University of Nebraska
Comprehensive Annual Financial Report

For the Years Ended June 30, 2014 and 2013
(A Component Unit of the State of Nebraska)

THE UNIVERSITY OF NEBRASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Years Ended June 30, 2014 and 2013

(A Component Unit of the State of Nebraska)

Office of the Senior Vice President | CFO

UNIVERSITAS NEBRASKENSIS.

LITERIS DEDICATA ET OMNIBUS ARTIBUS

FEB. 15, 1869.

THE UNIVERSITY OF NEBRASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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THE UNIVERSITY OF NEBRASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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INTRODUCTION

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December 28, 2014

James Linder, Interim President
Members of the Board of Regents
University of Nebraska

Dear President Linder and Board Members:

We enclose for your review and use the Comprehensive Annual Financial Report for the University of Nebraska as of and for the fiscal year ended June 30, 2014.

Management is responsible for the preparation and fair presentation of the financial statements, based upon a comprehensive internal control framework that it has established for this purpose. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The University of Nebraska's financial statements for the year ended June 30, 2014 have been audited by the Auditor of Public Accounts, who has, based on their audit and the reports of other auditors, issued an unmodified report on those financial statements. The independent auditors' report is presented in the financial section of this document.

Management's discussion and analysis (MDA) immediately follows the auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. The MDA is designed to complement this letter and should be read in conjunction with it.

Profile of the University

History. The University of Nebraska was founded on February 15, 1869, less than two years after Nebraska became the nation's 37th state. The original goal of this new land-grant university was, "To afford the inhabitants of this state with the means of acquiring a thorough knowledge of the various branches of literature, science, and the arts." This goal has stood the test of time, inspiring the University's dedication to the education of students, research in a broad range of disciplines, and service to the state's citizens.

The University of Nebraska is the state's only public university. In 1903 it became the first institution west of the Mississippi River to offer graduate education. Founded in Lincoln, the University included a medical center in Omaha beginning in 1902.

The University was reorganized under a 1968 act of the Nebraska Legislature. The legislation provided for the addition of the University of Nebraska at Omaha (formerly the municipal University of Omaha) and designated the University of Nebraska-Lincoln and the University of Nebraska Medical Center as separate campuses. In 1991, the University of Nebraska at Kearney (formerly Kearney State College) became a campus of the university. In addition to the four campuses, the University also includes many research, extension, and service facilities statewide.

Governance. The University of Nebraska system operates under a single president and Board of Regents. The members of the Board are elected by district on six year terms. The Board exercises the final authority in governance of the University within the limits of the Constitution, the laws of the State of Nebraska, and the laws of the United States. The Board delegates to the President of the University, and through him to the appropriate administrative officers, general authority and responsibility to carry out the policies and directions of the Board.

The President, in concert with the Board, appoints Chancellors for each of the four campuses of the University. The Chancellors, in turn, are responsible for the operation of each of their respective campuses within the policies, procedures and operational guidelines established by the Board and the President.

The Campuses of the University of Nebraska. In addition to being a strong economic driver for the State of Nebraska, the University and its four campuses provide a diversity of educational, research, and outreach opportunities to students, faculty and citizens of the State of Nebraska;

> University of Nebraska at Kearney: The University of Nebraska at Kearney (UNK) is Nebraska's public, residential university that is distinguished by a commitment to excellence in undergraduate education. A mid-sized, comprehensive university, it is especially noted for small classes, a scholarly faculty devoted to teaching students first, and an enviable location in a thriving regional population center. Personalized attention for students is a hallmark of education at UNK.

> University of Nebraska-Lincoln: Founded in 1869, the Lincoln campus of the University of Nebraska (UNL) is the state's land-grant university. Through its three primary missions of learning, discovery and engagement, the University of Nebraska is the state's intellectual center and has been recognized by the Legislature as the primary research and doctoral-degree granting institution in the state. Today, it is one of the top 50 American universities in the number of doctoral degrees granted annually. It is of national and international influence, with students from every state and more than 100 nations.

> University of Nebraska Medical Center: The University of Nebraska Medical Center (UNMC) is the only public academic health science center in Nebraska. Its mission is to improve the health of Nebraskans through premier educational programs, innovative research, the highest quality patient care and outreach to underserved populations. Its success in this endeavor is marked by the fact that nearly half of Nebraska’s physicians, dental professionals, pharmacists, bachelor-prepared nurses and allied health professionals have graduated from UNMC. The vision and strategic plan for UNMC: to become a world renowned health sciences center and system, repositioning the Medical Center from a regional to a national center of excellence in the 21st century.

> University of Nebraska at Omaha: The University of Nebraska at Omaha (UNO) is located in the heart of Nebraska’s largest city and serves as the state’s metropolitan university. UNO offers nearly 200 programs of study in a learning environment that features a small-school atmosphere within Nebraska’s largest city. UNO has enjoyed many recent successes in its move to becoming a metropolitan university of high distinction. Among these major landmarks is the Peter Kiewit Institute for Information Science, Technology and Engineering education which presents a new dynamic in how business and academia partner with each other to achieve common goals. This and the addition of residential units are among the factors leading to strong growth in numbers of students at UNO.

The University of Nebraska Foundation. The University of Nebraska Foundation is a strong supporter of the University in its drive to excellence. The Foundation continues to experience fundraising successes for the support of academics, research, and facilities. The University received over $173 million from the Foundation during 2014 for the funding of scholarships, professorships, and capital projects.

The financial statements include the discrete presentations of the Foundation's statements. Governmental Accounting Standards Board (GASB) Statement 39, *Determining Whether Certain Organizations Are Component Units*, and Statement 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No, 14 and 34* require that financial reporting for a component unit that raises and holds funds for the direct benefit of the University be included in its financial statements.

The Nebraska Economy

The state-wide presence and mission of the University closely ties its well-being with that of the state economy. The economy of Nebraska is broad-based with one-third of non-farm jobs being in the services sector of the economy. Behind the services sector, another third is accounted for by the combination of manufacturing, retail and financial sectors. Omnipresent is performance of the agricultural economy. The combination of this broad economic base and the underpinning of agriculture have tended to buffer Nebraska from some of the national economic woes.

The State of Nebraska has historically been conservative in its financial management. In fact, the State has projected a $693 million balance in its "rainy day" fund at the end of fiscal 2017. The State is required to achieve a balanced budget, is prohibited from borrowing, and has no outstanding indebtedness.

The State Forecasting Board's projections show a positive economic outlook. In its October 2014 meeting, the Forecasting Board increased projected revenues by $62 million for the fiscal year ending June 30, 2015 with most of the increase coming from individual income tax receipts. The Board projected revenues for the next fiscal year at $4.282 billion. Driven by a strong agricultural economy and low unemployment, (2.8% versus a national benchmark of 5.5%), Nebraska's median household income has decreased slightly (-.54%) over a three year period, versus a 2.28% decrease seen on a national basis. These factors point to the relative stability of the Nebraska economy.

We are optimistic that University officials, residents of Nebraska, and State leadership will increasingly work together with a common vision to the future. This collaboration yields a growing, vibrant University while providing a high quality, affordable education to its citizens. This is fundamental, even vital, to the long-term well-being of the Nebraska economy. The University is, and remains, an important statewide asset and a primary determinant of whether the State and its citizens will to continue to progress and prosper.

Planning and Initiatives

The performance of the economy has put an even greater emphasis on planning and strategic initiatives. The foresight of the President and the Board in adopting a strategic framework several years back and the advantage of focusing our efforts based on that guidance is invaluable. Unrestricted resources as a percent of operating expenses is 21% at June 30, 2014, which compares favorably to industry benchmarks. We will continue to attempt to preserve a prudent level of reserves so as to provide an operating environment that is comparatively stable and predictable.

Our capital facilities planning and initiatives continue to serve us well. The University expended $235 million in 2014 on capital projects that touched the educational, research and outreach missions. During 2014, the University began a capital construction process that entails “auditing” all major buildings: assembling data on their utilization, condition, and relevance to campus priorities, which will more closely inform such investments in the future.

Our debt strategy, although perhaps unexciting to some, allows us to be less subject to the uncertainties of the market and sleep well in this volatile environment. The increasing footprint of the Federal government in the debt markets adds even more unknowns. We will continue to our strategy to avoid the emotion-driven capital markets by being a fixed-rate borrower, in projects that provide good coverage, and with level amortization versus pushing increasing debt payments into the future. Lastly, unlike many peers, we do not have the burden of post-employment benefit liabilities looming in our future.

In October of 2009, the University of Nebraska Foundation publicly announced a campaign to raise $1.2 billion to enhance student support, faculty support and research in areas of critical importance to the university, the state and the world. While the $1.2 billion mark was surpassed during 2012, the campaign continues to gather private support totaling $1.8 billion as of this date for priorities in need of funding, including the Healthier Nebraska efforts at UNK, UNL and UNMC, Innovation Campus, a community/arena facility at UNO and other campus priorities. Details of the campaign and the university priorities it supports can be found at http://campaignfornebraska.org.

We combine the financial prudence with initiatives to make the University of Nebraska one of the leading public higher education institutions in the country, appealing to both outstanding students and faculty. Goals for the University include working hard to offset flat demographics in the State by funding national and international efforts in recruitment, including targeted partnership initiatives in selected regions of the U.S. and abroad.

Accessibility is also a high level initiative of the University. There is nothing that will provide greater long-term benefit to the State and the nation than an educated citizenry. We will continue in our efforts to make an affordable education available to all and buttress this effort by reaching down into the P-12 ranks to assist in college preparedness.

Research will continue to be a priority. Funded research in 2014 totaled $305 million. The effort will become even more keenly focused in the future, with food, water and fuels being among the foundational pillars receiving increasing focus.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the University of Nebraska for its comprehensive annual financial report for the fiscal year ended June 30, 2013. The University has been awarded the Certificate for twenty-one of the last twenty-two years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

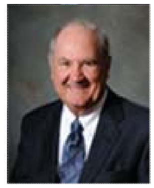
The preparation of this report would not have been possible without the efficient and dedicated service of the staff of the Senior Vice President for Business and Finance and campus business and finance personnel. We would like to express our appreciation to all members of those departments who assisted and contributed to preparation of this report. Credit also must be given to President Linder and the Board of Regents for their active support for maintaining the highest standards of professionalism in the management of the University of Nebraska's finances.

Respectfully submitted,

David E. Lechner
Senior Vice President | CFO

Keith L. Lauber
Director of University Accounting

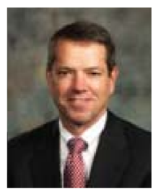
The Board of Regents of the University of Nebraska



Howard L. Hawks, Chairman
District 2

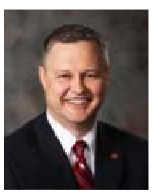
Bob Phares, Vice Chairman
District 7

Timothy F. Clare, Lincoln
District 1

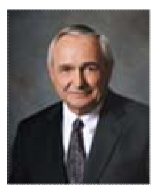


Jim Pillen, Columbus
District 3

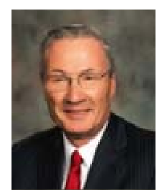
Bob Whitehouse, Omaha
District 4



Robert M. Schafer, Beatrice
District 5

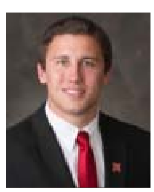


Kent A. Schroeder, Kearney
District 6



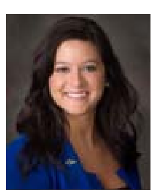
Hal Daub, Omaha
District 8

Student Regents



Kevin Knudson, UNL

Krupa Savalia, UNMC



Connor Schulte, UNK

Jordan Koch, UNO

THE UNIVERSITY OF NEBRASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Principal University Business Officials

University of Nebraska Officers

James Linder, Interim President
Susan Fritz, Executive Vice President and Provost
David E. Lechner, Senior Vice President | CFO
Joel D. Pedersen, Vice President and General Counsel
Carmen Maurer, Corporation Secretary and Vice President and General Counsel
Keith L. Lauber, Director of University Accounting

University of Nebraska-Lincoln Administration

Harvey Perlman, Chancellor
Christine Jackson, Vice Chancellor for Business and Finance
Mary LaGrange, Controller

University of Nebraska Medical Center Administration

Jeffrey Gold, Chancellor
Donald S. Leuenberger, Vice Chancellor for Business and Finance
William Lawlor, Controller

University of Nebraska at Omaha Administration

John Christensen, Chancellor
William E. Conley, Vice Chancellor for Business and Finance
Joseph L. Huebner, Assistant Vice Chancellor and Director of Finance

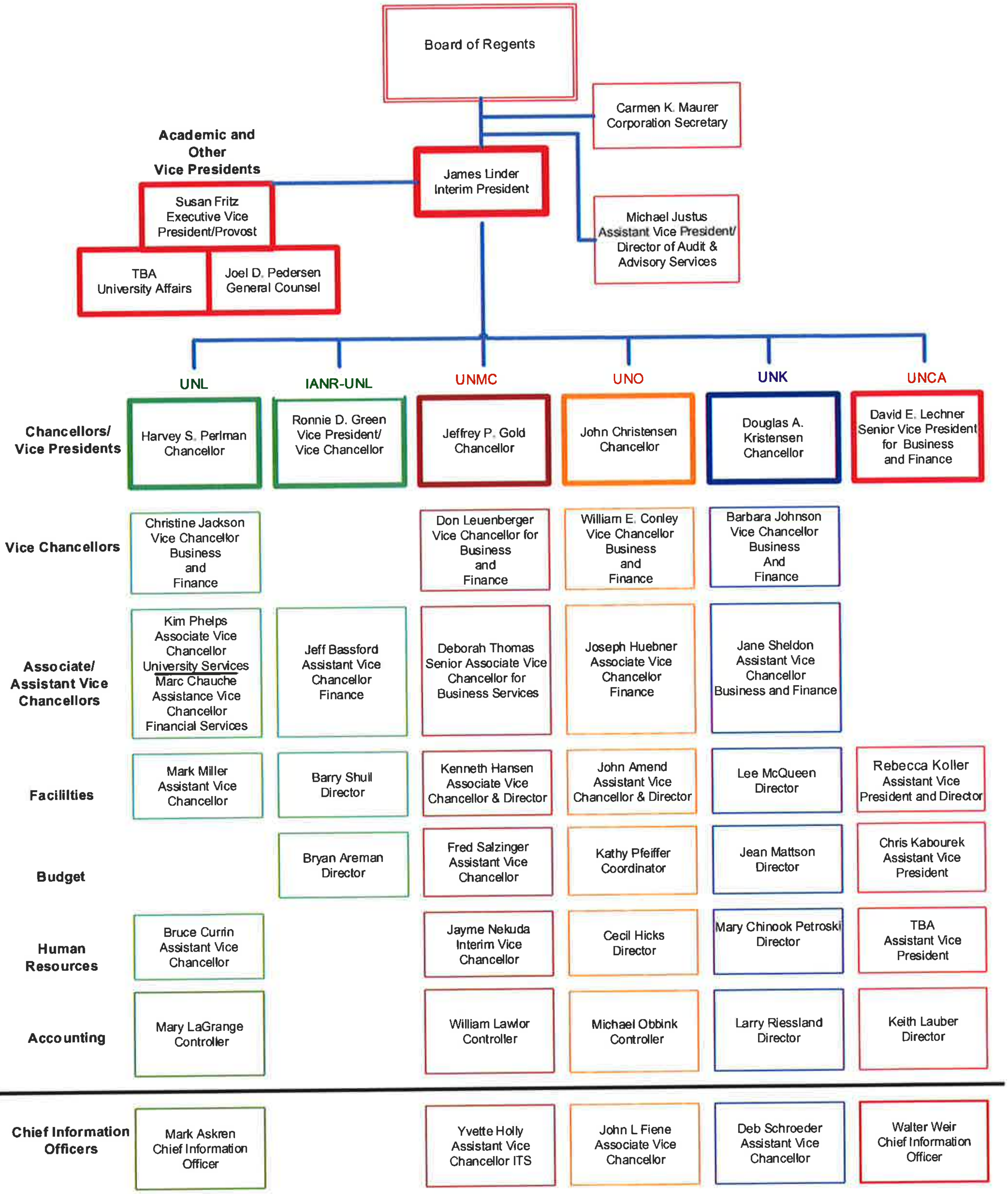
University of Nebraska at Kearney Administration

Douglas Kristensen, Chancellor
Barbara Johnson, Vice Chancellor for Business and Finance
Larry Riessland, Director of Finance

University of Nebraska Facilities Corporation

Timothy F. Clare, President
Bob Phares, Vice President
David E. Lechner, Secretary-Treasurer

University of Nebraska Administration
Business Affairs Organizational Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

University of Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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FINANCIALS

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THE UNIVERSITY OF NEBRASKA

The University of Nebraska strives to be the best public university in the country as measured by the impact we have on our people and our state—and through them, the world. We help build and sustain Nebraska by offering educational and economic opportunity and a high quality of life: through access to high-quality education, through research that improves lives, through developing the state's workforce, and through programs that leverage Nebraska's resources in areas that are important in our state, nationally and globally.

The University of Nebraska is the state's only public university. It became the first institution west of the Mississippi River to offer graduate education in 1903. Founded in Lincoln, the university included a medical center in Omaha beginning in 1902.

The University of Nebraska became a multi-campus university in 1968 when the original campus was designated the University of Nebraska-Lincoln, and the University of Nebraska Medical Center and the University of Nebraska at Omaha (formerly a municipal institution) were designated by the state legislature as separate campuses. The University of Nebraska at Kearney (formerly a state college) was added in 1991.

Today's University of Nebraska stands proudly in the company of America's great public universities, with faculty and staff of about 13,000 serving more than 51,000 students and 1.8 million Nebraskans. The University's momentum is apparent, with new initiatives that are improving access for Nebraskans, ambitious goals for enrollment growth, continued improvements in student outcomes, success in increasing research funding, and record levels of private support.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

INDEPENDENT AUDITORS' REPORT

Board of Regents of the University of Nebraska
Lincoln, Nebraska:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and the discretely presented component unit of the University of Nebraska (University) (a component unit of the State of Nebraska) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We did not audit the financial statements of the University of Nebraska Foundation (Foundation), a discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units); and the activity relating to the Members of the Obligated Group Under the Master Trust Indenture. The Blended Component Units and the activity relating to the Members of the Obligated Group Under the Master Trust Indenture represent 25 percent, 6 percent, and 22 percent, respectively, of the assets, net position, and revenues of the University. Those statements were audited by other auditors whose reports have been furnished to us, along with the Foundation report which appears herein, and our opinion, insofar as it relates to the amounts included for the Foundation, the Blended Component Units, and the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, is based solely on the report of the other auditors. We conducted our audit 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. The financial statements of the Foundation, and the Blended Component Units, were not audited in accordance with *Government Auditing Standards*.

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 entity'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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University of Nebraska, as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended 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 on pages 21 through 34 be presented to supplement the basic 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 financial statements in an appropriate operational, economic, or historical context. We 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 financial statements, and other knowledge we obtained during our audit of the basic 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying introductory and statistical sections on pages 3 through 12 and pages 91 through 108 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 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.

Mark Avery

Lincoln, Nebraska
December 3, 2014

Mark Avery, CPA
Audit Manager

KPMG LP
Suite 300
1212 N. 96th Street
Omaha, NE 68114-2274

Suite 1600
233 South 13th Street
Lincoln, NE 68508-2041

Independent Auditors' Report

The Board of Directors
University of Nebraska Foundation:

We have audited the accompanying consolidated financial statements of the University of Nebraska Foundation (a Nebraska not-for-profit corporation) (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Nebraska Foundation as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Lincoln, Nebraska
October 23, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2014 and 2013 (UNAUDITED)
(Columnar Amounts in Thousands)

Introduction

This discussion and analysis is designed to provide an overview of the financial position and activities of the University of Nebraska (the University) for the years ended June 30, 2014 and 2013. This analysis has been prepared by management of the University of Nebraska and it is intended to be read with the financial statements and related footnotes that follow this section.

The University is a comprehensive public institution of higher education, research, and public service. It was founded in Lincoln, Nebraska on February 15, 1869. The University became a multi-campus institution in 1968 by an act of the Nebraska Legislature that provided for the addition of the University of Nebraska at Omaha to the University system (formerly the municipal University of Omaha) and, at the same time, designated the University of Nebraska-Lincoln and University of Nebraska Medical Center as separate campuses. In 1991, the former Kearney State College became the fourth campus as the University of Nebraska at Kearney.

The University's four campuses provide a diversity of offerings. The University of Nebraska-Lincoln (UNL) offers a wide range of undergraduate majors and has primary responsibility for graduate education, particularly at the doctoral level, and in the non-medical professions. UNL also includes the Institute of Agriculture and Natural Resources, which operates research extension centers across the State of Nebraska (the State), as well as offering major educational and research programs on campus. The University of Nebraska Medical Center (UNMC) features undergraduate, graduate, and professional degree programs that prepare students for a wide variety of careers in health sciences. The University of Nebraska at Omaha (UNO) is a metropolitan university located in the heart of Nebraska's largest city offering a broad range of undergraduate programs, as well as doctoral programs in criminal justice and public administration. The University of Nebraska at Kearney (UNK) is a mid-sized, residential campus with a commitment to excellence in undergraduate education. UNK offers undergraduate degrees in the arts and sciences, education, and business and technology, with a wide range of majors.

