

# UNIVERSITY OF NEBRASKA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

▶▶▶ For the Years Ended June 30, 2016 and 2015  
(A Component Unit of the State of Nebraska)





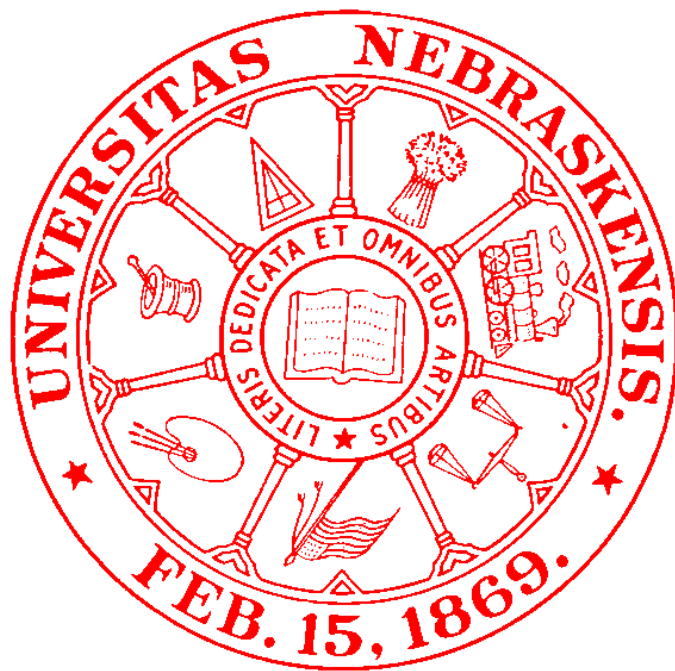
**THE UNIVERSITY OF NEBRASKA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Years Ended June 30, 2016 and 2015**

**(A Component Unit of the State of Nebraska)**

**Office of the Senior Vice President | CFO**





**THE UNIVERSITY OF NEBRASKA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2016**

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**THE UNIVERSITY OF NEBRASKA**

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▶▶ INTRODUCTION

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December 28, 2016

Dr. Hank Bounds, President  
Members of the Board of Regents  
University of Nebraska

Dear President Bounds 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, 2016.

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, 2016 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 government 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.

Subject to the approval of the Board, the President 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 \$206 million from the Foundation during 2016 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. The State is required to achieve a balanced budget, is prohibited from borrowing, and has no outstanding indebtedness.

The State of Nebraska finished fiscal 2016 in June with a shortfall of \$95 million (-2.2%) as revenues did not meet projections. A majority of that weakness accrues to weakness in personal income tax receipts being \$78 million or 3.4% short of projections.

Through the end of September, receipts continued to be less than forecasted, with receipts short by \$42 million or 3.8% shy of the forecast. Accordingly, the Forecasting Board met and lowered forecasted revenues for the balance of fiscal 2017 and the ensuing biennium. This signals challenges ahead. The Governor has indicated that state agencies, including the University of Nebraska, will face budget cuts in order to manage the shortfall. 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. Today the University of Nebraska represents a \$3.9 billion annual economic engine for the state and is a leading player in workforce development, with 1 of every 36 jobs in Nebraska attributable to the University. Beyond the numbers are the many ways in which we advance health care, scholarship and quality of life in communities across the state. As we approach the 150th anniversary of the University of Nebraska, the University's role in ensuring the continued prosperity of Nebraska and its citizens is as important as it has ever been.

### **Planning and Initiatives**

The performance of the economy has put an even greater emphasis on planning and strategic initiatives. To that end, President Bounds has challenged all University constituents to join him in the pursuit of four broad goals for excellence that will keep us focused on priorities that serve the state and ensure the long-term success and competitiveness of the University of Nebraska. They are:

**The University of Nebraska will be the best place in the nation to be a student.** Students come first on the list of priorities. We will focus on continuing to provide excellent education for a great value, expanding access especially for underrepresented students, ensuring quality advising and timely graduation, enhancing diversity, and doing whatever we can to improve the success and well-being of our students.

**The University of Nebraska will transform lives through research and innovation.** We will invest in talent, modern facilities and an entrepreneurial culture, with an eye on elevating our reputation and impact in key areas where we think we can make a real difference. These include water and agriculture, early childhood education, national security and defense, rural development, cancer, public health, engineering, information technology, and the arts and humanities.

**The University of Nebraska will work hand-in-hand with our partners.** We're fortunate to have productive, mutually beneficial relationships with state and federal policymakers, business leaders, colleagues in K-12 and higher education, private donors, and all Nebraskans. We'll continue to work side-by-side to advance our shared goals for excellent education, health care, quality of life and economic vitality.

**The University of Nebraska will win with people.** We will create an environment that allows our employees to succeed, through competitive compensation, inclusive workplaces and increased efforts to share and celebrate the good work of our faculty and staff.

Responsible management of the University's resources is vital to our ability to pursue the goals the President has articulated, and the University is performing well. Unrestricted resources – that is, the funds that support the academic enterprise of the University – as a percent of operating expenses is 17% at June 30, 2016, 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 \$320 million in 2016 on capital projects that touched the educational, research and outreach missions. The Nebraska Legislature and the Governor this year approved and funded a continuation of the deferred maintenance initiative to keep buildings in good repair. The Legislature appropriated \$11 million annually through 2030 which the University will match with pledged tuition revenue.

Our debt strategy allows us to be less subject to the uncertainties of the market and remain confident in this volatile environment. The increasing footprint of the Federal government in the debt markets adds even more unknowns. We will continue our strategy to avoid the event and 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 have neither the burden of post-employment benefit liabilities nor the specter of unfunded pension liabilities looming in our future.

The University continues to benefit from the generosity of donors and the good work of the University of Nebraska Foundation. The Foundation's fiscal year ending June 30, 2016, was a year of many achievements. Fundraising was very successful, eclipsing \$228 million, making that several years in a row over the \$200 million mark. While \$228 million is not a new fundraising record — it represents the third-best year ever — its actual number of donors, 43,346, is a new record, and it represents an 8 percent increase over the previous year. Details of the Foundation activity can be found at [www.nufoundation.org](http://www.nufoundation.org). Granted, while virtually all of the gifts to the Foundation are designated toward a specific purpose, their importance cannot be overstated as they contribute significantly to our momentum and service to students and the state.

We combine financial prudence with other strategic priorities of the Board of Regents to make the University of Nebraska a leader in public higher education, appealing to outstanding students, faculty, and staff. Goals for the University include expanding access to students both in our state and beyond so that we can produce many more skilled graduates for Nebraska's workforce. Particularly given that more than 70 percent of jobs in our state will soon require higher education, 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, with a particular focus on expanding access for first-generation, minority, low-income and other historically underrepresented students, and on leveraging online learning and other new technologies to increase our reach. We will buttress these efforts by reaching down into the P-12 ranks to assist in college preparedness.

Research will continue to be a priority. Funded research in 2016 totaled \$339 million. The effort will become even more keenly focused in the future, with food, water, fuels, cancer, public health, early childhood education, and national security and defense being among the foundational pillars receiving increasing focus.

Finally, accountability will continue to be among our guiding priorities, so that all those who invest their resources in the University of Nebraska can be assured that their investment is providing a good return.

### **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, 2015. The University has been awarded the Certificate for twenty-three of the last twenty-four 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.

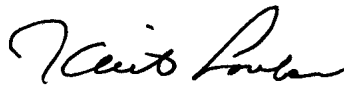
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 Bounds 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



Kent A. Schroeder, Chairman  
District 6



Bob Whitehouse, Vice Chairman  
District 4



Timothy F. Clare, Lincoln  
District 1



Howard L. Hawks, Omaha  
District 2



Jim Pillen, Columbus  
District 3



Robert M. Schafer, Beatrice  
District 5



Bob Phares, North Platte  
District 7



Hal Daub, Omaha  
District 8

## STUDENT REGENTS



Spencer Hartman, UNL



Daniel Cloonan, UNMC



Rachel Flaugh, UNK



Patrick Davlin, UNO

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

University of Nebraska Officers

Hank Bounds, 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

Ronnie D. Green, Chancellor  
Christine Jackson, Vice Chancellor for Business and Finance  
Mary LaGrange, Controller

University of Nebraska Medical Center Administration

Jeffrey Gold, Chancellor  
Deborah Thomas, 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  
Carol Kirchner, Associate Vice Chancellor for Business and Finance

University of Nebraska at Kearney Administration

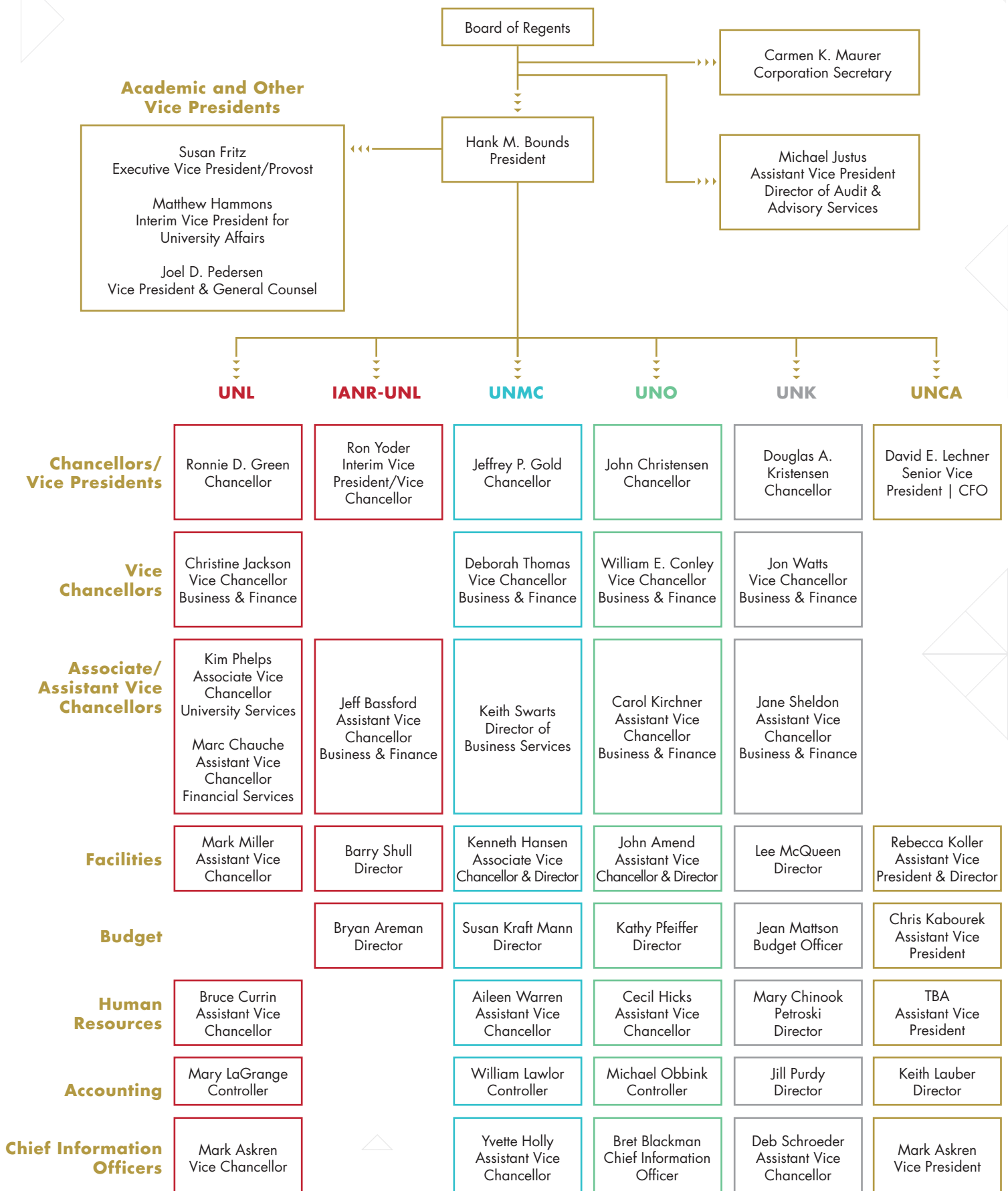
Douglas Kristensen, Chancellor  
Jon Watts, Vice Chancellor for Business and Finance  
Jill Purdy, Director of Finance

University of Nebraska Facilities Corporation

Timothy F. Clare, President  
Jim Pillen, 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, 2015**

Executive Director/CEO



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## ▶▶ FINANCIALS



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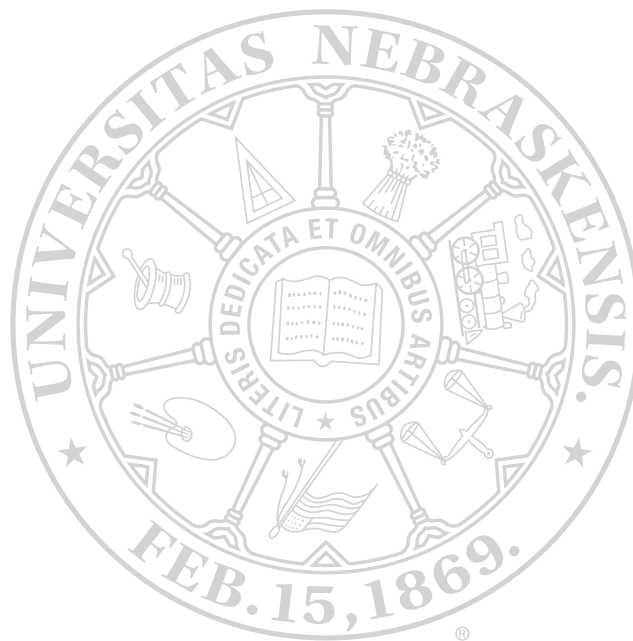
# THE UNIVERSITY OF NEBRASKA

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 14,000 serving more than 52,000 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

---

Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.nebraska.gov](http://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, 2016 and 2015, 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, the UNMC Science Research Fund, 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 23 percent, 4 percent, and 25 percent, respectively, of the assets, net position, and revenues of the University at June 30, 2016 and 24 percent, 4 percent, and 19 percent, respectively, of the assets, net position, and revenues of the University at June 30, 2015. 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, the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, and the Nebraska Utility Corporation, 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, 2016 and 2015, and the respective changes in financial position, and, where applicable, 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 93 through 112 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 9, 2016, 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, CPA  
Audit Manager

Lincoln, Nebraska  
December 9, 2016



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

Suite 1120  
1248 O 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, 2016 and 2015, 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.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.





## 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, 2016 and 2015, 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  
September 21, 2016

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

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### 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, 2016 and 2015. 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 six blended entities, those being the University of Nebraska Facilities Corporation (UNFC), the UNMC Physicians, the UNMC Science Research Fund, 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 and GASB Statement No. 61, 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.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

Campus	Student Enrollment – Headcount				
	Fall Semester of Fiscal Year				
	2012	2013	2014	2015	2016
UNL	24,593	24,207	24,445	25,006	25,260
UNMC	3,626	3,655	3,681	3,696	3,789
UNO	14,712	14,786	15,227	15,227	15,526
UNK	7,100	7,199	7,052	6,902	6,747
Total	50,031	49,847	50,405	50,831	51,322

The fall semester (fiscal 2016) headcount enrollment was 51,322 students on the four campuses. This represents an increase of 491 compared to fiscal 2015, a 1% increase for the year. The largest increase within the underlying demographics is 299 additional undergraduate students at UNO (up 2%), while graduate/professional students increased by 153 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 12,660, 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.** Overall total net position of the University grew by \$216 million or 6% and is attributable to several factors. Invested in capital assets increased by \$270 million, \$68 million of which was funded by bond proceeds. Capital gifts of \$113 million along with capital appropriations of \$60 million accounted for most of the remaining funding. Offsetting the capital asset increase was a \$68 million decrease in expendable balances for plant construction, a function of timing of payments relating to construction payments. Unrestricted net position decreased by \$12 million due to increased compensation and benefits costs. In spite of those factors, unrestricted net position remains strong at \$762 million.
- **New Capital Construction.** Investments in capital projects followed University priorities, with many of these projects coming courtesy of private support. 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 Medicine. The year 2016 also saw the completion of the new Lozier Center for Pharmacy Sciences and Drug Discovery building at UNMC.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

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- Construction was completed at UNK on a new Health Science Education Complex. The facility is a collaboration of UNK and UNMC to meet the growing demand for primary care in rural areas.
- At UNL, construction continues on a College of Business Administration building, while completed projects include the John Breslow Ice Hockey Center and a College of Law Clinic addition.

