Position

June 30, 2008

(With comparative information as of June 30, 2007)

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Cash	\$ 7,497,534	8,851,929
Investments, at fair value	1,291,169,268	1,401,657,534
Investments loaned to broker	137,135,056	42,534,099
Investment collateral	140,165,741	43,605,958
Pledges receivable, net	71,603,895	64,414,485
Other receivables, primarily interest	2,387,388	2,707,220
Split interest agreements:		
Beneficial interest in perpetual trusts	26,988,823	29,628,978
Assets held in charitable trusts	28,763,435	30,999,414
Beneficial interest in trusts	3,393,778	5,067,549
Gift annuities	32,557,141	35,091,512
Office property and equipment, net	950,662	846,017
Total assets	\$ 1,742,612,721	1,665,404,695
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 6,892,622	4,021,244
Gift annuities payable	16,812,970	16,139,954
Liability under charitable trust agreements	11,747,836	13,127,784
Investments held for custody of others	66,116,130	70,463,357
Payable under investment loan agreement	140,165,741	43,605,958
Total liabilities	241,735,299	147,358,297
Net assets:		
Unrestricted	73,032,268	84,453,188
Temporarily restricted	923,366,519	960,070,104
Permanently restricted	504,478,635	473,523,106
Total net assets	1,500,877,422	1,518,046,398
Total liabilities and net assets	\$ 1,742,612,721	1,665,404,695

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF MINNESOTA FOUNDATION**

Consolidated Statement of Activities

Year ended June 30, 2008

(With summarized information for the year ended June 30, 2007)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total 2008</u>	<u>Total 2007</u>
Revenue:					
Contributions	\$ 988,398	97,263,556	33,681,451	131,933,405	134,758,737
Investment income, net of investment expenses of \$2,967,991 and \$3,031,674 in 2008 and 2007, respectively	8,083,978	6,183,090	394,498	14,661,566	16,006,906
Net realized and unrealized (losses) gains on investments	(3,663,544)	(38,040,414)	(122,606)	(41,826,564)	181,516,325
Change in carrying value of trusts	(172,918)	(4,008,831)	(2,997,814)	(7,179,563)	11,119,480
Support services revenue	2,725,000	—	—	2,725,000	2,725,000
Miscellaneous revenue	625,674	—	—	625,674	833,525
Net assets released from restriction	98,100,986	(98,100,986)	—	—	—
Total revenue	<u>106,687,574</u>	<u>(36,703,585)</u>	<u>30,955,529</u>	<u>100,939,518</u>	<u>346,959,973</u>
Expenses:					
Program services:					
Distributions for educational purposes	96,656,718	—	—	96,656,718	80,456,366
Support services:					
Management and general:					
Operational expenses	7,154,749	—	—	7,154,749	6,775,007
Legal and accounting fees	171,854	—	—	171,854	181,847
Depreciation	203,817	—	—	203,817	177,632
Other expenses	583,031	—	—	583,031	535,318
Fundraising:					
Promotion and development	13,338,325	—	—	13,338,325	12,023,144
Total expenses	<u>118,108,494</u>	<u>—</u>	<u>—</u>	<u>118,108,494</u>	<u>100,149,314</u>
Change in net assets	(11,420,920)	(36,703,585)	30,955,529	(17,168,976)	246,810,659
Net assets at beginning of year	84,453,188	960,070,104	473,523,106	1,518,046,398	1,271,235,739
Net assets at end of year	\$ <u>73,032,268</u>	<u>923,366,519</u>	<u>504,478,635</u>	<u>1,500,877,422</u>	<u>1,518,046,398</u>