The financial statements for the University of Nebraska include five blended entities, those being the University of Nebraska Facilities Corporation (UNFC), the UNMC Physicians, the University Dental Associates, the Nebraska Utility Corporation, and the University Technology Development Corporation. Additional information regarding these entities is described in the footnotes to the financial statements.

In accordance with the guidance of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No, 14 and 34* the University of Nebraska Foundation's (the Foundation) financial statements are discretely presented with the University's financial statements. Management's discussion and analysis relates only to the University and does not include any overview of the financial position and activities of the Foundation. References to the Foundation within the analysis relate only to specific transactions with the University.

(Columnar Amounts in Thousands)

Student Enrollment – Headcount

	Fall Semester of Fiscal Year				
Campus	**2010**	**2011**	**2012**	**2013**	**2014**
UNL	24,100	24,610	24,593	24,207	24,445
UNMC	3,237	3,493	3,626	3,655	3,681
UNO	14,620	14,665	14,712	14,786	15,227
UNK	6,650	6,753	7,100	7,199	7,052
Total	48,607	49,521	50,031	49,847	50,405

The fall semester (fiscal 2014) headcount enrollment was 50,405 students on the four campuses. This represents an increase of approximately 550 compared to fiscal 2013, (fall 2012), a 1% increase for the year. The largest increase within the underlying demographics is 273 additional undergraduate students at UNL (up 1%), while graduate/professional students increased by 250 university-wide. Increasing enrollment is a strategic priority of the University and all campuses have devoted greater efforts to recruit both in-state and out-of-state students through such activities as improvement of student residences and facilities. The number of students enrolled in graduate and professional programs was 12,357, representing 25% of the student body, an important part of the University's commitment to its increasing prominence as a major research institution.

Financial and Operating Highlights

- ***Growth in Net Position.*** Total net position of the University grew by approximately 8% and is attributable to several factors. Approximately $150 million (70%) of the change results from additional investments in fixed assets. The remainder of the increase accrues to three things: the University's investment in the Nebraska Medical Center joint venture increased by $26 million, the UNMC Physicians, a blended entity, realized an increase in net position of $22 million, and the fair value of the permanent endowment increased by $30 million.

- ***New Capital Construction.*** Investment in capital projects followed University priorities, with many of these projects coming courtesy of donations. The following endeavors align behind the educational, research, and public service missions and make the University more competitive in continuing to attract high caliber students and faculty.
    - A major capital construction project at UNMC continued with the issuance of additional UNFC bonds to finance portions of the Fred and Pamela Buffett Cancer Center that is under construction in partnership with the Nebraska Medical Center. Also at UNMC, work began on the Lozier Center for Pharmacy Sciences and Education and Center for Drug Discovery to be completed in the next year.

- At UNO, a major capital construction project began with the issuance of UNFC bonds to finance the University/Community Arena. The Arena will be used for UNO Athletics and other community events. Construction was completed on the Barbara Weitz Community Engagement Center during the year, a facility that gives a home to UNO's outreach efforts and is the only stand-alone engagement center in the country.
- Construction began at UNK on a new, comprehensive wellness center which will provide fitness and recreation opportunities for faculty and staff.
- At UNL, work was completed on the Nebraska Innovation Campus Conference Center and construction initiated on the Food Innovation Center both located on the Nebraska Innovation Campus. Construction was completed on University Suites, a suite style residence hall that opened at the beginning of year at UNL while work continued on Eastside Suites residence hall to completed for fall 2014.

- ***Indebtedness.*** Overall, bonded indebtedness increased in 2014 by about $74 million on a base of $684 million at June 30, 2013, the result of five new issues net of maturities/calls:

  Two issues were made under the Master Trust Indenture (MTI):

  - $8,615 of UNL Parking bonds to acquire a parking garage condominium on the UNL campus and to redeem $3,000 of 2003 parking bonds.
  - $11,630 of UNO Housing refunding bonds used to refund $12,000 of UNO Housing 2003 bonds.

  Two new issues were made by UNFC:

  - $53,930 of UNO/Community Project bonds to construct an arena.
  - $70,290 of Cancer Center bonds to bridge finance donations for a portion of the construction of a $370 million Cancer Research Center at UNMC.

  The fifth issuance was made by:

  - NUCorp for $12 million to finance the construction of the Central Renewable Energy System for the UNL Innovation Campus.

  UNFC redeemed $13,790 of UNMC Research Center 2007 bonds with donor contributions made to the University of Nebraska Foundation.

  Financial performance in the areas financed by MTI bonds (unions, student residences, and parking) led to strong debt coverage ratios of 1.6 times versus a required 1.15. Strong performance also allows MTI members to create reserves that allow measured, planned modernizations of facilities and equity infusion into projects without incurring additional incremental borrowings that would otherwise be required.

  State appropriations and tuition. The Nebraska Legislature appropriated a 4% increase in state support of University operations for the fiscal 2014 and 2015. The University's state non-capital appropriations increased by 4% in 2014 compared to an increase of 2.4% in 2013 and a decrease of 1% in 2012. In exchange for the 4% increases, the University's Board of Regents froze tuition increases for Nebraska residents for those same years, in a joint effort to keep higher education affordable. The flat tuition in 2014 was preceded by tuition increases of 3.75% and 5% in 2013 and 2012. This support along with internal reallocations permitted the University to provide a 3% increase in the salary pool for faculty and staff and to pay negotiated salary increases for UNO and UNK collective bargaining units. The University will continue to work with the State with the hope of further increasing investment, which will be deployed by management strategically while at the same time using such funding to keep college affordable.

- ***Federal Grants and Contracts.*** Revenues from Federal grants and contracts decreased by 7% and 8% in 2014 and 2013, respectively. Support from Federal grants and contracts, because of Federal slowdowns, decreased to $207 million in 2014 compared to $223 million in 2013 and $243 million in 2012. Revenues from Federal sources support the research and discovery efforts of the University and provide financial aid to students.

- ***Capital grants and gifts.*** Capital grants and gifts continue to be an important source of funding for facilities at the University. Capital grants and gifts totaled $105 million in 2014 compared to $116 million in 2013, and $62 million in 2012. The largest of the gifts in 2014 were from the Foundation to repay UNFC bond obligations for several bonded projects and for the Barbara Weitz Community Engagement Center.

Using the Financial Statements

The financial statements of the University include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements are prepared in accordance with GASB Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis-for Public Colleges and Universities*. The statements and related footnotes are presented on a combined basis for the University as a whole.

Statement of Net Position. The Statement of Net Position includes all of the assets, deferred outflows, liabilities, and deferred inflows of the University and its component units on the accrual basis of accounting. The difference between total assets and deferred outflows and total liabilities and deferred inflows represents the net position of the University, and is one indicator of its overall current financial condition. Over time, increases or decreases in the University’s net position are indicative of whether its financial health is improving or deteriorating.

Assets classified as non-current are those that are expected to mature beyond a one year period or represent special accounts such as those established to comply with revenue bond covenants.

Capital assets are presented net of accumulated depreciation.

Net position is divided into three parts:

- Net investment in capital assets: The University’s total investment in capital assets, net of accumulated depreciation and reduced by outstanding bond obligations incurred to acquire, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.

- Restricted:
  - Expendable: A fund externally restricted by creditors, grantors, or contributors and includes grant and research funds, student loan programs, funds for plant construction, and debt service on bond obligations.
  - Non-expendable: Permanent endowments.
- Unrestricted: Comprised of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Revenues, Expenses, and Changes in Net Position disclose the revenues and expenses of the University during the year. Revenues and expenses are classified as either operating or non-operating. Revenues realized from operating activities are offset by operating expenses, including depreciation, resulting in an operating income or loss. Most significantly, GASB requires that certain funding sources that are significant to the University, including State appropriations, gifts, certain Federal student aid programs, and investment income, be classified as non-operating revenues. In large public land-grant institutions, this, by definition, will invariably create operating losses on the statement of revenues and expenses and negative cash flows from operations in the statement of cash flows.

Scholarships and fellowships granted to students are shown as a reduction of tuition and other revenues, while stipends and other cash payments made directly to students are reported as scholarship and fellowship expenses.

Statement of Cash Flows. The Statement of Cash Flows provides information about the cash receipts and cash payments made by the University during the year. When used with related disclosures and information in the other financial statements, this statement should help assess the University's ability to generate future cash flows, its ability to meet its obligations when they come due, its needs for financing, the reasons for differences between operating income and associated cash receipts, and payments and the effects on the University's financial position by investing, capital, and financing transactions during the year.

(Columnar Amounts in Thousands)

Condensed Financial Statements and Analysis

Condensed Statements of Net Position

	June 30, 2014	2013	2012
Assets and Deferred Outflows			
Current assets	$ 1,316,583	$ 1,238,373	$ 1,068,829
Capital assets, net of accumulated depreciation	2,091,480	1,985,204	1,855,873
Other non-current assets	916,339	786,483	774,223
Total assets	4,324,402	4,010,060	3,698,925
Deferred Outflows of Resources			
Deferred loss on bond refunding	6,589	6,144	-
Liabilities, Deferred Inflows, and Net Position			
Current liabilities	395,977	395,073	322,497
Non-current liabilities	776,920	683,052	685,025
Total liabilities	1,172,897	1,078,125	1,007,522
Deferred Inflows of Resources			
Deferred service concession arrangement receipts	13,591	16,216	18,642
Net position:			
Net investment in capital assets	1,559,636	1,408,851	1,277,228
Restricted for:			
Nonexpendable:			
Permanent endowment	234,690	204,529	190,492
Expendable:			
Externally restricted funds	162,118	160,479	148,726
Loan funds	44,562	44,869	44,507
Plant construction	284,336	185,744	159,447
Debt service	136,229	157,353	161,384
Unrestricted	722,932	760,038	690,977
Total net position	$ 3,144,503	$ 2,921,863	$ 2,672,761

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2014 and 2013 (UNAUDITED)
(Columnar Amounts in Thousands)

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	Year Ended June 30, 2014	2013	2012
Operating Revenues:			
Tuition and fees	$ 347,428	$ 336,112	$ 321,279
Federal grants and contracts - restricted	206,506	222,779	242,907
Private grants and contracts - restricted	111,427	116,706	91,077
State grants and contracts - restricted	38,490	32,224	32,228
Sales and services of educational activities	96,858	93,759	88,046
Sales and services of health care entities	239,521	227,924	217,799
Sales and services of auxiliary operations	169,563	167,726	145,480
Sales and services of auxiliary segments	111,800	103,180	99,886
Other operating revenues	11,999	13,132	12,777
Total operating revenues	1,333,592	1,313,542	1,251,479
Operating Expenses:			
Salaries and wages	952,608	920,748	886,353
Benefits	279,743	253,832	239,685
Total compensation and benefits	1,232,351	1,174,580	1,126,038
Supplies and materials	282,777	268,202	260,109
Contractual services	139,237	134,260	123,414
Repairs and maintenance	68,132	57,298	61,905
Utilities	33,480	35,390	34,984
Communications	13,819	14,918	14,377
Depreciation	117,361	106,788	104,088
Scholarships and fellowships	70,195	70,155	67,820
Total operating expenses	1,957,352	1,861,591	1,792,735
Operating Loss	(623,760)	(548,049)	(541,256)
Non-operating Revenues (Expenses):			
State of Nebraska non-capital appropriations	527,656	498,509	486,155
Federal grants	42,337	42,308	42,851
Gifts	86,548	83,238	75,821
Investment income	18,823	33,201	29,789
Increase (decrease) in fair value of investments	46,246	13,428	(16,518)
Interest on bond obligations	(24,410)	(23,463)	(25,017)
Equity in joint venture	25,852	20,734	12,838
Loss on disposal of plant assets	(9,237)	(2,135)	(3,684)
Net non-operating revenues	713,815	665,820	602,235
Income before Other Revenues, Expenses, Gains or Losses	90,055	117,771	60,979
Other Revenues, Expenses, Gains or Losses:			
Capital grants and gifts	105,495	115,530	61,782
State of Nebraska capital appropriations	27,051	21,019	20,553
Additions to permanent endowments	39	647	700
Net other revenues, expenses, and gains or losses	132,585	137,196	83,035
Increase in net position	222,640	254,967	144,014
Net Position			
Net position, beginning of year	2,921,863	2,666,896	2,528,747
Net position, end of year	$ 3,144,503	$ 2,921,863	$ 2,672,761

(Continued)

Analysis of Financial Position. Cash and cash equivalents represent the preponderance of current assets of the University. Cash and cash equivalents increased each year in 2014, 2013, and 2012 due to yields gained on cash balances in the State investment pool, unexpended bond proceeds on hand, and cash held by blended entities.

Non-current assets of the University are dominated by the investment in capital assets. At June 30, 2014, total investment in capital assets was $3 billion, yielding a net investment, after accumulated depreciation, of $2.1 billion. The increase in capital assets was $106 million, consisting of additions of $223 million net of depreciation of $117 million. Changes in capital assets are further detailed in the capital asset section of this discussion.

Capital gifts from the Foundation funded the Life Science Annex infrastructure, the Barbara Weitz Center, and debt service on certain UNFC projects. All other projects were funded or partially funded from MTI and UNFC bond issues of prior years, or in the case of Centennial Tower, internally financed through use of bond surpluses generated in prior years.

Net bonded indebtedness increased by $74 million in 2014 following an increase of $13 million in 2013 and a decrease of $14 million in 2012. Indebtedness issued was $156 million in 2014 with $52 million and $143 million issued in 2013 and 2012. The individual bond issuances were recounted earlier in this discussion and in the debt activity portion of this communication.

The unrestricted net position of the University decreased by 5% or $37 million during the year to $723 million. This decrease derives from combining the deficit at UNFC, a blended entity, with increases in unrestricted net position of other portions of the University. The deficit at UNFC increased by $75 million due to bridge financing of donor pledges for certain projects, offsetting an otherwise increase in unrestricted net position. While UNFC is properly combined herein, separate financial statements are available that add to the reader's understanding of UNFC.

Analysis of Operations – Overview. The University generated $1,334 million of operating revenues during 2014, an increase of $20 million over 2013, while operating expenses were $1,957 million, up $95 million over the prior year. These changes resulted in an increase in the operating loss of $75 million to $624 million in 2014 compared to losses $548 million and $541 million for 2013 and 2012. As disclosed earlier, because of the mandated financial reporting regarding classification of State appropriations and other funding sources, statements of activities for large public land-grant universities will invariably report an operating loss. If appropriations were added to the operating loss as displayed in the statements of revenues, expenses, and changes in net position, the University's "operating loss after appropriations" would have been $96 million in 2014 compared to similar "losses" of $49 million in 2013 and $55 million in 2012.

The Nebraska Legislature provided $528 million in non-capital appropriations for 2014, an increase of $29 million over 2013 following an increase of $12 million in 2013 and a decrease of $4 million in 2012. The University, in conjunction with the Foundation, generated non-operating and capital gifts of approximately $192 million that, when combined with all other non-operating revenues and expenses including investment income of $19 million, netted an overall increase in net position of about $223 million.

(Columnar Amounts in Thousands)

Revenues. The following chart depicts the revenues for 2014 and 2013 and the comparative changes that occurred between those years.

	2014		2013		2014-2013 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Tuition and fees	$ 347,428	26%	$ 336,112	26%	$ 11,316	3%
Federal grants and contracts - restricted	206,506	16	222,779	17	(16,273)	(7)
Private grants and contracts - restricted	111,427	8	116,706	9	(5,279)	(5)
State grants and contracts - restricted	38,490	3	32,224	2	6,266	19
Sales and services of educational activities	96,858	7	93,759	7	3,099	3
Sales and services of health care entities	239,521	18	227,924	17	11,597	5
Sales and services of auxiliary operations	169,563	13	167,726	13	1,837	1
Sales and services of auxiliary segments	111,800	8	103,180	8	8,620	8
Other operating revenues	11,999	1	13,132	1	(1,133)	(9)
Total operating revenues	$ 1,333,592	100%	$ 1,313,542	100%	$ 20,050	2%

The University's operating revenues increased in fiscal year 2014 by 2% or $20 million. A three year comparison of revenues for the years 2014, 2013, and 2012 is presented on page 27.

- The largest increase in revenues was realized in sales and services of healthcare entities, which increased by $12 million in 2014 compared to 2013. The increase is attributed to larger patient volumes in UNMC clinics and greater revenues experienced by UNMC Physicians, a blended entity.

- The second largest increase in revenue was realized in tuition and fees, which increased during the year by 3% solely on the strength of additional enrollments and growth in on-line classes as the Board of Regents agreed to hold resident tuition flat as part of an affordability compact with the Legislature and Governor.

- Sales and services of auxiliary operations and segments showed respective increases of 1% and 8% in 2014 compared to 2013 because of higher revenues from newly constructed student housing, high occupancies, and a 4.5% increase in housing rates. Increases in athletic revenues from ticket prices, increased attendance, and concession revenues contributed to the growth in revenues.

- Revenue from sales and services of educational activities increased overall by $3 million or 3% for the 2014 year. The increase reflects modest price increases and a stable demand for services.

- Federal grants and contracts and student aid decreased by 7% ($16 million) in 2014 compared to a decrease of 8% in 2013 and a smaller decrease of 2% in 2012. Federal grants and contracts activity continued to slow for a second year due to research-oriented budgetary cutbacks by Federal agencies and their focus on preserving operating cash and slowing award activity. Fortunately, state grants and contracts increased by 19% ($6 million) which partially offset decreases in Federally sponsored programs.

(Columnar Amounts in Thousands)

Expenses. The following chart shows the University's expenses for 2014 and 2013 and comparative changes that occurred between those years. A three year comparison of expenses for the years 2014, 2013, and 2012 is presented on page 27.

	2014		2013		2014-2013 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Compensation and benefits	$ 1,232,351	63%	$ 1,174,580	63%	$ 57,771	5%
Supplies and materials	282,777	14	268,202	14	14,575	5
Contractual services	139,237	7	134,260	7	4,977	4
Repairs and maintenance	68,132	3	57,298	3	10,834	19
Utilities	33,480	2	35,390	2	(1,910)	(5)
Communications	13,819	1	14,918	1	(1,099)	(7)
Depreciation	117,361	6	106,788	6	10,573	10
Scholarships and fellowships	70,195	4	70,155	4	40	0
Total operating expenses	$ 1,957,352	100%	$ 1,861,591	100%	$ 95,761	5%

Operating expenses increased by $96 million for the 2014 fiscal year. Changes in the major expense classifications follow.

- Compensation and benefits increased by 5% in 2014 following a 4% increase in 2013 and 2% for 2012. While the 2014 salary pool was 3%, additional amounts were expended for targeted strategic growth areas including continued support for programs of excellence, funding for instructional workload salaries, and research initiative programs, maintenance services for newly opened facilities, and health benefits.

- Supplies and materials is the second largest expense after compensation and benefits and increased by 5% compared to 2013 reflecting a generally higher level of business activity.

- Repairs and maintenance was $68 million in 2014 compared to $57 million in 2013 and $62 million in 2012. The $11 million increase in 2014 reflects a managed level of expenses, yet indicates an on-going, consistent commitment to fund and maintain capital assets.

- Contractual services increased by 4% in 2014 and 9% in 2013 following a decrease of 3% in 2012. The net increase over a three year period reflect the overall level of business activity.

- Utilities expense decreased slightly in 2014 after a small increase in 2013 compared to 2012. The decrease in 2014 continues a relatively flat trend in energy consumption with usage in newly occupied facilities being offset by savings realized from energy conservation measures. Projects undertaken to reduce consumption included chiller replacements, window replacements, and other deferred maintenance projects.

- Scholarships and fellowships showed a small change in 2014 compared to 2013 reflecting additional recruitment investments.

Non-Operating Revenues (Expenses). Net non-operating revenues increased during 2014 compared to 2013 by $48 million. This change is primarily the result of an increase in fair value of investments of $33 million, an increase in non-capital appropriations of $29 million, and an increase in gifts of $4 million.

Support from the Foundation and the private sector provided the University with capital and non-capital gifts during the year of $105 million and $87 million, respectively. This compares to $116 million and $83 million during 2013. Non-capital gifts support scholarships to students, professorships, and a variety of academic and research pursuits.

Other Revenues, Expenses, Gains, or Losses. State of Nebraska capital appropriations increased by $6 million in 2014 after being flat at $21 million the two prior years. Capital appropriations include a total of $11 million each year for debt service on both the 2006 and 2009 Series of deferred maintenance bonds.

Capital Assets

The University made significant investments in capital assets during the current year. Major construction projects and acquisitions completed were:

- Construction was completed on the UNL Nebraska Innovation Campus Conference Center at a cost of $9 million. The conference center will promote further development of the Innovation Campus by attracting other businesses to the area.

- University Suites, a suite-style residence hall on the UNL campus, was completed at a cost of $34 million, adding 498 available living spaces at the beginning of the academic year.

- The Barbara Weitz Community Engagement Center was completed at $18 million, funded by donor gifts to the University of Nebraska Foundation. The Center is home for the UNO signature community outreach programs, including the Student Volunteer and Leadership Collaborative programs.

- The Centennial Towers West student residence hall renovation was completed at $5 million, adding to the betterment of student housing at UNK.

- A $13 million infrastructure upgrade to the Life Science Annex and the $9 million addition to the Nebraska Center for Virology were completed on the UNL campus. The Life Science Annex was funded with a combination of departmental and Foundation funds. The Nebraska Center for Virology was federally funded.

More information on capital asset activity is disclosed in the Notes to the Financial Statements included in this report on page 53.

