

UNIVERSITY OF NEBRASKA SYSTEM ANNUAL COMPREHENSIVE FINANCIAL REPORT



For the Years Ended June 30, 2021 and 2020



UNIVERSITY OF
Nebraska
System

(A Component Unit of the State of Nebraska)

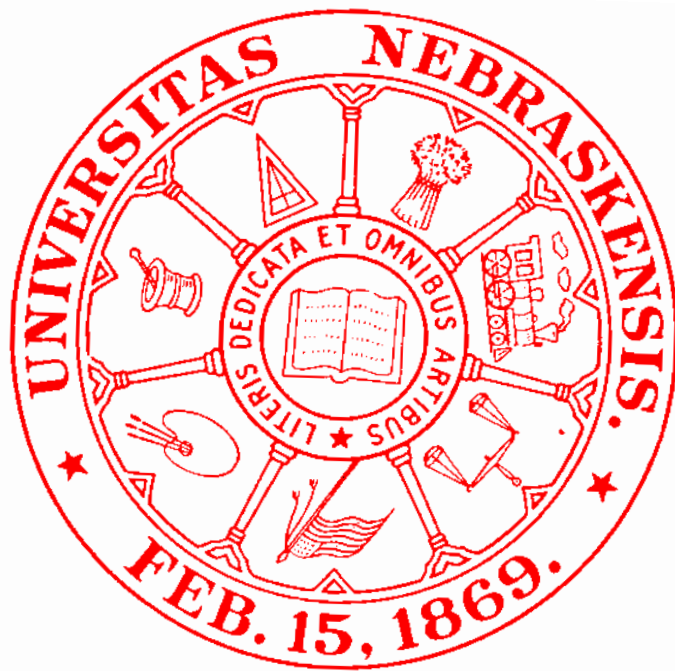
THE UNIVERSITY OF NEBRASKA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Years Ended June 30, 2021 and 2020

(A Component Unit of the State of Nebraska)

Office of the Vice President | CFO



THE UNIVERSITY OF NEBRASKA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

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THE UNIVERSITY OF NEBRASKA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

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INTRODUCTION





December 17, 2021

Mr. Ted Carter, President
Members of the Board of Regents
University of Nebraska

Dear President Carter and Board Members:

We enclose for your review and use the Annual Comprehensive Financial Report for the University of Nebraska as of and for the fiscal year ended June 30, 2021.

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. Because the cost of control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The University of Nebraska's financial statements for the year ended June 30, 2021 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.

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 Carter 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,

Chris Kabourek

Chris Kabourek
Senior Vice President | CFO

Brenda Owen

Brenda Owen, CPA
Assistant Vice President | Controller

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA



Paul Kenney, Chairman,
District 6



Bob Phares, Vice Chairman,
District 7



Timothy F. Clare, Omaha
District 1



Jack Stark, Omaha
District 2



Jim Pillen, Columbus
District 3



Elizabeth O'Connor, Omaha
District 4



Robert Schafer, Beatrice
District 5



Barbara Weitz, Omaha
District 8

STUDENT REGENTS



Noah Limbach, UNK



Batool Ibrahim, UNL



Taylor Kratochvil, UNMC



Maeve Hemmer, UNO

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

University of Nebraska Officers

Ted Carter, President

Jeffrey Gold, Executive Vice President and Provost

Chris Kabourek, Senior Vice President | CFO

Stacia L. Palser, Vice President and General Counsel

Phil Bakken, Corporation Secretary

Brenda Owen, Assistant Vice President | Controller

University of Nebraska-Lincoln Administration

Ronnie D. Green, Chancellor

William Nunez, Vice Chancellor

Mary LaGrange, Associate Vice Chancellor

University of Nebraska Medical Center Administration

Jeffrey Gold, Chancellor

Doug Ewald, Vice Chancellor for Business and Finance

Jeffrey Miller, Assistant Vice Chancellor for Finance and
Business

University of Nebraska at Omaha Administration

Joanne Li, Chancellor

Doug Ewald, Vice Chancellor for Business and Finance

James Kamm, Assistant Vice Chancellor for Business and Finance

University of Nebraska at Kearney Administration

Douglas Kristensen, Chancellor

Jon Watts, Vice Chancellor for Business and Finance

Jane Sheldon, Associate Vice Chancellor for Business and
Finance

University of Nebraska Facilities Corporation

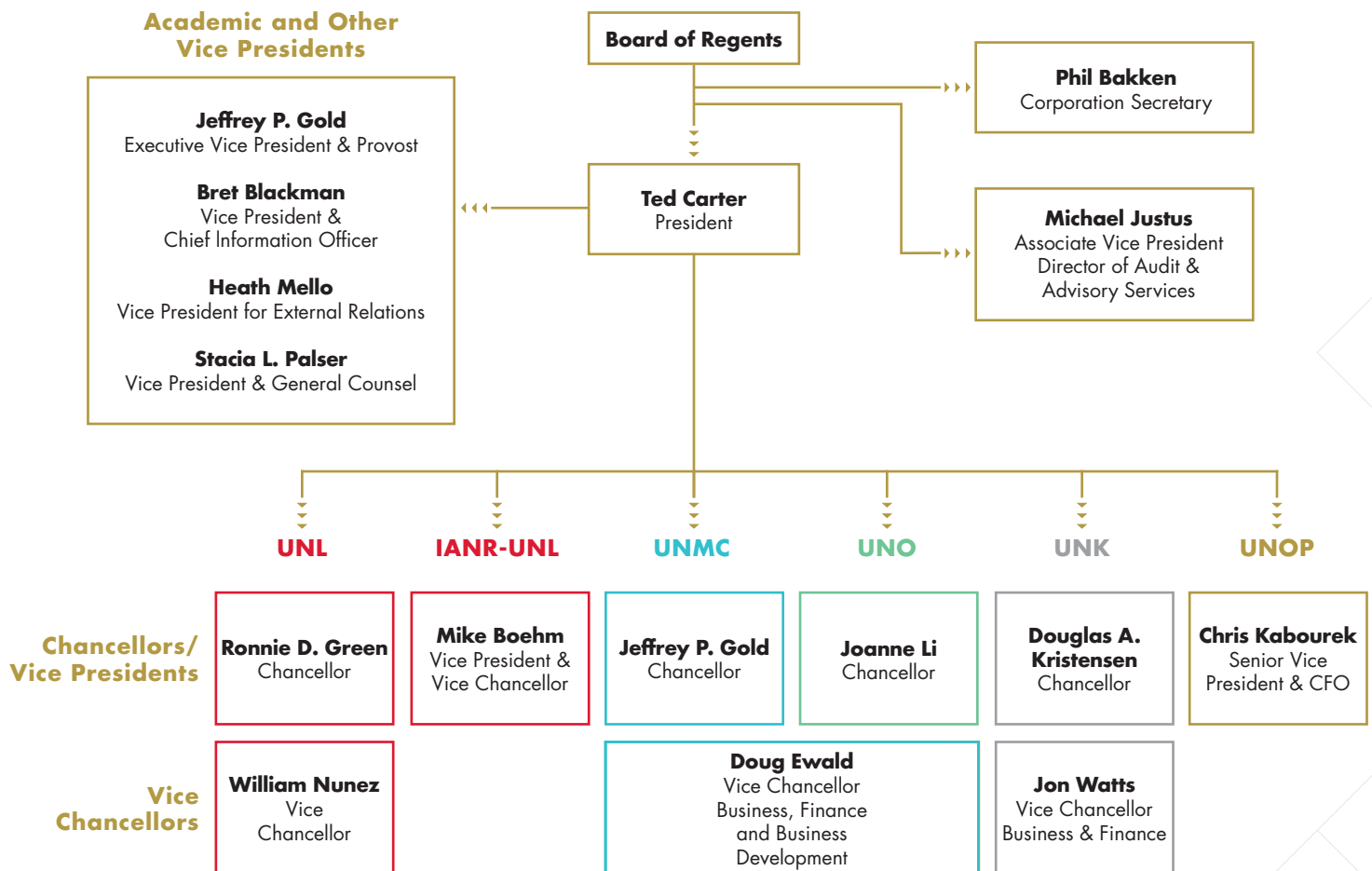
Paul Kenney, President

Elizabeth O'Connor, Vice President

Chris Kabourek, Secretary-Treasurer

UNIVERSITY OF NEBRASKA SYSTEM ADMINISTRATION

Business Affairs Organizational Chart



FINANCIALS



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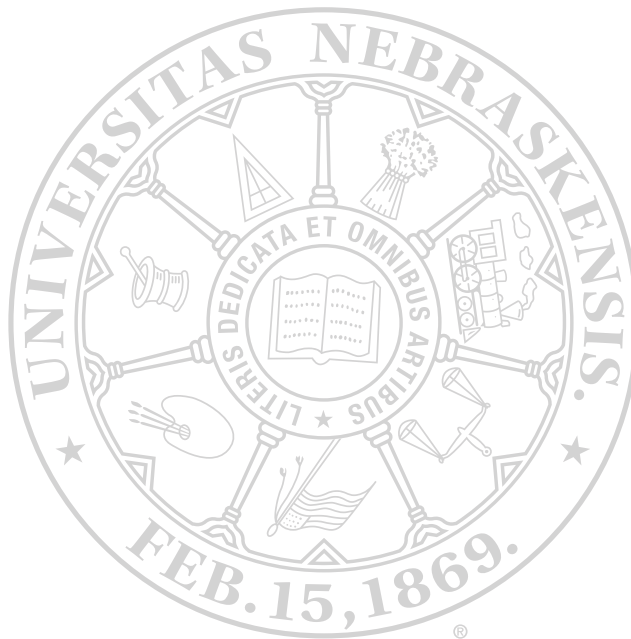
THE UNIVERSITY OF NEBRASKA SYSTEM

The University of Nebraska strives to be the best public university system 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 state's only public university system, the University of Nebraska 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.

It 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.

Our university stands proudly in the company of America's great public universities, with faculty and staff of about 16,000 serving more than 51,000 students and 1.9 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

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Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
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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, fiduciary 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, 2021 and 2020, 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 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). The Blended Component Units represent 26 percent, 3 percent, and 8 percent, respectively, of the assets, net position, and revenues of the University at June 30, 2021, and 20 percent, 2 percent, and 6 percent, respectively, of the assets, net position, and revenues of the University at June 30, 2020. 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, and the Blended Component Units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation, and the Blended Component Units were not audited in accordance with *Government Auditing Standards*.

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

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, fiduciary activities, and the discretely presented component unit of the University of Nebraska, as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, the 2020 financial statements have been restated. Our opinion is not modified with respect to this matter.

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 13 through 24 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 6 and pages 86 through 103 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 16, 2021, 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 solely 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 the effectiveness of the University's 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.

A handwritten signature in black ink, appearing to read "Mark Avery", with a long, sweeping horizontal line extending to the right.