■ **Indebtedness.** Overall, bonded indebtedness increased in 2016 by about \$38 million on a base of \$835 million at June 30, 2015, the result of six new issues net of maturities/calls:

Two issues were marketed by the Master Trust Indenture (MTI):

- \$44,380 of UNO Student Facilities bonds to both refund \$25,685 of Series 2007 Bonds and to partially pay for the construction of a parking garage on campus.
- \$11,220 of UNL Parking bonds to defease \$13,760 of Series 2005 bonds.

Four new issues were marketed by UNFC:

- \$40,400 of Deferred Maintenance Refunding bonds to defease \$43,000 of Series 2006 Deferred Maintenance Bonds.
- \$13,635 of UNMC Utility Improvements Projects bonds to construct improvements to UNMC utility facilities.
- \$35,280 of UNMC Cancer Center bonds to finance a portion of the construction of a Comprehensive Cancer Center at UNMC.
- \$16,815 of UNL Veterinary Diagnostic Center bonds to construct a veterinary diagnostic center at the Institute of Agriculture and Natural Resources.

Financial performance in the operations financed by MTI bonds (unions, student residences, recreation facilities, and parking) led to strong debt coverage ratios of 1.68 times versus a required 1.15. As the bond covenants state that defined excess funds must stay within the bonded portion of the enterprise, 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 3% increase in state support of University operations for fiscal 2016 compared to increases of 4% for both 2015 and 2014. In exchange for the 4% increases 2015 and 2014, 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 fiscal 2015 and 2014 was followed by a tuition increase of 1.75% in 2016. 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.

(Continued)



# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

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- **Federal Grants and Contracts.** Revenues from Federal grants and contracts increased slightly by 1% in both 2016 and 2015 compared to a decrease of 7% in 2014. 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 \$113 million in 2016 compared to \$88 million in 2015, and \$105 million in 2014. The largest of the gifts in 2016 were from the Foundation to repay UNFC bond obligations for several bonded projects and to construct other campus sponsored projects.

### 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 donors and includes grant and research funds, student loan programs, funds for plant construction, and debt service on bond obligations.
  - Non-expendable: Permanent endowments.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

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- 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 components 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.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

### Condensed Financial Statements and Analysis

#### Condensed Statements of Net Position

	June 30,		
	2016	2015	2014
<b>Assets and Deferred Outflows</b>			
Current assets	\$ 1,370,451	\$ 1,374,417	\$ 1,316,583
Capital assets, net of accumulated depreciation	2,602,082	2,308,711	2,091,480
Other non-current assets	985,999	950,598	916,339
Total assets	<u>4,958,532</u>	<u>4,633,726</u>	<u>4,324,402</u>
Deferred Outflows of Resources	<u>7,630</u>	<u>6,822</u>	<u>6,589</u>
<b>Liabilities, Deferred Inflows, and Net Position</b>			
Current liabilities	489,381	439,214	395,977
Non-current liabilities	880,896	818,731	776,920
Total liabilities	<u>1,370,277</u>	<u>1,257,945</u>	<u>1,172,897</u>
Deferred Inflows of Resources	<u>14,523</u>	<u>16,780</u>	<u>13,591</u>
<b>Net position:</b>			
Net investment in capital assets	1,953,065	1,683,616	1,559,636
Restricted for:			
Nonexpendable:			
Permanent endowment	207,481	221,048	234,690
Expendable:			
Externally restricted funds	227,970	197,616	162,118
Loan funds	43,110	44,916	44,562
Plant construction	243,917	312,047	284,336
Debt service	144,167	132,662	136,229
Unrestricted	761,652	773,918	722,932
Total net position	<u>\$ 3,581,362</u>	<u>\$ 3,365,823</u>	<u>\$ 3,144,503</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

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

	Year Ended June 30,		
	2016	2015	2014
Operating Revenues:			
Tuition and fees	\$ 376,599	\$ 362,210	\$ 347,428
Federal grants and contracts - restricted	209,317	207,919	206,506
Private grants and contracts - restricted	171,687	179,918	150,095
State grants and contracts - restricted	47,594	41,936	38,490
Sales and services of educational activities	98,992	97,332	96,858
Sales and services of health care entities	275,725	228,002	200,853
Sales and services of auxiliary operations	175,915	156,423	169,563
Sales and services of auxiliary segments	121,910	119,043	111,800
Other operating revenues	13,238	12,237	11,999
Total operating revenues	<u>1,490,977</u>	<u>1,405,020</u>	<u>1,333,592</u>
Operating Expenses:			
Salaries and wages	1,047,831	1,017,418	952,608
Benefits	325,020	294,788	279,743
Total compensation and benefits	<u>1,372,851</u>	<u>1,312,206</u>	<u>1,232,351</u>
Supplies and materials	302,559	293,513	282,777
Contractual services	209,248	145,277	139,237
Repairs and maintenance	69,270	73,320	68,132
Utilities	32,595	33,704	33,480
Communications	11,044	14,066	13,819
Depreciation	116,913	108,112	117,361
Scholarships and fellowships	64,924	70,440	70,195
Total operating expenses	<u>2,179,404</u>	<u>2,050,638</u>	<u>1,957,352</u>
Operating Loss	<u>(688,427)</u>	<u>(645,618)</u>	<u>(623,760)</u>
Non-operating Revenues (Expenses):			
State of Nebraska non-capital appropriations	561,079	544,201	527,656
Federal grants	42,343	43,170	42,337
Gifts	95,741	120,297	86,548
Investment income	28,979	33,697	18,823
Increase (decrease) in fair value of investments	(12,153)	(18,100)	46,246
Interest on bond obligations	(24,424)	(22,752)	(24,410)
Equity in joint venture	47,982	32,500	25,852
Loss on disposal of plant assets	(9,488)	(3,042)	(9,237)
Net non-operating revenues	<u>730,059</u>	<u>729,971</u>	<u>713,815</u>
Income before Other Revenues, Expenses, Gains or Losses	41,632	84,353	90,055
Other Revenues, Expenses, Gains or Losses:			
State of Nebraska capital appropriations	60,353	49,244	27,051
Capital grants and gifts	112,856	87,665	105,495
Distribution to non-controlling interest	(1,003)	-	-
Additions to permanent endowments	1,701	58	39
Net other revenues, expenses, and gains or losses	<u>173,907</u>	<u>136,967</u>	<u>132,585</u>
Increase in net position	215,539	221,320	222,640
Net Position			
Net position, beginning of year	3,365,823	3,144,503	2,921,863
Net position, end of year	<u>\$ 3,581,362</u>	<u>\$ 3,365,823</u>	<u>\$ 3,144,503</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

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**Analysis of Financial Position.** Cash and cash equivalents represent the preponderance of current assets of the University. Cash and cash equivalents decreased slightly in 2016 following increases in 2015 and 2014.

Non-current assets of the University are dominated by the investment in capital assets. At June 30, 2016, total investment in capital assets was \$3.7 billion, yielding a net investment, after accumulated depreciation, of \$2.6 billion. The increase in capital assets was \$293 million, consisting of additions of \$410 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 contributed to funding the UNO Baxter Arena, the UNMC Lozier Center for Pharmacy Sciences and Drug Discovery building, the UNL John Breslow Ice Hockey Center, the UNL College of Business Administration Building, and funds for debt service on certain UNFC projects. Capital gifts were received at UNK from the City of Kearney for the University Village infrastructure and Good Samaritan Funds for the Health Science Education Complex. All other projects were funded or partially funded from MTI and UNFC bond issues of prior years, capital appropriations, and certain designated internal funds.

Net bonded indebtedness increased by \$38 million in 2016 following an increase of \$37 million in 2015 and an increase of \$74 million in 2014. Indebtedness issued was \$162 million in 2016 with \$126 million and \$52 million issued in 2015 and 2014, respectively. 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 2% or \$12 million during the year to \$762 million. As discussed earlier, the decrease is primarily attributable to increases in compensation and benefits.

**Analysis of Operations – Overview.** The University generated \$1,491 million of operating revenues during 2016, an increase of \$86 million over 2015, while operating expenses were \$2,179 million, up \$128 million over the prior year. These changes resulted in an increase in the operating loss of \$42 million to \$688 million in 2016 compared to losses \$646 million and \$624 million for 2015 and 2014. 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 \$127 million in 2016 compared to similar "losses" of \$102 million in 2015 and \$96 million in 2014.

The Nebraska Legislature provided \$561 million in non-capital appropriations for 2016, an increase of \$17 million over 2015 following an increase of \$16 million in 2015 and an increase of \$29 million in 2014. The University, in conjunction with the Foundation, generated non-operating and capital gifts of approximately \$209 million that, when combined with all other non-operating revenues and expenses including investment income of \$29 million, netted an overall increase in net position of about \$216 million.

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# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

**Revenues.** The following chart depicts the revenues for 2016 and 2015 and the comparative changes that occurred between those years.

	2016		2015		2016-2015 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Tuition and fees	\$ 376,599	25%	\$ 362,210	26%	\$ 14,389	4%
Federal grants and contracts - restricted	209,317	14	207,919	15	1,398	1
Private grants and contracts - restricted	171,687	12	179,918	13	(8,231)	(5)
State grants and contracts - restricted	47,594	3	41,936	3	5,658	13
Sales and services of educational activities	98,992	7	97,332	7	1,660	2
Sales and services of health care entities	275,725	18	228,002	16	47,723	21
Sales and services of auxiliary operations	175,915	12	156,423	11	19,492	12
Sales and services of auxiliary segments	121,910	8	119,043	8	2,867	2
Other operating revenues	13,238	1	12,237	1	1,001	8
Total operating revenues	<u>\$ 1,490,977</u>	<u>100%</u>	<u>\$ 1,405,020</u>	<u>100%</u>	<u>\$ 85,957</u>	<u>6%</u>

The University's operating revenues increased in fiscal year 2016 by 6% or \$86 million. A three year comparison of revenues for the years 2016, 2015, and 2014 is presented on page 27.

- The largest increase in revenue was realized in sales and services of health care entities, which increased by \$48 million in 2016 compared to 2015, following an increase of \$27 million in 2015 compared to 2014. These increases result from larger patient volumes and a contractual services payment to UNMC Physicians, a blended entity.
- The second largest increase in revenue was realized in sales and services of auxiliary operations and segments showing a combined increase of \$22 million. The increase is due to higher levels of activity across all the auxiliary operations. Auxiliary segments experienced higher levels of revenue from newly constructed student housing, high occupancies, and a 3.5% increase in housing rates.
- The third largest increase in revenue was realized in tuition and fees, which increased during the year by 4% on the strength of additional enrollments, growth in on-line classes, and an increase in tuition of 1.75%.
- Grants and contracts from all sources remained flat at \$429 million. Maintaining this level of activity, when compared to \$395 in 2014 is considered positive.

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

**Expenses.** The following chart shows the University's expenses for 2016 and 2015 and comparative changes that occurred between those years. A three year comparison of expenses for the years 2016, 2015, and 2014 is presented on page 27.

	2016		2015		2016-2015 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Compensation and benefits	\$ 1,372,851	63%	\$ 1,312,206	64%	\$ 60,645	5%
Supplies and materials	302,559	14	293,513	14	9,046	3
Contractual services	209,248	10	145,277	7	63,971	44
Repairs and maintenance	69,270	3	73,320	4	(4,050)	(6)
Utilities	32,595	1	33,704	2	(1,109)	(3)
Communications	11,044	1	14,066	1	(3,022)	(21)
Depreciation	116,913	5	108,112	5	8,801	8
Scholarships and fellowships	64,924	3	70,440	3	(5,516)	(8)
Total operating expenses	<u>\$ 2,179,404</u>	<u>100%</u>	<u>\$ 2,050,638</u>	<u>100%</u>	<u>\$ 128,766</u>	<u>6%</u>

Operating expenses increased by \$129 million for the 2016 fiscal year. Changes in the major expense classifications follow.

- Compensation and benefits increased by 5% in 2016 following a 6% increase in 2015 and 5% for 2014. While the 2016 University 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, research initiative programs, maintenance services for newly opened facilities, and significant increases in the cost of health benefits.
- Contractual services increased by \$64 million in 2016 compared to 2015. This increase is attributed to patient care activity between UNMCP, a blended entity, and Nebraska Medicine, a joint venture hospital. UNMCP employed certain staff in 2015 who were leased in 2016 to NM but reimbursed by UNMCP as a contractual service, a change in the operating model. The amount of this change accounted for \$52 million of the increase.
- Supplies and materials is the third largest increase after compensation and benefits and contractual services and increased by 3% compared to 2015 reflecting a generally higher level of business activity.
- Repairs and maintenance was \$69 million in 2016 compared to \$73 million in 2015 and \$68 million in 2014. This trend reflects a managed level of expenses, yet indicates an on-going, consistent commitment to fund and maintain capital assets over and above the on-going the bond financed deferred maintenance program.
- Utilities expense decreased slightly in 2016 after a small increase in 2015 compared to 2014. The relatively flat trend in energy consumption reflects 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.

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

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- Scholarships and fellowships showed a \$5 million decrease in 2016 compared to 2015 reflecting an increase in direct student loans and an accounting reclassification of certain student aid to an agency fund.

**Non-Operating Revenues (Expenses).** Net non-operating revenues were flat during 2016 compared to 2015. Increases in state appropriations and investment in joint venture were offset by decreases in operating gifts and in fair value of investments, accounting for the majority of the net change.

Support from the Foundation and the private sector remain strong and provided the University with capital and non-capital gifts during the year of \$113 million and \$96 million, respectively. This compares to \$88 million and \$120 million during 2015. 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 \$11 million in 2016 following increases of \$22 million in 2015 and \$6 million 2014. The increase in 2016 is due to state support for construction of the Veterinary Diagnostic Center at UNL, the UNK Health Science Education Complex, and the Fred and Pamela Buffett Cancer Center at UNMC. Capital appropriations include a total of \$11 million each year for debt service on both the 2016 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:

- At UNMC, construction was completed of the Lozier Center for Pharmacy Sciences and Drug Discovery building at a cost of \$30 million funded by donations and gifts from the University of Nebraska Foundation.
- The Baxter Arena (UNO/Community Facility) and related infrastructure improvements reached final completion at UNO at cost of \$88 million. The Arena was funded and financed by revenue bonds, private donations, and other available funds. The facility seats approximately 7,900 and is home to the UNO Hockey Team, athletics programs, and hosts other community events.
- At UNL, construction continues on the new College of Business Administration at a cost of \$84 million, funded entirely by donor contributions, and will be occupied in the fall of 2017. The John Breslow Ice Hockey Center was completed at cost of \$10 million and is used by UNL intramural and club sport teams. The UNL College of Law occupied the completed Law Clinic facility.
- The Health Science Education complex was completed at UNK at a cost of \$12 million. The facility will provide educational opportunities to meet the demand for primary health care in rural areas.

More information on capital asset activity is disclosed in the Notes to the Financial Statements included in this report on page 55.

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

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### Debt Activity

**Bond Financings.** The University marketed six bond financings during 2016. Two financings were issued through the MTI. The Board of Regents issued \$44,380 of University of Nebraska at Omaha Revenue and Refunding Bonds, Series 2015 (Student Facilities). The net proceeds of the bonds, along with other funds, were used to refund \$25,685 of Series 2007 Bonds and to pay for a portion of the construction of a parking garage on campus.

The Board of Regents issued \$11,220 of University of Nebraska-Lincoln Revenue Refunding Parking Bonds Series 2015. The proceeds, together with other funds, were used to defease \$13,760 of UNL Parking Bonds Series 2005.

The UNFC sold four bond issues during the year. UNFC issued \$40,400 of Deferred Maintenance Refunding Bonds, Series 2016. The proceeds, with other available funds, were used for refunding and defeasing \$43,000 of Series 2006 Deferred Maintenance Bonds.

The UNFC issued \$13,635 of UNMC Utility Improvements Projects Bonds, Series 2016. The proceeds were used to construct improvements to utility facilities at or near the UNMC campus. Debt service will come from utility savings.

The UNFC issued \$35,280 of UNMC Cancer Center Bonds, Series 2016. The proceeds were used to construct, equip, and furnish a Comprehensive Cancer Center project at UNMC. Repayment will come via lease payments to be received from Nebraska Medicine.

The UNFC issued \$16,815 of University of Nebraska-Lincoln Veterinary Diagnostic Center Bonds, Series 2015. The proceeds provide funding for a portion of the cost to construct a Veterinary Diagnostic Center at the University of Nebraska Institute of Agriculture and Natural Resources. The bonds will be repaid through designated State appropriations.