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF MINNESOTA FOUNDATION**

Consolidated Statement of Cash Flows

Year ended June 30, 2008

(With comparative information for the year ended June 30, 2007)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (17,168,976)	246,810,659
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized losses (gains) on investments	41,826,564	(181,516,325)
Change in net carrying value of trusts	8,377,344	(11,321,040)
Depreciation expense	203,817	177,632
Noncash contributions	(7,042,825)	(28,460,051)
Contributions restricted for long-term investment	(33,681,451)	(34,667,278)
Changes in operating assets and liabilities:		
Pledges receivable	(7,189,410)	(12,037,822)
Other receivables	319,832	(452,159)
Investments held for custody of others	(4,347,227)	12,398,418
Accounts payable	2,871,378	(739,938)
Net cash used in operating activities	<u>(15,830,954)</u>	<u>(9,807,904)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(308,462)	(337,634)
Proceeds from sales of investments	912,671,889	930,379,331
Purchase of investments	(1,028,128,102)	(934,499,679)
Changes in payable under investment loan agreement	96,559,783	(20,447,099)
Net cash used in investing activities	<u>(19,204,892)</u>	<u>(24,905,081)</u>
Cash flows from financing activity:		
Proceeds from contributions restricted for long-term investment	33,681,451	34,667,278
Net cash provided by financing activity	<u>33,681,451</u>	<u>34,667,278</u>
Net change in cash	(1,354,395)	(45,707)
Cash at beginning of year	<u>8,851,929</u>	<u>8,897,636</u>
Cash at end of year	\$ <u><u>7,497,534</u></u>	<u><u>8,851,929</u></u>

See accompanying notes to consolidated financial statements.

# UNIVERSITY OF MINNESOTA FOUNDATION

## Notes to Consolidated Financial Statements

June 30, 2008

### (1) Organization and Summary of Significant Accounting Policies

The University of Minnesota Foundation (the Foundation) was incorporated as a not-for-profit corporation in the state of Minnesota in 1962 and operates exclusively for the benefit of the University of Minnesota (the University).

The accounting policies of the Foundation conform to U.S. generally accepted accounting principles. The following is a summary of the more significant accounting policies:

#### (a) *Principles of Consolidation*

The consolidated financial statements include those of the Foundation and its related entity, the University of Minnesota Foundation Investment Advisors (UMFIA). UMFIA is a nonprofit organization established to oversee the investment and management of the investments of the Foundation. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The Foundation does not report its 50% voting interest in University Gateway Corporation (Gateway) as part of its consolidated financial statements. Gateway is a nonprofit organization established to construct, own, and operate a facility to be used to support its beneficiary organizations and the University in student recruiting, alumni relations, fundraising activities, and general operations. Under U.S. generally accepted accounting principles, consolidation of Gateway is permitted, but not required.

#### (b) *Basis of Presentation*

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Foundation and changes therein are classified into the following three categories:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Foundation.
- Temporarily restricted net assets consist of contributions that have been restricted by the donor for specific purposes or are time restricted.
- Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor-imposed restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

# UNIVERSITY OF MINNESOTA FOUNDATION

## Notes to Consolidated Financial Statements

June 30, 2008

(c) ***Basis of Accounting***

The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting.

(d) ***Derivative Financial Instruments***

The Foundation invests in various stock indexes, fixed income, and foreign currency derivatives. The Foundation uses derivatives with the objectives of reducing portfolio risk and/or lowering investment costs. Derivative uses include managing the duration of the fixed-income portfolio, gaining investment exposure to specific markets, and maintaining investment policy allocation. Derivative instruments are measured at fair value and reported as assets or liabilities in the statement of financial position. Changes in the fair value of derivatives during the year are reported in the statement of activities.

(e) ***Contributions***

Contributions, including unconditional promises to give, are recognized as revenues on an accrual basis. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at rates of 2.65% – 5.15% based on when the contribution was made. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history.

(f) ***Assets Held in Charitable Trusts***

The Foundation has entered into unitrust and annuity agreements as trustee that provide, among other matters, that the trustee shall pay to the beneficiaries an annual income payment until the income obligation is completed in accordance with the donor's trust agreement. The Foundation records the assets held in these trusts at fair value and the corresponding liability at the actuarially determined present value of payments to be made to the designated beneficiaries. The residual amount is recorded as contribution revenue at the time the trust is established. In subsequent periods, the liability under charitable trust agreements is adjusted and changes therein are reported as a component of the change in carrying value of trusts in the consolidated statement of activities. Upon termination of the income obligation, the assets of the trust are held by the Foundation in accordance with the donor's trust agreement.