Lincoln, Nebraska
December 16, 2021

Mark Avery, CPA
Assistant Deputy Auditor



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

Suite 1120
1248 O Street
Lincoln, NE 68508-1493

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 (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University of Nebraska Foundation as of June 30, 2021 and 2020, 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 24, 2021

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

THE UNIVERSITY OF NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2021 and 2020 (UNAUDITED) (Columnar Amounts in Thousands)

Introduction

This discussion and analysis is designed to provide an overview of the financial position and activities of the University of Nebraska (the University) for the years ended June 30, 2021 and 2020. 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 Science Research Fund, the University Dental Associates, UNeHealth, 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.

THE UNIVERSITY OF NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2021 and 2020 (UNAUDITED) (Columnar Amounts in Thousands)

Campus	Student Enrollment – Headcount				
	Fiscal Year				
	2017	2018	2019	2020	2021
UNL	26,171	26,343	26,105	25,634	25,340
UNMC	3,862	3,908	3,972	4,110	4,238
UNO	15,627	15,731	15,431	15,153	15,892
UNK	6,788	6,644	6,327	6,279	6,225
Total	52,448	52,626	51,835	51,176	51,695

The fall semester (fiscal 2021) headcount enrollment was 51,695 students on the four campuses. 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 13,061 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

- **Internal Loan Program.** The University utilizes an Internal Loan Program (ILP) to support the long-term stewardship of the University's financial resources. The ILP allows the University to manage these financial resources holistically across the system. The ILP seeks to decouple external financings and internal lending such that the University can strategically reinvest in future projects and initiatives.
- **Growth in Net Position.** Net position of the University grew by \$368 million or 9% and is attributable to several factors. Nonexpendable permanent endowment increased \$72 million due to favorable market conditions. Invested in capital assets increased \$45 million, aided by ongoing construction during 2021 of approximately \$39 million at UNL on the Scott Engineering Center and Mabel Lee renovation projects, as well as several smaller projects at UNMC. Unrestricted net position saw additional growth of \$243 million in fiscal year 2021 to a total of \$1,635 million. Several factors impacted this growth, specifically an increase in fair market value of quasi-endowment investments, a decrease in operating expenses, an increase in noncapital appropriations, and an increase in joint venture investment.
- **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 \$27 million project that replaces and relocates the fraternity and sorority housing on UNK's campus began in fiscal year 2021. This project will renovate the existing Martin Hall as well as construct a new three-story, 39,000-square-foot residence hall. This will add nearly 250 beds in order to provide enough living space and chapter room availability for all 12 UNK fraternities and sororities.

THE UNIVERSITY OF NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2021 and 2020 (UNAUDITED) (Columnar Amounts in Thousands)

- At UNO, construction continued for the Durham Science Center Renovation. The approximate 166,000 gross square foot building addition will include improved space for classrooms, faculty offices, teaching laboratories, research laboratories, student individual and group study, and activities. It will also include renovation of the building envelope, interior finishes, and code updates, in addition to mechanical, electrical, plumbing, and technology system updates. The total cost is budgeted at \$35 million.
- Work continues on the Scott Engineering Center renovation at UNL, with a budget of about \$77 million. This renovation will support the research mission of the University. The replacement of Mabel Lee Hall is also ongoing, with a total budget of about \$45 million. This new facility will feature new classrooms, meeting spaces, offices, labs and a 400-seat auditorium.
- **Indebtedness.** Overall, bonded indebtedness increased in 2021 by approximately \$327 million on a base of \$1,012 million at June 30, 2020, the result of two new issues, net of maturities/calls:

Two new issues were marketed by UNFC:

 - \$267 million of Facilities Program Bonds, Series 2021A, dated June 9, 2021. The proceeds of the Series 2021A Bonds will be used to pay a portion of the costs of certain renewal, replacement, renovation and repair projects on the campuses of the University.
 - \$89 million of Facilities Program Bonds, Series 2021B (Green Bonds), dated June 9, 2021. The proceeds of the Series 2021B Bonds will be applied to finance environmentally sustainable projects.
- **State appropriations and tuition.** The Nebraska Legislature appropriated a 4% increase in state support of University operations for 2021 compared to a 3% increase in 2020 and a 1% increase in 2019. Tuition increased 2.75% in both 2021 and 2020, compared to a 3.2% increase in 2019. Of note, in May 2020, President Carter announced a two-year tuition freeze beginning in 2022.
- **Federal Grants and Contracts.** Revenues from Federal grants and contracts increased by 6% from 2020 to 2021 compared to a 5% decrease from 2019 to 2020. 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 \$112 million in 2021 compared to \$68 million in 2020, and \$94 million in 2019. The increase in capital gifts in 2021 resulted from a combined \$14 million increase in Foundation gifts for plant fund projects at UNL and UNO, as well as a \$26 million increase at UNFC for donated gifts paying down debt of various plant projects. Specifically at UNFC, the UNMC Cancer Center bond issue had a \$14 million incremental increase in debt payments from the prior year and UNMC made an early debt payment of \$8 million for the Eye Institute bond issue.

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.

THE UNIVERSITY OF NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2021 and 2020 (UNAUDITED) (Columnar Amounts in Thousands)

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, funds for plant construction and debt service on bond obligations.
 - Non-expendable: Permanent endowments and the Perkins student loan program.
- 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.

THE UNIVERSITY OF NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2021 and 2020 (UNAUDITED) (Columnar Amounts in Thousands)

Condensed Financial Statements and Analysis

Condensed Statements of Net Position

		June 30,	
	2021	2020	2019
Assets and Deferred Outflows			
Current assets	\$ 1,730,285	\$ 1,587,999	\$ 1,444,037
Capital assets, net of accumulated depreciation	2,988,402	2,949,831	2,878,778
Other non-current assets	1,694,592	1,168,231	1,251,259
Total assets	6,413,279	5,706,061	5,574,074
Deferred Outflows of Resources	32,010	33,849	18,547
Liabilities, Deferred Inflows, and Net Position			
Current liabilities	426,909	436,946	488,280
Non-current liabilities	1,411,874	1,060,260	986,995
Total liabilities	1,838,783	1,497,206	1,475,275
Deferred Inflows of Resources	15,006	18,718	15,192
Net position:			
Net investment in capital assets	2,151,882	2,106,513	2,031,214
Restricted for:			
Nonexpendable:			
Permanent endowment	280,281	207,915	225,959
Loan funds	16,692	17,315	18,375
Expendable:			
Externally restricted funds	385,655	359,942	351,703
Plant construction	65,583	87,138	122,269
Debt service	56,146	53,067	170,249
Unrestricted	1,635,261	1,392,096	1,182,385
Total net position	\$ 4,591,500	\$ 4,223,986	\$ 4,102,154

THE UNIVERSITY OF NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2021 and 2020 (UNAUDITED) (Columnar Amounts in Thousands)

Condensed Statements of Revenues, Expenses, and Changes in Net Position			
	Year Ended June 30,		
	2021	2020	2019
Operating Revenues:			
Tuition and fees	\$ 445,645	\$ 444,535	\$ 434,084
Federal grants and contracts - restricted	336,611	316,748	333,490
Private grants and contracts - restricted	213,772	217,321	182,443
State grants and contracts - restricted	40,510	40,581	37,089
Sales and services of educational activities	65,188	65,627	66,931
Sales and services of health care entities	15,523	25,325	22,359
Sales and services of auxiliary operations	235,310	321,396	218,818
Sales and services of auxiliary segments	-	-	124,057
Other operating revenues	24,418	28,342	22,477
Total operating revenues	<u>1,376,977</u>	<u>1,459,875</u>	<u>1,441,748</u>
Operating Expenses:			
Compensation and benefits	1,406,479	1,429,060	1,349,318
Supplies and services	540,533	565,419	572,218
Depreciation	147,624	143,050	142,862
Scholarships and fellowships	91,345	82,078	69,656
Total operating expenses	<u>2,185,981</u>	<u>2,219,607</u>	<u>2,134,054</u>
Operating Loss	<u>(809,004)</u>	<u>(759,732)</u>	<u>(692,306)</u>
Non-operating Revenues (Expenses):			
State of Nebraska non-capital appropriations	616,545	591,939	574,746
Federal grants	107,183	64,500	50,365
Gifts	121,668	106,366	100,502
Investment income	32,132	47,744	47,714
Interest on bond obligations	(33,948)	(27,944)	(35,621)
Equity in joint venture	95,212	40,647	48,870
Other non-operating revenues (expenses)	109,283	(31,393)	(11,367)
Net non-operating revenues	<u>1,048,075</u>	<u>791,859</u>	<u>775,209</u>
Income before Other Revenues, Expenses, Gains or Losses	239,071	32,127	82,903
Other Revenues, Expenses, Gains or Losses:			
State of Nebraska capital appropriations	16,696	19,458	21,266
Capital grants and gifts	111,538	68,113	94,393
Additions to permanent endowments	209	2,134	4,039
Net other revenues, expenses, and gains or losses	<u>128,443</u>	<u>89,705</u>	<u>119,698</u>
Increase in net position	367,514	121,832	202,601
Net position, beginning of year	4,223,986	4,102,154	3,899,553
Net position, end of year	<u>\$ 4,591,500</u>	<u>\$ 4,223,986</u>	<u>\$ 4,102,154</u>

THE UNIVERSITY OF NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2021 and 2020 (UNAUDITED) (Columnar Amounts in Thousands)

Analysis of Financial Position. Cash and cash equivalents represent the majority of current assets of the University and increased \$21 million in 2021, from \$1,208 million to \$1,229 million, as compared to a \$134 million increase in 2020, from \$1,074 million to \$1,208 million.

Non-current assets of the University are led by the investment in capital assets. At June 30, 2021, total investment in capital assets was \$4.5 billion, yielding a net investment, after accumulated depreciation, of \$3.0 billion. The increase in capital assets was \$38 million, consisting of additions of \$186 million net of depreciation of \$148 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 Mammel Hall Building addition, the Nebraska East Union renovation at UNL, the UNL Dinsdale Family Learning Commons renovation, the UNMC Munroe-Meyer Institute, and funds for debt service on certain UNFC projects. All other projects were funded or partially funded from UNFC bond issues of current and prior years, capital appropriations, and certain designated internal funds.

Net bonded indebtedness increased by \$327 million in 2021 following increases of \$55 million and \$30 million in 2020 and 2019, respectively. Indebtedness issued was \$356 million in 2021 with \$563 million issued in 2020 and \$94 million issued in 2019. 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 increased by 17% or \$243 million during the year to \$1.6 billion. Of this increase, about \$54 million was due to the University's share in equity in a joint venture. Additionally, unrestricted cash increased \$110 million, due in part to the University deferring payment of about \$27 million in payroll tax for six months of 2021 as part of the Coronavirus, Aid, Relief and Economic Security (CARES) Act passed by the Federal Government.