The University has been actively refinancing debt as it becomes callable and financially viable. Additional information about the impacts of the refinancings can be found in the Notes to the Financial Statements.

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, student recreation, and student unions. The financial position of the MTI remains strong with operating income that provided a debt service ratio of 1.68 times for the year ended June 30, 2016, compared to 1.75 times for 2015 and 1.60 times in 2014. The debt service ratio required by the MTI covenants is 1.15 times.

The UNFC met all debt service requirements during 2016. The State Legislature has reaffirmed the appropriation of funds for their portion of the debt service pertaining to the Deferred Maintenance Projects, the NCTA Education Center and Vet Diagnostic Center. The Deferred Maintenance Project appropriation of \$11 million is matched 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 56 in the Notes to Financial Statements included in this report.

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

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### **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 State of Nebraska finished fiscal 2016 in June with a shortfall of \$95 million (-2.2%) as revenues did not meet projections. A majority of that weakness accrues to weakness in personal income tax receipts being \$78 million or 3.4% short of projections.

Through the end of September, receipts continued to be less than forecasted, with receipts \$42 million or 3.8% shy of the forecast. Accordingly, the Forecasting Board met and lowered forecasted revenues for the balance of fiscal 2017 and the ensuing biennium. This signals challenges ahead. The Governor has indicated that State agencies, including the University of Nebraska, will face budget cuts in order to manage the shortfall.

The University has partnered successfully with the State in these matters in the past and President Bounds and University leadership will do so in this instance. Reallocations, cuts, enrollment growth, tuition increases and cash flow options will all be explored once the path forward becomes clearer.

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 14<sup>th</sup> 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 research and treatment, with the construction of a cancer center research and hospital tower nearing completion 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.

The Foundation also continues to provide much needed resources for student and faculty support as well as capital projects. Fundraising totaled \$229 million in 2016, the fourth year in a row with fundraising over the \$200 million mark. The three year total of fundraising amounts to approximately \$700 million. This is greatly valued as it provides scholarships, professorships, and much needed capital project monies.

Fall 2016 enrollments are up, in terms of headcount, on all four campuses. Headcount is the highest it has been since the 1990's. We attribute this steady growth to tuition being favorable to peers. This momentum is important in fueling the University, which is one of the most important economic drivers in determining the future of Nebraska.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2016 and 2015 (UNAUDITED) (Columnar Amounts in Thousands)

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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, 2016 AND 2015

(Thousands)

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

	2016	2015
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 613,166	\$ 602,935
Cash and cash equivalents - restricted	238,619	252,206
Cash and cash equivalents held by trustee - restricted	68,349	71,010
Investments - restricted	163,068	186,897
Investments held by trustee - restricted	11,853	11,001
Accounts receivable and unbilled charges, net	243,147	216,062
Loans to students, net	5,303	5,958
Other current assets	<u>26,946</u>	<u>28,348</u>
Total current assets	<u>1,370,451</u>	<u>1,374,417</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	1,941	2,244
Cash and cash equivalents held by trustee - restricted	225,641	222,710
Investments - restricted	316,139	313,700
Investments held by trustee - restricted	17,260	26,901
Accounts receivable and unbilled charges, net	8,311	11,364
Investment in joint venture	385,080	343,098
Loans to students, net of current portion	30,865	29,725
Capital assets, net of accumulated depreciation	2,602,082	2,308,711
Other non-current assets	<u>762</u>	<u>856</u>
Total non-current assets	<u>3,588,081</u>	<u>3,259,309</u>
Total assets	<u>4,958,532</u>	<u>4,633,726</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on bond refunding	<u>7,630</u>	<u>6,822</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
CURRENT LIABILITIES:		
Accounts payable	151,176	148,693
Accrued salaries, wages and post-retirement benefits	76,028	74,315
Accrued compensated absences	70,205	64,034
Bond obligations payable	61,133	50,563
Capital lease obligations	432	274
Unearned revenues and credits	112,677	87,017
Health and other insurance claims	<u>17,730</u>	<u>14,318</u>
Total current liabilities	<u>489,381</u>	<u>439,214</u>
NON-CURRENT LIABILITIES:		
Accounts payable	2,825	4,238
Accrued salaries, wages and post-retirement benefits, net of current portion	153	384
Accrued compensated absences, net of current portion	17,402	17,133
Bond obligations payable, net of current portion	812,425	784,852
Capital lease obligations, net of current portion	<u>48,091</u>	<u>12,124</u>
Total non-current liabilities	<u>880,896</u>	<u>818,731</u>
Total liabilities	<u>1,370,277</u>	<u>1,257,945</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred service concession arrangement receipts	14,348	16,780
Deferred gain on bond refunding	<u>175</u>	<u>-</u>
	<u>14,523</u>	<u>16,780</u>
NET POSITION:		
Net investment in capital assets	1,953,065	1,683,616
Restricted for:		
Nonexpendable:		
Permanent endowment	207,481	221,048
Expendable:		
Externally restricted funds for scholarships, student aid, and research	227,970	197,616
Loan funds	43,110	44,916
Plant construction	243,917	312,047
Debt service	144,167	132,662
Unrestricted	<u>761,652</u>	<u>773,918</u>
Total net position	<u>\$ 3,581,362</u>	<u>\$ 3,365,823</u>

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

**UNIVERSITY OF NEBRASKA FOUNDATION**  
**(A Component Unit of the University of Nebraska)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND 2015**  
**(Thousands)**  
**(See Independent Auditors' Reports on Pages 16, 17, 18, 19, and 20)**

	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 27,100	\$ 998
Temporary investments	354,396	396,545
Pledges receivable	233,613	214,065
Other receivables	3,435	3,670
Investments	1,529,338	1,607,346
Property and equipment, net of depreciation	<u>53,035</u>	<u>6,756</u>
 Total assets	 <u>\$ 2,200,917</u>	 <u>\$ 2,229,380</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 1,404	\$ 988
University of Nebraska benefits payable	1,244	2,350
Scholarships, research, fellowships and professorships payable	12,171	7,481
Note payable	16,382	-
Deferred annuities payable	18,779	20,098
Deposits held in custody for others	299,673	332,065
Deferred revenues	<u>6,556</u>	<u>3,392</u>
Total liabilities	<u>356,209</u>	<u>366,374</u>
<b>NET ASSETS:</b>		
Unrestricted	(26,299)	17,643
Temporarily restricted	949,313	964,325
Permanently restricted	<u>921,694</u>	<u>881,038</u>
Total net assets	<u>1,844,708</u>	<u>1,863,006</u>
 Total liabilities and net assets	 <u>\$ 2,200,917</u>	 <u>\$ 2,229,380</u>

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2016 AND 2015 (Thousands)

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

	2016	2015
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$117,177 and \$111,847 in 2016 and 2015, respectively)	\$ 376,599	\$ 362,210
Federal grants and contracts - restricted	209,317	207,919
Private grants and contracts - restricted	171,687	179,918
State and local grants and contracts - restricted	47,594	41,936
Sales and services of educational activities	98,992	97,332
Sales and services of health care entities	275,725	228,002
Sales and services of auxiliary operations	175,915	156,423
Sales and services of auxiliary segments (net of scholarship allowances of \$13,405 and \$13,450 in 2016 and 2015, respectively)	121,910	119,043
Other operating revenues	13,238	12,237
Total operating revenues	<u>1,490,977</u>	<u>1,405,020</u>
OPERATING EXPENSES:		
Salaries and wages	1,047,831	1,017,418
Benefits	325,020	294,788
Total compensation and benefits	<u>1,372,851</u>	<u>1,312,206</u>
Supplies and materials	302,559	293,513
Contractual services	209,248	145,277
Repairs and maintenance	69,270	73,320
Utilities	32,595	33,704
Communications	11,044	14,066
Depreciation	116,913	108,112
Scholarships and fellowships	64,924	70,440
Total operating expenses	<u>2,179,404</u>	<u>2,050,638</u>
OPERATING LOSS	<u>(688,427)</u>	<u>(645,618)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	561,079	544,201
Federal Grants	42,343	43,170
Gifts	95,741	120,297
Investment income (net of investment management fees of \$6,791 and \$6,630 in 2016 and 2015, respectively)	28,979	33,697
Decrease in fair value of investments	(12,153)	(18,100)
Interest on bond obligations	(24,424)	(22,752)
Equity in joint venture	47,982	32,500
Loss on disposal of capital assets	(9,488)	(3,042)
Net non-operating revenues	<u>- 730,059</u>	<u>- 729,971</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>41,632</u>	<u>84,353</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	60,353	49,244
Capital grants and gifts	112,856	87,665
Distribution to non-controlling interest	(1,003)	-
Additions to permanent endowments	1,701	58
Net other revenues, expenses, gains, or losses	<u>173,907</u>	<u>136,967</u>
INCREASE IN NET POSITION	215,539	221,320
NET POSITION:		
Net position, beginning of year	<u>3,365,823</u>	<u>3,144,503</u>
Net position, end of year	<u>\$ 3,581,362</u>	<u>\$ 3,365,823</u>

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

**UNIVERSITY OF NEBRASKA FOUNDATION**  
**(A Component Unit of the University of Nebraska)**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2016**  
**(Thousands)**  
**(See Independent Auditors' Reports on Pages 16, 17, 18, 19, and 20)**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUES AND GAINS:</b>				
Gifts, bequests, and life insurance proceeds	\$ 1,758	\$ 189,536	\$ 37,577	\$ 228,871
Investment income	27,934	4,884	-	32,818
Change in value of split-interest agreements	-	989	-	989
Realized and unrealized gains (losses), net	<u>(41,726)</u>	<u>(6,740)</u>	<u>-</u>	<u>(48,466)</u>
	(12,034)	188,669	37,577	214,212
Reclassification due to change in donor intent	-	(2,879)	2,879	-
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>204,885</u>	<u>(204,885)</u>	<u>-</u>	<u>-</u>
Total revenues and gains	<u>192,851</u>	<u>(19,095)</u>	<u>40,456</u>	<u>214,212</u>
<b>EXPENSES</b>				
Payments for the benefit of the University:				
Academic support	55,331	-	-	55,331
Student assistance	26,327	-	-	26,327
Faculty assistance	5,731	-	-	5,731
Research	9,123	-	-	9,123
Museum, library, and fine arts	2,729	-	-	2,729
Campus and building improvements	106,342	-	-	106,342
Alumni associations	796	-	-	796
Deferred compensation	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total payments to benefit the University	<u>206,380</u>	<u>-</u>	<u>-</u>	<u>206,380</u>
Operating expenses:				
Salaries and benefits	18,374	-	-	18,374
General and administrative	6,157	-	-	6,157
Fund-raising, promotion, and development	2,194	-	-	2,194
Contributions to other charities	98	-	-	98
Contributions to beneficiaries	2,958	-	-	2,958
Depreciation	<u>1,085</u>	<u>-</u>	<u>-</u>	<u>1,085</u>
Total operating expenses	<u>30,866</u>	<u>-</u>	<u>-</u>	<u>30,866</u>
Total expenses	<u>237,246</u>	<u>-</u>	<u>-</u>	<u>237,246</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(44,395)</u>	<u>(19,095)</u>	<u>40,456</u>	<u>(23,034)</u>
<b>NET ASSETS at beginning of year</b>	17,643	964,325	881,038	1,863,006
Change in reporting entity	<u>453</u>	<u>4,083</u>	<u>200</u>	<u>4,736</u>
<b>NET ASSETS at end of year</b>	<u>\$ (26,299)</u>	<u>\$ 949,313</u>	<u>\$ 921,694</u>	<u>\$ 1,844,708</u>

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

**UNIVERSITY OF NEBRASKA FOUNDATION**  
**(A Component Unit of the University of Nebraska)**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2015**  
**(Thousands)**  
**(See Independent Auditors' Reports on Pages 16, 17, 18, 19, and 20)**

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND GAINS:				
Gifts, bequests, and life insurance proceeds	\$ 1,069	\$ 166,087	\$ 45,571	\$ 212,727
Investment income	26,622	2,500	-	29,122
Change in value of split-interest agreements	-	1,191	-	1,191
Realized and unrealized gains (losses), net	<u>308</u>	<u>(11,214)</u>	<u>-</u>	<u>(10,906)</u>
	27,999	158,564	45,571	232,134
Reclassification due to change in donor intent	-	(10,557)	10,557	-
NET ASSETS RELEASED FROM RESTRICTIONS	<u>221,629</u>	<u>(221,629)</u>	<u>-</u>	<u>-</u>
Total revenues and gains	<u>249,628</u>	<u>(73,622)</u>	<u>56,128</u>	<u>232,134</u>
EXPENSES				
Payments for the benefit of the University:				
Academic support	61,660	-	-	61,660
Student assistance	33,976	-	-	33,976
Faculty assistance	5,323	-	-	5,323
Research	8,378	-	-	8,378
Museum, library, and fine arts	1,975	-	-	1,975
Campus and building improvements	118,526	-	-	118,526
Alumni associations	868	-	-	868
Deferred compensation	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
Total payments to benefit the University	<u>230,713</u>	<u>-</u>	<u>-</u>	<u>230,713</u>
Operating expenses:				
Salaries and benefits	15,910	-	-	15,910
General and administrative	5,594	-	-	5,594
Fund-raising, promotion, and development	2,547	-	-	2,547
Contributions to beneficiaries	3,043	-	-	3,043
Depreciation	<u>776</u>	<u>-</u>	<u>-</u>	<u>776</u>
Total operating expenses	<u>27,870</u>	<u>-</u>	<u>-</u>	<u>27,870</u>
Total expenses	<u>258,583</u>	<u>-</u>	<u>-</u>	<u>258,583</u>
INCREASE (DECREASE) IN NET ASSETS	(8,955)	(73,622)	56,128	(26,449)
NET ASSETS at beginning of year	<u>26,598</u>	<u>1,037,947</u>	<u>824,910</u>	<u>1,889,455</u>
NET ASSETS at end of year	<u>\$ 17,643</u>	<u>\$ 964,325</u>	<u>\$ 881,038</u>	<u>\$ 1,863,006</u>

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 AND 2015 (Thousands)

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

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 453,777	\$ 425,216
Tuition and fees	376,062	358,587
Sales and services of health care entities	262,684	194,006
Sales and services of auxiliary operations	169,432	157,162
Sales and services of auxiliary segments	122,149	117,998
Sales and services of educational activities	98,797	100,796
Student loans collected	5,656	6,137
Other receipts	13,769	6,266
Payments to employees	(1,347,242)	(1,263,245)
Payments to vendors	(644,751)	(551,781)
Scholarships paid to students	(64,924)	(70,441)
Student loans issued	(8,133)	(8,027)
Other payments	(2,056)	(256)
Net cash flows from operating activities	<u>(564,780)</u>	<u>(527,582)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	561,079	544,797
Gifts	97,264	119,048
Federal grants	42,344	43,170
Direct lending receipts	234,094	231,917
Direct lending payments	(234,094)	(231,917)
Net cash flows from non-capital financing activities	<u>700,687</u>	<u>707,015</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	161,730	125,720
Gifts	113,729	89,252
State of Nebraska capital appropriations	61,922	45,015
Premium on issuance of bonds	9,819	5,792
Purchases of capital assets	(375,028)	(306,468)
Defeasance of bond obligations	(85,112)	(49,035)
Principal paid on bond obligations	(45,655)	(42,585)
Interest paid on bond obligations	(34,685)	(30,348)
Payment of bond financial expense	(1,002)	-
Payments made on lease obligations	(542)	(837)
Net cash flows from capital and related financing activities	<u>(194,824)</u>	<u>(163,494)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	290,971	442,584
Interest on investments	28,599	33,459
Distributions received from joint venture	6,000	6,000
Purchases of investments	(270,042)	(432,643)
Net cash flows from investing activities	<u>55,528</u>	<u>49,400</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,389)	65,339
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,151,105</u>	<u>1,085,766</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,147,716</u>	<u>\$ 1,151,105</u>

See notes to financial statements.