Debt Activity

Bond Financings. The University marketed five bond financings during 2014. Two financings were issued through the MTI. The Board of Regents issued $8,615 of University of Nebraska -Lincoln Parking Project Revenue Refunding Bonds, Series 2013. The net proceeds of the bonds were used to pay the cost of acquiring ownership of a multi-level parking garage condominium located on the UNL campus and to redeem $3,000 of outstanding University of Nebraska-Lincoln Parking Project Revenue Refunding Bonds, Series 2003.

The Board of Regents issued $11,630 of University of Nebraska at Omaha Student Housing Refunding Bonds, Series 2014. The net proceeds of the bonds were used to refund $12,000 of outstanding Board of Regents University of Nebraska at Omaha Student Housing Project Bonds, Series 2003.

The UNFC sold two bond issues during the year. UNFC issued UNO/Community Arena Bonds, Series 2013A, $37,385, and Series 2013B, $16,545, to finance the construction of a sports and events arena located on the UNO campus. Donations and other funding sources round out the total cost of approximately $81,600.

The second financing authorized by UNFC was the issuance of $65,965 of UNMC Cancer Center Bonds, Series 2014A, and $4,325 of UNMC Qualified Energy Conservation Bonds (Direct Pay), Series 2014B. The proceeds will be used for the construction, equipping, and furnishing of a comprehensive cancer center that is a portion of a larger Comprehensive Cancer Center project with an overall budget of $370 million. These bonds bridge donations to the Cancer Center Project. The Series 2014B Project consists of financing upgrades to energy management monitoring systems in and for UNMC buildings. The total cost of the Series 2014B project is approximately $6 million.

The fifth bond financing was issued through NUCorp. Qualified Energy Conservation Bonds, Series 2014A for $6,500 and Series 2014B for $5,500 were issued to finance the construction of a Central Renewable Energy System on the UNL Innovation Campus.

The Board of Regents of the University of Nebraska Members of the Obligated Group under the MTI has bonds outstanding from the construction of student housing, parking, and student unions. The financial position of the MTI remains strong with operating income that provided a debt service ratio of 1.6 times for the year ended June 30, 2014, compared to 1.7 times for 2013 and 1.6 times in 2012. The debt service ratio required by the MTI covenants is 1.15 times.

The UNFC met all debt service requirements during 2014. The State Legislature has reaffirmed the appropriation of funds for their portion of the debt service pertaining to the Deferred Maintenance Projects and the NCTA Education Center. The Deferred Maintenance Project appropriation is combined with designated tuition revenues for debt service on the deferred maintenance bond issues. The Foundation continues to receive funds, as scheduled, from donor gifts pledged toward the funding of the gift-funded projects. Funds from internal University sources continue to meet expectations allowing the service of UNFC-related debt obligations in their normal course.

More information on debt financing is disclosed on page 54 in the Notes to Financial Statements included in this report.

Economic Outlook and Subsequent Events That Will Affect the Future

The University of Nebraska, as the State's only public education/intensive research university, is an important component in driving the economic success of Nebraska. Economic development takes many forms in a major university, running the gamut from educating and retaining the best and brightest to research growth, tech transfer, and its by-product of job creation. This university-state partnership in fostering a climate of success also means, like other major land-grant universities, that State funding plays an important part in fueling the success of the University in many areas.

The outlook for the University and the State of Nebraska is good.

The State of Nebraska finished fiscal 2014 in June with $97 million (+2.4%) of receipts over projections, with positive variances in all sectors: corporate, sales, individual, and miscellaneous tax receipts. The State's general fund status is also favorable compared to other states, with fiscal 2015 forecasts showing a positive $2 million variance. This variance is the amount in excess of a defined minimum reserve held by the state of $246 million. In addition to the foregoing figure, the state holds $693 million in a separate cash reserve fund. Together, the minimum and cash reserves total $939 million, a figure representing 23% of projected 2015 expenditures.

Unemployment in Nebraska continues to trend strongly versus the national benchmark. In September 2014, the unemployment rate stood at 3.2% compared to a national average of 5.7%. The economic tailwinds have been felt in virtually all parts of the state. Based on an October 2014 report by State Department of Labor, only two of Nebraska's 93 counties has unemployment higher than the national benchmark.

The Governor and the Nebraska Legislature, in its 2013 session, provided operating increases of 4% for both the fiscal years 2014 and 2015. This was part of an Affordability Initiative that was the creation of University leadership, along with the Governor and the Legislature whereby the increase noted above, the first increase after five years of essentially flat funding, was given in exchange for maintaining flat resident tuition for fall 2013 and fall 2014. This also supports a strategic goal of the Board and the President/Chancellors to strive to keep higher education affordable.

The University continues to endeavor to differentiate itself in focused, strategic areas. The Buffett Early Childhood Institute, the Water for Food Initiative, and the Rural Futures Institute are just a few of the strategic pillars that form a framework for the University as it moves decisively forward. The University's National Strategic Research Institute (NSRI) is another example of strategic movement by the Board of Regents and the University. NSRI is the 14th University Affiliated Research Center (UARC) in the United States and only the second such entity in the Big Ten. A UARC is a specially designed entity that provides essential engineering and technology capabilities of particular importance to the US Department of Defense. This enterprise will prove increasingly important in maintaining research pre-eminence in an era of declining traditional Federal grants and contracts sources. It also assists in retaining key faculty assets in the research enterprise.

Other areas of differentiation include cancer, with the construction of a cancer center research and hospital tower well underway at the medical center campus, concussion research and related specialized facilities that are receiving national attention at the Lincoln campus, a new dedicated facility for community engagement at the Omaha campus, and a nursing and allied health building seeking to alleviate out-state shortages in health care workers at Kearney.

 (Continued)

The Foundation also reported record results for fund raising in 2014 with $258 million raised versus the prior record of $236 in 2013. This is greatly valued as it provides scholarships, professorships, and much needed capital project monies.

Early counts place fall 2014 (fiscal 2015) enrollment, on a head count basis, at approximately 50,831 on all campuses, up about 0.8% over the previous year.

The enrollment increases and the foregoing factors combine portend a good outlook for the University of Nebraska for fiscal 2015.

In a focused effort to chart the future direction of resource deployment at the University of Nebraska, the President and the Board of Regents have set forth a strategic framework and priorities that will guide the University. These will help the University better serve Nebraskans through quality teaching, research, and outreach and engagement. Among those priorities are:

- Enrollment – Growing enrollment through a number of initiatives including growing the college-going rate.

- Tuition – Keeping tuition increases as low as possible and thereby the cost of education more affordable.

- Graduation – Increasing the graduation rate.

- Research – Bolstering current endeavors and fostering new activities that will allow the University to continue to earn greater success in attracting research funding.

- Administrative costs – Focusing on achieving decreases in administrative costs in both the academic and business enterprises.

- Faculty salaries – Continuing to pursue and identify resources that can be earmarked to enhance faculty salaries to facilitate even greater successes in recruitment and retention.

Again, the future of the State of Nebraska is closely tied to that of its only public university and the framework and priorities will guide University planning, helping to build and sustain a Nebraska that offers its citizens educational and economic opportunity and a high quality of life.

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF NET POSITION
JUNE 30, 2014 AND 2013
(Thousands)
(See Independent Auditors' Report on Pages 16, 17, and 18)

	2014	2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$ 601,780	$ 596,407
Cash and cash equivalents - restricted	236,492	162,194
Cash and cash equivalents held by trustee - restricted	61,933	62,673
Investments - restricted	174,126	176,501
Investments held by trustee - restricted	17,043	7,182
Accounts receivable and unbilled charges, net	194,813	200,233
Loans to students, net	5,528	5,581
Other current assets	24,868	27,602
Total current assets	1,316,583	1,238,373
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	2,248	2,248
Cash and cash equivalents held by trustee - restricted	183,313	149,397
Investments - restricted	312,233	269,976
Investments held by trustee - restricted	64,183	28,829
Accounts receivable and unbilled charges, net	8,325	10,626
Investment in joint venture	316,599	296,747
Loans to students, net of current portion	28,563	27,917
Capital assets, net of accumulated depreciation	2,091,480	1,985,204
Other non-current assets	875	743
Total non-current assets	3,007,819	2,771,687
Total assets	4,324,402	4,010,060
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on bond refunding	6,589	6,144
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	134,609	123,845
Accrued salaries, wages and post-retirement benefits	50,446	49,062
Accrued compensated absences	56,466	56,631
Bond obligations payable	43,138	53,536
Capital lease obligations	689	581
Unearned revenues and credits	95,918	98,122
Health and other insurance claims	14,711	13,296
Total current liabilities	395,977	395,073
NON-CURRENT LIABILITIES:		
Accounts payable	4,238	5,651
Accrued salaries, wages and post-retirement benefits, net of current portion	16	20
Accrued compensated absences, net of current portion	17,143	17,605
Bond obligations payable, net of current portion	755,049	658,576
Capitalized lease obligations, net of current portion	474	744
Unearned revenues and credits, net of current portion	-	456
Total non-current liabilities	776,920	683,052
Total liabilities	1,172,897	1,078,125
DEFERRED INFLOWS OF RESOURCES:		
Deferred service concession arrangement receipts	13,591	16,216
NET POSITION:		
Net investment in capital assets	1,559,636	1,408,851
Restricted for:		
Nonexpendable:		
Permanent endowment	234,690	204,529
Expendable:		
Externally restricted funds for scholarships, student aid, and research	162,118	160,479
Loan funds	44,562	44,869
Plant construction	284,336	185,744
Debt service	136,229	157,353
Unrestricted	722,932	760,038
Total net position	$ 3,144,503	$ 2,921,863

See notes to financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013
(Thousands)
(See Independent Auditors' Reports on Pages 16, 17, 18, 19, and 20)

	2014	2013
ASSETS		
Cash and cash equivalents	$ 8,452	$ 314
Temporary investments	373,607	353,132
Pledges receivable	252,387	214,128
Other receivables	11,591	3,950
Investments	1,606,298	1,384,210
Property and equipment, net of depreciation	4,696	5,585
Total assets	$ 2,257,031	$ 1,961,319
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 1,035	$ 909
University of Nebraska benefits payable	2,520	2,940
Scholarships, research, fellowships and professorships payable	3,111	4,883
Deferred annuities payable	21,424	20,966
Deposits held in custody for others	336,036	297,714
Deferred revenues	3,450	3,516
Total liabilities	367,576	330,928
NET ASSETS:		
Unrestricted	26,598	3,226
Temporarily restricted	1,037,947	857,029
Permanently restricted	824,910	770,136
Total net assets	1,889,455	1,630,391
Total liabilities and net assets	$ 2,257,031	$ 1,961,319

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

(Thousands)

(See Independent Auditors' Report on Pages 16, 17, and 18)

	2014	2013
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of $105,501 and $97,386 in 2014 and 2013, respectively)	$ 347,428	$ 336,112
Federal grants and contracts - restricted	206,506	222,779
Private grants and contracts - restricted	111,427	116,706
State and local grants and contracts - restricted	38,490	32,224
Sales and services of educational activities	96,858	93,759
Sales and services of health care entities	239,521	227,924
Sales and services of auxiliary operations	169,563	167,726
Sales and services of auxiliary segments (net of scholarship allowances of $13,105 and $12,367 in 2014 and 2013, respectively)	111,800	103,180
Other operating revenues	11,999	13,132
Total operating revenues	1,333,592	1,313,542
OPERATING EXPENSES:		
Salaries and wages	952,608	920,748
Benefits	279,743	253,832
Total compensation and benefits	1,232,351	1,174,580
Supplies and materials	282,777	268,202
Contractual services	139,237	134,260
Repairs and maintenance	68,132	57,298
Utilities	33,480	35,390
Communications	13,819	14,918
Depreciation	117,361	106,788
Scholarships and fellowships	70,195	70,155
Total operating expenses	1,957,352	1,861,591
OPERATING LOSS	(623,760)	(548,049)
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	527,656	498,509
Federal Grants	42,337	42,308
Gifts	86,548	83,238
Investment income (net of investment management fees of $6,168 and $5,124 in 2014 and 2013, respectively)	18,823	33,201
Increase in fair value of investments	46,246	13,428
Interest on bond obligations	(24,410)	(23,463)
Equity in joint venture	25,852	20,734
Loss on disposal of capital assets	(9,237)	(2,135)
Net non-operating revenues	713,815	665,820
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	90,055	117,771
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
Capital grants and gifts	105,495	115,530
State of Nebraska capital appropriations	27,051	21,019
Additions to permanent endowments	39	647
Net other revenues, expenses, gains, or losses	132,585	137,196
INCREASE IN NET POSITION	222,640	254,967
NET POSITION:		
Net position, beginning of year	2,921,863	2,666,896
Net position, end of year	$ 3,144,503	$ 2,921,863

See notes to financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(with summarized financial information for the year ended June 30, 2013)
(Thousands)
(See Independent Auditors' Reports on Pages 16, 17, 18, 19, and 20)

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES AND GAINS:					
Gifts, bequests, and life insurance proceeds	$ 690	$ 210,727	$ 46,692	$ 258,109	$ 236,741
Investment income	30,722	5,213	-	35,935	36,912
Change in value of split-interest agreements	-	(499)	-	(499)	564
Realized and unrealized gains, net	23,370	146,434	-	169,804	94,641
	54,782	361,875	46,692	463,349	368,858
Reclassification due to change in donor intent	-	(8,082)	8,082	-	-
NET ASSETS RELEASED FROM RESTRICTIONS	172,875	(172,875)	-	-	-
Total revenues and gains	227,657	180,918	54,774	463,349	368,858
EXPENSES					
Payments for the benefit of the University:					
Academic support	37,731	-	-	37,731	44,760
Student assistance	26,952	-	-	26,952	21,440
Faculty assistance	5,453	-	-	5,453	4,712
Research	7,297	-	-	7,297	6,650
Museum, library, and fine arts	2,247	-	-	2,247	2,384
Campus and building improvements	92,707	-	-	92,707	93,929
Alumni associations	868	-	-	868	838
Deferred compensation	9	-	-	9	10
Total payments to benefit the University	173,264	-	-	173,264	174,723
Operating expenses:					
Salaries and benefits	14,509	-	-	14,509	14,226
Investment expense	6,195	-	-	6,195	5,466
General and administrative	4,655	-	-	4,655	3,836
Fund-raising, promotion, and development	1,851	-	-	1,851	2,410
Paid to beneficiaries	3,208	-	-	3,208	3,170
Depreciation	603	-	-	603	908
Total operating expenses	31,021	-	-	31,021	30,016
Total expenses	204,285	-	-	204,285	204,739
INCREASE (DECREASE) IN NET ASSETS	23,372	180,918	54,774	259,064	164,119
NET ASSETS (deficit) at beginning of year	3,226	857,029	770,136	1,630,391	1,466,272
NET ASSETS at end of year	$ 26,598	$ 1,037,947	$ 824,910	$ 1,889,455	$ 1,630,391

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(Thousands)
(See Independent Auditors' Report on Pages 16, 17, and 18)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	$ 384,415	$ 418,456
Tuition and fees	351,290	325,201
Sales and services of health care entities	207,338	196,012
Sales and services of auxiliary operations	167,367	164,084
Sales and services of auxiliary segments	111,287	103,012
Sales and services of educational activities	98,620	88,288
Other receipts	1,529	22,084
Student loans collected	5,704	5,694
Payments to employees	(1,206,760)	(1,167,338)
Payments to vendors	(543,102)	(500,144)
Scholarships paid to students	(70,194)	(70,155)
Student loans issued	(6,608)	(6,228)
Other payments	(232)	(248)
Net cash flows from operating activities	(499,346)	(421,282)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	526,986	498,635
Gifts	82,383	83,121
Federal grants	42,340	42,430
Private gifts and bequests for endowment use	39	647
Direct lending receipts	237,625	240,092
Direct lending payments	(237,625)	(240,092)
Net cash flows from non-capital financing activities	651,748	624,833
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	156,328	51,895
Gifts	131,556	99,523
State of Nebraska capital appropriations	25,263	20,523
Premium on issuance of bonds	13,949	5,148
Purchases of capital assets	(235,430)	(212,678)
Principal paid on bond obligations	(79,765)	(38,935)
Interest paid on bond obligations	(30,109)	(28,780)
Defeasance of bond obligations	(3,000)	-
Payment of bond financial expense	(1,409)	(17)
Payments made on lease obligations	(810)	(2,117)
Net cash flows from capital and related financing activities	(23,427)	(105,438)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	213,290	161,127
Interest on investments	18,854	33,414
Distributions received from joint venture	6,000	6,000
Purchases of investments	(254,272)	(173,330)
Net cash flows from investing activities	(16,128)	27,211
NET INCREASE IN CASH AND CASH EQUIVALENTS	112,847	125,324
CASH AND CASH EQUIVALENTS, beginning of year	972,919	847,595
CASH AND CASH EQUIVALENTS, end of year	$1,085,766	$ 972,919

See notes to financial statements.

(Continued)

STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(Thousands)
(See Independent Auditors' Report on Pages 16, 17, and 18)

	2014	2013
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET POSITION:		
Cash and cash equivalents (current)	$ 601,780	$ 596,407
Cash and cash equivalents - restricted (current)	236,492	162,194
Cash and cash equivalents held by trustee - restricted (current)	61,933	62,673
Cash and cash equivalents - restricted (non-current)	2,248	2,248
Cash and cash equivalents held by trustee - restricted (non-current)	183,313	149,397
Cash and cash equivalents, end of year	$ 1,085,766	$ 972,919
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	$ (623,760)	$ (548,049)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	117,361	106,788
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(5,886)	(16,099)
Loans to students	(704)	(86)
Other current assets	22,397	(3,356)
Accounts payable	(7,155)	25,016
Accrued salaries, wages and post-retirement benefits	751	4,302
Deferred revenues and credits	(3,764)	9,366
Health and other insurance claims	1,414	836
Net cash flows used in operating activities	$ (499,346)	$ (421,282)
NON-CASH TRANSACTIONS:		
Capital gifts and grants	$ 1,330	$ 106
Increase (decrease) in fair value of investments	46,246	13,428
Purchase of capital assets through lease obligations	648	-

See notes to financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(Thousands)
(See Independent Auditors' Report on Pages 16, 17, 18, 19, and 20)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 259,064	$ 164,119
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	603	908
Net realized and unrealized gain on investments	(169,804)	(94,641)
Contribution to permanently restricted endowment funds	(46,692)	(41,370)
Real and personal property contributions received	(40)	(701)
(Increase) Decrease in:		
Pledges receivable	(32,956)	(24,251)
Other receivables	(7,646)	(157)
(Decrease) Increase in:		
Accounts payable and accrued liabilities	126	57
University of Nebraska benefits payable	(420)	(138)
Scholarships, research, fellowships and professorships payable	(1,772)	(245)
Deferred annuities payable	458	142
Deferred revenue	(66)	(64)
Net cash provided by operating activities	855	3,659
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of temporary investments	(124,365)	(124,297)
Proceeds from sale and maturity of temporary investments	106,037	92,617
Net increase (decrease) in student loans	5	(142)
Purchase of investments	(421,681)	(509,168)
Proceeds from sale and maturity of investments	405,419	500,227
Proceeds from the sale of property and equipment	1,001	8
Purchase of property and equipment	(522)	(243)
Net cash provided by (used in) investing activities	(34,106)	(40,998)
CASH FLOWS FROM FINANCING ACTIVITY:		
Contribution to permanently restricted endowment funds	41,389	31,273
Net cash provided by financing activities	41,389	31,273
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,138	(6,066)
CASH AND CASH EQUIVALENTS, beginning of year	314	6,380
CASH AND CASH EQUIVALENTS, end of year	$ 8,452	$ 314

See notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The University of Nebraska (the University) is a land-grant University founded in 1869 and governed by an elected eight-member University of Nebraska Board of Regents (the Board of Regents). University activities are conducted at four primary campuses, with two located in Omaha and one each in Lincoln and Kearney, Nebraska. While the University is a legally separate entity, it is a component unit of the State of Nebraska (the State) because it is financially accountable to the State. The major accounting principles and practices followed by the University are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

These statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). GASB requires the following components of the basic financial statements:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements

The University follows all GASB pronouncements.

Reporting Entity – Certain affiliated organizations for which the Board of Regents has financial accountability are included in the University's financial statements as component units.

The University's financial reporting entity consists of the University and the following component units. Their balances and transactions are blended into the accompanying financial statements and reported in a manner similar to the balances and transactions of the University itself.

- The University of Nebraska Facilities Corporation (UNFC) was organized to finance the construction, repair, and renovation of buildings and the acquisition of land and equipment and to hold them in trust for the University. UNFC is governed by a Board of Directors comprised of the Board of Regents.

- The UNMC Physicians is a not-for-profit corporation organized by the Board of Regents for the purpose of billing, collecting, and distributing medical service fees generated by clinicians employed by the University of Nebraska Medical Center (UNMC). The distribution of fees is governed by the terms of the University of Nebraska Medical Services Plan applicable to the member clinicians.

- The University Dental Associates (UDA) is a not-for-profit corporation organized for the purpose of billing, collecting, and distributing dental service fees generated by dentists employed by the UNMC. The distribution of fees is governed by the terms of the University of Nebraska Dental Service Plan applicable to member dentists.