Analysis of Operations – Overview. The University generated \$1,377 million of operating revenues during 2021, a decrease of \$83 million over 2020, while operating expenses were \$2,186 million, down \$34 million over the prior year. These changes resulted in an increase in the operating loss of \$49 million to \$809 million in 2021 compared to losses of \$760 million and \$692 million for 2020 and 2019. 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 non-capital 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 \$192 million in 2021 compared to similar "losses" of \$168 million in 2020 and \$118 million in 2019.

The Nebraska Legislature provided \$617 million in non-capital appropriations for 2021, an increase of \$25 million over 2020 following an increase of \$17 million over 2019. The University, in conjunction with the Foundation, generated non-operating and capital gifts of approximately \$233 million that, when combined with all other non-operating revenues and expenses including investment income of \$32 million, netted an overall increase in net position of approximately \$368 million.

THE UNIVERSITY OF NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2021 and 2020 (UNAUDITED) (Columnar Amounts in Thousands)

Revenues. The following charts depict the operating revenues for 2021 and 2020 and the comparative changes that occurred between those years.

	2021		2020		2021-2020 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Tuition and fees	\$ 445,645	32%	\$ 444,535	30%	\$ 1,110	0%
Federal grants and contracts - restricted	336,611	24	316,748	22	19,863	6
Private grants and contracts - restricted	213,772	16	217,321	15	(3,549)	(2)
State grants and contracts - restricted	40,510	3	40,581	3	(71)	0
Sales and services of educational activities	65,188	5	65,627	4	(439)	(1)
Sales and services of health care entities	15,523	1	25,325	2	(9,802)	(39)
Sales and services of auxiliary operations	235,310	17	321,396	22	(86,086)	(27)
Other operating revenues	24,418	2	28,342	2	(3,924)	(14)
Total operating revenues	<u>\$ 1,376,977</u>	<u>100%</u>	<u>\$ 1,459,875</u>	<u>100%</u>	<u>\$ (82,898)</u>	<u>(6)%</u>

The University's operating revenues decreased in fiscal year 2021 by 6% or \$83 million. A three-year comparison of revenues for the years 2021, 2020, and 2019 is presented on page 18.

- The largest decrease in revenue occurred in sales and services of auxiliary operations, which decreased about \$86 million, or 27%. This decrease was consistent across campuses, as the COVID-19 pandemic caused a disruption in many revenue-generating activities. For example, many athletic events were cancelled or conducted without fans in attendance. Furthermore, there were fewer residents in student housing and less parking passes sold as in a normal academic year.

Expenses. The following chart shows the University's operating expenses for 2021 and 2020 and comparative changes that occurred between those years. A three-year comparison of operating expenses for the years 2021, 2020, and 2019 is presented on page 18.

	2021		2020		2021-2020 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Compensation and benefits	\$ 1,406,479	64%	\$ 1,429,060	64%	\$ (22,581)	(2)%
Supplies and services	540,533	25	565,419	26	(24,886)	(4)
Depreciation	147,624	7	143,050	6	4,574	3
Scholarships and fellowships	91,345	4	82,078	4	9,267	11
Total operating expenses	<u>\$ 2,185,981</u>	<u>100%</u>	<u>\$ 2,219,607</u>	<u>100%</u>	<u>\$ (33,626)</u>	<u>(2)%</u>

Operating expenses decreased by \$34 million for the 2021 fiscal year. Changes in the major expense classifications follow.

- Supplies and services decreased by 4% in 2021, following a 1% decrease in both 2020 and 2019. Much of this decrease was driven by a reduction in auxiliary expenditures at UNL of about \$24 million. Also noteworthy is the 2% reduction in compensation and benefits in 2021. With difficulties brought on by the COVID-19 pandemic, no salary pool increases were provided to University employees at the end of fiscal year 2020. Furthermore, the effects of a system-wide hiring freeze implemented in April 2020 impacted the number of new hires and thus drove down compensation and benefits expense during 2021.

THE UNIVERSITY OF NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2021 and 2020 (UNAUDITED) (Columnar Amounts in Thousands)

Non-Operating Revenues (Expenses). Net non-operating revenues increased \$256 million during 2021 compared to 2020. An increase in the fair value of investments of about \$135 million contributed to the increase, as investment markets recovered from a difficult year in 2020. Further, federal relief programs related to COVID-19 drove an increase in non-operating Federal Grants, resulting in about \$43 million in additional funding.

Other Revenues, Expenses, Gains, or Losses. Net other revenues, expenses, gains, or losses increased by \$39 million. A \$43 million increase in capital gifts was the primary driver, as UNFC paid about \$27 million more in debt obligations as compared to the prior year.

Capital Assets

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

- At UNL, a \$24.7 million renovation was completed at the Nebraska East Union. Upgrades to the East Union include expanded food and seating options, an upgraded Bowling Center, and new and increased lounges and study rooms for building community. UNL also completed the Dinsdale Family Learning Commons renovation at a total cost of about \$18.4 million. This renovation of the former C.Y. Thompson Library has transformed the space into a technology-rich collaborative environment and hub for innovation, research and learning.
- At UNO, the Mammel Hall Building addition was completed with a total capitalized cost of \$14 million. The addition provides enhancements to laboratories, classrooms, and program development facilities. The Arts and Sciences Hall renovation was also completed with a total capitalized cost of about \$10.6 million. The renovation project was performed to continue the useful life of the building which is suitable for state-of-the-art teaching and research.
- In June 2021, UNMC opened a new home for the Munroe-Meyer Institute, a \$90 million project that provides room for growth of existing programs and the development of innovative new ones. Improvements include new state-of-the-art technology and equipment that better position the Institute's ability to support the intellectual and developmental disability community. UNMC also completed a \$30 million project involving the renovation of Wittson Hall and construction of a 10,000 square foot Wigton Heritage Center. This project includes classrooms, science and anatomy labs, faculty offices, study spaces, a virtual-reality room, and a new atrium that connects the Wigton Heritage Center to the University Tower at Wittson Hall.
- At UNK, the STEM building, named Discovery Hall, was completed and capitalized at \$27 million. The building is a 90,000-square-foot facility that encourages collaboration and innovation across seven academic departments in science, technology, engineering, and math education fields.

More information on capital asset activity is disclosed in the Notes to the Financial Statements included in this report on page 47.

Debt Activity

Bond Financings. The University marketed one bond financing during 2021. This financing was issued through UNFC and consisted of two new issues:

- In June 2021, UNFC issued \$267 million of Facilities Program Bonds, Series 2021A. The proceeds of the bonds will be used to finance new projects for the University system.

THE UNIVERSITY OF NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2021 and 2020 (UNAUDITED) (Columnar Amounts in Thousands)

- In June 2021, UNFC issued \$89 million of University System Facilities Bonds, Series 2019B (Green Bonds). The proceeds of the bonds will be used to finance new projects for the University system.

UNFC met all debt service requirements during 2021. The State of Nebraska Legislature has reaffirmed and appropriated funds for their portion of the debt service pertaining to the Deferred Maintenance Projects, UNL Veterinary Diagnostic Center, the NCTA Education Center/Student Housing Project, and the UNL Health Center and College of Nursing Projects. The Foundation continues to receive funds from donor gifts pledged toward the funding of the UNO/Community Facility Refunding and the UNMC Cancer Center. 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 beginning on page 48 in the Notes to Financial Statements included in this report.

Economic Outlook and Subsequent Events That Will Affect the Future

Nebraska Economy

The Nebraska economy will continue to expand over the next three years, according to a December 3, 2021, forecast from the University of Nebraska–Lincoln's Bureau of Business Research and the Nebraska Business Forecast Council.

"While inflation, and the need to reduce it through interest rate increases, create risks for the economy, the most likely path is continued economic growth," said Eric Thompson, K.H. Nelson Professor of Economics and director of the Bureau of Business Research in the College of Business at the University of Nebraska – Lincoln.

Employment is expected to rise with 1.4% job growth in 2022 as the state economy continues to recover jobs lost in the 2020 recession. Employment growth should then normalize to a 0.9% rate in 2023 and a 0.8% rate in 2024.

Job growth will be stronger in 2022 as the leisure and hospitality sector and local government employment bounce back toward pre-pandemic levels. Job growth will then return to the long-term pattern of rising employment in services, finance, construction and non-durable goods manufacturing, and falling employment in retail and wholesale trade and durable goods manufacturing.

"Labor force growth will be modest in the coming years, given limited international migration and the aging of the population," Thompson said. "Industries such as wholesale and retail trade will need to economize on labor, which will be drawn into faster-growing or higher-wage industries."

The outlook is also positive for Nebraska agriculture. Farm income is expected to reach a record level of \$8.1 billion in Nebraska during 2021, thanks to high crop prices and generous government payments. Income will fall in 2022 as payments fall and prices moderate but is expected to remain at the historically high levels of \$5.8 billion in 2022 and 2023 and \$6 billion in 2024. This elevated farm income will come overwhelmingly from earned income rather than government payments.

Nonfarm income growth will slow to 0.3% in Nebraska during 2022, as government stimulus payments are withdrawn. Income growth will then rise to 3.6% in 2023 and 3.1% in 2024 as inflation begins to normalize.

"Unspent stimulus funds should help Nebraska households expand spending in 2022 despite slow income growth," Thompson said.

THE UNIVERSITY OF NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2021 and 2020 (UNAUDITED) (Columnar Amounts in Thousands)

While there are always risks to growth in the economy, it should be noted that the U.S. and Nebraska economies face an elevated level of risk due to two factors. First, the Federal Reserve Bank may need to increase interest rates rapidly, rather than steadily, in 2022 and 2023 to reduce the rate of inflation. Second, the COVID-19 pandemic could worsen significantly next year. Both factors could significantly reduce domestic consumer spending. Rising interest rates also could impact business investment, while a worsening pandemic could further disrupt international supply chains.

University of Nebraska Budgets

The University of Nebraska will freeze tuition across the system and invest in strategic priorities including student aid, faculty competitiveness and building maintenance under a 2021-22 operating budget approved by the Board of Regents in June 2021.

The budget continues a multi-year plan built last year by President Ted Carter and the chancellors to address fiscal challenges created by COVID-19 while also positioning the university for long-term growth and success. The budget plan advances key pillars identified in Carter's system-wide strategic plan related to student access and success, faculty support and resource efficiency.

Carter praised the NU chancellors and their leadership teams for what he called a bold and disciplined approach throughout the pandemic that has allowed all campuses to maintain momentum even during a challenging period.

"With this budget, the University of Nebraska is in a position of strength. We have done a remarkable job of managing the challenges in front of us while not losing sight of our priorities," Carter said.

"The budget we're bringing forward concentrates resources in the areas that matter most: our 52,000 students, our faculty and the success of our state. It will require discipline and tough choices about our spending – yet also positions us to capitalize on this unique moment for higher education and steer the future direction of the University of Nebraska."