(Continued)



# THE UNIVERSITY OF NEBRASKA

## STATEMENTS OF CASH FLOWS (Continued) FOR THE YEARS ENDED JUNE 30, 2016 AND 2015 (Thousands)

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

	2016	2015
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET POSITION:		
Cash and cash equivalents (current)	\$ 613,166	\$ 602,935
Cash and cash equivalents - restricted (current)	238,619	252,206
Cash and cash equivalents held by trustee - restricted (current)	68,349	71,010
Cash and cash equivalents - restricted (non-current)	1,941	2,244
Cash and cash equivalents held by trustee - restricted (non-current)	<u>225,641</u>	<u>222,710</u>
 Cash and cash equivalents, end of year	 <u>\$ 1,147,716</u>	 <u>\$ 1,151,105</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (688,427)	\$ (645,618)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	116,913	108,112
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(26,222)	(12,459)
Loans to students	(660)	(1,660)
Other current assets	7,167	6,120
Accounts payable	(10,591)	(3,430)
Accrued salaries, wages and post-retirement benefits	7,987	31,803
Unearned revenues and credits	25,640	(10,056)
Health and other insurance claims	<u>3,413</u>	<u>(394)</u>
 Net cash flows used in operating activities	 <u>\$ (564,780)</u>	 <u>\$ (527,582)</u>
NON-CASH TRANSACTIONS:		
Capital gifts and grants	\$ 78	\$ 1,117
Decrease in fair value of investments	(12,153)	(18,100)
Purchase of capital assets through lease obligations	36,667	12,072

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

**UNIVERSITY OF NEBRASKA FOUNDATION**  
**(A Component Unit of the University of Nebraska)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**  
**(Thousands)**

**(See Independent Auditors' Report on Pages 16, 17, 18, 19, and 20)**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Decrease in net assets	\$ (23,034)	\$ (26,449)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities:		
Depreciation	1,085	776
Net realized and unrealized losses on investments	48,466	10,906
Contribution to permanently restricted endowment funds	(37,577)	(45,571)
Real and personal property contributions received	(19,645)	(5,980)
(Increase) Decrease in:		
Pledges receivable	(23,942)	67,276
Other receivables	275	7,918
(Decrease) Increase in:		
Accounts payable and accrued liabilities	416	(47)
University of Nebraska benefits payable	(1,106)	(170)
Scholarships, research, fellowships and professorships payable	4,690	4,370
Deferred annuities payable	(1,319)	(1,326)
Deferred revenue	3,164	(58)
Net cash (used in) provided by operating activities	<u>(48,527)</u>	<u>11,645</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of temporary investments	(106,247)	(126,715)
Proceeds from sale and maturity of temporary investments	150,123	102,609
Net (increase) decrease in student loans	(40)	3
Purchase of investments	(381,764)	(463,670)
Proceeds from sale and maturity of investments	381,718	454,700
Proceeds from sales of property and equipment	2,317	19
Purchase of property and equipment	(13,970)	(2,662)
Net cash provided by (used in) investing activities	<u>32,137</u>	<u>(35,716)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY:</b>		
Contribution to permanently restricted endowment funds	42,351	16,617
Net cash provided by financing activities	<u>42,351</u>	<u>16,617</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>25,961</b>	<b>(7,454)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>998</b>	<b>8,452</b>
Change in reporting unit, cash and cash equivalents	141	-
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b><u>\$ 27,100</u></b>	<b><u>\$ 998</u></b>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Note payable for acquisition of property	\$ 16,382	\$ -
Donation of property	19,136	-

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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### 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 applicable 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.

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# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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- The UNMC Science Research Fund is a not-for-profit corporation organized by the Board of Regents to solely support the research mission of the UNMC and provides services entirely, or almost entirely, to UNMC and advance academic technology transfer globally through fostering strategic collaborations with industry through licensing, research, and new venture agreements.
- 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 provides services entirely, or almost entirely, to the UNL campus. NUCorp is governed by a five-member Board, three of which are University officials.
- The University Technology Development Corporation (UTDC) was organized to solely support the research mission of the University and provides services entirely, or almost entirely, to the University 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, UNMC Science Research Fund, 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 February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for applying fair value to certain investments and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This Statement was effective and was adopted by the University for the fiscal year ended June 30, 2016.

**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

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# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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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 2016 and 2015 was \$24,424 and \$22,752, respectively, which is net of \$8,849 and \$4,725 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

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# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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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.

***Deferred Outflows and Inflows of Resources*** – Deferred outflows represent the unamortized losses/gains on bond refundings, which are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt. Deferred inflows represent the present value of remaining accounts receivable due from a vendor resulting from a service concession arrangement. The University enters into service concession arrangements with outside vendors for services, including food service, bookstores, banking, and concession and catering operations. Capital improvements received are recorded as capital assets as the University retains rights to the facilities. Amounts receivable are present valued and realized over the course of the contract. These assets are offset by deferred inflows of resources. Resources are recognized over the respective contract periods.

***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, 2016 and 2015, Federal grants and contracts includes Pell grant awards amounting to \$42,396 and \$43,215, 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 \$233,675 and \$231,886 at June 30, 2016 and 2015, respectively, are treated as agency funds and not included in revenues and expenses.

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# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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**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 2015 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 \$1,419 (book balance of approximately \$844) at June 30, 2016, with approximately \$1,141 covered by Federal depository insurance. Bank balances of cash and cash equivalents amounted to approximately \$1,616 (book balance of approximately \$970) at June 30, 2015, with approximately \$1,530 covered by Federal depository insurance. The remaining bank balances at June 30, 2016 and 2015, were collateralized with securities held by the pledging financial institution, but not in the University's name.

### 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.

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# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

The University 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 certain cases, the inputs used to measure fair value may fall in different levels of fair value hierarchy. The three levels are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the University has ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of broadly traded range of equity and debt securities.
- Level 2 inputs are those other than quoted prices included in Level 1 that are observable for the asset or liability, whether directly or indirectly.
- Level 3 inputs are unobservable and significant to the fair value measurement of the asset or liability.

The tables below present by Level the asset balances at estimated fair value on a recurring basis.

	Assets at fair value as of June 30, 2016			
	Total	Level 1	Level 2	Level 3
Investments:				
Certificates of deposit and money market funds	\$ 3,225	\$ 3,225	\$ -	\$ -
U.S. government securities	75,936	-	75,936	-
State government securities	1,379	-	1,379	-
International bonds	9,952	-	9,952	-
Corporate bonds	69,764	-	69,764	-
Common stock	128,365	128,365	-	-
International Equity	67,036	67,036	-	-
Mutual funds-equity	7,058	7,058	-	-
Mutual funds-fixed income	121,037	121,037	-	-
Index funds-commodities	3,007	3,007	-	-
Index funds-public equity	10,002	10,002	-	-
Real estate held for investment purposes	850	-	-	850
Real estate mutual funds	10,709	10,709	-	-
Total	<u>\$ 508,320</u>	<u>\$ 350,439</u>	<u>\$ 157,031</u>	<u>\$ 850</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

	Assets at fair value as of June 30, 2015			
	Total	Level 1	Level 2	Level 3
Investments:				
Certificates of deposit and money market funds	\$ 4,405	\$ 4,405	\$ -	\$ -
U.S. government securities	106,380	-	106,380	-
State government securities	2,868	-	2,868	-
International bonds	9,634	-	9,634	-
Corporate bonds	79,161	-	79,161	-
Common stock	132,776	132,776	-	-
International Equity	72,610	72,610	-	-
Mutual funds-equity	19,144	19,144	-	-
Mutual funds-fixed income	85,026	85,026	-	-
Index funds-commodities	4,070	4,070	-	-
Index funds-public equity	11,378	11,378	-	-
Real estate held for investment purposes	932	-	-	932
Real estate mutual funds	10,115	10,115	-	-
Total	<u>\$ 538,499</u>	<u>\$ 339,524</u>	<u>\$ 198,043</u>	<u>\$ 932</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

Investment maturities as of June 30, 2016 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
<b>Investments type:</b>					
<b>Debt securities:</b>					
Certificates of Deposit	\$ 95	\$ 95	\$ -	\$ -	\$ -
U.S. treasuries	29,915	13,328	3,671	12,036	880
U.S. agencies	46,021	6,505	11,172	1,168	27,176
State governments	1,379	-	1,379	-	-
Corporate bonds	69,764	12,657 (1)	31,025 (2)	22,604 (3)	3,478 (4)
International bonds	9,952	1,471	3,526	1,986	2,969
	<u>157,126</u>	<u>\$ 34,056</u>	<u>\$ 50,773</u>	<u>\$ 37,794</u>	<u>\$ 34,503</u>
<b>Other investments:</b>					
Equity securities - domestic	135,423				
Equity securities - international	67,036				
Mutual funds	134,046				
Real estate mutual funds	10,709				
Real estate held for investment purposes	850				
Money market funds	3,130				
Total	<u>\$ 508,320</u>				

(1) This amount includes \$200 of bonds callable in less than 1 year.

(2) This amount includes \$1,322 of bonds callable in less than 2 years, \$1,894 of bonds callable in less than 4 years, and \$1,345 of bonds callable in less than 5 years.

(3) This amount includes \$1,550 of bonds callable in less than 2 years, \$4,698 of bonds callable in less than 7 years, and \$1,853 of bonds callable in less than 9 years.

(4) This amount includes \$240 of bonds callable in less than 30 years.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

Investments maturities as of June 30, 2015 are as follows:

	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Investment type:					
Debt securities:					
Certificates of Deposit	\$ 95	\$ -	\$ 95	\$ -	\$ -
U.S. treasuries	47,704	13,097	20,936	12,876	795
U.S. agencies	58,675	9,072	14,404 (1)	1,205	33,994
State governments	2,868	1,433	1,374	-	61
Corporate bonds	79,161	4,125	50,264 (2)	21,265 (3)	3,507
International bonds	9,634	811	3,814	1,788	3,221
	198,137	\$ 28,538	\$ 90,887	\$ 37,134	\$ 41,578
Other investments:					
Equity securities - domestic	151,920				
Equity securities - international	72,610				
Mutual funds	100,475				
Real estate mutual funds	10,115				
Real estate held for investment purposes	932				
Money market funds	4,310				
Total	\$ 538,499				

(1) This amount includes \$1,984 of bonds callable in 1 year.

(2) This amount includes \$1,702 of bonds callable in less than 2 years, \$2,612 of bonds callable in less than 3 years.

(3) This amount includes \$1,165 of bonds callable in less than 7 years, \$1,520 of bonds callable in less than 9 years, and \$1,251 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:

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

	2016					
	Fair Value	Quality Ratings				
		Aaa	AA	A	Baa	Unrated
Investment type:						
Debt securities:						
Certificates of Deposit	\$ 95	\$ -	\$ -	\$ -	\$ -	\$ 95
U.S. treasuries	29,915	29,915	-	-	-	-
U.S. agencies	46,021	46,021	-	-	-	-
State governments	1,379	-	-	1,379	-	-
Corporate bonds	69,764	8,758	18,585	37,172	3,965	1,284
International bonds	9,952	3,427	2,781	1,934	1,088	722
Other investments:						
Equity securities - domestic	135,423	-	-	-	-	135,423
Equity securities - international	67,036	-	-	-	-	67,036
Mutual funds	134,046	-	-	-	-	134,046
Real estate mutual funds	10,709	-	-	-	-	10,709
Real estate held for investment purposes	850	-	-	-	-	850
Money market funds	3,130	-	-	-	-	3,130
	<u>\$ 508,320</u>	<u>\$ 88,121</u>	<u>\$ 21,366</u>	<u>\$ 40,485</u>	<u>\$ 5,053</u>	<u>\$ 353,295</u>

	2015					
	Fair Value	Quality Ratings				
		Aaa	AA	A	Baa	Unrated
Investment type:						
Debt securities:						
Certificates of Deposit	\$ 95	\$ -	\$ -	\$ -	\$ -	\$ 95
U.S. treasuries	47,704	47,704	-	-	-	-
U.S. agencies	58,675	58,675	-	-	-	-
State governments	2,868	-	-	2,868	-	-
Corporate bonds	79,161	4,593	29,611	43,105	1,852	-
International bonds	9,634	1,759	3,863	633	1,626	1,753
Other investments:						
Equity securities - domestic	151,920	-	-	-	-	151,920
Equity securities - international	72,610	-	-	-	-	72,610
Mutual funds	100,475	-	-	-	-	100,475
Real estate mutual funds	10,115	-	-	-	-	10,115
Real estate held for investment purposes	932	-	-	-	-	932
Money market funds	4,310	-	-	-	-	4,310
	<u>\$ 538,499</u>	<u>\$ 112,731</u>	<u>\$ 33,474</u>	<u>\$ 46,606</u>	<u>\$ 3,478</u>	<u>\$ 342,210</u>

(Continued)



# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (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 5% or more of the University’s portfolio are as follows at June 30:

	Concentration	
	2016	2015
U.S. Treasuries	6%	9%

**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	
	2016	2015
Mexican Peso	\$ 2,054	\$ 1,457
EMU Euro	169	625
Australian Dollar	914	1,367
British Pound	919	826
New Zealand Dollar	439	-
Brazilian Real	414	412
Poland Zloty	351	247
South African Rand	345	437
South Korean Won	-	496
Malaysian Ringgit	-	447
Totals	<u>\$ 5,605</u>	<u>\$ 6,314</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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### 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 \$16,867 and \$17,358 at June 30, 2016 and 2015, respectively. In addition, the University established an allowance for doubtful collections of student loans of approximately \$3,430 and \$1,623 at June 30, 2016 and 2015, 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. In October 2014, the Nebraska Medical Center became Nebraska Medicine (NM). A Board of Directors comprised of six members appointed by Clarkson and six members appointed by the Board of Regents govern NM. Upon dissolution of NM, the University and Clarkson will share equally in the remaining net position. Because the University has an ongoing financial interest in NM, 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 NM for the years ended June 30, 2016 and 2015 totaling \$47,982 and \$32,500, respectively. In addition, to the extent that sufficient funds are available, as determined by the NM 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 2016 and 2015.

Separate financial statements of NM can be obtained from the Nebraska Medicine, 42<sup>nd</sup> 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 NM 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 \$6,405 net of depreciation.

In addition, the University and NM have entered into an Academic Affiliation Agreement for Education and Research. In connection with the agreement, NM 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 NM. During the fiscal years ended June 30, 2016 and 2015, the University received approximately \$27,374 and \$27,346, respectively, of support in connection with the agreement.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

### F. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2016 and 2015 is as follows:

	2016			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 88,020	\$ 3,592	\$ 75	\$ 91,537
Construction work in progress	<u>345,823</u>	<u>319,143</u>	<u>238,071</u>	<u>426,895</u>
Total capital assets not being depreciated	<u>433,843</u>	<u>322,735</u>	<u>238,146</u>	<u>518,432</u>
Capital assets, being depreciated:				
Land improvements	210,805	49,158	8,383	251,580
Leasehold improvements	33,435	20,183	-	53,618
Buildings	2,169,553	219,095	36,297	2,352,351
Equipment	<u>462,487</u>	<u>46,740</u>	<u>19,731</u>	<u>489,496</u>
Total capital assets, being depreciated	<u>2,876,280</u>	<u>335,176</u>	<u>64,411</u>	<u>3,147,045</u>
Less accumulated depreciation for:				
Land improvements	72,688	9,647	2,274	80,061
Leasehold improvements	11,412	2,827	-	14,239
Buildings	588,202	67,920	34,996	621,126
Equipment	<u>329,110</u>	<u>36,519</u>	<u>17,660</u>	<u>347,969</u>
Total accumulated depreciation other assets	<u>1,001,412</u>	<u>116,913</u>	<u>54,930</u>	<u>1,063,395</u>
Capital assets, net	<u>\$ 2,308,711</u>	<u>\$ 540,998</u>	<u>\$ 247,627</u>	<u>\$ 2,602,082</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

	2015			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 84,660	\$ 3,367	\$ 7	\$ 88,020
Construction work in progress	<u>202,643</u>	<u>285,409</u>	<u>142,229</u>	<u>345,823</u>
Total capital assets not being depreciated	<u>287,303</u>	<u>288,776</u>	<u>142,236</u>	<u>433,843</u>
Capital assets, being depreciated:				
Land improvements	197,686	14,591	1,472	210,805
Leasehold improvements	31,937	1,498	-	33,435
Buildings	2,088,516	122,742	41,705	2,169,553
Equipment	<u>431,543</u>	<u>43,970</u>	<u>13,026</u>	<u>462,487</u>
Total capital assets, being depreciated	<u>2,749,682</u>	<u>182,801</u>	<u>56,203</u>	<u>2,876,280</u>
Less accumulated depreciation for:				
Land improvements	66,213	7,947	1,472	72,688
Leasehold improvements	9,780	1,632	-	11,412
Buildings	562,535	64,454	38,787	588,202
Equipment	<u>306,977</u>	<u>34,079</u>	<u>11,946</u>	<u>329,110</u>
Total accumulated depreciation other assets	<u>945,505</u>	<u>108,112</u>	<u>52,205</u>	<u>1,001,412</u>
Capital assets, net	<u>\$ 2,091,480</u>	<u>\$ 363,465</u>	<u>\$ 146,234</u>	<u>\$ 2,308,711</u>