(Thousands)

- Nebraska Utility Corporation (NUCorp) is a not-for-profit corporation formed under the Nebraska Interlocal Cooperation Act between the Board of Regents and Lincoln Electric System. The purpose of NUCorp is to purchase, lease, construct, and finance activities relating to furnishing energy requirements and utility and infrastructure facilities for the University of Nebraska-Lincoln (UNL). NUCorp is governed by a five-member Board, three of which are University officials.

- The University Technology Development Corporation (UTDC) was organized to support the research mission of the University and its campuses and advance academic technology transfer globally through fostering strategic collaborations with industry through licensing, research, and new venture agreements. The blended entity consists of the UTDC activity and the activities of four nonprofit subsidiaries and one for profit subsidiary. UTDC is the sole member/stockholder of each subsidiary.

Separate financial statements for UNFC, UNMC Physicians, UDA, NUCorp, and UTDC may be obtained from the University of Nebraska Central Administration, Varner Hall, 3835 Holdrege, Lincoln, Nebraska 68583-0742.

The University of Nebraska Foundation's (the Foundation) financial statements are discretely presented within the University's financial statements. The Foundation is a non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code whose purpose is to provide financial support for the University system. The Foundation reports under FASB standards, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented (see Note R).

Recent Accounting Pronouncements – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities.* This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, deferred inflows of resources, or current period outflows and inflows. This statement requires that debt issuance costs should be reported as an expense in the period incurred. This guidance was effective and was adopted by the University for the year ended June 30, 2014, and required the University to write off all prior unamortized debt issuance costs. Beginning net position was restated as follows to adopt GASB Statement No. 65:

	Combined
Net Position, July 1, 2012, as previously reported	$ 2,672,761
Change in accounting principle adjustment required to adopt GASB No. 65	(5,865)
Net position, July 1, 2012, as restated	$ 2,666,896

In April, 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees.* This statement provides additional guidance on recognition and disclosure of financial guarantees made and received by a government. This statement was effective and was adopted by the University for the year ended June 30, 2014, and required the University to add further disclosures surrounding non-exchange financial guarantees.

Basis of Presentation – The financial statements of the University have been prepared on the accrual basis. The University recognizes revenues, net of discounts and allowances, when it is earned. Expenses are recorded when a liability is incurred. The University first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available. All significant revenues and expenses resulting from intra-University transactions have been eliminated.

Cash and Cash Equivalents – Cash and cash equivalents and cash and cash equivalents – restricted are stated at fair value. Cash and cash equivalents – restricted is cash received from external sources designated for specific purposes. Cash is deposited with the Nebraska State Treasurer on a pooled basis in a State fund. Income earned by the pool is allocated to the University based upon average daily balances. These funds are considered to be cash and cash equivalents, which are available for expenditures as needed. The investments of the pool include Commercial Paper, U.S. Government Securities, Federal Agency Debt Instruments, Corporate Bonds, Money Market Funds, and Bank Deposits. Additional information on the pool can be found in the State of Nebraska's Comprehensive Annual Financial Report.

Cash and cash equivalents held by trustee – restricted is cash held by bond fund trustees and held for the purposes designated by the respective bond covenants.

For purposes of the statements of cash flows, cash includes cash and cash equivalents, both unrestricted and restricted, and cash and cash equivalents held by trustee – restricted, and investments with an original maturity of three months or less when purchased.

Investments – Investments are stated at fair value. Securities that are publicly traded are valued based on quoted market prices. Investments that do not have an established market are reported at estimated fair value. Investments received from donors as gifts are recognized as revenue at fair value at the date of the gift. Income from investments is recognized as earned and includes realized and unrealized gains and losses.

Capital Assets – Land improvements, leasehold improvements, buildings, and equipment are stated at cost at the date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. At UNL and for certain research buildings at UNMC, estimated useful lives for buildings are accounted for on a componentized basis. The estimated useful lives are 25 to 50 years for buildings and their components and 20 to 30 years for land improvements. Equipment is generally depreciated from 2 to 10 years depending on its useful life. Leasehold improvements are depreciated using the straight-line method over the aforementioned estimated useful lives or the term of the related lease, if shorter. Maintenance, repairs, and minor replacements are charged to expense as incurred. The University maintains various collections of inexhaustible assets to which no value can be determined. Such collections include contributed works of art, historical treasures, and literature.

Capital assets are defined by the University as assets with initial, individual costs in excess of $500 for buildings and renovations, $100 for land improvements, and $5 for equipment. It is the University's policy that library books are not capitalized.

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the University during 2014 and 2013 was $24,410 and $23,463, respectively, which is net of $4,220 and $5,087 that was capitalized.

The University has artwork and other collections that it does not capitalize. These collections adhere to the University's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. U.S. generally accepted accounting principles permit collections maintained in this manner to be charged to operations at time of purchase rather than be capitalized.

Accrued Compensated Absences – Staff and certain University faculty earn 12 to 25 days of vacation annually. Vacation is no longer earned once an employee accrues 280 hours of unused vacation. Any unused vacation balance is carried over into the next year. Vacation may be used or received as a cash payment upon retirement or termination. In addition, certain classified staff receive a cash payment of one-fourth of accrued sick leave upon retirement from the University. The University has recognized a liability for sick and annual leave earned but not yet taken by its faculty and staff. Certain University faculty and staff also earn four floating holidays each year, subject to a 32 hour cap, which may be taken at any time during the year.

Unearned Revenues and Credits – These consist of advance payments on athletic tickets, fall semester student residence hall contracts, tuition deposits, unearned income on direct financing leases, and cash received in advance for grants and contracts.

Service Concession Arrangement – The Board of Regents entered into a service concession arrangement with an outside vendor on July 1, 2011, which provides food service for the student residence halls and student union at the University of Nebraska-Kearney campus. Under the contract, the vendor will pay UNK a total of $9 million in support and capital improvements over a 10-year period for the right to provide food service to the campus. In exchange, UNK assigned food service facilities to the vendor for use in providing food service on campus. The University retained ownership of the food service facilities and use will revert to the University at the end of the contract period. The capital improvements to the food service facilities are reported as a capital asset with a carrying value of $2,256 at June 30, 2014 and $2,579 at June 30, 2013. The present value of the remaining accounts receivable due from the vendor at June 30, 2014 is $3,353 and $3,836 at June 30, 2013. These assets are offset by a deferred inflow of resources of $6,133 and $6,864 at June 30, 2014 and 2013, respectively.

The Board of Regents entered into a service concession arrangement with an outside vendor on March 5, 2012 to manage and operate a bookstore at the University of Nebraska at Kearney campus. Under the contract, the vendor will pay UNK a total of $1.9 million in support and capital improvements over a 7 year period in exchange for the right to provide text book and other merchandise sales on the UNK campus. The University retained ownership of the facility and will recover full use at the end of the contract period. The accounts receivable due from the vendor at June 30, 2014 is $1,161 discounted to present value, and is offset by a deferred inflow of resources of $1,269. The accounts receivable due from the vendor at June 30, 2013 was $1,399, discounted to present value, and was offset by a deferred inflow of resources of $1,550.

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The Board of Regents entered into a service concession arrangement with an outside vendor on April 18, 2008 to manage and operate a bookstore at the University of Nebraska-Lincoln campus. Under the contract, the vendor will pay UNL a total of $16.2 million in support over a 10-year period in exchange for the right to provide text book and other merchandise sales on the UNL campus. The vendor will contribute up to an additional $580 in capital improvements. The University retained ownership of the facility and will recover full use at the end of the contract period. The accounts receivable due from the vendor at June 30, 2014 is $5,962 and is offset by a deferred inflow of resources of $5,962, both discounted to present value. The accounts receivable due from the vendor at June 30, 2013 was $7,453 and offset by a deferred inflow of resources of $7,453, both discounted to present value.

The Board of Regents entered into a service concession arrangement with an outside vendor on July 1, 2011 to operate a food service outlet in the student union at the University of Nebraska-Lincoln campus. Under the contract, the vendor will pay UNL a total of $625 over a 5-year period in exchange for the right to provide fast food service on the UNL campus. The University retained ownership of the facility and will recover full use at the end of the contract period. The accounts receivable due from the vendor at June 30, 2014 is $182 and is offset by a deferred inflow of resources of $227, both discounted to present value. The accounts receivable due from the vendor at June 30, 2013 was $274 and offset by a deferred inflow of resources of $349, both discounted to present value.

Classification of Revenues and Expenses – The University has classified its revenues and expenses as either operating or non-operating revenues and expenses according to the following criteria:

Operating Revenues and Expenses – Operating revenues and expenses include activities that have the characteristics of exchange transactions.

Non-Operating Revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, contributions, State appropriations, investment income, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

Non-Operating Expenses – Non-operating expenses are activities of non-operating nature and include interest expense on bond obligations and loss on disposal of capital assets.

Unrestricted Gifts – Revenue is recognized when an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received.

Scholarships and Fellowships – The University receives funds that are restricted by donors and grantors for aid to students. When these funds are granted to students or when scholarships and fellowships are provided through student tuition waiver, the University records the expense for student aid and the corresponding revenue. Accordingly, at June 30, 2014 and 2013, Federal grants and contracts includes Pell grant awards amounting to $42,982 and $42,356, respectively, and are also included in Scholarships and Fellowships expense. For employee tuition waivers, the University records a benefit expense and corresponding revenue. Ford direct student loans amounting to $237,625 and $240,092 at June 30, 2014 and 2013, respectively, are treated as agency funds and not included in revenues and expenses.

Health and Other Insurance Claims – The University is partially self-insured for comprehensive general liability, auto liability, property losses, and group health and dental liability. The estimated liability is being funded annually and reflected as an expense.

Environmental – Environmental assessments are performed when environmental issues are identified on property owned by the Board of Regents. The cost of any assessments is expensed as incurred. Any cost of remediation is accrued when the University's obligation is probable and the amount can be reasonably estimated or determined.

Tax Status – The University qualifies as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal or State income taxes is required. However, income from unrelated activities is subject to Federal and State income taxes. No provision is deemed necessary for any income taxes associated with unrelated activities.

Estimates – The preparation of 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 those estimates.

Reclassifications – Certain 2013 amounts have been reclassified to conform to the current year presentation.

B. DEPOSITS

Custodial credit risk **–** In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a formal custodial risk policy. Bank balances of cash and cash equivalents amounted to approximately $2,223 (book balance of approximately $1,056) at June 30, 2014, with approximately $1,863 covered by Federal depository insurance. Bank balances of cash and cash equivalents amounted to approximately $1,487 (book balance of approximately $1,253) at June 30, 2013, with approximately $1,400 covered by Federal depository insurance. Of the remaining bank balance at June 30, 2014 and 2013, approximately $344 and $74 was collateralized with securities held by the pledging financial institution, but not in the University's name, leaving $16 in uninsured and uncollateralized bank balances at June 30, 2014.

C. INVESTMENTS

Funds held for the support of University operations, excluding trust funds, are invested according to State statute by the State Investment Officer. Regulatory oversight is provided by the Nebraska Investment Council. The University's fair value in the Nebraska Investment Council's investment pool is equal to its pool units. University trust funds are invested by the University and its designated investment managers, in conjunction with the State Investment Officer, in accordance with the prudent person rule as established by the University. The prudent person rule places no restrictions on the investment of these funds.

(Continued)

(Thousands)

Investments as of June 30, 2014:

		Investment Maturities (in years)					
	Fair Value	Less Than 1	1-5		6-10		More Than 10
Investment type:							
Debt securities:							
Certificates of Deposit	$ 95	$ -	$ 95		$ -		$ -
U.S. treasuries	36,019	8,938	24,718		1,413		950
U.S. agencies	95,084	47,698	17,504		1,663		28,219
State governments	1,556	-	1,493		-		63
Corporate debt	94,966	4,036	67,735	(1)	17,337	(2)	5,858
International bonds	11,283	893	3,701		2,864		3,825
	239,003	$ 61,565	$ 115,246		$ 23,277		$ 38,915
Other investments:							
Equity securities - domestic	152,591						
Equity securities - international	80,919						
Mutual funds	79,693						
Real estate mutual funds	10,235						
Real estate held for investment purposes	932						
Money market funds	4,212						
Total	$ 567,585						

(1) This amount includes $1,484 of bonds callable in less than one year, $109 of bonds callable in less than three years, and $1,294 of bonds callable in less than four years.

(2) This amount includes $1,193 of bonds callable in less than eight years.

(Thousands)

Investments as of June 30, 2013:

	Fair Value	Investment Maturities (in years) Less Than 1	1-5		6-10		More Than 10
Investment type:							
Debt securities:							
Certificates of Deposit	$ 252	$ 252	$ -		$ -		$ -
U.S. treasuries	9,083	1,034	6,268		670		1,111
U.S. agencies	99,587	8,520	26,300	(1)	2,703	(2)	62,064
State governments	2,901	-	2,843		-		58
Corporate debt	78,580	4,084	37,517	(3)	31,233	(4)	5,746
International bonds	8,746	2,384	1,850		1,847		2,665
	199,149	$ 16,274	$ 74,778		$ 36,453		$ 71,644
Other investments:							
Equity securities - domestic	135,719						
Equity securities - international	63,646						
Mutual funds	68,016						
Real estate mutual funds	9,196						
Real estate held for investment purposes	932						
Money market funds	5,830						
Total	$ 482,488						

(1) This amount includes $5,758 of bonds which are callable in less than 2 years.
(2) This amount includes $787 of bonds which are callable in less than 2 years.
(3) This amount includes $112 of bonds which are callable in less than 4 years and $1,270 of bonds which are callable in less than 5 years.
(4) This amount includes $1,518 of bonds which are callable in less than 2 years, $1,087 of bonds which are callable in less than 8 years, and $4,680 of bonds which are callable in less than 10 years.

Interest Rate Risk – The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State statutes authorize the University to invest funds in accordance with the prudent person rule: Investments are made, as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The University does not follow a more restrictive policy. Credit ratings for these investments that are rated are as follows:

(Thousands)

2014

	Fair Value	Quality Ratings: Aaa	AA	A	Baa	Unrated
Investment type:						
Debt securities:						
Certificates of Deposit	$ 95	$ -	$ -	$ -	$ -	$ 95
U.S. treasuries	36,019	36,019	-	-	-	-
U.S. agencies	95,084	95,084	-	-	-	-
State governments	1,556	-	-	1,556	-	-
Corporate debt	94,966	23,860	18,646	48,156	4,304	-
International bonds	11,283	1,963	3,576	888	2,461	2,395
Other investments:						
Equity securities - domestic	152,591	-	-	-	-	152,591
Equity securities - international	80,919	-	-	-	-	80,919
Mutual funds	79,693	-	-	-	-	79,693
Real estate mutual funds	10,235	-	-	-	-	10,235
Real estate held for investment purposes	932	-	-	-	-	932
Money market funds	4,212	-	-	-	-	4,212
	$ 567,585	$ 156,926	$ 22,222	$ 50,600	$ 6,765	$ 331,072

2013

	Fair Value	Quality Ratings: Aaa	AA	A	Baa	Unrated
Investment type:						
Debt securities:						
Certificates of Deposit	$ 252	$ -	$ 252	$ -	$ -	$ -
U.S. treasuries	9,083	9,083	-	-	-	-
U.S. agencies	99,587	99,587	-	-	-	-
State governments	2,901	-	-	2,901	-	-
Corporate debt	78,580	9,144	17,465	47,490	4,073	408
International bonds	8,746	757	5,112	1,323	633	921
Other investments:						
Equity securities - domestic	135,719	-	-	-	-	135,719
Equity securities - international	63,646	-	-	-	-	63,646
Mutual funds	68,016	-	-	-	-	68,016
Real estate mutual funds	9,196	-	-	-	-	9,196
Real estate held for investment purposes	932	-	-	-	-	932
Money market funds	5,830	-	-	-	-	5,830
	$ 482,488	$ 118,571	$ 22,829	$ 51,714	$ 4,706	$ 284,668

(Thousands)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University places no limit on the amount that may be invested in any one issuer. Investment types comprising of 5% or more of the University's portfolio are as follows at June 30:

	Concentration	
	2014	**2013**
Federal National Mortgage Association	4%	10%
Federal Home Loan Mortgage Association	10%	7%
U.S. Treasuries	6%	2%

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal custodial credit risk policy. Investments are stated at fair value and are uninsured, unregistered, and held by the trustee or an agent, but not in the name of the University.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not have a formal policy to limit foreign currency risk. Primary exposure to foreign currency risk from investment in international bonds is presented in the following table.

	Foreign Currency	
	2014	**2013**
Mexican Peso	$ 1,798	$ 1,555
EMU Euro	1,358	1,466
Austrailian Dollar	1,231	1,458
British Pound	1,188	2,022
New Zealand Dollar	596	454
Brazilian Real	590	-
Poland Zloty	557	466
South Koria Won	539	482
Malaysian Ringgit	414	481
South African Rand	411	362
Totals	$ 8,682	$ 8,746

D. ACCOUNTS RECEIVABLE, UNBILLED CHARGES, AND LOANS TO STUDENTS

Substantially all amounts included in accounts receivable and unbilled charges represent tuition receivables, grant reimbursements, unbilled charges, patient accounts receivable, and other receivables. Balances are stated net of allowances for doubtful accounts and contractual adjustments of approximately $16,369 and $13,609 at June 30, 2014 and 2013, respectively. In addition, the University established an allowance for doubtful collections of student loans of approximately $1,655 and $1,557 at June 30, 2014 and 2013, respectively.

E. INVESTMENT IN JOINT VENTURE

The University and Bishop Clarkson Memorial Hospital (Clarkson) entered into a Joint Operating Agreement in 1997 forming the Nebraska Health System, a Nebraska non-profit corporation doing business as the Nebraska Medical Center (NMC). A Board of Directors comprised of six members appointed by Clarkson and six members appointed by the Board of Regents govern NMC. Upon dissolution of NMC, the University and Clarkson will share equally in the remaining net position. Because the University has an ongoing financial interest in NMC, the University is accounting for the joint venture under the equity method, and accordingly, equity in joint venture in the accompanying statement of net position represents its one-half undivided interest based on the separate financial statements of the venture. The University has recorded 50% equity in earnings of NMC for the years ended June 30, 2014 and 2013 totaling $ 25,852 and $20,734, respectively. In addition, to the extent that sufficient funds are available, as determined by the NMC Board of Directors, the University will receive an annual capital distribution. Distributions of $6 million, shared equally by the venturers, were declared and paid for both 2014 and 2013.

Separate financial statements of NMC can be obtained from the Nebraska Medical Center, 42^{nd} Street and Dewey Avenue, Omaha, Nebraska 68105.

In conjunction with the Joint Operating Agreement, the University entered into an agreement to lease the former hospital building to NMC that extends through 2037. The lease agreement included rental payments through 2012, which have been fully paid. The hospital building was recorded at approximately $132,000 and is included in the University’s financial statements at $7,807 net of depreciation.

In addition, the University and NMC have entered into an Academic Affiliation Agreement for Education and Research. In connection with the agreement, NMC has agreed to financially support certain educational, research, operational, and clinical activities of the University College of Medicine that further the mission and objectives of NMC. During the fiscal years ended June 30, 2014 and 2013, the University received approximately $26,784 and $26,310, respectively, of support in connection with the agreement.