(g) ***Gift Annuity Agreements***

The Foundation has entered into gift annuity agreements that provide that the Foundation shall pay to the designated beneficiaries an annual amount until the death of the designated beneficiaries. The payments continue even if the assets of the gift annuity fund have been exhausted. The Foundation records the assets received at fair value and a corresponding liability is recorded for the actuarially determined present value of payments to be made to the designated beneficiaries, with the residual amount recorded as contribution revenue. Upon the death of the beneficiaries, the assets of the gift annuity fund are held by the Foundation in accordance with the agreements.

# UNIVERSITY OF MINNESOTA FOUNDATION

## Notes to Consolidated Financial Statements

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**(h) *Beneficial Interest in Trusts***

The Foundation has beneficial interests in charitable remainder, lead, and perpetual trusts that are held by other entities such as banks or charitable organizations. The Foundation records its interest in these trusts, upon discovery of their existence, at fair value as determined using the present value of the estimated future cash receipts to be received from the trust. Because of the complex issues related to collecting the data for these transactions, there can be a time delay in the recording of the asset because of the time needed for discovery, verification of the Foundation's rights, and the determination of the valuation of future payments.

**(i) *Income Taxes***

The Internal Revenue Service has ruled that the Foundation is a publicly supported organization under Internal Revenue Code Section 170(b)(1)(A) and is not a private foundation as defined under Section 509(a)(1). The Foundation is a tax-exempt organization under Section 501(c)(3) and, as such, is subject to federal and state income tax only on net unrelated business income.

**(j) *Investments***

Investments in marketable equity and debt securities are carried at fair value as established by the major securities markets. Investments for which quoted market prices are not available are carried at values as provided by the respective fund managers or general partners. These valuations generally reflect discounts for illiquidity and consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information. The estimated values as determined by the fund managers and general partners may differ from the values that would have been used had ready markets for the investments existed and the differences could be significantly higher or lower for any specific holding. The Foundation reviews the valuations provided by the fund managers and general partners for reasonableness.

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.

**(k) *Fair Value of Financial Instruments***

The carrying amounts of cash, other receivables, and accounts payable approximate fair value because of the short maturity of these instruments. Investments are reported at fair value as described in note 1(j). Investment collateral is reported at fair value using public market quotations of the underlying investments. Pledges receivable are reported at approximate fair value. The fair value of interest in unitrusts, pooled income, annuity trusts, and gift annuities is based on quoted market prices at the reporting date of the underlying investments.

Investments held for the custody of others are reported at fair value based on the fair value of the underlying investments. Payable under investment loan agreement is reported at fair value using public market quotations of the underlying investments. Split interest agreement liabilities are carried

## UNIVERSITY OF MINNESOTA FOUNDATION

### Notes to Consolidated Financial Statements

June 30, 2008

at the present value of the estimated expected future cash flows using discount rates assumptions established upon initial recognition of the liability. Given the number of these agreements, it is not practicable to estimate their fair value.

**(l) Office Property and Equipment**

Office property and equipment are stated at cost, less accumulated depreciation, and are depreciated over their estimated useful lives using the straight-line method.

**(m) Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that 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 these estimates.

**(n) Prior Year Information**

The consolidated financial statements include certain prior year information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

**(o) New Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. SFAS 157 provides a common definition of fair value and establishes a framework to make the measurement of fair value in U.S. generally accepted accounting principles more consistent and comparable. SFAS 157 also requires expanded disclosures to provide information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on change in net assets. SFAS 157 is effective for the Foundation beginning July 1, 2008. The Foundation is evaluating the adoption of SFAS 157 and the impact on the financial statements.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115*. SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value, with unrealized gains and losses related to these financial instruments reported in unrealized gains and losses at each subsequent reporting date. SFAS 159 is effective for the Foundation beginning July 1, 2008. The Foundation is evaluating the adoption of SFAS 159 and the impact on the financial statements.

In August 2008, the FASB issued FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the*

**UNIVERSITY OF MINNESOTA FOUNDATION**

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*Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (the FSP). The FSP provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Effective August 1, 2008, the State of Minnesota enacted the UPMIFA, the provisions of which apply to funds existing on or established after that date. A key component of the FSP is a requirement to classify the portion of investment return from donor-restricted endowment funds that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. The Foundation will adopt the FSP for the year ending June 30, 2009. The FSP also requires expanded disclosures for all endowment funds. The Foundation does not expect the adoption of the FSP to have a material impact on its financial statements.