Carter thanked members of the Legislature and Gov. Pete Ricketts for supporting the university's 2021-23 State appropriations request, which cleared the way for a two-year, across-the-board tuition freeze across the NU system. With the two-year freeze, all University of Nebraska campuses will remain among the most affordable institutions in their peer groups.

Additionally, the new Nebraska Promise financial aid program was a key driver of the university's enrollment growth this year, particularly among underrepresented students. Nebraska Promise provides full tuition coverage for low- and middle-income Nebraska students and reached an additional 1,000 students this year who did not qualify under the university's previous need-based financial aid program.

After freezing salaries in FY 2021 for non-unionized employees, the university will invest in compensation in order to remain competitive for top talent. The budget plan includes a 1.5 percent increase in the merit pool for non-unionized employees in 2021-22 and a 3 percent increase in the merit pool for 2022-23. The plan ensures that all NU employees – unionized or not – can earn 4.5 percent increases over a three-year period.

Beyond that, NU will invest \$6 million in salaries at the University of Nebraska-Lincoln and University of Nebraska Medical Center, where faculty lag behind their peers.

"Our faculty are among the best in the world at what they do, and it's important that we compensate them appropriately," Carter said. "For too long we have not been able to make progress in closing the gap with our peers. Now we're doing something about it."

THE UNIVERSITY OF NEBRASKA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2021 and 2020 (UNAUDITED) (Columnar Amounts in Thousands)

Finally, the budget invests in building maintenance and renewal, part of a 40-year effort made possible by legislation this year from Sen. John Stinner of Gering to address aging infrastructure across the NU system. The legislation commits the state and university to make matching investments in deferred maintenance through 2062 in order to ensure quality spaces for student and faculty learning and working. The university recently took an initial phase of bonds to the market, generating \$400 million in proceeds to begin maintenance work on all campuses.

Carter noted that the strategic investments are made possible by the university's commitment to \$43 million in self-imposed reallocations. While reallocations require difficult decisions, the process also is allowing the university to use its resources for maximum impact.

"When COVID hit, we knew we couldn't simply hunker down and wait for this period to end. The needs of our workforce and our state are too important," Carter said. "We made a plan, we are sticking to it, and as higher education emerges from the pandemic, the University of Nebraska is in a position to lead the way forward."

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

(Thousands)

(See Independent Auditors' Report on Pages 9, 10 and 11)

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 792,168	\$ 681,751
Cash and cash equivalents - restricted	279,342	283,396
Cash and cash equivalents held by trustee - unrestricted	76,439	150,720
Cash and cash equivalents held by trustee - restricted	81,430	92,388
Investments - restricted	146,684	130,290
Investments held by trustee - unrestricted	86,401	2,691
Accounts receivable and unbilled charges, net	241,013	221,769
Loans to students, net	4,058	4,593
Other current assets	22,750	20,401
Total current assets	<u>1,730,285</u>	<u>1,587,999</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents	1,739	-
Cash and cash equivalents - restricted	15	315
Cash and cash equivalents held by trustee - restricted	532,248	208,448
Investments - restricted	507,639	391,465
Investments held by trustee - restricted	5,320	-
Accounts receivable and unbilled charges, net	24,143	30,704
Investment in joint venture	602,157	515,282
Loans to students, net of current portion	18,015	20,782
Capital assets, net of accumulated depreciation	2,988,402	2,949,831
Other non-current assets	3,316	1,235
Total non-current assets	<u>4,682,994</u>	<u>4,118,062</u>
Total assets	<u>6,413,279</u>	<u>5,706,061</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on bond refunding	<u>32,010</u>	<u>33,849</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	137,611	126,009
Accrued salaries and wages	57,514	60,414
Accrued compensated absences	53,809	54,287
Note Payable	-	440
Bond obligations payable	46,005	66,151
Capital lease obligations	688	716
Unearned revenues and other credits	111,669	111,034
Refundable government grants	3,954	4,250
Health and other insurance claims	15,659	13,645
Total current liabilities	<u>426,909</u>	<u>436,946</u>
NON-CURRENT LIABILITIES:		
Accounts payable, net of current portion	19,875	14,098
Accrued salaries and wages, net of current portion	3	227
Accrued compensated absences, net of current portion	36,117	32,567
Note Payable, net of current portion	-	1,320
Bond obligations payable, net of current portion	1,292,913	945,420
Capital lease obligations, net of current portion	50,838	51,299
Unearned revenues and other credits, net of current portion	2,148	1,774
Refundable government grants, net of current portion	9,980	13,555
Total non-current liabilities	<u>1,411,874</u>	<u>1,060,260</u>
Total liabilities	<u>1,838,783</u>	<u>1,497,206</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred service concession arrangement receipts	14,985	18,644
Deferred gain on bond refunding	21	74
Total deferred inflows of resources	<u>15,006</u>	<u>18,718</u>

(Continued)

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF NET POSITION (Continued) JUNE 30, 2021 AND 2020

(Thousands)

(See Independent Auditors' Report on Pages 9, 10 and 11)

	2021	2020
NET POSITION:		
Net investment in capital assets	2,151,882	2,106,513
Restricted for:		
Nonexpendable:		
Permanent endowment	280,281	207,915
Loan Funds	16,692	17,315
Expendable:		
Externally restricted funds for scholarships, student aid, and research	385,655	359,942
Plant construction	65,583	87,138
Debt service	56,146	53,067
Unrestricted	<u>1,635,261</u>	<u>1,392,096</u>
Total net position	<u>\$ 4,591,500</u>	<u>\$ 4,223,986</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, 2021 AND 2020

(Thousands)

(See Independent Auditors' Reports on Pages 9, 10, 11 and 12)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 16,319	\$ 65,520
Temporary investments	666,407	579,128
Pledges receivable	237,383	201,560
Other receivables	7,250	5,350
Investments	2,336,557	1,741,751
Property and equipment, net of depreciation	<u>4,136</u>	<u>4,389</u>
Total assets	<u>\$ 3,268,052</u>	<u>\$ 2,597,698</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 6,648	\$ 5,700
University of Nebraska payable	10,452	29,790
Deferred annuities payable	16,647	15,067
Deposits held in custody for others	<u>424,743</u>	<u>327,108</u>
Total liabilities	<u>458,490</u>	<u>377,665</u>
NET ASSETS:		
Without donor restrictions	91,115	53,145
With donor restrictions	<u>2,718,447</u>	<u>2,166,888</u>
Total net assets	<u>2,809,562</u>	<u>2,220,033</u>
Total liabilities and net assets	<u>\$ 3,268,052</u>	<u>\$ 2,597,698</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, 2021 AND 2020

(Thousands)

(See Independent Auditors' Report on Pages 9, 10 and 11)

	2021	2020
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$193,911 and \$179,676 in 2021 and 2020, respectively)	\$ 445,645	\$ 444,535
Federal grants and contracts - restricted	336,611	316,748
Private grants and contracts - restricted	213,772	217,321
State and local grants and contracts - restricted	40,510	40,581
Sales and services of educational activities	65,188	65,627
Sales and services of health care entities	15,523	25,325
Sales and services of auxiliary operations (net of scholarship allowances of \$13,309 and \$14,805 in 2021 and 2020, respectively)	235,310	321,396
Other operating revenues	24,418	28,342
Total operating revenues	<u>1,376,977</u>	<u>1,459,875</u>
OPERATING EXPENSES:		
Compensation and benefits	1,406,479	1,429,060
Supplies and services	540,533	565,419
Depreciation	147,624	143,050
Scholarships and fellowships	91,345	82,078
Total operating expenses	<u>2,185,981</u>	<u>2,219,607</u>
OPERATING LOSS	<u>(809,004)</u>	<u>(759,732)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	616,545	591,939
Federal Grants	107,183	64,500
Gifts	121,668	106,366
Investment income (net of investment management fees of \$5,713 and \$5,962 in 2021 and 2020, respectively)	32,132	47,744
Interest on bond obligations	(33,948)	(27,944)
Equity in joint venture	95,212	40,647
Other non-operating revenues (expenses)	109,283	(31,393)
Net non-operating revenues	<u>1,048,075</u>	<u>791,859</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>239,071</u>	<u>32,127</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	16,696	19,458
Capital grants and gifts	111,538	68,113
Additions to permanent endowments	209	2,134
Net other revenues, expenses, gains, or losses	<u>128,443</u>	<u>89,705</u>
INCREASE IN NET POSITION	367,514	121,832
NET POSITION:		
Net position, beginning of year	<u>4,223,986</u>	<u>4,102,154</u>
Net position, end of year	<u>\$ 4,591,500</u>	<u>\$ 4,223,986</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, 2021
(Thousands)
(See Independent Auditors' Reports on Pages 9, 10, 11 and 12)

	2021		
	Without donor restrictions	With donor restrictions	Total
REVENUE AND GAINS:			
Gifts, bequests, and life insurance proceeds	\$ 2,580	\$ 258,407	\$ 260,987
Investment income (loss)	37,746	(11,779)	25,967
Change in value of split-interest agreements	-	(1,335)	(1,335)
Realized and unrealized gains (loss), net	52,727	519,439	572,166
Total revenue and gains	93,053	764,732	857,785
EXPENSES			
Payments to benefit the University:			
Academic support	80,904	-	80,904
Student assistance	31,112	-	31,112
Faculty assistance	7,882	-	7,882
Research	8,149	-	8,149
Museum, library, and fine arts	2,337	-	2,337
Campus and building improvements	105,658	-	105,658
Alumni associations	570	-	570
Total payments to benefit the University	236,612	-	236,612
Operating expenses:			
Salaries and benefits	22,052	-	22,052
Office expense	1,137	-	1,137
Office rent and utilities	1,813	-	1,813
Professional services	1,223	-	1,223
Dues and subscriptions	759	-	759
Travel and conferences	102	-	102
Cultivation expense	1,202	-	1,202
Miscellaneous expense	318	-	318
Contributions to other charities	116	-	116
Paid to beneficiaries	2,363	-	2,363
Depreciation	559	-	559
Total operating expenses	31,644	-	31,644
Total expenses	268,256	-	268,256
Other changes in net assets:			
Net assets released from restrictions	213,173	(213,173)	-
Total other changes in net assets	213,173	(213,173)	-
Increase (decrease) in net assets	37,970	551,559	589,529
NET ASSETS at beginning of year	53,145	2,166,888	2,220,033
NET ASSETS at end of year	\$ 91,115	\$ 2,718,447	\$ 2,809,562

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, 2020
(Thousands)
(See Independent Auditors' Reports on Pages 9, 10, 11 and 12)