(Continued)

(Thousands)

F. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2014 and 2013 is as follows:

	2014			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	$ 84,625	$ 4,376	$ 4,341	$ 84,660
Construction work in progress	227,881	188,476	213,714	202,643
Total capital assets not being depreciated	312,506	192,852	218,055	287,303
Capital assets, being depreciated:				
Land improvements	183,577	16,327	2,218	197,686
Leasehold improvements	31,223	714	-	31,937
Buildings	1,928,844	221,904	62,232	2,088,516
Equipment	413,843	41,910	24,210	431,543
Total capital assets, being depreciated	2,557,487	280,855	88,660	2,749,682
Less accumulated depreciation for:				
Land improvements	59,849	7,978	1,614	66,213
Leasehold improvements	8,187	1,593	-	9,780
Buildings	533,744	61,979	33,188	562,535
Equipment	283,009	45,811	21,843	306,977
Total accumulated depreciation other assets	884,789	117,361	56,645	945,505
Capital assets, net	$ 1,985,204	$ 356,346	$ 250,070	$ 2,091,480

(Thousands)

	2013			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	$ 73,170	$ 11,631	$ 176	$ 84,625
Construction work in progress	118,823	202,014	92,956	227,881
Total capital assets not being depreciated	191,993	213,645	93,132	312,506
Capital assets, being depreciated:				
Land improvements	159,630	25,507	1,560	183,577
Leasehold improvements	26,191	5,032	-	31,223
Buildings	1,915,965	57,168	44,289	1,928,844
Equipment	388,782	36,399	11,338	413,843
Total capital assets, being depreciated	2,490,568	124,106	57,187	2,557,487
Less accumulated depreciation for:				
Land improvements	54,167	6,577	895	59,849
Leasehold improvements	6,719	1,468	-	8,187
Buildings	513,876	57,585	37,717	533,744
Equipment	251,926	41,158	10,075	283,009
Total accumulated depreciation other assets	826,688	106,788	48,687	884,789
Capital assets, net	$ 1,855,873	$ 230,963	$ 101,632	$ 1,985,204

G. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2014	$ 74,236	$ 53,464	$ (54,091)	$ 73,609	$ 56,466
2013	$ 71,799	$ 51,814	$ (49,377)	$ 74,236	$ 56,631

H. BOND OBLIGATIONS PAYABLE

Bond obligations payable are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2014	$ 684,265	$ 156,465	$ (82,765)	$ 757,965	$ 42,205
2013	$ 671,305	$ 51,895	$ (38,935)	$ 684,265	$ 52,680

(Thousands)

Bond obligations payable at June 30, 2014 and 2013 consist of the following:

	Interest	Annual	Principal Amount Outstanding	
Obligations under the master trust indenture:	**Rate**	**Installment**	**2014**	**2013**
University of Nebraska-Lincoln:				
Student Fees and Facilities:				
Series 2008A, revenue bonds	3.50 - 5.00%	$ 1,325 - $ 2,360	$ 26,535	$ 27,810
Series 2009A, revenue bonds	2.75 - 5.25%	1,155 - 2,990	49,635	51,055
Series 2009B, revenue bonds	2.00 - 5.70%	435 - 1,840	10,245	10,680
Series 2011, revenue bonds	2.00 - 5.00%	1,435 - 4,095	63,475	63,475
Series 2012, refunding bonds	3.99 - 5.00%	1,220 - 4,780	76,250	80,180
Series 2012B, revenue bonds	1.50 - 5.00%	350 - 1,640	20,060	20,690
Lincoln Parking Project:				
Series 2003, revenue refunding	-	-	-	3,000
Series 2005, revenue and refunding	4.00 - 4.50%	425 - 3,825	15,305	16,790
Series 2009A&B, revenue bonds	3.50 - 6.00%	695 - 1,110	11,560	11,560
Series 2013 revenue and refunding	2.00 - 4.00%	260 - 1,210	7,870	-
University of Nebraska at Omaha:				
Student Facilities:				
Student HPER Project Series 2008, Revenue bonds	3.15 - 5.00%	920 - 2,700	39,390	40,310
Student Housing and Parking:				
Series 2003, revenue bonds	-	-	-	12,390
Series 2007, revenue bonds	4.50 - 5.00%	605 - 2,395	26,345	26,975
Series 2010A, revenue bonds	2.00 - 4.83%	685 - 1,175	14,505	15,200
Series 2010B, revenue bonds	2.25 - 5.00%	375 - 1,060	16,590	16,970
Series 2014, revenue bonds	.25 - 3.25%	530 - 790	11,630	-
University of Nebraska Medical Center:				
Student Housing revenue bonds Series 2003	3.70 - 5.00%	140 - 330	4,205	4,345
University of Nebraska at Kearney:				
Student Fees and Facilities:				
Series 2005 revenue refunding	3.75 - 4.10%	385 - 1,080	3,160	3,530
Series 2006 revenue bonds	4.38 - 5.00%	550 - 1,385	19,770	20,320
Total obligations under the master trust indenture			416,530	425,280
Other University obligations:				
University of Nebraska-Lincoln:				
Athletics:				
2004A, revenue refunding	5.00%	1,995 - 3,250	28,335	30,245
Total University obligations			444,865	455,525
Obligations of blended entities:				
University of Nebraska Facilities Corporation:				
Series 2014A (UNMC Cancer Center)	4.00 - 5.00%	3,415 - 17,410	65,965	-
Series 2014B (Qualified Energy Conservation Bonds)	2.50 - 4.25%	370 - 510	4,325	-
Series 2013 (UNMC Cancer Center)	4.00%	3,010 - 6,980	31,205	31,205
Series 2013A & B (UNO/Community Facility Project)	1.18 - 5.00%	830 - 23,055	53,930	-
Series 2011 (Eye Institute)	2.00 - 4.59%	3,000 - 14,740	17,740	17,740
Series 2011 (NCTA Education Center)	2.25% - 5.50%	85 - 1,645	9,275	9,835
Series 2010 (OPPD Exchange Project)	2.50 - 3.00%	1,535 - 1,540	4,610	6,150
Series 2009 (LB605)	3.50 - 4.66%	6,670 - 7,530	28,360	35,170
Series 2009 (Health Professions Futures)	-	-	-	18,235
Series 2007 (Research Center)	-	-	-	13,790
Series 2006 (LB605)	5.00%	8,615 - 11,550	70,165	78,370
Series 2004 (Library Storage Project)	4.30 - 5.00%	145 - 565	2,330	2,470
Series 2003 (Alexander Building Project)	4.25 - 5.00%	135 - 205	1,670	1,800
Total University of Nebraska Facilities Corporation			289,575	214,765

(Thousands)

Obligations of blended entities (Continued):				
Nebraska Utility Corporation (NUCorp):				
Series 2010 revenue bonds	1.00 - 5.00%	1,225 - 2,035	11,525	13,975
Series 2014A revenue bonds	3.40%	6,500	6,500	-
Series 2014B revenue bonds	5.00%	5,500	5,500	-
Total NUCorp			23,525	13,975
Subtotal bonds payable			757,965	684,265
Add unamortized bond premium			42,146	29,444
Less unamortized bond discount			1,924	1,597
Total bond obligations payable			$ 798,187	$ 712,112

Annual maturities subject to mandatory redemption at June 30, 2014, are as follows:

	Total University		UNFC		NUCorp		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 16,980	$ 19,840	$ 23,975	$11,775	$ 1,250	$ 1,013	$ 42,205	$ 32,628
2016	17,530	19,251	29,170	11,352	1,225	1,002	47,925	31,605
2017	18,290	18,596	36,445	10,187	1,290	941	56,025	29,724
2018	18,915	17,912	49,865	8,817	1,350	876	70,130	27,605
2019	19,655	17,192	23,675	6,566	1,420	809	44,750	24,567
2020-2024	104,880	72,842	93,175	19,094	4,990	2,985	203,045	94,921
2025-2029	95,705	49,640	32,570	6,738	-	2,481	128,275	58,859
2030-2034	76,100	29,519	565	134	12,000	1,984	88,665	31,637
2035-2039	57,515	13,827	135	7	-	-	57,650	13,834
2040-2044	19,295	1,702	-	-	-	-	19,295	1,702
Total	$444,865	$260,321	$289,575	$74,670	$23,525	$12,091	$757,965	$347,082

At June 30, 2014 and 2013, the trustees for these bond funds held cash and investments in the amount of approximately $357,504 and $248,081, respectively, which is reflected as cash and cash equivalents held by trustee – restricted and investments held by trustee – restricted on the statements of net position.

Master Trust Indenture

The Board of Regents entered into a Master Trust Indenture dated as of June 1, 1995, (as amended and supplemented from time to time, hereinafter the Indenture) with a fiduciary with respect to the facilities (including student housing, student unions, student health facilities, and parking facilities) from which the Board of Regents derives revenues, fees, and earnings. The Master Trust Indenture was created for the purpose of achieving lower borrowing costs through sharing accumulated excess revenues and earnings derived from such facilities. As of June 30, 2014, the members of the Obligated Group are (a) the student housing, student unions, and student health facilities on the University of Nebraska - Lincoln campus (UNL Student Fees and Facilities), (b) the parking facilities on the University of Nebraska - Lincoln campus (UNL Parking); (c) the student center and HPER facility at the University of Nebraska at Omaha (UNO Facilities); (d) certain student housing and parking facilities at the University of Nebraska at Omaha (UNO Student Housing and Parking); (e) certain student housing facilities at the University of Nebraska Medical Center (UNMC Student Housing); and (f) the student housing facilities on the University of Nebraska at Kearney campus (UNK Student Fees and Facilities). The accumulated surplus revenues, fees, and other payments of the members have been jointly pledged to the payment of revenue bonds issued with respect to such facilities. Other facilities will be added to the Obligated Group and the revenues, fees, and other payments derived from such facilities will be pledged under the Indenture in the future as circumstances permit.

Pledged revenues are defined in the Obligated Group as all of the revenues of each member that remain after payment of the expenses of such member. Pledged revenues do not include any balances in any debt service fund or debt service reserve fund, but shall include any balances in any other reserve, replacement, or contingency fund and any surplus fund held for and on behalf of such members under a Related Bond Resolution (as defined in the Obligated Group).

University of Nebraska - Lincoln Memorial Stadium Bonds

In 2004, the Board of Regents authorized the issuance of $64,380 of Series 2004A and 2004B bonds (2004 Memorial Stadium Project). The bonds were issued to pay the cost of constructing, equipping, and furnishing improvements to Memorial Stadium and to refund $12,970 of 1997 UNFC Bonds, Series 1997. The remaining 2004A bonds are payable from a gross revenue pledge of certain revenues and fees of the Athletic Department, with such payment being prior to the payment of expenditures with respect to Memorial Stadium operations. Those revenues and fees include all Memorial Stadium ticket income, current skybox revenues, current club seating revenues, donations with respect to a new premium seating program involving approximately 6,400 seats, and all donations pledged to the construction of the 2004 Memorial Stadium Project.

The bonds are not obligations of the State, nor do they constitute debt of the Board of Regents, but shall be payable solely from the aforementioned pledged revenues and fees.

University of Nebraska Facilities Corporation

The UNFC bonds are not obligations of the State of Nebraska and no tax shall ever be levied to raise the funds for the principal payment thereof or the interest or premium thereon, and the UNFC bonds do not constitute debt of the Board of Regents of the University of Nebraska but shall be payable solely out of monies derived from designated tuition revenues, legislative appropriations, donor gifts, and UNL and UNMC lease payments. The Board has pledged certain cash balances toward debt service on the bonds should sufficient revenues not be available. Pledged cash balances were $491,854 and $496,000 at June 30, 2014 and 2013 respectively.

UNMC Cancer Research Center Project ("Cancer Center") - In 2014, the UNFC authorized the issuance of $65,965 of UNMC Cancer Center Bonds, Series 2014A Bonds, and $4,325 of UNMC Qualified Energy Conservation Bonds (Direct Pay), Series 2014B, both dated April 15, 2014.

The proceeds of the Series 2014A Bonds will be used for the Series 2014A Project that consists of the construction, equipping, and furnishing of a comprehensive cancer center that is a portion of a larger Comprehensive Cancer Center project with an overall budget of $370 million. The Series 2014B Project consists of financing upgrades to energy management monitoring systems in and for UNMC buildings. The total cost of the Series 2014B project is approximately $6 million.

Principal and interest payments will come from monies derived by UNFC under a financing agreement with the Board of Regents and the University of Nebraska. The Series 2014A Bonds are not redeemable prior to their stated maturities. The Series 2014B Bonds maturing on or after February 15, 2024 are redeemable at par plus accrued interest.

(Continued)

UNMC Cancer Research Center ("Cancer Center") - In 2013, the UNFC authorized the issuance of $31,205 of Series 2013 Bonds, dated June 11, 2013.

The Cancer Center consists of the construction of a Cancer Research Center tower at UNMC at a total estimated cost of $110,000. The bond proceeds will provide interim financing for approximately $31,205 of donor pledge payments. The remainder of the construction costs will be funded by a State of Nebraska capital appropriation of $50,000 and other University sources.

UNMC obtained pledges through the University of Nebraska Foundation, that when augmented by other funds UNMC has available, will be sufficient to pay principal and interest on the bonds.

The Bonds are not redeemable prior to maturity. The Cancer Center Project provides that if, at any time, the assigned pledge receipts are insufficient to pay principal and interest of the Series 2013 Bonds as they become due, the deficiency will be paid from the University Cash Fund or other funds of the Board of Regents available for such purpose.

UNO/Community Facility ("Arena") – In 2014, the UNFC authorized the issuance of $37,385 of Series 2013A Bonds and $16,545 of Series 2013B Bonds, both dated November 30, 2013.

The Arena consists of construction, equipping, and furnishing of a sports and events arena located on the UNO campus at cost of approximately $81,600. The Series 2013A proceeds provide long term financing for the Arena payable from revenues derived from the use of the facility. The Series 2013B proceeds provide interim financing for approximately $16,545 of donor pledges and other available funds.

Principal and interest payments will come from monies derived by UNFC under a financing agreement with the Board of Regents of the University of Nebraska. The Series 2013A Bonds maturing on or after May 15, 2024 are redeemable at par plus accrued interest. The Series 2013B Bonds are not redeemable prior to their stated maturities.

UNMC Eye Institute Project ("Eye Institute") – In 2011, the UNFC authorized the issuance of $17,740 of Series 2011 Bonds, dated June 22, 2011.

The Eye Institute Project consists of the construction of the Eye Institute at the University of Nebraska Medical Center at a cost of approximately $20,000. Bond proceeds provide interim financing for approximately $18,000 of donor pledge payments. The remainder of the project will be funded by other University sources.

Principal and interest payments will come from monies derived by UNFC under the Financing Agreement with the Board of Regents of the University of Nebraska. The Bonds are not redeemable prior to their stated maturities.

NCTA Education Center/Student Housing Project ("Education Center and Housing Facilities Projects") – In 2011, the UNFC authorized the issuance of $11,570 of Series 2011 Bonds, dated February 2, 2011.

The Education Center Project comprises the construction of a new Education Center classroom facility, the renovation of an existing Vet Tech Center, and the renovation of a dairy barn into a simulated veterinary clinic. The Housing Facilities Project is for the construction of a new student residence hall.

Principal and interest payments will come from lease payments received from the Nebraska College of Technical Agriculture (NCTA) and certain appropriations made by the Nebraska Legislature. Bonds maturing on or after June 15, 2021, are redeemable at par plus accrued interest.

UNMC – OPPD Exchange Project ("The Exchange Project") – In 2010, the UNFC authorized the issuance of $9,230 of Series 2010 Bonds, dated February 3, 2010.

The Board of Regents and the Omaha Public Power District (OPPD) entered into an exchange agreement in 2008 that provides for the Board of Regents to acquire certain OPPD property in exchange for specified Board property and improvements to be constructed on it. The Exchange Project was created to construct the improvements to the property of the Board of Regents and facilitate the property exchange with OPPD.

Principal and interest payments will come from lease payments received from UNMC. The Bonds are not redeemable prior to maturity.

Deferred Maintenance Project ("The 2009 Maintenance Project") – UNFC authorized the issuance of $52,055 Deferred Maintenance Bonds, Series 2009 Bonds, dated December 8, 2009.

The 2009 Maintenance Project represents planned continuation financing of deferred maintenance projects initiated and partially financed by the 2006 Project. The 2006 Project was created to pay the construction costs for major renewal and renovation projects at each of the four University campuses.

Principal and interest payments will be paid from appropriations by the State of Nebraska and matched by specified tuition revenues. The bonds are not redeemable prior to maturity.

University of Nebraska Medical Center Health Professionals Futures ("The 2009 Project") – In 2009, the UNFC authorized the issuance of $26,035 of Series 2009 Bonds, dated March 25, 2009.

The 2009 Project is the construction of the College of Public Health building, an addition to the College of Nursing, and a Geriatric Center building on the UNMC campus. The bond proceeds will be used to provide interim financing for approximately $36,000 of donor pledged payments. The remainder of the project will be funded by other available University funds at a total project cost of approximately $39,000.

UNMC obtained pledges through the University of Nebraska Foundation that, when augmented by other funds UNMC has available, will be sufficient to pay principal and interest on the bonds. The pledges will be received in installments through 2017.

The bonds are not redeemable prior to maturity. The 2009 Project provides that if, at any time, the assigned pledged receipts are insufficient to pay principal and interest of the Series 2009 Bonds as they become due, the deficiency will be paid from the University Cash Fund or other funds of the Board of Regents available for such purpose.

University of Nebraska Medical Center Research Center Project ("The 2007 Project") – In 2008, the UNFC authorized the issuance of $23,630 of Series 2007 Bonds, dated December 19, 2007.

The 2007 Project is the construction of the Research Center of Excellence II. The bond proceeds will be used to provide interim financing for approximately $22,000 of donor pledge payments. The remainder of the project will be funded by other available University funds at a total project cost of approximately $74,000.

UNMC obtained pledges through the University of Nebraska Foundation that, when augmented by other funds UNMC has available, will be sufficient to pay principal and interest on the bonds. The pledges will be received in installments through 2012.

Bonds maturing on or after February 15, 2018, are redeemable at par plus accrued interest. The 2007 Project provides that if, at any time, the assigned pledged receipts are insufficient to pay principal and interest of the Series 2007 Bonds as they become due, the deficiency will be paid from the University Cash Fund or other funds of the Board of Regents available for such purpose.

Series 2006 Bonds – LB 605 Deferred Maintenance Project – UNFC authorized the issuance of $110,970 of Series 2006 Bonds, dated August 15, 2006.

The LB 605 Project was created for the purpose of paying the construction costs for major renewal and renovation projects at each of the four University campuses authorized by Nebraska Legislative Bill 605 (LB 605).

Principal and interest payments will be paid from appropriations by the State of Nebraska and matched by specified tuition revenues. Bonds maturing after July 15, 2017, are redeemable at par plus accrued interest.

Series 2004 Bonds – Library Storage Project – In 2004, the UNFC authorized the issuance of $3,410 of Series 2004 Bonds, dated May 15, 2004.

The Library Storage and Retrieval Facility provides a climate-controlled environment for the library's print volumes and other documents. The strictly controlled temperature, humidity, and air quality will minimize the deterioration of the books and other documents.

Principal and interest payments will come from lease payments received from UNL. Bonds maturing after July 15, 2014, are redeemable at par plus accrued interest. The 2004 Project states that if, at any time, the assigned revenues are insufficient to pay principal and interest of the Series 2004 Bonds as they become due, the deficiency will be paid from the University Cash Fund or other funds of the Board of Regents available for such purpose.

Series 2003 Bonds – Alexander Building Project – In 2003, the UNFC authorized the issuance of $2,935 of Series 2003 Bonds, dated March 6, 2003.

The 2003 Project involved the purchase and refurbishing of the Alexander Building, including a heating, ventilation, and air conditioning project on the city campus of UNL.

Principal and interest payments will come from lease payments received from UNL. Bonds are redeemable at par plus accrued interest. The 2003 Project states that if, at any time, the assigned revenues are insufficient to pay principal and interest of the Series 2003 Bonds as they become due, the deficiency will be paid from the University Cash Fund or other funds of the Board of Regents available for such purpose.

(Continued)

Nebraska Utility Corporation

In 2011, the NUCorp issued Series 2010 Bonds in the amount of $15,120 to refund $17,065 of outstanding Series 2001 Bonds. The net proceeds of $16,932 plus $2,181 of sinking fund monies were used to prepay the outstanding debt service requirements on the 2001 bonds. The proceeds were used to purchase securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001 bonds.

The Series 2014A and 2014B bonds were issued as "Qualified Energy Conservation Bonds (QECB)" under provisions of the Internal Revenue Code for the purpose of financing a portion of the Central Renewable Energy System (CRES). The CRES system will deliver heated and cooled water for certain buildings located on the Nebraska Innovation Campus. NUCorp expects to receive a cash subsidy payment from the United States Treasury equal to 70% of the interest payable on the Series 2014A and 2014B bonds. The subsidy payment is contingent on federal regulations and is subject to change. On March 1, 2013, the President signed an Executive Order reducing the budgetary authority in accounts subject to sequestration. As a result the QECB subsidy is expected to be reduced by approximately 7%.

Bond Issuances

On July 25, 2013, the Board of Regents issued $8,615 of University of Nebraska-Lincoln Parking Project Revenue Refunding Bonds, Series 2013. The net proceeds of the bonds were used to pay the cost of acquiring ownership of a multi-level parking garage condominium located on the UNL campus and to redeem $3,000 of outstanding University of Nebraska-Lincoln Parking Project Revenue Refunding Bonds, Series 2003. The refunding reduced total debt service payments by approximately $194 and resulted in an economic gain of approximately $169. The accounting gain of $15 is deferred and amortized over the life of the 2013 bonds.

On June 18, 2014, the Board of Regents issued $11,360 of University of Nebraska at Omaha Student Housing Refunding Bonds, Series 2014. The net proceeds of the bonds were used to refund $12,000 of outstanding Board of Regents University of Nebraska at Omaha Student Housing Project Bonds, Series 2003 dated November 24, 2003. The refunding reduced total debt service payments by approximately $2,829 and resulted in an economic gain of approximately $2,153. The accounting gain of $30 is deferred and amortized over the life of the 2014 bonds.

Bond Resolutions

The bond resolutions specify the funds that need to be established, the required transfers between funds, and the maximum maturity limits for each funds' investments. The bond resolutions also require that specified amounts be deposited with the trustee for certain funds. At June 30, 2014 and 2013, the University, UNFC, and NUCorp are in compliance with these requirements.

(Thousands)

I. CAPITAL LEASE OBLIGATIONS

The University is presently leasing real property, buildings, and equipment with either the option to purchase or transfer of title at the expiration of the lease term. Of capital leases outstanding at June 30, 2014 and 2013, $236 and $463, respectively, are leases with the Foundation.