### G. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2016	<u>\$ 81,167</u>	<u>\$ 63,216</u>	<u>\$ 56,776</u>	<u>\$ 87,607</u>	<u>\$ 70,205</u>
2015	<u>\$ 73,609</u>	<u>\$ 55,256</u>	<u>\$ 47,698</u>	<u>\$ 81,167</u>	<u>\$ 64,034</u>

### H. BOND OBLIGATIONS PAYABLE

Bond obligations payable are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2016	<u>\$ 792,995</u>	<u>\$ 161,730</u>	<u>\$ 128,100</u>	<u>\$ 826,625</u>	<u>\$ 55,905</u>
2015	<u>\$ 757,965</u>	<u>\$ 125,720</u>	<u>\$ 90,690</u>	<u>\$ 792,995</u>	<u>\$ 46,510</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

Bond obligations payable at June 30, 2016 and 2015 consist of the following:

Obligations under the master trust indenture:	Interest Rate	Annual Installment	Principal Amount Outstanding	
			2016	2015
<b>University of Nebraska-Lincoln:</b>				
Student Fees and Facilities:				
Series 2008A, revenue bonds	3.65 - 5.00%	\$ 1,415 - \$ 2,360	\$ 23,845	\$ 25,210
Series 2009A, revenue bonds	3.50 - 5.25%	1,220 - 2,990	47,295	48,480
Series 2009B, revenue bonds	3.00 - 5.70%	460 - 1,840	9,340	9,800
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	67,800	71,985
Series 2012B, revenue bonds	1.50 - 5.00%	350 - 1,640	18,115	19,100
Series 2015A, revenue bonds	2.00 - 5.00%	1,260 - 4,100	66,615	66,615
Lincoln Parking Project:				
Series 2005, revenue and refunding	4.00 - 4.50%	425 - 3,825	-	13,760
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 - 440	5,700	6,910
Series 2015, revenue and refunding	3.00 - 4.00%	505 - 1,965	10,180	-
<b>University of Nebraska at Omaha:</b>				
Student Facilities:				
Student HPER Project Series 2008, revenue bonds	3.50 - 5.00%	985 - 2,700	37,455	38,440
Series 2015B, revenue bonds	2.00 - 5.00%	370 - 640	8,910	9,310
Student Housing and Parking:				
Series 2007, revenue bonds	4.25 - 5.00%	690 - 2,395	-	25,685
Series 2010A, revenue bonds	2.50 - 5.00%	720 - 1,175	13,080	13,800
Series 2010B, revenue bonds	2.75 - 5.00%	395 - 1,060	15,810	16,205
Series 2014, revenue bonds	1.00 - 5.00%	495 - 790	10,605	11,100
Series 2015, revenue and refunding bonds	1.20 - 5.00%	890 - 2,580	43,970	-
<b>University of Nebraska Medical Center:</b>				
Student Housing revenue bonds				
Series 2003	4.05 - 5.00%	155 - 330	3,910	4,060
<b>University of Nebraska at Kearney:</b>				
Student Facilities:				
Series 2015, revenue bonds	1.00 - 3.15%	795 - 1,270	19,050	19,850
Total obligations under the master trust indenture			<u>476,715</u>	<u>475,345</u>
<b>Obligations of blended entities:</b>				
<b>University of Nebraska Facilities Corporation:</b>				
Series 2016 (Deferred Maintenance Project)	3.00 - 5.00%	9,445 - 10,690	40,400	-
Series 2016 (UNMC Cancer Center)	1.00 - 5.00%	2,070 - 3,930	35,280	-
Series 2016 (UNMC Utility Project)	1.75 - 5.00%	1,220 - 1,590	13,635	-
Series 2015 (Veterinary Diagnostic Project)	3.00 - 4.00%	2,680 - 4,895	16,815	-
Series 2015 (UNO Arena and UNL CBA Project)	2.00%	180 - 7,310	27,425	27,900
Series 2015 (UNMC Cancer Center)	4.25%	175 - 200	1,875	1,875
Series 2014A (UNMC Cancer Center)	4.00 - 5.00%	3,415 - 17,110	65,965	65,965
Series 2014B (Qualified Energy Conservation Bonds)	2.50 - 4.25%	370 - 510	4,325	4,325
Series 2013 (UNMC Cancer Center)	4.00%	6,710 - 8,375	22,065	28,195
Series 2013A & B (UNO/Community Facility Project)	1.64 - 5.00%	830 - 23,055	49,545	53,930
Series 2011 (Eye Institute)	4.59%	14,740	14,740	14,740
Series 2011 (NCTA Education Center)	3.00% - 5.50%	85 - 1,645	8,125	8,705
Series 2010 (OPPD Exchange Project)	3.00%	1,535	1,535	3,070
Series 2009 (LB605)	4.59 - 4.66%	6,670 - 7,530	14,200	21,400
Series 2006 (LB605)	5.00%	9,500	9,500	61,550
Series 2004 (Library Storage Project)	4.45 - 5.00%	155 - 565	2,035	2,185
Series 2003 (Alexander Building Project)	4.45 - 5.00%	150 - 205	1,395	1,535
Total University of Nebraska Facilities Corporation			<u>328,860</u>	<u>295,375</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

### Obligations of blended entities (Continued):

Nebraska Utility Corporation (NUCorp):				
Series 2010 revenue bonds	1.00 - 5.00%	1,290 - 2,035	9,050	10,275
Series 2014A revenue bonds	3.40%	6,500	6,500	6,500
Series 2014B revenue bonds	5.00%	5,500	5,500	5,500
Total NUCorp			<u>21,050</u>	<u>22,275</u>
Subtotal bonds payable			826,625	792,995
Add unamortized bond premium			47,959	44,059
Less unamortized bond discount			<u>1,026</u>	<u>1,639</u>
Total bond obligations payable			<u>\$ 873,558</u>	<u>\$ 835,415</u>

Annual maturities subject to mandatory redemption at June 30, 2016, are as follows:

	MTI		UNFC		NUCorp		Total University	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 16,460	\$ 20,473	\$ 38,155	\$ 13,184	\$ 1,290	\$ 941	\$ 55,905	\$ 34,598
2018	17,555	19,963	66,335	11,139	1,350	876	85,240	31,978
2019	19,400	19,376	44,810	8,787	1,420	809	65,630	28,972
2020	20,010	18,719	27,380	7,222	1,440	738	48,830	26,679
2021	19,175	17,989	44,145	6,279	1,515	665	64,835	24,933
2022-2026	101,670	77,214	65,925	16,744	2,035	2,574	169,630	96,532
2027-2031	103,740	53,721	41,615	5,198	-	2,481	145,355	61,400
2032-2036	85,245	32,766	495	71	12,000	992	97,740	33,829
2037-2041	66,485	13,035	-	-	-	-	66,485	13,035
2042-2046	<u>26,975</u>	<u>2,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,975</u>	<u>2,362</u>
Total	<u>\$ 476,715</u>	<u>\$ 275,618</u>	<u>\$ 328,860</u>	<u>\$ 68,624</u>	<u>\$ 21,050</u>	<u>\$ 10,076</u>	<u>\$ 826,625</u>	<u>\$ 354,318</u>

At June 30, 2016 and 2015, the University and trustees for these bond funds held cash and investments in the amount of approximately \$357,575 and \$372,269, respectively, which is reflected as cash and cash equivalents, 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 and recreational 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, 2016, the members of the Obligated Group are (a) the student housing, student unions, student recreation, 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

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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Center (UNMC Student Housing); and (f) the student housing facilities on the University of Nebraska at Kearney campus (UNK Student 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).

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.

### *MTI Bond Issuances*

On December 3, 2015, the Board of Regents issued \$44,380 of University of Nebraska at Omaha Revenue and Refunding Bonds, Series 2015 (Student Facilities Project). The net proceeds of the bonds, together with other funds, were used to defease the redcmption of \$25,685 of University of Nebraska at Omaha Student Facilities Project Bonds, Scrics 2007 dated July 25, 2007 maturing on or after July 1, 2015, and to pay for a portion of constructing a parking garage on campus. The refunding reduced total debt service payments by approximately \$4,962 and resulted in an economic gain of approximately \$2,836. The accounting loss of \$1,203 is deferred and amortized over the life of the 2015 bonds.

On September 10, 2015, the Board of Regents issued \$11,220 of University of Nebraska-Lincoln Parking Bonds, Series 2015. The net proceeds of the bonds, together with other funds available, were used for the redemption of \$13,760 of Series 2005 Bonds dated July 6, 2005 maturing on or after July 1, 2015. The refunding reduced total debt service payments by approximately \$3,227 and resulted in an economic gain of approximately \$1,295.

On June 29, 2015, the Board of Regents issued \$66,615 of University of Nebraska – Lincoln Student Fees and Facilities Bonds, Series 2015A. The net proceeds of the bonds, together with other available funds, were used to construct, equip, and furnish a dining complex on the City Campus and a residence hall on the East Campus.

On June 29, 2015, the Board of Regents issued \$9,310 of University of Nebraska at Omaha Student Activities Revenue Bonds, Series 2015B. The net proceeds of the bonds were used to finance a portion of improvements and renovations to the Milo Bail Student Center.

On March 12, 2015, the Board of Regents issued \$20,020 of University of Nebraska at Kearney Student Facilities Project Revenue Refunding Bonds, Series 2015. The net proceeds of the bonds were used to defease \$19,770 of Series 2006 Bonds dated January 12, 2006, maturing on or after July 1, 2015. The refunding reduced total debt service payments by approximately \$4,722 and resulted in an economic gain of approximately \$2,950. The accounting loss of \$572 is deferred and amortized over the life of the 2015 bonds.

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# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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### *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 moneys 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 \$550,025 and \$502,372 at June 30, 2016 and 2015 respectively.

***Deferred Maintenance Refund Bonds (“The 2016 Project”)*** – In 2016, the UNFC authorized the issuance of \$40,400 of Deferred Maintenance Refunding Bonds, Series 2016 dated June 9, 2016.

The net proceeds of the Series 2016 Bonds, along with other funds, were used to defease \$43,000 UNFC Deferred Maintenance Bonds, Series 2006 dated August 15, 2006 maturing on or after July 15, 2017. The refunding reduced total debt service payments by approximately \$4,038 and resulted in an economic gain of approximately \$3,909. The accounting gain of \$178 is a deferred inflow and amortized over the life of the 2016 Bonds.

Principal and interest payments will be paid from appropriations by the State of Nebraska and matched by specific tuition revenues under a financing agreement with the Board of Regents and the University of Nebraska. The Series 2016 Bonds are not redeemable prior to their stated maturities.

***UNMC Utility Improvements Projects (“UNMC Utility Projects”)*** – In 2016, the UNFC authorized the issuance of \$13,635 of UNMC Utility Improvement Projects Bonds, Series 2016 dated March 17, 2016.

The proceeds of the Series 2016 bonds, along with other funds, were used to construct improvements to utility facilities and related equipment at or near the University of Nebraska Medical Center.

Principal and interest payments will come from moneys derived by the UNFC under a financing agreement with the Board of Regents and the University of Nebraska. The Series 2016 Bonds are not redeemable prior to their stated maturities.

***UNMC Cancer Center Bonds (“Cancer Center”)*** – In 2016, the UNFC authorized the issuance of \$35,280 of UNMC Cancer Center Bonds, Series 2016 dated January 28, 2016.

The proceeds of the Series 2016 bonds were used to construct, equip, and furnish a comprehensive cancer center that is a portion of a larger Comprehensive Cancer Center project with an overall budget of \$370,000 at the University of Nebraska Medical Center.

Principal and interest payments will come from lease payments received from the Nebraska Medicine. The Series 2016 Bonds maturing on or after February 15, 2026 are redeemable at par plus accrued interest.

***UNL Veterinary Diagnostic Center (“Diagnostic Center”)*** – In 2015, the UNFC authorized the issuance of \$16,815 of UNL Veterinary Diagnostic Center Bonds, Series 2015 dated November 5, 2015.

(Continued)



# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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The proceeds of the Series 2015 bonds provide financing for a portion of the cost to construct a Veterinary Diagnostic Center at the University of Nebraska Institute of Agriculture and Natural Resources.

Principal and interest payments will come from certain appropriations made by the Nebraska Legislature. The Series 2015 Bonds are not redeemable prior to their stated maturities.

***UNO Arena and UNL CBA Project ("Arena/CBA Project")*** – In 2015, the UNFC authorized the issuance of \$27,900 of UNO Arena and UNL CBA Project Bonds, Series 2015 dated June 17, 2015.

The proceeds of the Series 2015 Bonds provide financing of \$7,615 for the completion of the UNO/Community Facility at the University of Nebraska at Omaha and \$20,285 for paying a portion of the costs of acquiring, constructing, equipping, and furnishing a College of Business Administration at the University of Nebraska-Lincoln.

Principal and interest payments will come from moneys derived by the UNFC under a financing agreement with the Board of Regents and the University of Nebraska. The Series 2015 Bonds are not redeemable prior to their stated maturities.

***UNMC Cancer Research Center Project ("Cancer Center")*** – In 2015, the UNFC authorized the issuance of \$1,875 of UNMC Qualified Energy Conservation Bonds (Direct Pay), Taxable Series 2015, dated January 15, 2015.

The proceeds of the Series 2015 Bonds provide financing for the Energy Management and Monitoring Systems and Central Utility Plan Upgrades at the University of Nebraska Medical Center.

Principal and interest payments will come from moneys derived by the UNFC under a financing agreement with the Board of Regents and the University of Nebraska. The Series 2015 Bonds are not redeemable prior to their stated maturities.

***UNMC Cancer Research Center Project ("Cancer Center")*** – In 2014, the UNFC authorized 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, 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 moneys 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.

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

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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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 moneys 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 moneys 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.

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# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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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.

**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 minimizes 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.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

*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.

### *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 moneys 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 (QECCB) under provisions of the Internal Revenue Code. 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. NUCorp received a subsidy of \$383,350 and \$532,000 during the years ended June 30, 2016 and 2015, respectively.

### *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, 2016 and 2015, the University, UNFC, and NUCorp are in compliance with these requirements.

## 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.

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
2016	\$ 12,398	\$ 36,667	\$ 542	\$ 48,523	\$ 432
2015	\$ 1,163	\$ 12,072	\$ 837	\$ 12,398	\$ 274

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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

	<b>Buildings and Properties</b>	<b>Equipment</b>	<b>Total</b>
2017	\$ 4,166	\$ 436	\$ 4,602
2018	4,195	35	4,230
2019	4,221	34	4,255
2020	4,242	22	4,264
2021	4,257	21	4,278
2022-2026	21,238	-	21,238
2027-2031	22,683	-	22,683
2032-2036	26,438	-	26,438
2037-2041	29,190	-	29,190
2042-2046	<u>25,673</u>	<u>-</u>	<u>25,673</u>
	146,303	548	146,851
Less interest and executory costs	<u>98,308</u>	<u>20</u>	<u>98,328</u>
	<u>\$ 47,995</u>	<u>\$ 528</u>	<u>\$ 48,523</u>

Capital assets held under capital lease obligations at June 30, 2016, are as follows:

	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net</b>
Buildings	\$ 49,272	\$ 1,803	\$ 47,469
Equipment	<u>925</u>	<u>309</u>	<u>616</u>
	<u>\$ 50,197</u>	<u>\$ 2,112</u>	<u>\$ 48,085</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (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, 2014	\$ 3,832	\$ 2,919	\$ 7,960	\$ 14,711
Incurred claims	840	182	130,636	131,658
Payments on claims	<u>(697)</u>	<u>(662)</u>	<u>(130,692)</u>	<u>(132,051)</u>
Claim reserve, June 30, 2015	3,975	2,439	7,904	14,318
Incurred claims	3,769	1,174	151,593	156,536
Payments on claims	<u>(1,485)</u>	<u>(1,124)</u>	<u>(150,515)</u>	<u>(153,124)</u>
Claim reserve, June 30, 2016	<u>\$ 6,259</u>	<u>\$ 2,489</u>	<u>\$ 8,982</u>	<u>\$ 17,730</u>

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 \$1,250,000 in property coverage with a \$500 per occurrence deductible and \$1,000 aggregate deductible, \$5,000 in educators legal liability coverage with a \$1,000 per claim deductible, and \$20,000 in umbrella excess liability coverage with a \$1,000 per occurrence deductible. 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 \$2,250 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, 2016 and 2015, the trustees for the health and other insurance claims programs held cash and cash equivalents and investments totaling approximately \$107,654 and \$145,140, respectively, whose use is limited to the payment of claims under the programs. These amounts are included in cash and cash equivalents and investments – restricted on the statements of net position.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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### 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 2016 and 2015 was approximately \$983,949 and \$937,664, respectively, of which approximately \$730,264 and \$709,796 was covered by the plan. The University's contribution during 2016 and 2015 was approximately \$56,902, or 7.79%, and \$55,280, or 7.79%, of covered payroll, respectively, and the faculty and staff's contribution was approximately \$38,176, or 5.23%, and \$37,074, or 5.22%, 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 \$11,971 and \$13,213 for the years ended June 30, 2016 and 2015, respectively.