	2020		
	Without donor restrictions	With donor restrictions	Total
REVENUE AND GAINS:			
Gifts, bequests, and life insurance proceeds	\$ 1,637	\$ 243,332	\$ 244,969
Investment income (loss)	40,485	(3,812)	36,673
Change in value of split-interest agreements	-	1,784	1,784
Realized and unrealized gains, net	12,366	(8,444)	3,922
Total revenue and gains	54,488	232,860	287,348
EXPENSES			
Payments to benefit the University:			
Academic support	63,811	-	63,811
Student assistance	30,275	-	30,275
Faculty assistance	6,651	-	6,651
Research	7,012	-	7,012
Museum, library, and fine arts	1,529	-	1,529
Campus and building improvements	59,746	-	59,746
Alumni associations	570	-	570
Total payments to benefit the University	169,594	-	169,594
Operating expenses:			
Salaries and benefits	22,061	-	22,061
Office expense	1,148	-	1,148
Office rent and utilities	1,812	-	1,812
Professional services	1,350	-	1,350
Dues and subscriptions	307	-	307
Travel and conferences	856	-	856
Cultivation expense	1,386	-	1,386
Miscellaneous expense	1,081	-	1,081
Contributions to other charities	108	-	108
Paid to beneficiaries	2,329	-	2,329
Depreciation	847	-	847
Total operating expenses	33,285	-	33,285
Total expenses	202,879	-	202,879
Other changes in net assets:			
Net assets released from restrictions	146,546	(146,546)	-
Total other changes in net assets	146,546	(146,546)	-
Increase in net assets	(1,845)	86,314	84,469
NET ASSETS at beginning of year	54,990	2,080,574	2,135,564
NET ASSETS at end of year	\$ 53,145	\$ 2,166,888	\$ 2,220,033

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

(Thousands)

(See Independent Auditors' Report on Pages 9, 10 and 11)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 564,942	\$ 543,130
Tuition and fees	445,820	442,259
Sales and services of health care entities	14,789	26,099
Sales and services of auxiliary operations	238,054	297,804
Sales and services of educational activities	68,250	65,949
Student loans collected	1,746	1,963
Other receipts	32,370	66,687
Payments to employees	(1,407,529)	(1,409,169)
Payments to vendors	(540,646)	(594,582)
Scholarships paid to students	(91,342)	(81,486)
Student loans issued	(2,042)	(954)
Net cash flows from operating activities	(675,588)	(642,300)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	616,546	591,939
Gifts	126,960	107,331
Federal grants	106,264	64,499
Principal paid on note receivable	(8,357)	-
Other receipts	822	(1,247)
Remittance of refundable grant and Perkins Loan collections from students, net	128	(1,373)
Direct lending receipts	216,007	226,425
Direct lending payments	(216,007)	(226,425)
Net cash flows from non-capital financing activities	842,363	761,149
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	355,875	563,295
Gifts	110,067	56,652
State of Nebraska capital appropriations	16,850	19,391
Premium on issuance of bonds	46,187	3,763
Purchases of capital assets	(179,696)	(209,899)
Defeasance of bond obligations	-	(468,914)
Principal paid on bond obligations	(70,619)	(53,050)
Interest paid on bond obligations	(37,845)	(35,099)
Payments made on lease obligations	(824)	(670)
Net cash flows from capital and related financing activities	239,995	(124,531)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	126,379	331,895
Interest on investments	31,934	48,176
Distributions received from joint venture	8,337	8,774
Purchases of investments	(227,057)	(345,396)
Net cash flows from investing activities	(60,407)	43,449
NET INCREASE IN CASH AND CASH EQUIVALENTS	346,363	37,767
CASH AND CASH EQUIVALENTS, beginning of year	1,417,018	1,379,251
CASH AND CASH EQUIVALENTS, end of year	\$ 1,763,381	\$ 1,417,018

See notes to financial statements.

(Continued)

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF CASH FLOWS (Continued) FOR THE YEARS ENDED JUNE 30, 2021 AND 2020 (Thousands)

(See Independent Auditors' Report on Pages 9, 10 and 11)

	2021	2020
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET POSITION:		
Cash and cash equivalents (current)	\$ 792,168	\$ 681,751
Cash and cash equivalents - restricted (current)	279,342	283,396
Cash and cash equivalents held by trustee - unrestricted (current)	76,439	150,720
Cash and cash equivalents held by trustee - restricted (current)	81,430	92,388
Cash and cash equivalents (Non-current)	1,739	-
Cash and cash equivalents - restricted (non-current)	15	315
Cash and cash equivalents held by trustee - restricted (non-current)	532,248	208,448
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 1,763,381	\$ 1,417,018
	<hr/>	<hr/>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (809,004)	\$ (759,732)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	147,624	143,050
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(21,106)	(16,819)
Loans to students	(695)	33
Other current assets	25,534	6,448
Accounts payable	(20,274)	(4,078)
Accrued salaries and wages	(72)	18,763
Unearned revenues and credits	391	(32,772)
Health and other insurance claims	2,014	2,807
	<hr/>	<hr/>
Net cash flows used in operating activities	\$ (675,588)	\$ (642,300)
	<hr/>	<hr/>
NON-CASH TRANSACTIONS:		
Capital gifts and grants	\$ 342	\$ 200
Increase (decrease) in fair value of investments	114,061	23,889
Purchase of capital assets through lease obligations	(336)	(2,907)
Equity in earnings	257	565
Capital expenditures in accounts payable	56,178	67,847
Gain on dissolution of subsidiary company	19	-
Unrelated business income	(139)	-

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, 2021 AND
2020
(Thousands)
(See Independent Auditors' Report on Pages 9, 10, 11 and 12)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 589,529	\$ 84,469
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	559	847
Net realized and unrealized gains on investments, net	(572,166)	(3,922)
Contribution to endowment funds	(52,318)	(59,443)
Real and personal property contributions received	(378)	(2,291)
Noncash donation to the University of Nebraska	-	89
(Increase) Decrease in:		
Pledges receivable	(42,659)	3,172
Other receivables	(1,433)	2,002
(Decrease) Increase in:		
Accounts payable and accrued liabilities	948	756
University of Nebraska payable	(19,338)	8,599
Deferred annuities payable	1,580	(1,381)
Net cash provided by operating activities	<u>(95,676)</u>	<u>32,897</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of temporary investments	(1,365,070)	(1,377,176)
Proceeds from sale and maturity of temporary investments	1,334,716	1,290,113
Net increase (decrease) in student loans	(467)	(380)
Purchase of investments	(538,915)	(934,795)
Proceeds from sale and maturity of investments	557,363	965,293
Proceeds from the disposal of property and equipment	25	-
Purchase of property and equipment	(331)	(738)
Net cash used in investing activities	<u>(12,679)</u>	<u>(57,683)</u>
CASH FLOWS FROM FINANCING ACTIVITY:		
Contribution to endowment funds	<u>59,154</u>	<u>57,214</u>
Net cash provided by financing activities	<u>59,154</u>	<u>57,214</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(49,201)	32,428
CASH AND CASH EQUIVALENTS, beginning of year	<u>65,520</u>	<u>33,092</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 16,319</u>	<u>\$ 65,520</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash property donation to the University of Nebraska	-	89

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

JUNE 30, 2021

(Thousands)

(See Independent Auditors' Report on Pages 9, 10 and 11)

	Private-Purpose Trust Funds	Custodial Funds
ASSETS:		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 3,158	\$ 3,477
Investments	12,265	1,834
Accounts Receivable and Unbilled Charges, Net	872	28
Other current assets	<u>-</u>	<u>3</u>
Total Current Assets	<u>16,295</u>	<u>5,342</u>
Total Assets	<u>16,295</u>	<u>5,342</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	384	1,190
Health and other insurance claims	<u>2,882</u>	<u>-</u>
Total Current Liabilities	<u>3,266</u>	<u>1,190</u>
Total Liabilities	<u>3,266</u>	<u>1,190</u>
NET POSITION:		
Restricted for Individuals, Organizations, and Other Governments	<u>13,029</u>	<u>4,152</u>
Total Net Position	<u>\$ 13,029</u>	<u>\$ 4,152</u>

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2021

(Thousands)

(See Independent Auditors' Report on Pages 9, 10 and 11)

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Investment Income	\$ 330	\$ -
Employer Sponsored Cafeteria Plan Contributions	49,618	-
Scholarship Receipts	-	12,704
Collected on Behalf of Student Activities	-	1,555
Other Additions	2,955	233
Total current assets	52,903	14,492
DEDUCTIONS:		
Compensation and Benefits	-	143
Employer Sponsored Cafeteria Plan Deductions	52,630	-
Scholarship Expense	-	12,758
Remitted on Behalf of Student Activities	-	1,254
Other Deductions	1,454	167
Total deductions	54,084	14,322
INCREASE IN NET POSITION	(1,180)	170
NET POSITION:		
Net position, beginning of year	14,210	3,982
Net position, end of year	\$ 13,029	\$ 4,152

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

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 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.
- The UNMC Science Research Fund (SRF) 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 advances academic technology transfer globally through fostering strategic collaborations with industry through licensing, research, and new venture agreements.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

- UNeHealth, a Nebraska not-for-profit corporation, was organized in 1996 to further the general health care purpose of the University of Nebraska Medical Center (UNMC). UNeHealth will increase the efficiency and effectiveness, boost visibility of commercial clinical research and ensure that contract budgets take in consideration the best interests of UNMC, UNMC Physicians (UNMC-P) and The Nebraska Medical Center (TNMC). UNeHealth seeks to create a more appealing environment for industry collaborations.
- 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 advances 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 nine non-profit subsidiaries and one for profit subsidiary. UTDC is the sole member/stockholder of each subsidiary.

Separate financial statements for UNFC, UDA, UNMC SRF, UNeHealth, 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 S).

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

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

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

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.

Cash and cash equivalents held by trustee – unrestricted is cash held by the bond trustee, is not restricted by any bond covenants, and is utilized by the ILP.

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 unrestricted, 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.

The University does not capitalize interest cost incurred according to GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*.

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

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

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

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, 2021 and 2020, Federal grants and contracts includes Pell grant awards amounting to \$50,830 and \$48,924, 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 \$216,085 and \$226,405 at June 30, 2021 and 2020, respectively, are treated as agency funds and not included in revenues and expenses.

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

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

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

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 2020 amounts have been reclassified to conform to the current year presentation.

Implementation of New Accounting Principle – In 2021, the University adopted GASB Statement No. 84, *Fiduciary Activities*. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The University began reporting certain fiduciary activities in its financial statements as a result of the adoption of GASB 84. For further information regarding the impact of implementation of GASB 84, please see footnote O.

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 \$1,321 (book balance of approximately \$902) at June 30, 2021, with approximately \$1,232 covered by Federal depository insurance. Bank balances of cash and cash equivalents amounted to approximately \$1,157 (book balance of approximately \$868) at June 30, 2020, with approximately \$1,155 covered by Federal depository insurance. The remaining bank balances at June 30, 2021 and 2020, 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 endowed 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 endowed funds are invested by the University and its designated investment managers, 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.