Capital lease obligation activity for the year ended June 30 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2014	$ 1,325	$ 648	$ (810)	$ 1,163	$ 689
2013	$ 3,442	$ 216	$ (2,333)	$ 1,325	$ 581

Minimum lease payments under capital leases together with the present value of the net minimum lease payments for the year ending June 30 are:

	Land	Buildings and Properties	Equipment
2015	$ 245	$ 175	$ 295
2016	-	163	103
2017	-	24	99
2018	-	24	-
2019	-	24	-
2020-2024	-	82	-
	245	492	497
Less interest and executory costs	9	48	14
	$ 236	$ 444	$ 483

Capital assets held under capital lease obligations at June 30, 2014, are as follows:

	Cost	Accumulated Depreciation	Net
Land	$ 1,478	$ -	$ 1,478
Buildings	2,976	1,305	1,671
Equipment	530	198	332
	$ 4,984	$ 1,503	$ 3,481

(Thousands)

J. HEALTH AND OTHER INSURANCE CLAIMS

Activity in the health and other insurance claims programs is as follows:

	Self-Insurance	General Liability	Health and Dental	Total
Claim reserve, July 1, 2012	$ 4,336	$ 1,169	$ 6,956	$ 12,461
Incurred claims	600	5,192	123,383	129,175
Payments on claims	(895)	(3,444)	(124,001)	(128,340)
Claim reserve, June 30, 2013	4,041	2,917	6,338	13,296
Incurred claims	467	3,193	129,584	133,244
Payments on claims	(676)	(3,191)	(127,962)	(131,829)
Claim reserve, June 30, 2014	$ 3,832	$ 2,919	$ 7,960	$ 14,711

The Board of Regents provides for protection against comprehensive general liability and property losses through a partially self-insured general liability program. The self-insured program also covers the retained deductible for directors and officers liability and miscellaneous claims not covered by insurance. The Board of Regents has purchased all-risk “blanket” policies for risks not covered by the partially self-insured general liability program. These policies provide for property coverage with a $200 deductible/$1,000 annual aggregate, educators legal liability coverage with a $1,000 deductible/ $5,000 annual aggregate, and umbrella excess liability coverage for $1,000 each loss/$20,000 aggregate. A bank administers the general liability and self-insured trusts including the investments and payment of approved claims. The University estimates a range of loss for general liability and property claims using actuarial studies conducted by outside actuarial firms. The discount rate used by the actuaries for estimation of the claim reserve was 1.5% for general liability. This estimate is accrued in the accompanying financial statements and includes a reserve for known claims as well as incurred but unreported incidents.

The University participates in the State Excess Liability Fund that provides coverage from $500 up to $1,750 for each medical malpractice claim. Settled claims have not exceeded insurance coverage in any of the past three years.

The Board of Regents provides for faculty and staff group health and dental benefits through a self-insurance program. The University accrued an estimate for known as well as incurred but not reported claims based on claim history adjusted for current trends. A trust agreement with a bank provides for the collection, investment, and administration of premiums and for payment to the third-party administrators for claims paid.

At June 30, 2014 and 2013, the trustees for the health and other insurance claims programs held cash and cash equivalents and investments totaling approximately $150,829 and $152,633, respectively, whose use is limited to the payment of claims under the programs. These amounts are included in cash and cash equivalents and investments on the statements of net position.

(Continued)

K. RETIREMENT PLANS

The University sponsors a defined contribution retirement plan that the Board of Regents established and has the authority to amend. The plan covers all academic faculty, administrative, and classified staff and provides investment options administered by Teachers Insurance and Annuity Association/College Retirement Equity Fund and Fidelity Investments. Under the plan, faculty and staff are required to contribute 3.5% or 5.5% if they participate in either Tier 1 or Tier 2 of the plan, respectively. The University matches faculty and staff participation by contributing 6.5% and 8.0% for Tier 1 and Tier 2, respectively. The University's policy is to fund costs accrued on an annual basis.

The University's total payroll for fiscal years 2014 and 2013 was approximately $903,685 and $872,530, respectively, of which approximately $686,314 and $662,453 was covered by the plan. The University's contribution during 2014 and 2013 was approximately $53,512, or 7.80%, and $51,675, or 7.80%, of covered payroll, respectively, and the faculty and staff's contribution was approximately $35,919, or 5.23%, and $34,707, or 5.24%, of covered payroll, respectively.

Faculty and staff (at least 0.5 FTE) who attain age 26 and have completed 24 months of continuous service are eligible to participate in the retirement plan. Faculty and staff (at least 0.5 FTE) attaining age 30 following 24 months of continuous service are required to participate. The plan benefits are fully vested at the date of contribution.

UNMC Physicians has two defined contribution money purchase pension plans established under Section 401(a) of the Internal Revenue Code that are administered by a bank. Together, these plans cover substantially all employees who meet age and length of service requirements of the plans. The plans are funded through UNMC Physicians contributions based upon a fixed percentage of the employees' salary. Total pension expense was $11,003 and $11,030 for the years ended June 30, 2014 and 2013, respectively.

The GASB issued Statement No. 47, *Accounting for Termination Benefits*. Statement No. 47 requires a disclosure of the termination benefit liability incurred during the year for retirement plans. The University offered a tenure buyout option to faculty under a 1997 plan and a 2003 plan both of which are now closed. Both plans offered a buyout to faculty in exchange for tenured rights and included a provision for the University to pay health insurance premiums for the faculty member for a specified term. Currently, the administration may agree to a tenure buyout arrangement with a selected faculty member, but the buyout option is not generally open to the faculty. The expense incurred during 2014 and 2013 for the health insurance liability under current individual tenure buyout arrangements was $31 and $107, respectively. The expense incurred for 2014 and 2013 health insurance premium increases under all tenure buyout arrangements was $0 and $0, respectively. The total termination benefit obligation at June 30, 2014 and 2013 was $41 and $121, respectively.

L. COMMITMENTS AND CONTINGENCIES

The University has contracted for the construction of facilities that are estimated to cost approximately $1,046,278. As of June 30, 2014, the approximate remaining costs to complete these facilities were $693,359, which will be financed as follows:

(Continued)

(Thousands)

Bond funds	$ 152,724
University funds	57,227
State capital appropriations	114,086
Private gifts, grants, and contracts	369,322
	$ 693,359

During the normal course of business, the University receives funds from the U.S. Government, State and local governments, and private donors for student loans, special projects, research grants, and research contracts. Substantially all of these funds are subject to audit by various Federal and State agencies; however, it is the University's opinion that resulting adjustments, if any, would not have a material effect upon the accompanying financial statements.

The University established its Agricultural Research and Development Center (ARDC) on approximately 9,000 acres acquired from the Nebraska Ordnance Plant (NOP) from 1962 to 1971. The Federal government produced munitions at NOP during World War II and the Korean Conflict, exposing the area to contaminants. The University legally disposed of certain materials at the site in the 1970s.

In 1990, the NOP became a Federal Superfund site. An administrative order has been entered into between the Board of Regents and the Environmental Protection Agency (EPA) requiring a remedial investigation/feasibility study to determine the extent of contamination and removal actions necessary. This study was completed and the consulting firm made recommendations to the University for the removal and disposal of the contaminants at the site.

The Board of Regents and the EPA subsequently agreed to an action for the remediation and restoration of the area, which was completed pending acceptance of the final remedial investigation feasibility study report by the EPA. In 2011, the University received a proposed plan from the EPA for additional remedial activities, such as installation of a landfill cap, an establishment of a monitoring well network, and treatment for a groundwater contaminant. In 2013, the EPA submitted a record of decision of an approved remedy and in 2014, the University and the EPA signed a consent decree and statement of work to complete the remediation work. The University is waiting on approval from the Department of Justice before initiating the last phase of work. A liability has not been recorded since the cost remains an indeterminate amount.

The University has other claims and litigation pending, none of which is expected to result in any material loss to the University.

M. RELATED-PARTY TRANSACTIONS

The University routinely has transactions with the Nebraska Medical Center (NMC). The members of the faculty at the University are also members of the medical staff of NMC, and in many other areas, the operations of the University and NMC are integrated and overlap. The University provides certain operational and support services, as well as certain direct financial support to NMC. For the fiscal years ended June 30, 2014 and 2013, NMC purchased approximately $75,293 and $71,352 of goods and services from UNMC. In addition, during 2014 and 2013, UNMC paid NMC $11,224 and $9,638, respectively, for support services provided by NMC.

(Thousands)

N. FUNCTIONAL CLASSIFICATIONS OF EXPENSES

For the year ended June 30, 2014:

	Compen- sation	Supplies and Materials	Contractual Services	Repairs and Maintenance	Utilities	Communi- cations	Scholarships and Fellowships	Deprecia- tion	Total
Instruction	$ 441,331	$ 36,383	$ 14,356	$ 3,332	$ 3	$ 2,534	$ 3,682	$ -	$ 501,621
Research	185,571	59,587	51,610	5,511	156	1,122	1,505	-	305,062
Public service	74,164	15,952	19,045	1,026	374	1,025	393	-	111,979
Academic support	93,956	29,894	(749)	2,100	36	1,547	80	-	126,864
Student services	23,411	5,718	496	178	-	316	407	-	30,526
Institutional support	85,173	16,458	8,884	2,138	66	1,780	103	-	114,602
Operation and maintenance of plant	37,469	5,204	4,665	45,058	34,039	593	34	-	127,062
Healthcare entities	176,186	16,949	15,701	2,325	179	859	1,121	-	213,320
Scholarships and fellowships	3,191	228	3,286	18	-	-	60,508	-	67,231
Auxiliary operations	111,899	96,404	21,943	6,446	(1,373)	4,043	2,362	-	241,724
Depreciation	-	-	-	-	-	-	-	117,361	117,361
Total expenses	$1,232,351	$ 282,777	$ 139,237	$ 68,132	$ 33,480	$ 13,819	$ 70,195	$ 117,361	$ 1,957,352

(Continued)

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 and 2013
(Thousands)

For the year ended June 30, 2013:

	Compen-sation	Supplies and Materials	Contractual Services	Repairs and Maintenance	Utilities	Communi-cations	Scholarships and Fellowships	Deprecia-tion	Total
Instruction	$ 422,200	$ 36,175	$ 8,863	$ 1,992	$ 8	$ 2,666	$ 3,077	$ -	$ 474,981
Research	183,546	58,534	49,287	6,737	167	1,521	1,016	-	300,808
Public service	72,109	15,737	18,350	652	382	1,035	157	-	108,422
Academic support	90,621	27,642	(489)	1,880	37	1,425	244	-	121,360
Student services	22,254	5,895	547	139	-	300	438	-	29,573
Institutional support	80,119	15,692	8,307	1,939	69	1,448	132	-	107,706
Operation and maintenance of plant	36,615	3,501	7,922	29,266	33,154	565	37	-	111,060
Healthcare entities	167,741	14,223	16,999	2,386	160	942	1,124	-	203,575
Scholarships and fellowships	3,031	1,136	2,576	23	-	1	60,876	-	67,643
Auxiliary operations	96,344	89,667	21,898	12,284	1,413	5,015	3,054	-	229,675
Depreciation	-	-	-	-	-	-	-	106,788	106,788
Total expenses	$1,174,580	$ 268,202	$ 134,260	$ 57,298	$ 35,390	$ 14,918	$ 70,155	$ 106,788	$ 1,861,591

(Continued)

O. AUXILIARY SEGMENT

The University issues revenue bonds to finance certain auxiliary activities under its Master Trust Indenture. Investors in these bonds rely on the revenue generated by the individual activities and other sources specified for repayment. Descriptive segment information for the Master Trust Indenture Obligated Group – includes the following:

UNL Student Fees and Facilities Bonds, Series 2008A, Series 2009A, Series 2009B, Series 2011, Series 2012, and Series 2012B – These bonds are used to provide student housing and related facilities as allowed by the bond covenants for the UNL campus. Operating revenues consist primarily of room and board charges.

University of Nebraska Revenue Bonds, Series 2003, Series 2005, Series 2009A, Series 2009B and Series 2013 **–** These bonds are used to provide parking-related facilities as allowed by the bond covenants for the UNL campus. Operating revenues consist of parking fee revenues.

UNO Student Activities Project Bonds, Series 2008 – These bonds are used to provide a variety of services for the benefit of the University and its students in the Student Center and to provide health, physical education, and recreation services in the HPER building.

UNO Student Housing/Parking Project Bonds, Series 2003, Series 2007, Series 2010A, Series 2010B and Series 2014 – The bonds are used to provide student housing, parking, and related facilities as allowed by the covenants for the University. Operating revenues consist primarily of rentals, student fees, and parking fees.

UNMC Student Housing Project Bonds, Series 2003 – These bonds are used to provide student housing and related facilities as allowed by the bond covenants for UNMC. Facility rental revenues comprise the operating revenues of this segment.

UNK Student Fees and Facilities Revenue Bonds, Series 2005 and Series 2006 – The bonds are used to provide student housing and related facilities as allowed by the bond covenants for the UNK campus. Operating revenues consist primarily of rentals, food service income, and student fees.

Pledges pertaining to these issues are disclosed in Note H.

Condensed financial information for the University's segment follows (in thousands):

	June 30, 2014	June 30, 2013
Condensed Statements of Net Position		
Assets and Deferred Outflows of Resources		
Assets:		
Current assets	$ 78,855	$ 71,562
Non-current assets:		
Capital assets	469,092	441,098
Other non-current assets	89,610	120,205
Total assets	637,557	632,865
Deferred Outflows of Resources:		
Deferred loss on bond refunding	5,888	6,144
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities:		
Current liabilities	41,580	44,128
Non-current liabilities	421,637	431,593
Total liabilities	463,217	475,721
Deferred Inflows of Resources:		
Deferred service concession arrangement receipts	7,402	8,414
Net Position:		
Invested in capital assets, net of related debt	44,291	30,709
Restricted:		
Expendable:		
Plant construction	20,213	10,476
Debt service	87,428	95,401
Unrestricted	20,894	18,288
Total net position	$ 172,826	$ 154,874

(Thousands)

	Years Ended June 30, 2014	Years Ended June 30, 2013
Condensed Statements of Revenues, Expenses, and Changes in Net Position		
Operating revenues	$ 125,616	$ 116,289
Operating expenses:		
Depreciation	(14,681)	(13,776)
Other operating expenses	(78,341)	(74,449)
Operating income	32,594	28,064
Non-operating expense	(14,642)	(13,770)
Change in net position	17,952	14,294
Net position, beginning of year	154,874	140,580
Net position, end of year	$ 172,826	$ 154,874

	Years Ended June 30, 2014	Years Ended June 30, 2013
Condensed Statements of Cash Flows		
Net cash flows from operating activities	$ 47,485	$ 43,125
Net cash flows from capital and related financing activities	(71,195)	(42,570)
Net cash flows from investing activities	(9,462)	3,731
Net change in cash and cash equivalents	(33,172)	4,286
Cash and cash equivalents, beginning of year	161,108	156,822
Cash and cash equivalents, end of year	$ 127,936	$ 161,108

P. SUBSEQUENT EVENTS

On July 18, 2014, the Board of Regents approved the architect selection for the Milo Bail Student Center renovation (UNO Student Activities). The Board approved the financing resolution, program statement and a preliminary budget on May 30, 2014. The preliminary budget of $19,500 includes net financing of approximately $9,000 from new bonds (total issuance not to exceed $10,500) and $10,500 from UNO bond surplus and other campus funds.

On November 1, 2014, the Board of Regents called the remaining outstanding maturities of $26,340 of the University of Nebraska-Lincoln Athletics Revenue Refunding Bonds, Series 2004A (Memorial Stadium Project). The bonds were redeemed at par plus accrued interest.

On November 20, 2014, the Board of Regents approved the issuance of UNL Student Fees and Facilities revenue bonds under the Master Trust Indenture not to exceed $73,300 and the program statements for two construction projects to be financed by the issuance of the bonds. The proceeds

(Continued)

will finance the construction of the East Campus Residence Hall, estimated to cost $37,508, and the 17th Street Dining Complex, estimated to cost $33,088.

On March 21, 2014. the Board of Regents approved the issuance of up to $42,500 of UNMC Cancer Center Bonds to finance a portion of the construction of a comprehensive cancer center with an overall budget of $370 million. Other financing sources include the University of Nebraska Facilities Corporation UNMC Cancer Center Bonds, Series 2013, Series 2014A, and Series 2014B. The approved but not issued of up to $42,500 bonds will be repaid from private donor sources and issued as required by the construction schedule.

The University of Nebraska has evaluated subsequent events from the balance sheet date through December 3, 2014, the date at which the financial statements were available to be issued.

Q. UNIVERSITY OF NEBRASKA FOUNDATION

The Foundation is a separate, non-profit organization incorporated in the State of Nebraska and has as its purpose to encourage private financial support of the University from individuals, corporations, and other foundations. Oversight of the Foundation is the responsibility of a separate and independent Board of Trustees, not otherwise affiliated with the University. In carrying out its responsibilities, the Board of Trustees of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation.

Although the University does not control the timing or amount of receipts from the Foundation, the resources that the Foundation holds and invests, or the income thereon, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation are primarily used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University's financial statements. Based on the Foundation's audited financial statements as of June 30, 2014 and 2013, the Foundation's net assets (including unrealized gains) totaled $1,889,455 and $1,630,391, respectively.

During the years ended June 30, 2014 and 2013, the Foundation contributed $80 million and $80 million, respectively, to the University for academic support, student assistance, faculty assistance, research, museums, and libraries. In addition, the Foundation provided capital gifts of $93 million and $94 million during 2014 and 2013, respectively, to the University. These contributions provided support for several projects, including the construction of the UNMC Cancer Center Projects and several UNL Athletics Capital Projects.

Complete financial statements for the Foundation can be obtained from the University of Nebraska Foundation, 1010 Lincoln Mall, Suite 300, Lincoln, Nebraska 68508-2886.

R. COMPONENT UNIT DISCLOSURES

(1) Summary of Significant Accounting Policies

(a) Nature of the Entity and Principles of Consolidation

The University of Nebraska Foundation (the Foundation) is a nonprofit corporation whose purpose is to provide financial support to the University of Nebraska system. The accompanying consolidated financial statements include the Foundation's wholly owned subsidiary, University of Nebraska Technology Park, LLC (Tech Park), which provides incubator facilities for emerging businesses. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Basis of Accounting and Presentation

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

Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets that have similar characteristics have been combined into similar categories as follows:

- The unrestricted net assets account for resources over which the governing board has discretionary control to use in carrying on the operations of the Foundation.

- The temporarily restricted net assets account for those resources whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.

- The permanently restricted net assets account for resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

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 or losses on investments and any other assets or liabilities are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws. 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 applicable classes of net assets. At times, the Foundation receives requests by donors or their designees to change the use for which the gifts were originally intended. The requests are reviewed by the Foundation for approval. Approved changes, depending on the donor's request, may result in the reclassification due to change in donor intent in the consolidated statement of activities.

(c) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid instruments with original maturity of three months or less when purchased, excluding those amounts held as part of the investment portfolio.

The Foundation maintains cash balances and certificates of deposit at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At various times during the fiscal year, the Foundation's cash in bank balances exceeded the federally insured limits. The Foundation has maintained its cash balances and certificates of deposit at financial institutions in accordance with all Foundation policies and procedures.

(d) Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

(e) Investments and Temporary Investments

Investments and temporary investments in equity securities with readily determinable fair values and debt securities are reported at fair value. Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. Corporate bonds are valued at market quotations for securities that have quoted prices in active markets, valued at estimated fair values obtained from a pricing service using a variety of inputs including, but not limited to, benchmark yields, reported trades, broker-dealer quotes, issuer spreads, bids, offers, reference data, prepayment spreads, and measures of volatility. For other fixed income securities, the fair value is determined using models such as matrix pricing, which use quoted market prices of debt securities with similar characteristics, or discounted cash flows to estimate fair value. The Foundation obtained one price for each instrument and did not adjust any of these prices.

For alternative investments in funds that do not have readily determinable fair values including private equity investments, hedge funds, real estate funds, commingled funds, and similar funds, the Foundation records these investments at fair value and estimates fair value using net asset value per share or its equivalent as a practical expedient to fair value. These investments in limited partnerships are generally valued based upon the most recent net asset value or capital account information available from the general partner of the limited partnership, taking into consideration, where applicable, other information determined to be a reliable indicator of fair value.

Investments in closely held stock are recorded at fair value and fair value is estimated based on independent appraisals and information provided by the respective companies.

Real estate, mortgage contracts, annuities, and the cash value of insurance policies are recorded at amortized cost. They are reviewed for impairment on an annual basis.

Temporary investments comprise short-term investments used to maintain liquidity, mainly a mix of U.S., state, and local government fixed income securities and corporate bonds. Investments comprise a mix of equities, fixed income, other investments, and alternative investments, which have a longer term focus (generally investing endowment funds).

Donated investments are reported at estimated fair value at the date of receipt. Realized gains and losses on sales of investments are recognized in the consolidated statements of activities as specific investments are sold. Interest income is recognized as earned. Dividend income is recognized on the ex-dividend date. All realized and unrealized gains and losses and income arising from investments are recognized in the consolidated statements of activities as increases or decreases to unrestricted net assets unless their use is restricted by donor stipulation or by law.

Included in investment income is a management fee charged to accounts within each net asset class for which the Foundation manages investments. This management fee is charged based on the market value and type of investments managed. These fees are used for the administration of the Foundation's management and fundraising operations. During the years ended June 30, 2014 and 2013, $16,377 and $15,099 was charged to temporarily restricted investment income and credited to unrestricted investment income in the consolidated statement of activities related to the management fee for endowment funds. Also included in unrestricted investment income in the consolidated statement of activities for the year ended June 30, 2014 and 2013, is $4,810 and $4,555, respectively, of a management fee charged to agency funds.

(f) Property and Equipment

Property and equipment, consisting of real estate, furniture, equipment, and computer software, are stated at cost or, if contributed, at fair market value at date of contribution. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which ranges from 3 to 32 years.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

(g) Deposits Held for Others

Deposits held for others represent funds held in a fiduciary capacity. The transactions of these funds are not reflected in the consolidated statements of activities as the Foundation is acting as an agent for these funds. Such funds approximated $336 million and $298 million at June 30, 2014 and 2013 and were held on behalf of the University of Nebraska and other related entities.