**UNIVERSITY OF MINNESOTA FOUNDATION**

Notes to Consolidated Financial Statements

June 30, 2008

**(2) Investments**

The investments at June 30, 2008 are summarized as follows:

	<u>Traditional structures</u>	<u>Alternative structures</u>	
Values based on quoted market prices or alternative structures with underlying investments whose values are based on quoted market prices:			
Cash and cash equivalents	\$ 96,292,159	—	
Treasury Inflation Protected Securities (TIPS)	96,454,308	—	
Fixed income corporate bonds	88,280,413	—	
U.S. equity	107,828,998	—	
Foreign equity	71,641,332	23,921,652	
Hedge funds	—	45,572,611	
Natural resources	—	24,609,764	
Subtotal	<u>460,497,210</u>	<u>94,104,027</u>	
Values based on estimates provided by fund managers or general partners:			
Hedge funds	—	333,245,269	
Natural resources	—	84,915,060	
Real estate	—	78,000,793	
Private equity	—	246,930,105	
Foreign equity	—	96,897,227	
U.S. equity	—	30,196,231	
Subtotal	<u>—</u>	<u>870,184,685</u>	
Total	\$ <u>460,497,210</u>	<u>964,288,712</u>	1,424,785,922
Other investments not categorized above			34,260,592
Less investments loaned to broker			(137,135,056)
Less charitable gift annuities reported separately			<u>(30,742,190)</u>
Total			\$ <u>1,291,169,268</u>

Investments held in traditional structures represent those held directly by the Foundation 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.

Investments include funds held for the custody of others of \$66,116,130 at June 30, 2008.

# UNIVERSITY OF MINNESOTA FOUNDATION

## Notes to Consolidated Financial Statements

June 30, 2008

### (3) Securities Lending

The Foundation participates in securities lending through a program run by its custodial bank. Under the terms of its securities lending agreement, the program requires brokers who borrow securities from the Foundation to provide collateral of a value at least equal to 102% of the then fair value of the loaned securities and accrued interest, if any. This collateral is then reinvested on behalf of the Foundation by the custodial bank.

The custodial bank has stated that the prime considerations of the collateral pools in which the collateral has been reinvested are liquidity and principal preservation. Given recent market conditions certain of the securities in these collateral pools may be illiquid, which means that there is no active market for them and they cannot be sold at current valuations. In addition, some of the securities in these collateral pools are subject to credit risk, including certain securities that are in receivership. Therefore, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position. As of June 30, 2008, the Foundation believes that there were no collateral deficiencies. The collateral pool is mainly invested in short-term securities for which subsequent maturities support this valuation. As of September 2008, subsequent market activity led to the Foundation having an outstanding collateral deficiency liability of approximately \$1,500,000.

Valuations of the collateral pools are provided to the Foundation by the custodial bank. For purposes of determining the values of collateral investments reflected on a balance sheet, the custodial bank uses financial models or other inputs where quoted prices in an active market are not available. Such valuations reflect hypothetical transactions, are subject to uncertainties, and accordingly do not reflect the amount that would be realized in a current sale. In addition, in light of the judgment involved in the fair value decisions by the custodial bank, and given the current market conditions, the illiquidity of certain of the securities in the collateral pool, and the credit risk associated with securities in the collateral pools, there can be no assurance that a fair value assigned to a particular security by the custodial bank is accurate.

At June 30, 2008, the Foundation had equity and fixed income securities with fair values of \$137,135,056 on loan. The Foundation reflects the collateral received for securities on loan as an asset and its obligation to return the collateral as a liability on its statement of financial position. An asset of approximately \$140,165,741 and the related liability representing the obligation to return collateral received of \$140,165,741 are reflected on the statement of financial position as of June 30, 2008. Income from securities lending for the year ended June 30, 2008 was \$429,955.