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:

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

- 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, 2021				
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Government Agencies	\$ 22,299	\$ -	\$ 22,299	\$ -
U.S. Government Treasuries	42,707	-	42,707	-
Certificate of Deposit	130	130	-	-
Municipal Bonds	5,936	-	5,936	-
Corporate Bonds	69,407	-	69,407	-
Mutual Funds-Fixed Income	53,455	53,455	-	-
Common Stock	15,111	15,111	-	-
Domestic Equity	264,354	264,354	-	-
International Equity	147,862	147,862	-	-
Mutual Funds	72,157	70,079	-	2,078
Index Funds-Public Equity	8,122	8,122	-	-
Real Estate held for investment purposes	932	-	-	932
Real Estate Mutual Funds	9,296	9,296	-	-
Money Market Funds	34,276	34,276	-	-
Total	<u>\$ 746,044</u>	<u>\$ 602,685</u>	<u>\$ 140,349</u>	<u>\$ 3,010</u>

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

	Assets at fair value as of June 30, 2020			
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Government Agencies	\$ 36,812	\$ -	\$ 36,812	\$ -
U.S. Government Treasuries	24,815	-	24,815	-
Certificate of Deposit	125	125	-	-
Municipal Bonds	6,174	-	6,174	-
Corporate Bonds	60,269	-	60,269	-
Mutual Funds-Fixed Income	30,451	30,451	-	-
Common Stock	10,193	10,193	-	-
Domestic Equity	193,346	193,346	-	-
International Equity	107,876	107,876	-	-
Mutual Funds	9,554	7,604	-	1,950
Index Funds-Commodities	2,077	2,077	-	-
Index Funds-Public Equity	4,690	4,690	-	-
Real Estate held for investment purposes	932	-	-	932
Real Estate Mutual Funds	4,229	4,229	-	-
Money Market Funds	32,903	32,903	-	-
Total	<u>\$ 524,446</u>	<u>\$ 393,494</u>	<u>\$ 128,070</u>	<u>\$ 2,882</u>

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

Investment maturities as of June 30, 2021 are as follows:

		Investment Maturities (in years)			
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Investments type:					
Debt securities:					
U.S. Government Agencies	\$ 22,299	\$ 5,528	\$ 1,878	\$ 2,681	\$ 12,212
U.S. Government Treasuries	42,707	14,149	13,197	14,485	876
Certificate of Deposit	130	130	-	-	-
Municipal Bonds	5,936	2,223	3,641	-	72
Corporate Bonds	<u>69,407</u>	<u>9,237 (1)</u>	<u>30,544 (2)</u>	<u>21,549 (3)</u>	<u>8,077 (4)</u>
	140,479	<u>\$ 31,267</u>	<u>\$ 49,260</u>	<u>\$ 38,715</u>	<u>\$ 21,237</u>
Other investments:					
Mutual Funds – Fixed Income	53,455				
Common Stock	15,111				
Domestic Equity	264,354				
International Equity	147,862				
Mutual Funds	72,157				
Index Funds – Public Equity	8,122				
Real Estate Mutual Funds	9,296				
Real Estate held for investment purposes	932				
Money Market Funds	<u>34,276</u>				
Total	\$ 746,044				

(1) This amount includes \$455 of bonds callable in less than 1 year.

(2) This amount includes \$375 of bonds callable in less than 1 year, \$1,082 of bonds callable in less than 2 years, \$340 of bonds callable in less than 3 years, \$2,493 of bonds callable in less than 4 years, \$1,749 of bonds callable in less than 5 years, and \$3,043 of bonds callable in less than 6 years.

(3) This amount includes \$2,073 of bonds callable in less than 6 years, \$2,533 of bonds callable in less than 7 years, \$1,528 of bonds callable in less than 8 years, and \$2,502 of bonds callable in less than 9 years and \$708 of bonds callable in less than 10 years.

(4) This amount includes \$852 of bonds callable in 12-29 years.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

Investments maturities as of June 30, 2020 are as follows:

		Investment Maturities (in years)			
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Investment type:					
Debt securities:					
U.S. Government Agencies	\$ 36,812	\$ 10,236	\$ 7,222	\$ 2,578	\$ 16,776
U.S. Government Treasuries	24,814	3,074	8,512	11,989	1,239
Certificate of Deposit	125	125	-	-	-
Municipal Bonds	6,174	111	4,435	1,555	73
Corporate Bonds	60,270	7,405 (1)	29,426 (2)	16,141 (3)	7,298 (4)
	128,195	<u>\$ 20,951</u>	<u>\$ 49,595</u>	<u>\$ 32,263</u>	<u>\$ 25,386</u>
Other investments:					
Mutual Funds – Fixed Income	30,451				
Common Stock	10,193				
Domestic Equity	193,346				
International Equity	107,876				
Mutual Funds	9,554				
Index Funds - Commodities	2,077				
Index Funds – Public Equity	4,690				
Real Estate Mutual Funds	4,229				
Real estate held for investment purposes	932				
Money Market Funds	32,903				
Total	\$ 524,446				

(1) This amount includes \$71 of bonds callable in less than 1 year.

(2) This amount includes \$228 of bonds callable in less than 1 year, \$1,027 of bonds callable in less than 2 years, \$1,662 of bonds callable in less than 3 years, \$1,366 of bonds callable in less than 4 years, \$1,658 of bonds callable in less than 5 years, and \$1,205 of bonds callable in less than 6 years.

(3) This amount includes \$163 of bonds callable in less than 6 years, and \$4,740 of bonds callable in less than 7 years. \$817 of bonds callable in less than 9 years, and \$939 of bonds callable in less than 10 years.

(4) This amount includes \$968 of bonds callable in 13-29 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:

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

	2021						
	Quality Ratings						Unrated
	Fair Value	Aaa	Aa	A	Baa	Ba	
Investment type:							
U.S. Government Agencies	\$ 22,299	\$ 22,299	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Treasuries	42,707	42,707	-	-	-	-	-
Certificate of Deposit	130	-	-	-	-	-	130
Municipal Bonds	5,936	1,050	1,773	1,869	-	-	1,244
Corporate Bonds	69,407	4,802	13,807	40,900	8,154	-	1,744
Mutual Funds – Fixed Income	53,455	-	-	-	-	-	53,455
Common Stock	15,111	-	-	-	-	-	15,111
Domestic Equity	264,354	-	-	-	-	-	264,354
International Equity	147,862	-	-	-	-	-	147,862
Mutual Funds	72,157	-	-	-	-	-	72,157
Index Funds – Public Equity	8,122	-	-	-	-	-	8,122
Real Estate Mutual Funds	9,296	-	-	-	-	-	9,296
Real Estate held for investment purposes	932	-	-	-	-	-	932
Money Market Funds	34,276	-	-	-	-	-	34,276
	<u>\$ 746,044</u>	<u>\$ 70,858</u>	<u>\$ 15,580</u>	<u>\$ 42,769</u>	<u>\$ 8,154</u>	<u>\$ -</u>	<u>\$ 608,683</u>

	2020						
	Quality Ratings						Unrated
	Fair Value	Aaa	Aa	A	Baa	Ba	
Investment type:							
U.S. Government Agencies	\$ 36,812	\$ 36,812	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Treasuries	24,815	24,815	-	-	-	-	-
Certificate of Deposit	125	-	-	-	-	-	125
Municipal Bonds	6,174	5,552	548	74	-	-	-
Corporate Bonds	60,270	4,576	6,835	45,717	3,068	74	-
Mutual Funds – Fixed Income	30,451	-	-	-	-	-	30,451
Common Stock	10,193	-	-	-	-	-	10,193
Domestic Equity	193,345	-	-	-	-	-	193,345
International Equity	107,876	-	-	-	-	-	107,876
Mutual Funds	9,554	-	-	-	-	-	9,554
Index Funds – Commodities	2,077	-	-	-	-	-	2,077
Index Funds – Public Equity	4,690	-	-	-	-	-	4,690
Real Estate Mutual Funds	4,229	-	-	-	-	-	4,229
Real Estate held for investment purposes	932	-	-	-	-	-	932
Money Market Funds	32,903	-	-	-	-	-	32,903
	<u>\$ 524,446</u>	<u>\$ 71,755</u>	<u>\$ 7,383</u>	<u>\$ 45,791</u>	<u>\$ 3,068</u>	<u>\$ 74</u>	<u>\$ 396,375</u>

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (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	
	2021	2020
U.S. Government Treasuries	6%	5%

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.

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 \$17,815 and \$16,894 at June 30, 2021 and 2020, respectively. In addition, the University established an allowance for doubtful collections of student loans of approximately \$1,892 and \$2,148 at June 30, 2021 and 2020, 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. Effective July 1, 2016, NMC, the University, Clarkson, and UNMC Physicians (UNMCP) entered into a System Integration Agreement (SIA) and a successor Joint Operating Agreement (SJOA) to permanently integrate the businesses of NMC and UNMCP into Nebraska Medicine (NM). Should there be a dissolution of NM, the University and Clarkson will share equally in the remaining net position. As 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, 2021 and 2020 totaling \$94,955 and \$40,082, 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 \$8 million and \$8 million, shared equally by the venturers, were declared and paid for both 2021 and 2020, respectively.

Separate financial statements of NM can be obtained from the Nebraska Medicine, 42nd Street and Dewey Avenue, Omaha, Nebraska 68105.

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, 2021 and 2020, the University received approximately \$83,293 and \$70,692, respectively, of support in connection with the agreement.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

F. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2021 and 2020 is as follows:

	2021			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 98,887	\$ 10,233	\$ 57	\$ 109,063
Construction work in progress	231,647	96,810	214,050	114,407
Total capital assets not being depreciated	330,534	107,043	214,107	223,470
Capital assets, being depreciated:				
Land improvements	335,821	14,047	976	348,892
Leasehold improvements	44,510	-	-	44,510
Buildings	3,085,765	288,772	76,759	3,297,778
Equipment	571,782	35,324	12,779	594,327
Total capital assets, being depreciated	4,037,878	338,143	90,514	4,285,507
Less accumulated depreciation for:				
Land improvements	118,946	13,778	782	131,942
Leasehold improvements	17,107	1,966	-	19,073
Buildings	858,780	91,719	34,887	915,612
Equipment	423,748	40,161	9,961	453,948
Total accumulated depreciation other assets	1,418,581	147,624	45,630	1,520,575
Capital assets, net	\$ 2,949,831	\$ 297,562	\$ 258,991	\$ 2,988,402