### L. COMMITMENTS AND CONTINGENCIES

The University has contracted for the construction of facilities that are estimated to cost approximately \$920,670. As of June 30, 2016, the approximate remaining costs to complete these facilities were \$318,632, which will be financed as follows:

Bond funds	\$ 116,021
University funds	41,318
State capital appropriations	35,502
Private gifts, grants, and contracts	<u>125,791</u>
	<u>\$ 318,632</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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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, which decree was approved by the United States District Court in June 2015. The University and its consultant are currently coordinating with the EPA to finalize work plans which will define the scope of remediation activities required by the EPA at the site. 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 Medicine. The members of the faculty at the University are also members of the medical staff of NM, and in many other areas, the operations of the University and NM are integrated and overlap. The University provides certain operational and support services, as well as certain direct financial support to NM. For the fiscal years ended June 30, 2016 and 2015, NM purchased approximately \$59,859 and \$71,163 of goods and services from UNMC. In addition, during 2016 and 2015, UNMC paid NM \$13,500 and \$11,212, respectively, for support services provided by NM.

(Continued)



# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

### N. FUNCTIONAL CLASSIFICATIONS OF EXPENSES

For the year ended June 30, 2016:

	Compen- sation	Supplies and Materials	Contractual Services	Repairs and Maintenance	Utilities	Communi- cations	Scholarships and Fellowships	Deprecia- tion	Total
Instruction	\$ 467,395	\$ 38,066	\$ 10,491	\$ 3,654	\$ 3	\$ 2,225	\$ 4,592	\$ -	\$ 526,426
Research	213,045	61,670	48,922	11,461	848	1,271	1,622	-	338,839
Public service	79,646	16,488	20,540	835	329	918	359	-	119,115
Academic support	116,242	29,999	232	1,508	35	(914)	296	-	147,398
Student services	26,193	5,718	1,152	616	1	339	301	-	34,320
Institutional support	97,044	19,515	12,701	(50)	72	1,402	50	-	130,734
Operation and maintenance of plant	43,835	3,243	4,968	41,029	31,264	570	-	-	124,909
Healthcare entities	208,820	18,522	80,259	777	219	841	1,188	-	310,626
Scholarships and fellowships	2,923	312	3,440	17	-	-	52,140	-	58,832
Auxiliary operations	117,708	109,026	26,543	9,423	(176)	4,392	4,376	-	271,292
Depreciation	-	-	-	-	-	-	-	116,913	116,913
Total expenses	<u>\$ 1,372,851</u>	<u>\$ 302,559</u>	<u>\$ 209,248</u>	<u>\$ 69,270</u>	<u>\$ 32,595</u>	<u>\$ 11,044</u>	<u>\$ 64,924</u>	<u>\$ 116,913</u>	<u>\$ 2,179,404</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

For the year ended June 30, 2015:

	Compen- sation	Supplies and Materials	Contractual Services	Repairs and Maintenance	Utilities	Communi- cations	Scholarships and Fellowships	Deprecia- tion	Total
Instruction	\$ 431,126	\$ 36,939	\$ 12,786	\$ 3,137	\$ 7	\$ 2,290	\$ 4,620	\$ -	\$ 490,905
Research	199,478	53,465	46,003	15,448	158	1,236	1,615	-	317,403
Public service	78,512	16,540	20,566	(322)	388	996	249	-	116,929
Academic support	113,681	32,891	385	424	36	975	116	-	148,508
Student services	24,651	5,848	407	163	-	364	380	-	31,813
Institutional support	90,991	15,845	11,341	301	72	1,532	44	-	120,126
Operation and maintenance of plant	39,703	5,705	5,135	44,754	33,752	664	-	-	129,713
Healthcare entities	217,762	22,028	23,799	1,009	79	1,033	908	-	266,618
Scholarships and fellowships	3,078	282	2,880	20	-	-	59,591	-	65,851
Auxiliary operations	113,224	103,970	21,975	8,386	(788)	4,976	2,917	-	254,660
Depreciation	-	-	-	-	-	-	-	108,112	108,112
Total expenses	<u>\$ 1,312,206</u>	<u>\$ 293,513</u>	<u>\$ 145,277</u>	<u>\$ 73,320</u>	<u>\$ 33,704</u>	<u>\$ 14,066</u>	<u>\$ 70,440</u>	<u>\$ 108,112</u>	<u>\$ 2,050,638</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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### 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, Series 2012B and Series 2015A* – 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 – Lincoln Parking Revenue Bonds, Series 2009A, Series 2009B, Series 2013 and Series 2015* – 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 Facilities Bonds, Series 2008 and 2015B* – 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 Bonds, Series 2010A, Series 2010B, Series 2014 and Series 2015* – 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 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 2015* – 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.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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

	June 30,	
	2016	2015
<b>Condensed Statements of Net Position</b>		
Assets and Deferred Outflows of Resources		
Assets:		
Current assets	\$ 90,595	\$ 89,436
Non-current assets:		
Capital assets	505,115	469,411
Other non-current assets	162,097	160,688
Total assets	<u>757,807</u>	<u>719,535</u>
Deferred Outflows of Resources:		
Deferred loss on bond refunding	<u>7,094</u>	<u>6,204</u>
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities:		
Current liabilities	51,827	40,393
Non-current liabilities	485,280	483,607
Total liabilities	<u>537,107</u>	<u>524,000</u>
Deferred Inflows of Resources:		
Deferred service concession arrangement receipts	<u>5,320</u>	<u>5,918</u>
Net Position:		
Net investment in capital assets	46,727	34,856
Restricted:		
Expendable:		
Plant construction	35,782	31,280
Debt service	113,744	98,819
Unrestricted	26,221	30,866
Total net position	<u>\$ 222,474</u>	<u>\$ 195,821</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

	Years Ended June 30,	
	2016	2015
<b>Condensed Statements of Revenues, Expenses, and Changes in Net Position</b>		
Operating revenues	\$ 135,940	\$ 133,253
Operating expenses:		
Depreciation	(19,217)	(16,473)
Other operating expenses	(84,622)	(83,754)
Operating income	32,101	33,026
Non-operating expense	(5,448)	(10,031)
Change in net position	26,653	22,995
Net position, beginning of year	195,821	172,826
Net position, end of year	\$ 222,474	\$ 195,821
<b>Condensed Statements of Cash Flows</b>		
Net cash flows from operating activities	\$ 51,072	\$ 51,115
Net cash flows from capital and related financing activities	(48,950)	31,377
Net cash flows from investing activities	5,286	678
Net change in cash and cash equivalents	7,408	83,170
Cash and cash equivalents, beginning of year	211,106	127,936
Cash and cash equivalents, end of year	\$ 218,514	\$ 211,106

### P. SUBSEQUENT EVENTS

On July 13, 2016, University of Nebraska – Lincoln Student Fee and Facilities Series 2016A Bonds were issued in the amount of \$66,670. The proceeds for the sale of the series 2016A Bonds, will be used, together with other funds available, to fund an escrow for the purpose of refunding \$22,430 aggregate principal amount of the University of Nebraska-Lincoln Student Fees and Facilities Revenue Bonds, Series 2008A and \$46,075 aggregate principal amount of the University of Nebraska-Lincoln Student Fee and Facilities Revenue Bonds, Series 2009A at par plus accrued interest.

On July 13, 2016, the Board of Regents issued \$37,280 of University of Nebraska at Omaha Student Health and Recreation Project Bonds, Series 2016B. The proceeds will be used, together with other funds available, to fund an escrow for the purpose of refunding \$37,455 of outstanding UNO Health and Recreation Project Bonds Series 2008, at par plus accrued interest.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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On August 31, 2016, the University of Nebraska Facilities Corporation called \$2,315 of its Series 2015 Bonds (UNO Arena and UNL CBA Bonds). The bonds were called at par plus accrued interest.

On December 1, 2016, the University of Nebraska Facilities Corporation issued \$18,520 of Building and Refunding Bonds, Series 2016 (UNL Student Health and UNMC College of Nursing Projects, and UNL Library Storage Refunding). The proceeds will finance, together with other available funds, the construction of new a UNL Student Health Center and UNMC College of Nursing – Lincoln Division, and defease \$1,880 of the UNL Library Storage Bonds, Series 2004 dated May 26, 2004.

The University of Nebraska has evaluated subsequent events from the balance sheet date through December 9, 2016, the date at which the financial statements were available to be issued.

### Q. UNIVERSITY OF NEBRASKA FOUNDATION

The Foundation is a separate, nonprofit 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, 2016 and 2015, the Foundation's net assets (including unrealized gains) totaled \$1,844,708 and \$1,863,006, respectively.

During the years ended June 30, 2016 and 2015, the Foundation contributed \$100 million and \$111 million, respectively, to the University for academic support, student assistance, faculty assistance, research, museums, and libraries. In addition, the Foundation provided capital gifts of \$106 million and \$119 million during 2016 and 2015, 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, UNF Investments, LLC, which provides incubator facilities for emerging businesses and UNF Charitable Gift Fund (UNFCGF). All significant intercompany accounts and transactions have been eliminated upon consolidation.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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As of July 1, 2015, the Board of Directors for the UNF Charitable Gift Fund (UNFCGF), a related organization, amended its articles of incorporation and bylaws to grant control of its board to the Board of Directors of the Foundation. The Foundation has accounted for the change in control as a change in reporting entity for financial reporting purposes. As such, the financial statements of the UNFCGF are consolidated with the Foundation's 2016 financial statements and its net assets as of July 1, 2015 of \$4,736, have been reflected as an addition to net assets in the accompanying statement of activities.

### *(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.

Revenue is 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 statements 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.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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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, or 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 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.

(Continued)



# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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Temporary investments comprise short-term investments used to maintain liquidity, and are comprised mainly of 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 fund-raising operations. During the years ended June 30, 2016 and 2015, \$20,225 and \$18,801, respectively, was charged to temporarily restricted investment income and credited to unrestricted investment income in the consolidated statements of activities related to the management fee for endowment funds. Also included in unrestricted investment income in the consolidated statements of activities for the years ended June 30, 2016 and 2015, is \$5,380 and \$5,250, 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 \$300 million and \$332 million at June 30, 2016 and 2015 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.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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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. The note payable was discounted at market rates and approximates fair value.

### *(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 2012. During 2016 and 2015, 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

## **(2) Fair Value Investments**

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

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

- 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.

The tables below present the balances of assets measured at June 30, 2016 and 2015 at estimated fair value on a recurring basis.

	<b>2016</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Investments:</b>				
Certificates of deposit, savings, and money market funds	\$ 14,746	\$ 14,662	\$ 84	\$ —
U.S. government securities and sovereign debt	30,691	—	30,691	—
State government securities	241	—	241	—
Local government securities	639	—	639	—
International bonds	18,498	—	18,498	—
Corporate bonds	72,085	—	72,085	—
Common stock	459,308	435,551	—	23,757
Mutual funds – equity	83,947	83,947	—	—
Mutual funds – fixed income	135,565	135,565	—	—
Preferred stock	564	—	564	—
Commingled funds – public equity	187,168	—	187,168	—
Commingled funds – diversified real assets	35,870	—	35,870	—
Index funds – commodities	14,081	14,081	—	—
Index funds – public equity	247,363	247,363	—	—
<b>Investments measured at net asset value <sup>(1)</sup>:</b>				
Hedge funds	135,735	—	—	—
Limited partnerships	50,795	—	—	—
<b>Temporary Investments:</b>				
U.S. treasuries	118,257	—	118,257	—
Certificates of deposit and money funds	892	157	735	—
State government securities	40,028	—	40,028	—
Local government securities	59,901	—	59,901	—
Corporate bonds	106,658	—	106,658	—
Exchange traded funds – equity	28,451	28,451	—	—
<b>Total</b>	<b>\$ 1,841,483</b>	<b>\$ 959,777</b>	<b>\$ 671,419</b>	<b>\$ 23,757</b>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

	2015			
	Total	Level 1	Level 2	Level 3
Investments:				
Certificates of deposit, savings, and money market funds	\$ 14,104	\$ 14,012	\$ 92	\$ —
U.S. government securities and sovereign debt	35,106	—	35,106	—
State government securities	587	—	587	—
Local government securities	852	—	852	—
International bonds	22,491	—	22,491	—
Corporate bonds	68,072	—	68,072	—
Common stock	428,980	406,366	—	22,614
Mutual funds – equity	87,674	87,674	—	—
Mutual funds – fixed income	137,498	137,498	—	—
Preferred stock	574	—	574	—
Commingled funds – public equity	186,898	—	186,898	—
Commingled funds – diversified real assets	37,995	—	37,995	—
Index funds – commodities	19,062	19,062	—	—
Index funds – public equity	319,560	319,560	—	—
Investments measured at net asset value <sup>(1)</sup> :				
Hedge funds	164,590	—	—	—
Limited partnerships	37,948	—	—	—
Temporary Investments:				
U.S. treasuries	183,743	—	183,743	—
Certificates of deposit and money funds	1,491	21	1,470	—
State government securities	46,776	—	46,776	—
Local government securities	55,269	—	55,269	—
Corporate bonds	104,156	—	104,156	—
Exchange traded funds – equity	4,770	4,770	—	—
Total	<u>\$ 1,958,196</u>	<u>\$ 988,963</u>	<u>\$ 744,081</u>	<u>\$ 22,614</u>

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The policy is to reflect transfers between levels at the beginning of the year in which a change in circumstances resulted in the transfer. There were no transfers between levels during the years ended June 30, 2016 and 2015.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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, 2014	\$	20,512
Net unrealized gains		<u>2,102</u>
Balance, June 30, 2015		22,614
Net unrealized gains		<u>1,143</u>
Balance, June 30, 2016	\$	<u>23,757</u>

### (3) Investments

Investments consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Investments stated at fair value:		
Certificates of deposit, savings, and money market funds	\$ 14,746	\$ 14,104
U.S. government securities and sovereign debt	30,691	35,106
State government securities	241	587
Local government securities	639	852
International bonds	18,498	22,491
Corporate bonds	72,085	68,072
Common stock	459,308	428,980
Mutual funds – equity	83,947	87,674
Mutual funds – fixed income	135,565	137,498
Preferred stock	564	574
Limited partnerships	50,795	37,948
Commingled funds – public equity	187,168	186,898
Commingled funds – diversified real assets	35,870	37,995
Index funds – commodities	14,081	19,062
Index funds – public equity	247,363	319,560
Hedge funds	135,735	164,590
Investments stated at other than fair value:		
Real estate	32,573	34,265
Real estate mortgage and contracts	3,860	5,480
Other	2,687	2,691
Cash value of life insurance	2,764	2,761
Annuity contracts	158	158
	<u>\$ 1,529,338</u>	<u>\$ 1,607,346</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

	2016	2015
Temporary investments stated at fair value		
U.S. treasuries	\$ 118,257	\$ 183,743
Certificates of deposit and money market funds	892	1,491
State government securities	40,028	46,776
Local government securities	59,901	55,269
Corporate bonds	106,658	104,156
Exchange traded funds -- equity	28,451	4,770
Temporary investments stated at other than fair value:		
Real estate	209	340
	<u>\$ 354,396</u>	<u>\$ 396,545</u>

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, 2016 and 2015:

	2016			
	Fair value	Unfunded commitments	*Redemption frequency (if currently eligible)	Redemption notice period
Private equity/venture capital	\$ 32,920	\$ 39,310	N/A	N/A
Natural resources	6,311	9,983	N/A	N/A
Real asset funds	11,564	4,673	N/A	N/A
Hedge funds:				
Domestic long/short	26,922	-	q/sa/a	90-360 days
Global long/short	25,039	-	q/sa/a	90-360 days
Multiple strategies	52,325	-	q/sa/a	90-360 days
Credit strategies	31,449	-	q/sa/a	90-360 days
	<u>\$ 186,530</u>	<u>\$ 53,966</u>		

\* 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, 2016, approximately \$16 million cannot be redeemed without fees for a period of at least 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, 2016, the Foundation expects these funds to liquidate over the next 3 –10 years.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

	2015			
	Fair value	Unfunded commitments	*Redemption frequency (if currently eligible)	Redemption notice period
Private equity/venture capital	\$ 22,901	\$ 36,517	N/A	N/A
Natural resources	5,235	7,736	N/A	N/A
Real asset funds	9,812	8,411	N/A	N/A
Hedge funds:				
Domestic long/short	39,786	—	q/sa/a	90-360 days
Global long/short	26,364	—	q/sa/a	90-360 days
Multiple strategies	65,292	—	q/sa/a	90-360 days
Credit strategies	33,148	—	q/sa/a	90-360 days
	<u>\$ 202,538</u>	<u>\$ 52,664</u>		

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

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, 2016 and 2015:

	2016	2015
Gross amount due in:		
One year or less	\$ 71,456	\$ 67,022
One to five years	182,157	168,909
More than five years	15,830	13,398
	<u>269,443</u>	<u>249,329</u>
Less discount to present value	28,606	28,643
	<u>240,837</u>	<u>220,686</u>
Less allowance for doubtful accounts	7,224	6,621
	<u>\$ 233,613</u>	<u>\$ 214,065</u>

The discount will be recognized as contribution income in years 2017 through 2044.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 8,314	\$ 1,557
Buildings	40,498	1,703
Leasehold improvements	3,566	3,384
Automobiles	152	152
Furniture, equipment, and software	<u>9,795</u>	<u>8,448</u>
	62,325	15,244
Less accumulated depreciation	<u>9,290</u>	<u>8,488</u>
Net property and equipment	<u>\$ 53,035</u>	<u>\$ 6,756</u>

### (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, 2016 and 2015 are \$18,779 and \$20,098, 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. Included in temporarily and permanently restricted assets are the net assets of UNFCGF. The net assets of UNFCGF are restricted for distribution to qualified 501(c)(3) organizations, including the Foundation, at the request of the donor and approval by the Grants Committee of UNFCGF. 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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Temporarily restricted – charitable trusts and annuities	\$ 26,871	\$ 28,758
Temporarily restricted – available for specific purposes	922,442	935,567
Permanently restricted – endowment	<u>921,694</u>	<u>881,038</u>
	<u>\$ 1,871,007</u>	<u>\$ 1,845,363</u>

(Continued)



# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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The Foundation had unrestricted net assets of \$(26,299) and \$17,643 at the end of 2016 and 2015, respectively. Net assets of \$204,885 and \$221,629 were released from donor restrictions during 2016 and 2015 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 4,900 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 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

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

Endowment net asset composition by type of fund as of June 30, 2016 and 2015 is as follows:

	2016			Total net endowment assets
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ (58,899)	\$ 304,084	\$ 921,694	\$ 1,166,879
Board-designated endowment funds	24,298	—	—	24,298
Endowment totals	<u>\$ (34,601)</u>	<u>\$ 304,084</u>	<u>\$ 921,694</u>	<u>\$ 1,191,177</u>

	2015			Total net endowment assets
	Unrestricted	Temporarily restricted	Permanently restricted	
Donor-restricted endowment funds	\$ (16,820)	\$ 344,195	\$ 881,038	\$ 1,208,413
Board-designated endowment funds	24,211	—	—	24,211
Endowment totals	<u>\$ 7,391</u>	<u>\$ 344,195</u>	<u>\$ 881,038</u>	<u>\$ 1,232,624</u>

Changes in endowment net assets for the years ended June 30, 2016 and 2015 are as follows:

	2016			Total net endowment assets
	Unrestricted	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning of year	\$ 7,391	\$ 344,195	\$ 881,038	\$ 1,232,624
Change in reporting entity	(22)	309	200	487
Subtotal	7,369	344,504	881,238	1,233,111
Contributions	1,430	14,381	37,577	53,388
Investment income, net of expenses	—	1,560	—	1,560
Realized and unrealized gains (losses), net	(42,238)	(3,735)	—	(45,973)
Amounts appropriated for expenditure	(1,162)	(49,747)	—	(50,909)
Reclassification due to change in donor intent	—	(2,879)	2,879	—
Endowment net assets, end of year	<u>\$ (34,601)</u>	<u>\$ 304,084</u>	<u>\$ 921,694</u>	<u>\$ 1,191,177</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

	2015			Total net endowment assets
	Unrestricted	Temporarily restricted	Permanently restricted	
Endowment net assets, beginning of year	\$ 17,864	\$ 386,802	\$ 824,910	\$ 1,229,576
Contributions	319	4,395	45,571	50,285
Investment income, net of expenses	1,653	2,208	—	3,861
Realized and unrealized gains (losses), net	(11,501)	6,873	—	(4,628)
Amounts appropriated for expenditure	(944)	(45,526)	—	(46,470)
Reclassification due to change in donor intent	—	(10,557)	10,557	—
Endowment net assets, end of year	\$ 7,391	\$ 344,195	\$ 881,038	\$ 1,232,624

### (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 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 4.25%, 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 \$(58,899) and \$(16,820) as of June 30, 2016 and 2015, 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.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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

The Foundation has a policy of appropriating for distribution each year 4.25% 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, 2016 are as follows:

2017	\$	1,087
2018		1,087
2019		557
2020		449
2021		449

### **(10) Notes Payable**

During the year ended June 30, 2016, the Foundation entered into an agreement with First Data Resources, LLC (FDR) resulting in the acquisition of certain properties owned by FDR. The transaction included the purchase of certain properties valued at \$47.5 million in exchange for an interest free note of \$18,000. The note was recorded at its present value and the imputed interest expense is being recognized over the life of the loan. The \$18,000 is due in full in 2019. In addition, the Foundation agreed to lease certain space back to FDR over 36 months at a nominal amount. In connection with these transactions, the Foundation recognized a net noncash contribution from FDR of \$19.1 million.

### **(11) 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(1) 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, 2016 and 2015 were \$854 and \$763, respectively.

(Continued)

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 and 2015 (Thousands)

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### **(12) 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.

### **(13) Subsequent Events**

In preparing the consolidated financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 21, 2016, the date the consolidated financial statements were available to be issued.



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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

#### 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, 2016 and 2015, 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 9, 2016. 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, the UNMC Science Research Fund, 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, the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, and the Nebraska Utility Corporation, 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 9, 2016.

### **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 University'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.

Lincoln, Nebraska  
December 9, 2016



Mark Avery, CPA  
Audit Manager

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**THE UNIVERSITY OF NEBRASKA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2016  
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**STATISTICAL SECTION (Unaudited)**

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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**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year and provided by the Office of the Senior Vice President | CFO

THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS

SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION (THOUSANDS) (UNAUDITED)

YEARS ENDED JUNE 30

	(Dollars)					(Percent of Total)				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Revenues:										
Tuition and fees	\$ 376,599	\$ 362,210	\$ 347,428	\$ 336,112	\$ 321,279	15 %	16 %	16 %	16 %	16 %
Grants and contracts - restricted	428,598	429,773	356,423	371,709	366,212	18	19	16	17	19
Sales and services of educational activities	98,992	97,332	96,858	93,759	88,046	4	4	4	4	4
Sales and services of health care entities	275,725	228,002	239,521	227,924	217,799	11	10	11	11	11
Sales and services of auxiliary operations	297,825	275,466	281,363	270,906	245,366	12	12	13	13	12
Other operating revenues	13,238	12,237	11,999	13,132	12,777	1	1	1	1	1
Total operating revenues	<u>1,490,977</u>	<u>1,405,020</u>	<u>1,333,592</u>	<u>1,313,542</u>	<u>1,251,479</u>	<u>61</u>	<u>62</u>	<u>61</u>	<u>62</u>	<u>63</u>
State of Nebraska noncapital appropriations	561,079	544,201	527,656	498,509	486,155	23	24	24	23	25
Other non-operating revenues, net	377,802	348,531	352,391	330,105	227,816	16	14	15	15	12
Total revenues	<u>2,429,858</u>	<u>2,297,752</u>	<u>2,213,639</u>	<u>2,142,156</u>	<u>1,965,450</u>	<u>100</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>
Expenses:										
Compensation and benefits	1,372,851	1,312,206	1,232,351	1,174,580	1,126,038	62 %	63 %	62 %	62 %	62 %
Supplies and materials	302,559	293,513	282,777	268,202	260,109	14	14	14	14	14
Contractual services	209,248	145,277	139,237	134,260	123,414	9	7	7	7	7
Repairs and maintenance	69,270	73,320	68,132	57,298	61,905	3	4	3	3	3
Utilities	32,595	33,704	33,480	35,390	34,984	1	2	2	2	2
Communications	11,044	14,066	13,819	14,918	14,377	1	1	1	1	1
Depreciation	116,913	108,112	117,361	106,788	104,088	5	5	6	6	6
Scholarships and fellowships	64,924	70,440	70,195	70,155	67,820	3	3	3	4	4
Total operating expenses	<u>2,179,404</u>	<u>2,050,638</u>	<u>1,957,352</u>	<u>1,861,591</u>	<u>1,792,735</u>	<u>98</u>	<u>99</u>	<u>98</u>	<u>99</u>	<u>99</u>
Other non-operating expenses, net	34,915	25,794	33,647	25,598	28,701	2	1	2	1	1
Total expenses	<u>2,214,319</u>	<u>2,076,432</u>	<u>1,990,999</u>	<u>1,887,189</u>	<u>1,821,436</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>
Increase in net position	<u>\$ 215,539</u>	<u>\$ 221,320</u>	<u>\$ 222,640</u>	<u>\$ 254,967</u>	<u>\$ 144,014</u>					

(Continued)

THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS

SCHEDULE OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION (THOUSANDS) (UNAUDITED)

YEARS ENDED JUNE 30

	(Dollars)					(Percent of Total)				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Revenues:										
Tuition and fees	\$ 291,855	\$ 258,559	\$ 245,630	\$ 224,585	\$ 209,445	14 %	14 %	15 %	13 %	13 %
Grants and contracts - restricted	378,881	358,364	301,770	334,380	328,555	19	19	18	20	20
Sales and services of educational activities	103,977	73,609	71,040	68,705	65,422	5	4	4	4	4
Sales and services of health care entities	218,546	204,221	192,899	181,824	156,519	11	11	12	11	10
Sales and services of auxiliary operations	237,599	216,564	210,657	189,691	193,367	11	11	13	11	12
Other operating revenues	11,488	9,782	12,706	7,594	8,462	1	1	1	-	1
Total operating revenues	1,242,346	1,121,099	1,034,702	1,006,779	961,770	61	60	63	59	60
State of Nebraska noncapital appropriations	489,774	496,963	501,794	475,098	460,282	24	26	30	28	28
Other non-operating revenues, net	314,215	286,779	122,000	224,571	197,578	15	14	7	13	12
Total revenues	2,046,335	1,904,841	1,658,496	1,706,448	1,619,630	100 %	100 %	100 %	100 %	100 %
Expenses:										
Compensation and benefits	1,104,876	1,043,839	1,023,285	956,366	892,133	61 %	62 %	64 %	63 %	62 %
Supplies and materials	286,566	231,900	243,746	231,572	234,604	16	14	15	15	16
Contractual services	127,782	113,097	101,792	95,893	94,332	7	7	6	6	6
Repairs and maintenance	57,368	76,050	49,898	41,552	34,772	3	5	3	3	2
Utilities	36,854	37,157	35,972	32,975	29,950	2	2	2	2	2
Communications	13,425	13,655	13,909	14,583	13,738	1	1	1	1	1
Depreciation	90,846	81,724	68,525	69,977	73,498	5	5	4	5	5
Scholarships and fellowships	69,835	58,702	50,442	65,969	62,391	4	3	4	3	4
Total operating expenses	1,787,552	1,656,124	1,587,569	1,508,887	1,435,418	99	99	99	98	98
Other non-operating expenses, net	37,548	21,847	22,853	23,776	27,893	1	1	1	2	2
Total expenses	1,825,100	1,677,971	1,610,422	1,532,663	1,463,311	100 %	100 %	100 %	100 %	100 %
Increase in net position	\$ 221,235	\$ 226,870	\$ 48,074	\$ 173,785	\$ 156,319					

THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS

SCHEDULE OF NET POSITION COMPONENTS (THOUSANDS) (UNAUDITED)

YEARS ENDED JUNE 30

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net investment in capital assets	\$ 1,953,065	\$ 1,683,616	\$ 1,559,636	\$ 1,408,851	1,277,228	\$ 1,044,719	\$ 955,142	\$ 863,298	\$ 841,385	\$ 769,459
Restricted for:										
Nonexpendable:										
Permanent endowment	207,481	221,048	234,690	204,529	190,492	205,105	169,722	156,480	216,338	217,070
Expendable:										
Externally restricted funds	227,970	197,616	162,118	160,479	148,726	140,250	127,938	120,448	150,669	137,247
Loan fund	43,110	44,916	44,562	44,869	44,507	44,223	43,935	43,946	44,009	44,692
Plant construction	243,917	312,047	284,336	185,744	159,447	107,087	125,575	103,398	43,462	37,127
Debt service	144,167	132,662	136,229	157,353	161,384	168,315	175,655	179,215	152,833	123,023
Unrestricted	<u>761,652</u>	<u>773,918</u>	<u>722,932</u>	<u>760,038</u>	<u>690,977</u>	<u>819,048</u>	<u>709,545</u>	<u>613,857</u>	<u>583,872</u>	<u>530,165</u>
Total net position	<u>\$ 3,581,362</u>	<u>\$ 3,365,823</u>	<u>\$ 3,144,503</u>	<u>\$ 2,921,863</u>	<u>\$ 2,672,761</u>	<u>\$ 2,528,747</u>	<u>\$ 2,307,512</u>	<u>\$ 2,080,642</u>	<u>\$ 2,032,568</u>	<u>\$ 1,858,783</u>
Reconciliation of Adjusted Unrestricted Assets:										
Unrestricted net position per statements	\$ 761,652	\$ 773,918	\$ 722,932	\$ 760,038	\$ 690,977	\$ 819,048	\$ 709,545	\$ 613,857	\$ 583,872	\$ 530,165
Less: Investment in joint venture	<u>385,080</u>	<u>343,098</u>	<u>316,599</u>	<u>296,747</u>	<u>282,013</u>	<u>275,175</u>	<u>253,410</u>	<u>230,369</u>	<u>227,508</u>	<u>208,965</u>
Adjusted unrestricted net position	<u>\$ 376,572</u>	<u>\$ 430,820</u>	<u>\$ 406,333</u>	<u>\$ 463,291</u>	<u>\$ 408,964</u>	<u>\$ 543,873</u>	<u>\$ 456,135</u>	<u>\$ 383,488</u>	<u>\$ 356,364</u>	<u>\$ 321,200</u>
Reconciliation of outstanding indebtedness:										
Bond obligations payable	\$ 826,625	\$ 792,995	\$ 757,965	\$ 684,265	\$ 671,305	\$ 684,785	\$ 700,705	\$ 642,970	\$ 594,220	\$ 492,410
Lease obligations payable	<u>48,523</u>	<u>12,398</u>	<u>1,163</u>	<u>1,325</u>	<u>3,442</u>	<u>5,063</u>	<u>6,586</u>	<u>9,359</u>	<u>12,759</u>	<u>14,896</u>
Total outstanding indebtedness	<u>\$ 875,148</u>	<u>\$ 805,393</u>	<u>\$ 759,128</u>	<u>\$ 685,590</u>	<u>\$ 674,747</u>	<u>\$ 689,848</u>	<u>\$ 707,291</u>	<u>\$ 652,329</u>	<u>\$ 606,979</u>	<u>\$ 507,306</u>
Ratio of adjusted unrestricted net position to total outstanding indebtedness (times)	<u>0.43</u>	<u>0.53</u>	<u>0.54</u>	<u>0.68</u>	<u>0.61</u>	<u>0.79</u>	<u>0.64</u>	<u>0.59</u>	<u>0.59</u>	<u>0.63</u>

**THE UNIVERSITY OF NEBRASKA**

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

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Year	Appropriations		University as Percent of State
	State General Fund	University Non-capital	
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
2015	4,105,826	542,817	13
2016	4,265,178	563,886	13

**THE UNIVERSITY OF NEBRASKA**

**MARKET, DEMOGRAPHIC, AND ECONOMIC INFORMATION  
STATE OF NEBRASKA POPULATION, AND PERSONAL INCOME PER PERSON  
CALENDAR YEARS 2006 - 2015 (UNAUDITED)**

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Year	Calendar Years 2006 - 2015		
	Population	Personal Income (In Millions)	Personal Income Per Person
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	86,013	46,033
2014	1,881,503	88,569	47,073
2015	1,896,190	92,048	48,544

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



**THE UNIVERSITY OF NEBRASKA**

**MARKET, DEMOGRAPHIC, AND ECONOMIC INFORMATION  
TEN LARGEST EMPLOYERS IN STATE OF NEBRASKA (UNAUDITED)**

Name of Company	December 2015			December 2005		
	Total Employment		983,856	Total Employment		949,070
	Rank	Number of Employees	% of Total Employment	Rank	Number of Employees	% of Total Employment
University of Nebraska*	1	16,563	1.683	5	10,547	1.111
State of Nebraska (excluding University)	2	16,445	1.671	1	18,653	1.965
Alegent Health	3	11,512	1.170	9	6,675	0.703
Tyson Foods, Inc.	4	10,760	1.094	4	11,000	1.159
Walmart	5	9,605	0.976	6	9,755	1.028
Omaha Public Schools	6	7,351	0.747	7	8,073	0.851
Hy-Vee Food Stores	7	6,210	0.631	13	4,843	0.510
Crete Carrier	8	6,000	0.610	22	3,040	0.320
Lincoln Public Schools	9	5,839	0.593	11	5,456	0.575
First National Bank	10	4,440	0.451	14	4,651	0.490
US Government (excluding Department of Defense)**				2	15,403	1.623
Offutt Air Force Base				3	11,137	1.173
Union Pacific Corporation				8	7,200	0.759
First Data Corporation				10	6,300	0.664

\*University of Nebraska, including the four campuses (UNL, UNMC, UNO, and UNK).