**UNIVERSITY OF MINNESOTA FOUNDATION**

Notes to Consolidated Financial Statements

June 30, 2008

**(4) Pledges Receivable**

Pledges receivable, net of unamortized discount (at rates of 2.65% – 5.15%) of \$8,271,137 are summarized as follows at June 30, 2008:

Unconditional promises expected to be collected in:	
Less than one year	\$ 28,696,848
One year to five years	31,432,791
Greater than five years	<u>12,808,525</u>
	72,938,164
Reserve for uncollectible pledges	<u>(1,334,269)</u>
Pledges receivable	<u><u>\$ 71,603,895</u></u>

In addition, the Foundation has received conditional promises to give in the amount of \$9,464,992 as of June 30, 2008. These gifts are primarily conditioned on completion of building or fundraising projects, evaluation of progress on projects, or matching funds.

**(5) Office Property and Equipment**

The following is a summary of office property and equipment at June 30, 2008:

Leasehold improvements	\$ 775,937
Furniture and fixtures	3,593,625
UMFIA	225,137
Less accumulated depreciation	<u>(3,644,037)</u>
	<u><u>\$ 950,662</u></u>

**(6) Temporarily Restricted Net Assets**

Temporarily restricted net assets are available as of June 30, 2008 for the following purposes:

Capital improvement/facilities	\$ 116,736,121
Faculty support	22,243,396
Scholarships and fellowships	233,579,795
Lectureships, professorships, and chairs	236,817,206
College program support	259,284,996
Research	34,251,550
Trusts	12,291,499
Other	<u>8,161,956</u>
	<u><u>\$ 923,366,519</u></u>

**UNIVERSITY OF MINNESOTA FOUNDATION**

Notes to Consolidated Financial Statements

June 30, 2008

**(7) 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, 2008 are as follows:

Capital improvement/facilities	\$ 3,693,953
Faculty support	13,467,576
Scholarships and fellowships	215,189,109
Lectureships, professorships, and chairs	171,263,196
College program support	54,881,518
Research	7,919,536
Trusts	36,412,395
Other	1,651,352
	<u>\$ 504,478,635</u>

**(8) Support Services Revenue and Expense**

The Foundation provides much of the development functions for the University. An annual amount is allocated by the University to reimburse the Foundation for a portion of the direct costs of support services provided by the Foundation on behalf of the University.

The costs of the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and support services benefited.

**(9) Loan Guarantee**

The Foundation guarantees the principal and interest payments on the long-term debt related to Gateway's outstanding Series 1997B, 2002, and 2006 bonds. The total amount of long-term debt outstanding at June 30, 2008 subject to the guarantee is \$44,200,000. Since the guarantee may expire without being drawn upon, the total guarantee does not necessarily represent future cash requirements. As of June 30, 2008, no amounts have been recognized as a liability under the financial guarantee in the consolidated statement of financial position as the likelihood that Gateway would be unable to fulfill its obligation in full or in part under the debt agreement is not considered to be probable.

**UNIVERSITY OF MINNESOTA FOUNDATION**

Notes to Consolidated Financial Statements

June 30, 2008

**(10) Summarized Financial Data for Gateway (Unaudited)**

Summarized financial data for Gateway as of and for the year ended June 30, 2008 was as follows:

Total assets	\$ 58,527,435
Total liabilities	<u>45,610,965</u>
Net assets	<u>\$ 12,916,470</u>
Income	\$ 6,479,549
Expenses	<u>5,410,986</u>
Net operating income	<u>1,068,563</u>
Less depreciation/other	<u>2,485,601</u>
Decrease in net assets	<u>\$ (1,417,038)</u>

**(11) Commitments**

**(a) Lease Agreement**

The Foundation has an operating lease for office space with Gateway, a related party. Terms of the lease call for minimum base rent of \$637,415 annually through 2024. Rent expense for the year ended June 30, 2008 was \$934,385. Minimum annual payments under the terms of these leases are as follows:

Year ending June 30:	
2009	\$ 637,415
2010	637,415
2011	637,415
2012	637,415
2013	637,415
Thereafter	7,170,919

**(b) Investment Commitment**

The Foundation is committed as of June 30, 2008 to invest approximately \$177,896,235 in certain investment managers for long-term investment purposes.

**(12) Retirement Plans**

The Foundation staff members participate in the University of Minnesota's retirement plans. The University manages all plan administration, payment, and disclosure obligations. The Foundation has no unfunded liabilities with respect to the plan.