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

	2020			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 92,016	\$ 7,098	\$ 227	\$ 98,887
Construction work in progress	<u>224,995</u>	<u>58,912</u>	<u>52,260</u>	<u>231,647</u>
Total capital assets not being depreciated	<u>317,011</u>	<u>66,010</u>	<u>52,487</u>	<u>330,534</u>
Capital assets, being depreciated:				
Land improvements	322,654	15,207	2,040	335,821
Leasehold improvements	44,445	65	-	44,510
Buildings	2,979,367	178,367	71,969	3,085,765
Equipment	<u>539,323</u>	<u>43,988</u>	<u>11,529</u>	<u>571,782</u>
Total capital assets, being depreciated	<u>3,885,789</u>	<u>237,627</u>	<u>85,538</u>	<u>4,037,878</u>
Less accumulated depreciation for:				
Land improvements	107,511	12,960	1,525	118,946
Leasehold improvements	15,148	1,959	-	17,107
Buildings	810,206	86,243	37,669	858,780
Equipment	<u>391,157</u>	<u>41,888</u>	<u>9,297</u>	<u>423,748</u>
Total accumulated depreciation other assets	<u>1,324,022</u>	<u>143,050</u>	<u>48,491</u>	<u>1,418,581</u>
Capital assets, net	<u>\$ 2,878,778</u>	<u>\$ 160,587</u>	<u>\$ 89,534</u>	<u>\$ 2,949,831</u>

G. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2021	<u>\$ 86,854</u>	<u>\$ 57,123</u>	<u>\$ 54,051</u>	<u>\$ 89,926</u>	<u>\$ 53,809</u>
2020	<u>\$ 78,764</u>	<u>\$ 60,559</u>	<u>\$ 52,469</u>	<u>\$ 86,854</u>	<u>\$ 54,287</u>

H. BOND OBLIGATIONS PAYABLE

Bond obligations payable are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2021					
Revenue Bonds	\$ 938,840	\$ 355,875	\$ 55,660	\$ 1,239,055	\$ 39,095
Revenue Bonds - Direct Placement	<u>30,880</u>	<u>-</u>	<u>13,200</u>	<u>17,680</u>	<u>180</u>
Total	<u>969,720</u>	<u>355,875</u>	<u>68,860</u>	<u>1,256,735</u>	<u>39,275</u>
2020					
Revenue Bonds	845,105	563,295	469,560	938,840	55,660
Revenue Bonds - Direct Placement	<u>33,440</u>	<u>-</u>	<u>2,560</u>	<u>30,880</u>	<u>5,035</u>
Total	<u>\$ 878,545</u>	<u>\$ 63,295</u>	<u>\$ 472,120</u>	<u>\$ 969,720</u>	<u>\$ 60,695</u>

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

Bond obligations payable at June 30, 2021 and 2020 consist of the following:

Obligations of blended entities :	Coupon Rate	Annual Installment	Principal Amount Outstanding	
			2021	2020
University of Nebraska Facilities Corporation:				
Revenue Bonds:				
Series 2021A (Facilities Program Bonds)	2.50 - 5.00%	\$9,905 - 34,540	\$ 266,470	\$ -
Series 2021B (Facilities Program Bonds)	2.50 - 5.00%	16,465 - 25,600	89,405	-
Series 2019A (System Facilities Bonds)	1.83 - 3.19%	950 - 50,160	525,880	525,880
Series 2019B (System Facilities Bonds)	4.00 - 5.00%	6,265 - 31,150	37,415	37,415
Series 2018 (Deferred Maintenance Bonds)	5.00%	7,500 - 11,630	94,275	94,275
Series 2017A (Deferred Maintenance Bonds)	4.00 - 5.00%	6,270 - 9,410	77,335	77,335
Series 2017B (UNO/Community Facility Refunding)	2.00 - 5.00%	600 - 2,075	32,520	35,460
Series 2017 (UNMC Global Experiential Learning Center)	2.00 - 5.00%	1,015 - 11,050	24,325	38,120
Series 2016 (UNL Health Center and College of Nursing)	3.00 - 5.00%	740 - 2,245	14,705	16,820
Series 2016 (Deferred Maintenance Refunding)	-	-	-	10,690
Series 2016 (UNMC Cancer Center)	2.00 - 5.00%	2,175 - 2,900	25,060	27,190
Series 2016 (UNMC Utility Improvement Project)	2.00 - 5.00%	1,345 - 1,590	7,305	8,625
Series 2015 (Veterinary Diagnostic Project)	-	-	-	2,680
Series 2014A (UNMC Cancer Center)	5.00%	8,415 - 15,490	28,315	45,725
Series 2014B (Qualified Energy Conservation Bonds)	3.25 - 4.25%	395 - 510	3,575	3,955
Series 2011 (NCTA Education Center/Student Housing Project)	4.20% - 5.50%	85 - 1,645	4,935	5,620
Revenue Bonds, Direct Placement:				
Series 2018 (UNMC Eye Institute Project)	2.40%	4,835	4,835	13,000
Series 2015 (UNO Arena and UNL College of Business)	2.00%	180 - 4,460	4,825	9,680
Series 2015 (UNMC Qualified Energy Conservation Bonds)	4.25%	180 - 200	1,520	1,700
Total University of Nebraska Facilities Corporation			1,242,700	954,170
Nebraska Utility Corporation (NUCorp):				
Revenue Bonds:				
Series 2010 revenue bonds	1.00 - 5.00%	2,035	2,035	3,550
Series 2014B revenue bonds	5.00%	5,500	5,500	5,500
Revenue Bonds, Direct Placement:				
Series 2014A revenue bonds	3.40%	6,500	6,500	6,500
Total NUCorp			14,035	15,550
Subtotal bonds payable			1,256,735	969,720
Add unamortized bond premium			82,209	41,882
Less unamortized bond discount			26	31
Total bond obligations payable			\$ 1,338,918	\$ 1,011,571

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

Annual maturities subject to mandatory redemption at June 30, 2021, are as follows:

UNFC						
Year	Revenue Bonds		Revenue Bonds (Direct Placement)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 37,060	\$ 37,912	\$ 180	\$ 277	\$ 37,240	\$ 38,189
2023	60,915	40,867	5,200	270	66,115	41,137
2024	39,930	38,991	370	142	40,300	39,133
2025	32,025	36,991	4,650	131	36,675	37,122
2026	52,385	35,262	190	33	52,575	35,295
2027-2031	196,240	152,552	590	50	196,830	152,602
2032-2036	97,955	125,299	-	-	97,955	125,299
2037-2041	101,130	110,425	-	-	101,130	110,425
2042-2046	119,100	93,415	-	-	119,100	93,415
2047-2051	152,060	71,619	-	-	152,060	71,619
2052-2056	126,420	49,922	-	-	126,420	49,922
2057-2061	148,545	28,362	-	-	148,545	28,362
2062-2066	67,755	2,736	-	-	67,755	2,736
	<u>\$1,231,520</u>	<u>\$ 824,353</u>	<u>\$ 11,180</u>	<u>\$ 903</u>	<u>\$1,242,700</u>	<u>\$ 825,256</u>

NUCorp						
Year	Revenue Bonds		Revenue Bonds (Direct Placement)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,035	\$ 322	\$ -	\$ 111	\$ 2,035	\$ 433
2023	-	275	-	221	-	496
2024	-	275	-	221	-	496
2025	-	275	-	221	-	496
2026	-	275	-	221	-	496
2027-2031	-	1,375	-	1,106	-	2,481
2032-2036	5,500	550	6,500	442	12,000	992
2037-2041	-	-	-	-	-	-
2042-2046	-	-	-	-	-	-
2047-2051	-	-	-	-	-	-
2052-2056	-	-	-	-	-	-
2057-2061	-	-	-	-	-	-
2062-2066	-	-	-	-	-	-
	<u>\$ 7,535</u>	<u>\$ 3,347</u>	<u>\$ 6,500</u>	<u>\$ 2,543</u>	<u>\$ 14,035</u>	<u>\$ 5,890</u>

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

Year	Total University					
	Revenue Bonds		Revenue Bonds (Direct Placement)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 39,095	\$ 38,234	\$ 180	\$ 388	\$ 39,275	\$ 38,622
2023	60,915	41,142	5,200	491	66,115	41,633
2024	39,930	39,266	370	363	40,300	39,629
2025	32,025	37,266	4,650	352	36,675	37,618
2026	52,385	35,537	190	254	52,575	35,791
2027-2031	196,240	153,927	590	1,156	196,830	155,083
2032-2036	103,455	125,849	6,500	442	109,955	126,291
2037-2041	101,130	110,425	-	-	101,130	110,425
2042-2046	119,100	93,415	-	-	119,100	93,415
2047-2051	152,060	71,619	-	-	152,060	71,619
2052-2056	126,420	49,922	-	-	126,420	49,922
2057-2061	148,545	28,362	-	-	148,545	28,362
2062-2066	67,755	2,736	-	-	67,755	2,736
	<u>\$1,239,055</u>	<u>\$ 827,700</u>	<u>\$ 17,680</u>	<u>\$ 3,446</u>	<u>\$1,256,735</u>	<u>\$ 831,146</u>

At June 30, 2021 and 2020, the University and trustees for these bond funds held cash and investments in the amount of approximately \$775,674 and \$454,247, respectively, which is reflected as cash and cash equivalents held by trustee - unrestricted, cash and cash equivalents held by trustee – restricted, investments held by trustee – unrestricted, and investments held by trustee - restricted on the statements of net position.

University of Nebraska Facilities Corporation

UNFC has a resolution establishing the general requirements for the issuance of bonds. The bonds are not obligations of the State of Nebraska; no tax shall ever be levied to raise the funds for the principal payment thereof or the interest or premium thereon, and the bonds do not constitute debt of the Regents but shall be payable solely out of moneys derived from designated tuition revenue, legislative appropriations, donor gifts, and or other available funds.

UNFC Bond Issuances

University Facilities Program Bonds, Series 2021A and Series 2021B – On June 9, 2021, UNFC issued \$266,470 of Facilities Program Bonds, Series 2021A, and \$89,405 of Facilities Program Bonds, Series 2021B (Green Bonds). The proceeds of the bonds will be used to finance new projects for the University system. Principal and interest payments will come from moneys derived by UNFC under a financing agreement with the Board of Regents.

University System Facilities Bonds, Series 2019A and Series 2019B – On October 24, 2019, UNFC issued \$525,880 of University System Facilities Bonds, Series 2019A (Taxable) and \$37,415 of University System Facilities Bonds, Series 2019B. The proceeds of the bonds were used to refund all of the University's obligations under the Master Trust Indenture, and to finance the costs of certain new facilities on various

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

campuses of the University. The bonds are secured by a covenant by the Board of Regents to make all necessary payments under a financing agreement between the Board of Regents and UNFC. The Series 2019A Bonds maturing October 1, 2030 through and including October 1, 2039, are subject to redemption prior to maturity at the option of the Board of Regents, on or after October 1, 2029, at a redemption price of par plus accrued interest to the date of redemption. The Series 2019A Bonds maturing October 1, 2049 are subject to optional redemption prior to maturity at the option of the Board of Regents, on any business day, in the order of maturity (and pro rata within a maturity), subject to a make-whole premium as described in the bond indenture authorizing the issuance of the Series 2019 Bonds. The Series 2019B Bonds are not subject to optional redemption prior to maturity.