\*\* Sources did not track US Government Employment in Nebraska.

Source: The Nebraska Department of Economic Development,  
Hoovers, a Dun and Bradstreet data base, and Employers  
(Latest data available)

**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			Debt Service	Coverage	Required Coverage	
			Dedicated Revenues	Related Expenses	Net				
2016	University of Nebraska Master Trust Indenture University of Nebraska Facilities Corporation Nebraska Utility Corporation	\$ 476,715 328,860 21,050 <u>\$ 826,625</u>	\$ 136,702	\$ 77,680	\$ 59,022	\$ 35,193	1.68	1.15	
2015	University of Nebraska Master Trust Indenture University of Nebraska Facilities Corporation Nebraska Utility Corporation	\$ 475,345 295,375 22,275 <u>\$ 792,995</u>	\$ 133,920	\$ 76,228	\$ 57,692	\$ 32,991	1.75	1.15	
2014	University of Nebraska Master Trust Indenture University of Nebraska-Lincoln Memorial Stadium Bond University of Nebraska Facilities Corporation Nebraska Utility Corporation	\$ 416,530 28,335 289,575 23,525 <u>\$ 757,965</u>	\$ 126,189	\$ 73,261	\$ 52,928	\$ 33,160	1.60	1.15	
2013	University of Nebraska Master Trust Indenture University of Nebraska-Lincoln Memorial Stadium Bond University of Nebraska Facilities Corporation Nebraska Utility Corporation	\$ 425,280 30,245 214,765 13,975 <u>\$ 684,265</u>	\$ 116,969	\$ 69,084	\$ 47,885	\$ 27,723	1.73	1.15	
2012	University of Nebraska Master Trust Indenture University of Nebraska-Lincoln Memorial Stadium Bond University of Nebraska Facilities Corporation Nebraska Utility Corporation	\$ 413,720 32,080 210,385 15,120 <u>\$ 671,305</u>	\$ 113,818	\$ 68,624	\$ 45,194	\$ 28,982	1.56	1.15	
			<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>		
	Bonded Debt per student FTE: (in dollars)		\$ 10,697	\$ 10,871	\$ 9,669	\$ 10,007	\$ 9,667		
	All bonded indebtedness		18,549	18,136	17,596	16,102	15,685		

(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)**

Year	Description	Bonds Outstanding	Revenues Available for Debt Service			Debt Service	Coverage	Required Coverage
			Dedicated Revenues	Related Expenses	Net			
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						
		<u>\$ 684,785</u>						
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						
		<u>\$ 700,705</u>						
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						
		<u>\$ 642,970</u>						
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						
		<u>\$ 594,220</u>						
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						
		<u>\$ 492,410</u>						
		2011	2010	2009	2008	2007		
Bonded Debt per student FTE: (in dollars)								
Master Trust Indenture	\$ 8,790	\$ 9,216	\$ 8,248	\$ 7,283	\$ 4,925			
All bonded indebtedness	16,112	16,839	15,852	14,925	12,644			

**THE UNIVERSITY OF NEBRASKA**

**DEBT INFORMATION  
LEASE OBLIGATIONS PAYABLE  
FOR THE PAST TEN YEARS AS OF JUNE 30 (THOUSANDS) (UNAUDITED)**

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	At June 30,
Year	Outstanding Lease Obligations
2016	\$ 48,523
2015	12,398
2014	1,163
2013	1,325
2012	3,442
2011	5,063
2010	6,586
2009	9,359
2008	12,759
2007	14,896

THE UNIVERSITY OF NEBRASKA

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

	Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Land	\$ 91,537	\$ 88,020	\$ 84,660	\$ 84,625	\$ 73,170	\$ 72,407	\$ 71,117	\$ 60,812	\$ 59,577	\$ 57,640
Land improvements	251,580	210,805	197,686	183,577	159,630	143,813	135,018	131,121	120,879	111,301
Leasehold improvements	53,618	33,435	31,937	31,223	13,209	13,209	13,209	13,209	13,209	13,209
Buildings	2,352,351	2,169,553	2,088,516	1,928,844	1,929,341	1,833,585	1,644,313	1,460,965	1,251,148	1,199,961
Equipment	489,496	462,487	431,543	413,843	388,388	340,535	326,434	309,739	285,785	279,887
Construction work in progress	426,895	345,823	202,643	227,881	118,823	155,979	250,162	202,163	222,316	81,558
Total capital assets	<u>3,665,477</u>	<u>3,310,123</u>	<u>3,036,985</u>	<u>2,869,993</u>	<u>2,682,561</u>	<u>2,559,528</u>	<u>2,440,253</u>	<u>2,178,009</u>	<u>1,952,914</u>	<u>1,743,556</u>
Less accumulated depreciation for:										
Land improvements	80,061	72,688	66,213	59,849	54,167	51,592	46,081	41,999	40,437	37,408
Leasehold improvements	14,239	11,412	9,780	8,187	3,847	3,406	2,965	2,524	2,083	1,642
Buildings	621,126	588,202	562,535	533,744	516,924	475,899	443,136	409,847	379,053	358,536
Equipment	347,969	329,110	306,977	283,009	251,750	227,863	211,955	196,440	186,703	178,729
Total capital assets	<u>1,063,395</u>	<u>1,001,412</u>	<u>945,505</u>	<u>884,789</u>	<u>826,688</u>	<u>758,760</u>	<u>704,137</u>	<u>650,810</u>	<u>608,276</u>	<u>576,315</u>
Capital assets, net	<u>\$ 2,602,082</u>	<u>\$ 2,308,711</u>	<u>\$ 2,091,480</u>	<u>\$ 1,985,204</u>	<u>\$ 1,855,873</u>	<u>\$ 1,800,768</u>	<u>\$ 1,736,116</u>	<u>\$ 1,527,199</u>	<u>\$ 1,344,638</u>	<u>\$ 1,167,241</u>
Age of plant (in years) (1):	<u>9</u>	<u>9</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>8</u>

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

**THE UNIVERSITY OF NEBRASKA**

**OPERATING INFORMATION**

**FRESHMAN SELECTIVITY AND MATRICULATION DATA (UNAUDITED)**

		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
UNL	Applications	11,193	9,724	11,865	10,929	10,350	10,022	9,768	9,455	9,709	9,598	7,993
	Accepted	8,425	7,425	8,293	6,999	6,662	5,943	6,056	5,943	6,122	5,978	5,858
	<i>Selectivity</i>	75.3%	76.4%	69.9%	64.0%	64.4%	59.3%	62.0%	62.9%	63.1%	62.3%	73.3%
	Enrolled	4,860	4,628	4,652	4,420	3,937	4,093	4,058	3,986	4,200	4,235	3,849
	<i>Matriculation</i>	57.7%	62.3%	56.1%	63.2%	59.1%	68.9%	67.0%	67.1%	68.6%	70.8%	65.7%
	Composit ACT Scores	25.2	25.2	25.4	25.3	25.4	25.3	25.3	25.4	25.0	25.0	24.9
UNO	Applications	5,551	5,581	5,750	4,955	4,536	4,625	4,562	4,717	4,306	3,891	3,871
	Accepted	4,799	4,238	4,514	3,507	3,630	3,503	3,467	3,810	3,630	3,341	3,314
	<i>Selectivity</i>	86.5%	75.9%	78.5%	70.8%	80.0%	75.7%	76.0%	80.8%	84.3%	85.9%	85.6%
	Enrolled	2,069	2,007	1,848	1,890	1,761	1,785	1,803	1,816	1,818	1,642	1,648
	<i>Matriculation</i>	43.1%	47.4%	40.9%	53.9%	48.5%	51.0%	52.0%	47.7%	50.1%	49.1%	49.7%
	Composit ACT Scores	22.0	22.5	22.6	22.7	22.9	22.6	23.0	22.9	23.0	22.8	22.7
UNK	Applications	2,815	2,511	2,706	2,589	2,815	2,615	2,622	2,895	2,797	2,646	2,468
	Accepted	2,395	2,144	2,276	2,197	2,402	2,258	2,239	2,215	2,244	2,092	2,056
	<i>Selectivity</i>	85.1%	85.4%	84.1%	84.9%	85.3%	86.3%	85.4%	76.5%	80.2%	79.1%	83.3%
	Enrolled	1,008	938	990	1,022	1,136	1,074	1,132	983	1,045	996	1,014
	<i>Matriculation</i>	42.1%	43.8%	43.5%	46.5%	47.3%	47.6%	50.6%	44.4%	46.6%	47.6%	49.3%
	Composit ACT Scores	23.0	22.6	22.8	22.6	22.9	22.7	22.7	22.6	22.4	22.4	22.2
Total	Applications	19,559	17,816	20,321	18,473	17,701	17,262	16,952	17,067	16,812	16,135	14,332
	Accepted	15,619	13,807	15,083	12,703	12,694	11,704	11,762	11,968	11,996	11,411	11,228
	<i>Selectivity</i>	79.9%	77.5%	74.2%	68.8%	71.7%	67.8%	69.4%	70.1%	71.4%	70.7%	78.3%
	Enrolled	7,937	7,573	7,490	7,332	6,834	6,952	6,993	6,785	7,063	6,873	6,511
	<i>Matriculation</i>	50.8%	54.8%	49.7%	57.7%	53.8%	59.4%	59.5%	56.7%	58.9%	60.2%	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,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Level										
Undergraduate	35,913	35,260	34,753	34,303	34,604	34,373	33,480	32,812	32,337	31,644
Graduate	5,868	5,797	5,758	5,532	5,970	5,962	5,881	5,540	5,346	5,216
Professional	2,784	2,669	2,566	2,661	2,224	2,166	2,249	2,209	2,132	2,083
Total	44,565	43,726	43,077	42,496	42,798	42,501	41,610	40,561	39,815	38,943
Percent										
Undergraduate	81 %	81 %	81 %	81 %	81 %	81 %	81 %	81 %	81 %	81 %
Graduate	13	13	13	13	14	14	14	14	14	14
Professional	6	6	6	6	5	5	5	5	5	5
Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Gross tuition and fees (thousands)	\$ 493,776	\$ 474,057	\$ 452,929	\$ 433,498	\$ 411,567	\$ 377,084	\$ 340,844	\$ 317,648	\$ 292,837	\$ 272,091
Tuition discounts and allowances (thousands)	<u>(117,177)</u>	<u>(111,847)</u>	<u>(105,501)</u>	<u>(97,386)</u>	<u>(90,288)</u>	<u>(85,229)</u>	<u>(82,285)</u>	<u>(72,018)</u>	<u>(68,252)</u>	<u>(62,646)</u>
Net tuition revenue and fees (thousands)	<u>\$ 376,599</u>	<u>\$ 362,210</u>	<u>\$ 347,428</u>	<u>\$ 336,112</u>	<u>\$ 321,279</u>	<u>\$ 291,855</u>	<u>\$ 258,559</u>	<u>\$ 245,630</u>	<u>\$ 224,585</u>	<u>\$ 209,445</u>
Net tuition revenue and fees per FTE	\$ 8,451	\$ 8,284	\$ 8,065	\$ 7,909	\$ 7,507	\$ 6,867	\$ 6,214	\$ 6,056	\$ 5,641	\$ 5,378
Percent of tuition discounts and allowances (1)	24 %	24 %	23 %	22 %	22 %	23 %	24 %	23 %	23 %	23 %

(1) Tuition discounts and allowances as a percent of gross tuition and fees.

**THE UNIVERSITY OF NEBRASKA**

**OPERATING INFORMATION  
FACULTY AND STAFF FTE (UNAUDITED)**

	Years Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Faculty	4,429	4,159	4,122	3,953	3,871	3,837	3,746	3,771	3,624	3,519
Staff *	<u>12,166</u>	<u>12,404</u>	<u>12,087</u>	<u>12,099</u>	<u>11,997</u>	<u>11,494</u>	<u>11,492</u>	<u>11,509</u>	<u>11,143</u>	<u>10,840</u>
Total Employees	<u>16,595</u>	<u>16,563</u>	<u>16,209</u>	<u>16,052</u>	<u>15,868</u>	<u>15,331</u>	<u>15,238</u>	<u>15,280</u>	<u>14,767</u>	<u>14,359</u>
Student FTE per Faculty FTE	<u>10</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>

\* 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)**

		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
UNL	Tenured Faculty	877	847	883	879	886	864	921	917	915	917
	Tenure-Track	326	295	287	280	266	259	270	264	238	234
	Percent of tenured and tenure track	72.9%	74.2%	75.5%	75.8%	76.9%	76.9%	77.3%	77.6%	79.4%	79.7%
UNMC	Tenured Faculty	263	268	276	271	271	268	273	267	259	254
	Health Professionals	564	519	484	487	490	488	474	461	416	384
	Percent of tenured	31.8%	34.1%	36.3%	35.8%	35.6%	35.4%	36.5%	36.7%	38.4%	39.8%
UNO	Tenured Faculty	327	323	338	338	347	327	338	336	336	327
	Tenure-Track	127	114	115	97	94	91	99	108	107	114
	Percent of tenured and tenure track	72.0%	73.9%	74.6%	77.7%	78.7%	78.2%	77.3%	75.7%	75.8%	74.1%
UNK	Tenured Faculty	162	164	166	170	177	175	181	178	187	185
	Tenure-Track	74	81	89	86	74	65	66	72	60	68
	Percent of tenured and tenure track	68.6%	66.9%	65.1%	66.4%	70.5%	72.9%	73.3%	71.2%	75.7%	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)

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

<u>Fall Cohort</u>	<u>UNL</u>	<u>UNO</u>	<u>UNK</u>
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
2014	83	77	80
2015	82	78	84

Baccalaureate Graduation Rate After Six Years

<u>Fall Cohort</u>	<u>UNL</u>	<u>UNO</u>	<u>UNK</u>
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
2009	67	46	57
2010	67	45	57

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)**

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**Bachelor's**

<u>Year</u>	<u>UNL</u>	<u>UNO</u>	<u>UNMC</u>	<u>UNK</u>
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
2015	3,716	2,280	434	876
2016	3,657	2,405	420	995

**Master's**

<u>Year</u>	<u>UNL</u>	<u>UNO</u>	<u>UNMC</u>	<u>UNK</u>
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
2015	859	834	257	397
2016	852	907	248	397

**Doctor's**

<u>Year</u>	<u>UNL</u>	<u>UNO</u>	<u>UNMC</u>
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
2015	464	27	368
2016	442	29	368

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.