(h) Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Foundation's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Foundation's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Cash and cash equivalents, other receivables, accounts payable and accrued liabilities, University of Nebraska benefits payable, scholarships, research, fellowships and professorships payable, and deferred revenue approximate fair value due to their short-term nature. The carrying value of deferred annuities payable and pledges receivable approximates fair value since the inherent interest rates closely reflect current market rates.

(i) Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Such tax positions, which are more than 50% likely of being realized, are measured at their highest value. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation believes it is no longer subject to incomes tax examinations for years prior to 2011. During 2014 and 2013, management determined that there are no income tax positions requiring recognition in the consolidated financial statements.

(j) Use of Estimates

The preparation of consolidated financial statements in accordance 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Fair Value Measurements

The Foundation utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. Fair value measurements are categorized as Level 3 when a significant amount of price or other inputs that are considered to be unobservable are used in their valuations. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.

(Thousands)

Instruments categorized in Level 1 primarily consist of a broadly traded range of equity and debt securities.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for the asset or liability.

The Foundation maximized the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Fair value is based on actively quoted market prices, if available. In the absence of actively quoted market prices, price information for external sources, including broker quotes and industry publications, is used. If pricing information from external sources is not available, or if observable pricing is not indicative of fair value, judgment is required to develop the estimates of fair value using discounted cash flows and other income valuation approaches.

Certain investments in limited partnerships and real estate funds classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the Foundation's interest therein, its classification in Level 2 or 3 is based on the Foundation's ability to redeem its interest at or near the date of the consolidated statement of financial position. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The tables below present the balances of assets measured at June 30, 2014 and 2013 at fair value on a recurring basis.

	2014			
	Total	Level 1	Level 2	Level 3
Investments:				
Certificates of deposit, savings, and money funds	$ 24,514	24,422	92	–
U.S. government securities and sovereign debt	36,750	–	36,750	–
State government securities	419	–	419	–
Local government securities	870	–	870	–
International bonds	29,507	–	29,507	–
Corporate bonds	65,497	–	65,497	–
Common stock	466,183	445,671	–	20,512
Mutual funds – equity	111,775	111,775	–	–
Mutual funds – fixed income	141,126	141,126	–	–
Real estate funds	3,191	–	–	3,191
Limited partnerships	658,090	–	485,856	172,234
Preferred stock	2,253	–	2,253	–

(Continued)

(Thousands)

Temporary investments:				
U.S. Treasuries	173,503	–	173,503	–
Certificates of deposit	1,539	–	1,539	–
State government securities	38,935	–	38,935	–
Local government securities	45,701	–	45,701	–
Corporate bonds	111,969	–	111,969	–
Total	$ 1,911,822	722,994	992,891	195,937

(Thousands)

	2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments:				
Certificates of deposit, savings, and money funds	$ 23,576	23,576	–	–
U.S. government securities and sovereign debt	34,952	–	34,952	–
State government securities	804	–	804	–
Local government securities	1,079	–	1,079	–
International bonds	28,279	–	28,279	–
Corporate bonds	63,984	63,984	–	–
Common stock	374,396	353,238	–	21,158
Mutual funds – equity	118,817	118,817	–	–
Mutual funds – fixed income	138,354	138,354	–	–
Real estate funds	4,780	–	–	4,780
Limited partnerships	530,660	–	511,168	19,492
Preferred stock	1,411	–	1,411	–
Temporary investments:				
U.S. Treasuries	193,864	–	193,864	–
Certificates of deposit	6,029	–	6,029	–
State government securities	23,345	–	23,345	–
Local government securities	38,008	–	38,008	–
Corporate bonds	90,611	90,611	–	–
Total	$ 1,672,949	788,580	838,939	45,430

(Thousands)

The policy is to reflect transfers between levels at the beginning of the year in which a change in circumstances resulted in the transfer. During 2014, management reviewed its policy for classifying investments within the fair value hierarchy recorded at net asset value as a practical expedient for fair value and the Foundation's definition of ability to liquidate in the near term and determined that as a policy, investments in which it cannot liquidate without gates or penalties within 90 days as of June 30, would be classified as Level 3 inputs. Based on this revised policy, during 2014, the Foundation transferred $132,368 of limited partnerships into Level 3. Also, during 2014, based on the review of third party pricing and trading activity, management transferred corporate bonds into the Level 2 category. There were no transfers between levels during the year ended June 30, 2013. The changes in the financial assets for which the Foundation has used Level 3 inputs to determine fair value are as follows:

Balance, June 30, 2012	$	41,134
Transfers and reclassifications		–
Net realized gains		2,097
Net unrealized gains		2,259
Interest, dividends, and other income/losses		(1,199)
Investment management fees		(497)
Purchases		4,705
Distributions		(3,069)
Balance, June 30, 2013	$	45,430
Transfers and reclassifications	$	132,368
Net realized gains		952
Net unrealized gains		16,719
Interest, dividends, and other income/losses		(1,663)
Investment management fees		(413)
Purchases		18,911
Distributions		(16,367)
Balance, June 30, 2014	$	195,937

(Thousands)

(3) Investments

Investments consist of the following at June 30, 2014 and 2013:

	2014	2013
Investments stated at fair value:		
Certificates of deposits, savings, and money funds	$ 24,514	$ 23,576
U.S. government securities and sovereign debt	36,750	34,952
State government securities	419	804
Local government securities	870	1,079
International bonds	29,507	28,279
Corporate bonds	65,497	63,984
Common stock	466,183	374,396
Mutual funds – equity	111,775	118,817
Mutual funds – fixed income	141,126	138,354
Real estate funds	3,191	4,780
Limited partnerships	658,090	530,660
Preferred stock	2,253	1,411
Investments stated at other than fair value:		
Real estate	55,644	53,727
Real estate mortgage and contracts	4,449	2,418
Other	3,226	4,132
Cash value of life insurance	2,646	2,683
Annuity contracts	158	158
	$ 1,606,298	$ 1,384,210

	2014	2013
Temporary investments stated at fair value:		
U.S. Treasuries	$ 173,503	$ 193,864
Certificates of deposit	1,539	6,029
State government securities	38,935	23,345
Local government securities	45,701	38,008
Corporate bonds	111,969	90,611
Temporary investments stated at other than fair value:		
Real estate	1,960	1,275
	$ 373,607	$ 353,132

(Thousands)

The estimated value of real estate funds and limited partnerships was provided by the respective companies. For these alternative investments, the Foundation uses the net asset value (or its equivalent) reported by the underlying fund to estimate the fair value of the investment. Below is a summary of investments accounted for at net asset value at June 30, 2014 and 2013:

	2014				
	Fair value		Unfunded Commitments	* Redemption frequency (if currently eligible)	Redemption notice period
Domestic equities	$	173,946	–	m/q	1-90 days
International equities		285,358	–	m/q	1-90 days
Commodities		30,189	–	m/q	1-90 days
Private equity/venture capital		13,438	28,509	N/A	N/A
Real asset funds		10,028	10,063	N/A	N/A
Hedge funds:					
Domestic long/short		33,575	–	q/sa/a	90-360 days
Global long/short		19,958	–	q/sa/a	90-360 days
Multiple strategies		62,732	–	q/sa/a	90-360 days
Credit strategies		32,057	–	q/sa/a	90-360 days
	$	661,281	38,572		

* m – monthly, q – quarterly, sa – semiannual, a – annual

Included in hedge funds above, are two funds with rolling redemption periods which as of June 30, 2014, approximately $20 million cannot be redeemed without fees for a period of approximately 18 months. For private equity/venture capital and real asset funds, these investments cannot be redeemed with the investees, but instead the Foundation will receive distributions through the liquidation of the underlying assets of the investees. At June 30, 2014, the Foundation expects these funds to liquidate over the next 3-10 years.

	2013				
	Fair value		Unfunded Commitments	* Redemption frequency (if currently eligible)	Redemption notice period
Domestic equities	$	162,680	–	m/q	1-90 days
International equities		194,186	–	m/q	1-90 days
Commodities		25,521	–	m/q	1-90 days
Private equity/venture capital		12,895	18,764	N/A	N/A
Real asset funds		7,790	12,248	N/A	N/A
Hedge funds:					
Domestic long/short		30,001	–	q/sa/a	90-360 days
Global long/short		29,336	–	q/sa/a	90-360 days
Multiple strategies		46,426	–	q/sa/a	90-360 days
Credit strategies		26,605	–	q/sa/a	90-360 days
	$	535,440	31,012		

* m – monthly, q – quarterly, sa – semiannual, a – annual

(Thousands)

Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Foundation's interests in the funds. 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 the Foundation 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.

(4) Pledges Receivable

Pledges receivable are recorded on the consolidated statements of financial position as assets net of an allowance for uncollectible accounts and discounted to their present value. Promises to give, net of discount to present value at 6% and allowance for doubtful accounts, are due to be collected as follows as of June 30, 2014 and 2013:

	2014	2013
Gross amount due in:		
One year or less	$ 91,721	65,932
One to five years	163,721	151,373
More than five years	40,121	30,979
	295,563	248,284
Less discount to present value	35,370	27,534
	260,193	220,750
Less allowance for doubtful accounts	7,806	6,622
	$ 252,387	214,128

The discount will be recognized as contribution income in years 2015 through 2042.

In addition, the Foundation has been informed of intentions to give in the form of possible future bequests, currently of indeterminable value, that have not been reflected in the accompanying consolidated financial statements because they are not unconditional promises.

(5) Property and Equipment

Property and equipment at June 30, 2014 and 2013 are as follows:

	2014	2013
Property	$ 1,570	1,692
Leasehold improvements	3,304	3,300
Aircraft	–	4,177
Automobiles	336	307
Furniture, equipment, and software	7,731	7,285
	12,941	16,761
Less accumulated depreciation	8,245	11,176
Net Property and equipment	$ 4,696	5,585

(Thousands)

(6) Split-Interest Agreements

The Foundation is the beneficiary of split-interest agreements in the form of charitable gift annuities, charitable remainder trusts, and pooled income funds. In connection with certain agreements, the Foundation has committed to the payment of an annual annuity to the donor. The value of split-interest agreements is measured as the Foundation's share of the assets. Liabilities associated with these agreements as of June 30, 2014 and 2013 are $21,424 and $20,966, respectively, and have been reflected as deferred annuities payable on the consolidated statements of financial position.

(7) Net Assets

Net assets are restricted by donors for various purposes in support of activities at the University of Nebraska, including the campuses at Lincoln, Kearney, Omaha, and the Medical Center in Omaha. The purposes include scholarships, fellowships, research, academic support, and campus building and improvements. Temporarily restricted net assets consist of gifts contributed for a specified period or until the occurrence of some future event or unspent earnings on endowed funds.

The amounts of the net assets as of June 30, 2014 and 2013 are as follows:

	2014	2013
Temporarily restricted – charitable trusts and annuities	$ 31,256	28,564
Temporarily restricted – available for specific purposes	1,006,691	828,465
Permanently restricted – endowment	824,910	770,136
	$ 1,862,857	1,627,165

The Foundation had unrestricted net assets of $26,598 and $3,226 at the end of 2014 and 2013, respectively. Net assets of $172,875 and $168,880 were released from donor restrictions during 2014 and 2013 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

(8) Endowments

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) sets out guidelines to be considered when managing and investing donor-restricted endowment funds.

The Foundation's endowment consists of approximately 4,600 individual funds established for a variety of purposes. The Foundation holds endowment funds for support of its programs and operations. As required by generally accepted accounting principles, net assets and the changes therein associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted NUPMIFA as allowing the Foundation to appropriate the expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the Foundation classifies as permanently

(Continued)

(Thousands)

restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Interest, dividends, and net appreciation of the donor-restricted endowment funds are classified according to donor stipulations, if any. Absent any donor-imposed restrictions, interest, dividends, and net appreciation of donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) the duration and preservation of the endowment fund

(2) the purposes of the Foundation and the donor-restricted endowment fund

(3) general economic conditions

(4) the possible effect of inflation or deflation

(5) the expected total return from income and the appreciation of investments

(6) other resources of the Foundation

(7) the investment policy of the Foundation

Endowment net asset composition by type of fund as of June 30, 2014 and 2013 is as follows:

	2014			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total net endowment assets**
Donor-restricted endowment funds	$ (6,802)	411,468	824,910	1,229,576

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total net endowment assets**
Donor-restricted endowment funds	$ (26,793)	318,688	770,136	1,062,031

(Thousands)

Changes in endowment net assets for the years ended June 30, 2014 and 2013 are as follows:

	2014			
	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Endowment net assets, beginning of year	$ (26,793)	318,688	770,136	1,062,031
Contributions	–	16,173	46,692	62,865
Investment income, net of expenses	1,684	3,723	–	5,407
Realized and unrealized gains (losses), net	18,307	123,936	–	142,243
Amounts appropriated for expenditure	–	(42,970)	–	(42,970)
Reclassification due to change in donor intent	–	(8,082)	8,082	–
Endowment net assets, end of year	(6,802)	411,468	824,910	1,229,576

	2013			
	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Endowment net assets, beginning of year	$ (42,588)	260,415	743,604	961,431
Contributions	–	7,236	41,370	48,606
Investment income, net of expenses	–	8,098	–	8,098
Realized and unrealized gains (losses), net	15,795	71,763	–	87,558
Amounts appropriated for expenditure	–	(43,662)	–	(43,662)
Reclassification due to change in donor intent	–	14,838	(14,838)	–
Endowment net assets, end of year	(26,793)	318,688	770,136	1,062,031

(a) Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors of the Foundation, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset

(Continued)

(Thousands)

mix, which includes equity, debt securities, and illiquid alternative investments that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.5%, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to earn a real (inflation-adjusted) rate of return of at least 5.5% per year net of investment management fees and transaction costs, when measured over rolling five-year period. Actual return in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. The Foundation considers funds for which the fair value of the assets is less than the value of all original contributions to the fund to be "under water" funds. Deficiencies of this nature reported in unrestricted net assets were $(6,803) and $(26,793) as of June 30, 2014 and 2013, respectively. Funds of this nature result from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs as deemed prudent. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets.

(b) Spending Policy and How the Investment Objectives Relate to the Appropriate Policy

The Foundation has a policy of appropriating for distribution each year 4.5% of the average fair market value of the prior 20 quarters. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. This policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

(9) Lease Commitments

The minimum rentals for operating leases for office space with guaranteed terms for the five fiscal years after June 30, 2014 are as follows:

2015	$ 1,057
2016	1,042
2017	1,042
2018	523
2019	439

(10) Retirement Plan

The Foundation sponsors a retirement plan that covers employees of the Foundation with one year of service who work in excess of 1,000 hours annually and have attained the age of 21 years or previous participation in the TIAA-CREF or Fidelity annuity plan. Participation in the plan is mandatory upon attainment of age 30. The plan is an annuity arrangement under Section 403b(l) of the Internal Revenue Code using annuities under TIAA-CREF and Fidelity Investments. Under the plan, the employee chooses to contribute either 5.5% or 3.5% of his/her salary to the plan and the Foundation matches the amount with either 8.0% or 5.5% of salary, respectively, unless grandfathered in under previous terms, which allowed for a 6.5% match instead of the 5.5%. The Foundation contributions to the plans for the years ended June 30, 2014 and 2013 were $789 and $764, respectively.

(11) Contingencies and Commitments

The Foundation is involved in several legal actions in the ordinary course of business. The Foundation believes it has defenses for all such claims, believes the claims are substantially without merit, and is vigorously defending the actions. In the opinion of management, the final dispositions of these matters will not have a material effect on the Foundation’s financial position.

(12) Subsequent Events

In preparing the consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 23, 2014, the date the consolidated financial statements were available to be issued.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

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*

Independent Auditors' Report

Board of Regents of the University of Nebraska
Lincoln, Nebraska:

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 financial statements of the business-type activities, and the discretely presented component unit of the University of Nebraska (University) (a component unit of the State of Nebraska) as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 3, 2014. Our report includes a reference to other auditors who audited the financial statements of the University of Nebraska Foundation (Foundation), a discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units); and the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, as described in our report on the University's financial statements. The financial statements of the Foundation, and the Blended Component Units, were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 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 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.*

University's Findings

We did note certain other matters that we reported to management of the University in a separate letter dated December 3, 2014.

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.

Mark Avery

Lincoln, Nebraska
December 3, 2014

Mark Avery, CPA
Audit Manager

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THE UNIVERSITY OF NEBRASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014
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This part of the University of Nebraska's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the University's overall financial health.

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THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS
SCHEDULE OF REVENUE AND EXPENSES AND CHANGES IN NET POSITION (THOUSANDS) (UNAUDITED)
YEARS ENDED JUNE 30

	(Dollars)					(Percent of Total)				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
Revenues:										
Tuition and fees	$ 347,428	$ 336,112	$ 321,279	$ 291,855	$ 258,559	16 %	16 %	16 %	14 %	14 %
Grants and contracts - restricted	356,423	371,709	366,212	378,881	358,364	16	17	19	19	19
Sales and services of educational activities	96,858	93,759	88,046	103,977	73,609	4	4	4	5	4
Sales and services of health care entities	239,521	227,924	217,799	218,546	204,221	11	11	11	11	11
Sales and services of auxiliary operations	281,363	270,906	245,366	237,599	216,564	13	13	12	12	11
Other operating revenues	11,999	13,132	12,777	11,488	9,782	1	1	1	1	1
Total operating revenues	1,333,592	1,313,542	1,251,479	1,242,346	1,121,099	61	62	63	62	60
State of Nebraska noncapital appropriations	527,656	498,509	486,155	489,774	496,963	24	23	25	24	26
Other non-operating revenues, net	352,391	330,105	227,816	314,215	286,779	15	15	12	14	14
Total revenues	2,213,639	2,142,156	1,965,450	2,046,335	1,904,841	100 %	100 %	100 %	100 %	100 %
Expenses:										
Compensation and benefits	1,232,351	1,174,580	1,126,038	1,104,876	1,043,839	62 %	62 %	62 %	61 %	62 %
Supplies and materials	282,777	268,202	260,109	286,566	231,900	14	14	14	16	14
Contractual services	139,237	134,260	123,414	127,782	113,097	7	7	7	7	7
Repairs and maintenance	68,132	57,298	61,905	57,368	76,050	3	3	3	3	5
Utilities	33,480	35,390	34,984	36,854	37,157	2	2	2	2	2
Communications	13,819	14,918	14,377	13,425	13,655	1	1	1	1	1
Depreciation	117,361	106,788	104,088	90,846	81,724	6	6	6	5	6
Scholarships and fellowships	70,195	70,155	67,820	69,835	58,702	3	3	3	4	2
Total operating expenses	1,957,352	1,861,591	1,792,735	1,787,552	1,656,124	98	98	98	99	99
Other non-operating expenses, net	33,647	25,598	28,701	37,548	21,847	2	2	2	1	1
Total expenses	1,990,999	1,887,189	1,821,436	1,825,100	1,677,971	100 %	100 %	100 %	100 %	100 %
Increase in net position	$ 222,640	$ 254,967	$ 144,014	$ 221,235	$ 226,870					

(continued)

THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS
SCHEDULE OF REVENUE AND EXPENSES AND CHANGES IN NET POSITION (THOUSANDS) (UNAUDITED) (CONTINUED)
YEARS ENDED JUNE 30

	(Dollars)					(Percent of Total)				
	2009	2008	2007	2006	2005	2009	2008	2007	2006	2005
Revenues:										
Tuition and fees	$ 245,630	$ 224,585	$ 209,445	$ 195,281	$ 186,987	15 %	13 %	13 %	13 %	14 %
Grants and contracts - restricted	301,770	334,380	328,555	318,708	284,069	18	20	20	21	21
Sales and services of educational activities	71,040	68,705	65,422	58,187	47,802	4	4	4	4	3
Sales and services of health care entities	192,899	181,824	156,519	146,512	141,006	12	11	10	10	10
Sales and services of auxiliary operations	210,657	189,691	193,367	181,697	163,313	13	11	12	12	12
Other operating revenues	12,706	7,594	8,462	8,298	6,616	1	-	1	1	-
Total operating revenues	1,034,702	1,006,779	961,770	908,683	829,793	63	59	60	61	60
State of Nebraska noncapital appropriations	501,794	475,098	460,282	429,270	398,933	30	28	28	28	29
Other non-operating revenues, net	122,000	224,571	197,578	178,667	139,610	7	13	12	11	11
Total revenues	1,658,496	1,706,448	1,619,630	1,516,620	1,368,336	100	100 %	100 %	100 %	100 %
Expenses:										
Compensation and benefits	1,023,285	956,366	892,133	843,145	803,991	64 %	62 %	62 %	62 %	62 %
Supplies and materials	243,746	231,572	234,604	218,705	205,242	15	15	16	16	16
Contractual services	101,792	95,893	94,332	86,040	78,073	6	6	6	6	6
Repairs and maintenance	49,898	41,552	34,772	40,492	45,909	3	3	2	3	4
Utilities	35,972	32,975	29,950	32,096	27,812	2	2	2	2	2
Communications	13,909	14,583	13,738	13,844	12,059	1	1	1	1	1
Depreciation	68,525	69,977	73,498	59,711	57,583	4	5	5	4	4
Scholarships and fellowships	50,442	65,969	62,391	59,802	40,708	4	4	4	4	4
Total operating expenses	1,587,569	1,508,887	1,435,418	1,353,835	1,271,377	99	98	98	98	99
Other non-operating expenses, net	22,853	23,776	27,893	34,462	16,751	1	2	2	2	1
Total expenses	1,610,422	1,532,663	1,463,311	1,388,297	1,288,128	100 %	100 %	100 %	100 %	100 %
Increase in net position	$ 48,074	$ 173,785	$ 156,319	$ 128,323	$ 80,208					

THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS
SCHEDULE OF NET POSITION COMPONENTS
YEARS ENDED JUNE 30 (THOUSANDS) (UNAUDITED)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net investment in capital assets	$ 1,559,636	$ 1,408,851	1,277,228	$ 1,044,719	$ 955,142	$ 863,298	$ 841,385	$ 769,459	$ 741,018	$ 744,118
Restricted for:										
Nonexpendable:										
Permanent endowment	234,690	204,529	190,492	205,105	169,722	156,480	216,338	217,070	200,376	182,941
Expendable:										
Externally restricted funds	162,118	160,479	148,726	140,250	127,938	120,448	150,669	137,247	122,382	111,000
Loan fund	44,562	44,869	44,507	44,223	43,935	43,946	44,009	44,692	44,290	43,783
Plant construction	284,336	185,744	159,447	107,087	125,575	103,398	43,462	37,127	35,710	14,182
Debt service	136,229	157,353	161,384	168,315	175,655	179,215	152,833	123,023	93,053	81,874
Unrestricted	722,932	760,038	690,977	819,048	709,545	613,857	583,872	530,165	465,635	396,243
Total net position	$ 3,144,503	$ 2,921,863	$ 2,672,761	$ 2,528,747	$ 2,307,512	$ 2,080,642	$ 2,032,568	$ 1,858,783	$ 1,702,464	$ 1,574,141

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Reconciliation of Adjusted Unrestricted Assets:										
Unrestricted net position per statements	$ 722,932	$ 760,038	$ 690,977	$ 819,048	$ 709,545	$ 613,857	$ 583,872	$ 530,165	$ 465,635	$ 396,243
Less: Investment in joint venture	316,599	296,747	282,013	275,175	253,410	230,369	227,508	208,965	193,982	163,084
Adjusted unrestricted net position	$ 406,333	$ 463,291	$ 408,964	$ 543,873	$ 456,135	$ 383,488	$ 356,364	$ 321,200	$ 271,653	$ 233,159
Reconciliation of outstanding indebtedness:										
Bond obligations payable	$ 757,965	$ 684,265	$ 671,305	$ 684,785	$ 700,705	$ 642,970	$ 594,220	$ 492,410	$ 374,220	$ 368,595
Lease obligations payable	1,163	1,325	3,442	5,063	6,586	9,359	12,759	14,896	5,063	6,586
Total outstanding indebtedness	$ 759,128	$ 685,590	$ 674,747	$ 689,848	$ 707,291	$ 652,329	$ 606,979	$ 507,306	$ 379,283	$ 375,181
Ratio of adjusted unrestricted net position to total outstanding indebtedness (times)	0.54	0.68	0.61	0.79	0.64	0.59	0.59	0.63	0.72	0.62

THE UNIVERSITY OF NEBRASKA

MARKET, DEMOGRAPHIC, AND ECONOMIC INFORMATION
NON-CAPITAL APPROPRIATIONS (THOUSANDS) (UNAUDITED)

	Appropriations		
Year	State General Fund	University Non-capital	University as Percent of State
2005	$ 2,758,083	$ 398,617	14 %
2006	2,972,439	428,159	14
2007	3,180,851	454,486	14
2008	3,320,251	472,732	14
2009	3,481,661	492,106	14
2010	3,319,795	492,481	14
2011	3,405,101	494,720	14
2012	3,486,350	491,278	14
2013	3,632,424	497,999	14
2014	3,841,240	519,614	14

THE UNIVERSITY OF NEBRASKA

MARKET, DEMOGRAPHIC, AND ECONOMIC INFORMATION
STATE OF NEBRASKA POPULATION, AND PERSONAL INCOME PER PERSON
CALENDAR YEARS 2004 - 2013 (UNAUDITED)

	Calendar Years 2004 - 2013		
Year	Population	Personal Income (In Millions)	Personal Income Per Person
2004	1,749,370	$ 57,905	$ 33,100
2005	1,761,497	60,064	34,098
2006	1,772,693	62,810	35,432
2007	1,783,440	67,569	37,887
2008	1,796,378	72,567	40,396
2009	1,812,683	69,675	38,438
2010	1,830,141	72,190	39,445
2011	1,842,641	78,220	42,450
2012	1,855,525	83,521	45,012
2013	1,868,516	88,114	47,157

Source: U.S. Department of Commerce, Bureau of Economic Analysis

THE UNIVERSITY OF NEBRASKA

DEBT INFORMATION
BOND DEBT SERVICE COVERAGE BY CAMPUS AND ISSUE
FOR THE PAST TEN YEARS AS OF JUNE 30 (THOUSANDS) (UNAUDITED)

Year	Description	Bonds Outstanding	Revenues Available for Debt Service: Dedicated Revenues	Revenues Available for Debt Service: Related Expenses	Revenues Available for Debt Service: Net	Debt Service	Coverage	Required Coverage
2014	University of Nebraska Master Trust Indenture	$ 416,530	$ 126,189	$ 73,261	$ 52,928	$ 33,160	1.60	1.15
	University of Nebraska-Lincoln Memorial Stadium Bond	28,335						
	University of Nebraska Facilities Corporation	289,575						
	Nebraska Utility Corporation	23,525						
		$ 757,965						
2013	University of Nebraska Master Trust Indenture	$ 425,280	$ 116,969	$ 69,084	$ 47,885	$ 27,723	1.73	1.15
	University of Nebraska-Lincoln Memorial Stadium Bond	30,245						
	University of Nebraska Facilities Corporation	214,765						
	Nebraska Utility Corporation	13,975						
		$ 684,265						
2012	University of Nebraska Master Trust Indenture	$ 413,720	$ 113,818	$ 68,624	$ 45,194	$ 28,982	1.56	1.15
	University of Nebraska-Lincoln Memorial Stadium Bond	32,080						
	University of Nebraska Facilities Corporation	210,385						
	Nebraska Utility Corporation	15,120						
		$ 671,305						
2011	University of Nebraska Master Trust Indenture	$ 373,585	$ 107,412	$ 65,942	$ 41,470	$ 26,535	1.56	1.15
	University of Nebraska-Lincoln Memorial Stadium Bond	33,840						
	University of Nebraska Facilities Corporation	261,350						
	Nebraska Utility Corporation	16,010						
		$ 684,785						
2010	University of Nebraska Master Trust Indenture	$ 383,490	$ 96,756	$ 60,672	$ 36,084	$ 23,999	1.50	1.15
	University of Nebraska-Lincoln Memorial Stadium Bond	35,535						
	University of Nebraska Facilities Corporation	262,870						
	Nebraska Utility Corporation	18,810						
		$ 700,705						

	2014	2013	2012	2011	2010
Bonded Debt per student FTE: (in dollars)					
Master Trust Indenture	$ 9,669	$ 10,007	$ 9,667	$ 8,790	$ 9,216
All bonded indebtedness	17,596	16,102	15,685	16,112	16,839

(continued)

THE UNIVERSITY OF NEBRASKA

DEBT INFORMATION
BOND DEBT SERVICE COVERAGE BY CAMPUS AND ISSUE
FOR THE PAST TEN YEARS AS OF JUNE 30 (THOUSANDS) (UNAUDITED) (CONTINUED)

			Revenues Available for Debt Service					
Year	Description	Bonds Outstanding	Dedicated Revenues	Related Expenses	Net	Debt Service	Coverage	Required Coverage
2009	University of Nebraska Master Trust Indenture	$ 334,540	$ 90,687	$ 60,895	$ 29,792	$ 18,350	1.62	1.15
	University of Nebraska-Lincoln Memorial Stadium Bond	44,000						
	University of Nebraska Facilities Corporation	244,805						
	Nebraska Utility Corporation	19,625						
		$ 642,970						
2008	University of Nebraska Master Trust Indenture	$ 289,975	$ 80,545	$ 56,292	$ 24,253	$ 13,339	1.82	1.15
	University of Nebraska-Lincoln Memorial Stadium Bond	49,815						
	University of Nebraska Facilities Corporation	234,020						
	Nebraska Utility Corporation	20,410						
		$ 594,220						
2007	University of Nebraska Master Trust Indenture	$ 191,780	$ 75,367	$ 53,051	$ 22,316	$ 11,831	1.89	1.15
	University of Nebraska-Lincoln Memorial Stadium Bond	55,340						
	University of Nebraska Facilities Corporation	224,130						
	Nebraska Utility Corporation	21,160						
		$ 492,410						
2006	University of Nebraska Master Trust Indenture	$ 195,960	$ 71,274	$ 50,727	$ 20,547	$ 13,045	1.58	1.15
	University of Nebraska-Lincoln Memorial Stadium Bond	60,655						
	University of Nebraska Facilities Corporation	95,725						
	Nebraska Utility Corporation	21,880						
		$ 374,220						
2005	University of Nebraska Master Trust Indenture	$ 169,848	$ 63,080	$ 46,140	$ 16,940	$ 11,716	1.45	1.15
	University of Nebraska-Lincoln Memorial Stadium Bond	64,380						
	University of Nebraska Facilities Corporation	112,490						
	Nebraska Utility Corporation	21,880						
		$ 368,598						

	2009	2008	2007	2006	2005
Bonded Debt per student FTE: (in dollars)					
Master Trust Indenture	$ 8,248	$ 7,283	$ 4,925	$ 5,074	$ 4,470
All bonded indebtedness	15,852	14,925	12,644	14,925	12,644

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
SCHEDULE OF CAPITAL ASSET INFORMATION (THOUSANDS) (UNAUDITED)

	Years Ended June 30,									
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Land	$ 84,660	$ 84,625	$ 73,170	$ 72,407	$ 71,117	$ 60,812	$ 59,577	$ 57,640	$ 54,851	$ 52,789
Land improvements	197,686	183,577	159,630	143,813	135,018	131,121	120,879	111,301	106,982	92,733
Leasehold improvements	31,937	31,223	13,209	13,209	13,209	13,209	13,209	13,209	13,209	13,209
Buildings	2,088,516	1,928,844	1,929,341	1,833,585	1,644,313	1,460,965	1,251,148	1,199,961	1,118,896	1,047,475
Equipment	431,543	413,843	388,388	340,535	326,434	309,739	285,785	279,887	249,177	240,421
Construction work in progress	202,643	227,881	118,823	155,979	250,162	202,163	222,316	81,558	98,787	124,934
Total capital assets	3,036,985	2,869,993	2,682,561	2,559,528	2,440,253	2,178,009	1,952,914	1,743,556	1,641,902	1,571,561
Less accumulated depreciation for:										
Land improvements	66,213	59,849	54,167	51,592	46,081	41,999	40,437	37,408	34,119	32,682
Leasehold improvements	9,780	8,187	3,847	3,406	2,965	2,524	2,083	1,642	1,201	760
Buildings	562,535	533,744	516,924	475,899	443,136	409,847	379,053	358,536	320,123	301,747
Equipment	306,977	283,009	251,750	227,863	211,955	196,440	186,703	178,729	163,542	149,403
Total capital assets	945,505	884,789	826,688	758,760	704,137	650,810	608,276	576,315	518,985	484,592
Capital assets, net	$ 2,091,480	$ 1,985,204	$ 1,855,873	$ 1,800,768	$ 1,736,116	$ 1,527,199	$ 1,344,638	$ 1,167,241	$ 1,122,917	$ 1,086,969
Age of plant (in years) (1):	8	8	8	8	9	9	9	8	9	8

(1) Computed as accumulated depreciation divided by depreciation expense.

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION

FRESHMAN SELECTIVITY AND MATRICULATION DATA (UNAUDITED)

		2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
UNL	Applications	11,865	10,929	10,350	10,022	9,768	9,455	9,709	9,598	7,993	7,474
	Accepted	8,293	6,999	6,662	5,943	6,056	5,943	6,122	5,978	5,858	5,633
	Selectivity	*69.9%*	*64.0%*	*64.4%*	*59.3%*	*62.0%*	*62.9%*	*63.1%*	*62.3%*	*73.3%*	*75.4%*
	Enrolled	4,652	4,420	3,937	4,093	4,058	3,986	4,200	4,235	3,849	3,560
	Matriculation	*56.1%*	*63.2%*	*59.1%*	*68.9%*	*67.0%*	*67.1%*	*68.6%*	*70.8%*	*65.7%*	*63.2%*
	Composit ACT Scores	25.4	25.3	25.4	25.3	25.3	25.4	25.0	25.0	24.9	24.9
UNO	Applications	5,750	4,955	4,536	4,625	4,562	4,717	4,306	3,891	3,871	3,742
	Accepted	4,514	3,507	3,630	3,503	3,467	3,810	3,630	3,341	3,314	3,316
	Selectivity	*78.5%*	*70.8%*	*80.0%*	*75.7%*	*76.0%*	*80.8%*	*84.3%*	*85.9%*	*85.6%*	*88.6%*
	Enrolled	1,848	1,890	1,761	1,785	1,803	1,816	1,818	1,642	1,648	1,762
	Matriculation	*40.9%*	*53.9%*	*48.5%*	*51.0%*	*52.0%*	*47.7%*	*50.1%*	*49.1%*	*49.7%*	*53.1%*
	Composit ACT Scores	22.6	22.7	22.9	22.6	23.0	22.9	23.0	22.8	22.7	22.7
UNK	Applications	2,706	2,589	2,815	2,615	2,622	2,895	2,797	2,646	2,468	2,433
	Accepted	2,276	2,197	2,402	2,258	2,239	2,215	2,244	2,092	2,056	2,057
	Selectivity	*84.1%*	*84.9%*	*85.3%*	*86.3%*	*85.4%*	*76.5%*	*80.2%*	*79.1%*	*83.3%*	*84.5%*
	Enrolled	990	1,022	1,136	1,074	1,132	983	1,045	996	1,014	1,062
	Matriculation	*43.5%*	*46.5%*	*47.3%*	*47.6%*	*50.6%*	*44.4%*	*46.6%*	*47.6%*	*49.3%*	*51.6%*
	Composit ACT Scores	22.8	22.6	22.9	22.7	22.7	22.6	22.4	22.4	22.2	22.2
Total	Applications	20,321	18,473	17,701	17,262	16,952	17,067	16,812	16,135	14,332	13,649
	Accepted	15,083	12,703	12,694	11,704	11,762	11,968	11,996	11,411	11,228	11,006
	Selectivity	*74.2%*	*68.8%*	*71.7%*	*67.8%*	*69.4%*	*70.1%*	*71.4%*	*70.7%*	*78.3%*	*80.6%*
	Enrolled	7,490	7,332	6,834	6,952	6,993	6,785	7,063	6,873	6,511	6,384
	Matriculation	*49.7%*	*57.7%*	*53.8%*	*59.4%*	*59.5%*	*56.7%*	*58.9%*	*60.2%*	*58.0%*	*58.0%*

Selectivity computed as accepted freshman as a percent of applications.
Matriculation computed as enrolled freshman as a percent of acceptances.

UNMC's curriculum is comprised mainly of professional programs and, therefore, freshman data is not included.
Source: University of Nebraska Central Administration Office of Institutional Research and Planning

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
STUDENT FTE'S, TUITION, AND DISCOUNTS (UNAUDITED)

	Years Ended June 30,									
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
Level										
Undergraduate	34,753	34,303	34,604	34,373	33,480	32,812	32,337	31,644	31,515	31,066
Graduate	5,758	5,532	5,970	5,962	5,881	5,540	5,346	5,216	5,031	4,858
Professional	2,566	2,661	2,224	2,166	2,249	2,209	2,132	2,083	2,075	2,071
Total	43,077	42,496	42,798	42,501	41,610	40,561	39,815	38,943	38,621	37,995
Percent										
Undergraduate	81 %	81 %	81 %	81 %	81 %	81 %	81 %	81 %	82 %	82 %
Graduate	13	13	14	14	14	14	14	14	13	13
Professional	6	6	5	5	5	5	5	5	5	5
Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Gross tuition and fees (thousands)	$ 452,929	$ 433,498	$ 411,567	$ 377,084	$ 340,844	$ 317,648	$ 292,837	$ 272,091	$ 252,464	$ 240,836
Tuition discounts and allowances (thousands)	(105,501)	(97,386)	(90,288)	(85,229)	(82,285)	(72,018)	(68,252)	(62,646)	(57,183)	(53,849)
Net tuition revenue and fees (thousands)	$ 347,428	$ 336,112	$ 321,279	$ 291,855	$ 258,559	$ 245,630	$ 224,585	$ 209,445	$ 195,281	$ 186,987
Net tuition revenue and fees per FTE	$ 8,065	$ 7,909	$ 7,507	$ 6,867	$ 6,214	$ 6,056	$ 5,641	$ 5,378	$ 5,056	$ 4,921
Percent of tuition discounts and allowances (1)	23 %	22 %	22 %	23 %	24 %	23 %	23 %	23 %	23 %	22 %

(1) Tuition discounts and allowances as a percent of gross tuition and fees.
Source: University of Nebraska Central Administration Office of Institutional Research and Planning

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
FACULTY AND STAFF FTE (UNAUDITED)

	Years Ended June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Faculty	4,122	3,953	3,871	3,837	3,746	3,771	3,624	3,519	3,414	3,343
Staff *	12,087	12,099	11,997	11,494	11,492	11,509	11,143	10,840	10,750	10,493
Total Employees	16,209	16,052	15,868	15,331	15,238	15,280	14,767	14,359	14,164	13,836
Student FTE per Faculty FTE	10	11	11	11	11	11	11	11	11	11

* Staff includes all non-faculty employees (administrative, managerial-professional, graduate assistants and students.)

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
TENURE DENSITY DATA
FOR THE YEARS ENDED JUNE 30 (UNAUDITED)

		2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
UNL	Tenured Faculty	883	879	886	864	921	917	915	917	904	889
	Tenure-Track	287	280	266	259	270	264	238	234	220	225
	Percent of tenured and tenure track	75.5%	75.8%	76.9%	76.9%	77.3%	77.6%	79.4%	79.7%	80.4%	79.8%
UNMC	Tenured Faculty	276	271	271	268	273	267	259	254	251	249
	Health Professionals	484	487	490	488	474	461	416	384	354	357
	Percent of tenured	36.3%	35.8%	35.6%	35.4%	36.5%	36.7%	38.4%	39.8%	41.5%	41.1%
UNO	Tenured Faculty	338	338	347	327	338	336	336	327	318	302
	Tenure-Track	115	97	94	91	99	108	107	114	118	122
	Percent of tenured and tenure track	74.6%	77.7%	78.7%	78.2%	77.3%	75.7%	75.8%	74.1%	72.9%	71.2%
UNK	Tenured Faculty	166	170	177	175	181	178	187	185	185	190
	Tenure-Track	89	86	74	65	66	72	60	68	65	70
	Percent of tenured and tenure track	65.1%	66.4%	70.5%	72.9%	73.3%	71.2%	75.7%	73.1%	74.0%	73.1%

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
RETENTION RATES OF FRESHMAN AND BACCALAUREATE GRADUATION RATES
FOR THE YEARS ENDED JUNE 30 (UNAUDITED)

Retention Rates of First-Time Full-Time Freshmen After One Year

Fall Cohort	UNL	UNO	UNK
2005	84 %	75 %	84 %
2006	83	73	79
2007	84	73	77
2008	84	72	80
2009	84	72	83
2010	84	73	82
2011	84	73	77
2012	84	72	79
2013	84	77	75

Baccalaureate Graduation Rate After Six Years

Fall Cohort	UNL	UNO	UNK
2000	63 %	38 %	55 %
2001	63	41	58
2002	64	43	59
2003	63	45	59
2004	64	45	58
2005	67	43	61
2006	64	45	56
2007	67	42	58
2008	67	45	56

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
DEGREES EARNED
FOR THE YEARS ENDED JUNE 30 (UNAUDITED)

Bachelor's

Year	UNL	UNO	UNMC	UNK
2005	3,267	1,570	473	873
2006	3,187	1,686	506	858
2007	3,217	1,721	410	912
2008	3,246	1,768	378	917
2009	3,219	1,836	354	851
2010	3,312	1,769	379	850
2011	3,621	1,937	359	750
2012	3,719	2,172	607	788
2013	3,716	2,205	452	889
2014	3,864	2,410	466	927

Master's

Year	UNL	UNO	UNMC	UNK
2005	803	734	693	220
2006	811	711	576	282
2007	813	646	120	220
2008	816	749	127	297
2009	842	681	185	293
2010	853	720	159	311
2011	874	696	162	340
2012	1,017	793	157	373
2013	859	717	306	399
2014	852	698	262	327

Doctorial

Year	UNL	UNO	UNMC
2005	372	19	367
2006	373	17	303
2007	398	11	315
2008	382	21	310
2009	399	19	321
2010	417	22	311
2011	426	23	293
2012	391	32	309
2013	463	21	336
2014	445	29	319

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

ACCREDITATION

Accreditation in colleges and universities indicates the dedication of the faculty and administration of the University to meet rigorous standards of academic quality. These standards include such factors as professional attainments of faculty, quality of research, library holdings, physical facilities and general support for programs by funding authorities.

The University of Nebraska has been accredited by the North Central Association of Colleges and Secondary Schools since the Association first began accrediting colleges and universities in 1913. In addition, various colleges, schools, and departments are accredited by their respective professional agencies.