Events of Default and Acceleration Provisions – University Facilities Program Bonds, Series 2021A and 2021B (Green Bonds)

The below-described events of default and acceleration provisions are contained in the legal documentation for the University Facilities Program Bonds, Series 2021A and Series 2021B (Green Bonds).

Events of default under the bond resolution include default of payment of principal and interest on the bonds; a covenant default that continues for 60 days after written notice to UNFC or the bond trustee; the institution of bankruptcy proceedings with regards to the Board; and an event of default under the financing agreement. Upon the occurrence of an event of default under the bond resolution, the bond trustee may, and upon the written direction of the holders of not less than 25% of bonds outstanding shall, declare all outstanding principal and accrued interest due and payable immediately. Bondholders also entitled to equitable and legal remedies to enforce their rights under the bond resolution.

UNFC also has the right to accelerate the Board's obligations under the financing agreement upon an event of default by the Board of Regents. Events of default under the financing agreement include a payment default that is not remedied within 15 business days or a failure of the Board to perform any covenant or obligation thereunder that is not remedied within 30 days of notice. If the Board fails to make payment upon acceleration, UNFC may, and upon the written direction of the holders of at least a majority of bonds outstanding shall, take possession of the facilities constituting the projects and take such other action, including the lease thereof, as it shall deem advisable.

Events of Default and Acceleration Provisions – University System Facilities Bonds, Series 2019A and 2019B

The below-described events of default and acceleration provisions are contained in the legal documentation for the University System Facilities Bonds, Series 2019A and Series 2019B.

Events of default under the bond indenture include default of payment of principal or interest on the bonds; a covenant default that continues for 30 days after written notice to UNFC and the University by the bond trustee; or an event of default under the related financing agreement. Upon the occurrence of an event of default under the bond indenture, the bond trustee may, and upon the written direction of the holders of not less than a majority of bonds outstanding shall, declare all outstanding principal and accrued interest due and payable immediately. Bondholders are also entitled to equitable and legal remedies to enforce their rights under the bond indenture.

UNFC also has the right to accelerate the Board's obligations under the financing agreement upon an event of default by the Board of Regents. Events of default under the financing agreement include a payment default that is not remedied within 3 business days or a failure of the Board to perform any covenant or obligation thereunder that is not remedied within 30 days of notice. If the Board fails to make payment upon acceleration,

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UNFC may, and upon the written direction of the holders of at least a majority of bonds outstanding shall, take possession of the facilities constituting the projects and take such other action, including the lease thereof, as it shall deem advisable.

Events of Default and Acceleration Provisions – UNFC Deferred Maintenance Bonds

The below-described events of default and acceleration provisions are contained within the respective legal documentation for the following bond issues of UNFC:

- Facilities Bonds, Series 2018
- Facilities Bonds, Series 2017A
- Deferred Maintenance Refunding Bonds, Series 2016

Events of default under the bond resolution include default of payment of principal or interest, or a covenant default that continues for 60 days after written notice to UNFC or the bond trustee. Upon the occurrence of an event of default under the bond resolution, the bond trustee may, and upon the written direction of the holders of not less than 25% of bonds outstanding shall, declare all outstanding principal and accrued interest due and payable immediately. Bondholders of not less than 10% of bonds outstanding are also entitled to equitable and legal remedies to enforce their rights under the bond resolution.

The third amended and restated financing agreement for the Facilities Bonds, Series 2018 also governs the Board's obligations under UNFC's Deferred Maintenance Refunding Bonds, Series 2016 and Facilities Bonds, Series 2017A. UNFC also has the right to accelerate the Board's obligations under the financing agreement upon an event of default by the Board of Regents. Events of default under the financing agreement include a payment default that is not remedied within 15 days and a failure of the Board to perform any covenant or obligation thereunder that is not remedied within 30 days of notice. UNFC may, and upon the written direction of the holders of at least 25% of bonds outstanding shall, take possession of the facilities constituting the projects and take such other action, including the lease thereof, as it shall deem advisable. For these purposes, UNFC has assigned its rights under the third amended and restated financing agreement to the bond trustee.

Events of Default and Acceleration Provisions – Certain UNFC Bonds

The below-described events of default and acceleration provisions are contained within the respective legal documentation for the following bond issues of UNFC:

- UNMC Eye Institute Project, Series 2018
- UNO/Community Facility Refunding Bonds, Series 2017B
- UNL Veterinary Diagnostic Center, Series 2015

Events of default under the bond resolution include default of payment of principal or interest, or a covenant default that continues for 60 days after written notice to UNFC or the bond trustee. Upon the occurrence of an event of default under the bond resolution, the bond trustee may, and upon the written direction of the holders of not less than 25% of bonds outstanding shall, declare all outstanding principal and accrued interest due and payable immediately. Bondholders of not less than 10% of bonds outstanding are also entitled to equitable and legal remedies to enforce their rights under the bond resolution.

UNFC also has the right to accelerate the Board's obligations under the financing agreement upon an event of default by the Board of Regents. Events of default under the financing agreement include a payment default

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that is not remedied within 15 days and a failure of the Board to perform any covenant or obligation thereunder that is not remedied within 30 days of notice. UNFC may, and upon the written direction of the holders of at least 25% of bonds outstanding shall, take possession of the facilities constituting the projects and take such other action, including the lease thereof, as it shall deem advisable. For these purposes, UNFC has assigned its rights under the financing agreement to the bond trustee.

The below-described events of default and acceleration provisions are contained within the respective legal documentation for the following bond issues of UNFC:

- UNMC Global Experiential Learning Center, Series 2017
- UNL Health Center and College of Nursing Projects, Series 2016
- UNMC Utility Improvements Project, Series 2016
- UNMC Cancer Center Bonds, Series 2016
- UNMC Cancer Center Bonds, Series 2014A
- UNMC QECBs, Series 2014B
- UNMC Cancer Research Center, Series 2013

Events of default under the bond resolution include default of payment of principal or interest on the bonds; a covenant default that continues for 30 days after written notice to UNFC or the bond trustee; the institution of bankruptcy proceedings with regards to the Board; and an event of default under the financing agreement. Upon the occurrence of an event of default under the bond resolution, the bond trustee may, and upon the written direction of the holders of not less than 25% of bonds outstanding shall, declare all outstanding principal and accrued interest due and payable immediately. Bondholders also entitled to equitable and legal remedies to enforce their rights under the bond resolution.

UNFC also has the right to accelerate the Board's obligations under the financing agreement upon an event of default by the Board of Regents. Events of default under the financing agreement include a payment default that is not remedied within 15 days and a failure of the Board to perform any covenant or obligation thereunder that is not remedied within 30 days of notice. UNFC may, and upon the written direction of the holders of at least 25% of bonds outstanding shall, take possession of the facilities constituting the projects and take such other action, including the lease thereof, as it shall deem advisable. For these purposes, UNFC has assigned its rights under the financing agreement to the bond trustee.

Events of Default and Acceleration Provisions – UNO Arena and UNL College of Business, Series 2015

Events of default under the bond resolution include default of payment of principal or interest on the bonds; a covenant default that continues for 30 days after written notice to UNFC or the bondholder; the institution of bankruptcy proceedings with regards to the Board; and an event of default under the financing agreement. Upon the occurrence of an event of default under the bond resolution, the bondholder may declare all outstanding principal and accrued interest due and payable immediately. The bondholder is also entitled to equitable and legal remedies to enforce its rights under the bond resolution.

UNFC also has the right to accelerate the Board's obligations under the financing agreement upon an event of default by the Board of Regents. Events of default under the financing agreement include a payment default that is not remedied within 5 days and a failure of the Board to perform any covenant or obligation thereunder that is not remedied within 30 days of notice. UNFC may, and upon the written direction of the bondholder shall, take possession of the facilities constituting the projects and take such other action, including the lease

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thereof, as it shall deem advisable. For these purposes, UNFC has assigned its rights under the financing agreement to the bondholder.

Events of Default and Acceleration Provisions – UNMC Qualified Energy Conservation Bond, Series 2015

Events of default under the bond resolution include default of payment of principal or interest on the bonds; a covenant default that continues for 30 days after written notice to UNFC or the bondholder; the institution of bankruptcy proceedings with regards to the Board; and an event of default under the financing agreement. Upon the occurrence of an event of default under the bond resolution, the bond trustee may, and upon the written direction of the holders of not less than 25% of bonds outstanding shall, declare all outstanding principal and accrued interest due and payable immediately. Bondholders are also entitled to equitable and legal remedies to enforce their rights under the bond resolution.

UNFC also has the right to accelerate the Board's obligations under the financing agreement upon an event of default by the Board of Regents. Events of default under the financing agreement include a payment default that is not remedied within 5 days and a failure of the Board to perform any covenant or obligation thereunder that is not remedied within 30 days of notice. UNFC may, and upon the written direction of the holders of at least 25% of bonds outstanding shall, take possession of the facilities constituting the projects and take such other action, including the lease thereof, as it shall deem advisable. For these purposes, UNFC has assigned its rights under the financing agreement to the bond trustee.

Events of Default and Acceleration Provisions – NCTA Education Center/Student Housing Project, Series 2011

Events of default under the bond indenture include default of payment of principal or interest, or a covenant default that continues for 30 days after written notice to UNFC or the bond trustee. Upon the occurrence of an event of default under the bond indenture, the bond trustee may, and upon the written direction of the holders of not less than 25% of bonds outstanding shall, declare all outstanding principal and accrued interest due and payable immediately. Bondholders of not less than 25% of bonds outstanding are also entitled to equitable and legal remedies to enforce their rights under the bond indenture.

UNFC also has the right to accelerate the Board's obligations under the lease upon an event of default by the Board of Regents. Events of default under the financing agreement include a payment default; a failure of the Board to perform any covenant or obligation thereunder that is not remedied within 30 days of notice or if the Board is not diligently working to cure such failure; an admission by the Board in writing that it is unable to pay its debts when due; the institution of bankruptcy proceedings with regards to the Board; appointment of receivership or similar proceedings; a writ or warrant of attachment or similar process against all or a substantial portion of the Board's property, which is not contested or stayed within 60 days; or if the Board shall abandon the project and it shall remain uncared for or unoccupied for a period of 60 days. UNFC may, and upon the written direction of the trustee shall declare the bonds due and payable, take possession of the facilities constituting the project and take such other action, including the lease thereof, as it shall deem advisable. For these purposes, UNFC has assigned its rights under the lease to the bond trustee.

Events of Default and Acceleration Provisions – UNL Alexander Building Project, Series 2003

Events of default under the bond indenture include default of payment of principal or interest, a covenant default that continues for 30 days after written notice to UNFC or the bond trustee, or a default under the lease. Upon the occurrence of an event of default under the bond indenture, the bond trustee may, and upon the written direction of the holders of not less than 25% of bonds outstanding shall, declare all outstanding principal and

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

accrued interest due and payable immediately. Bondholders of not less than 25% of bonds outstanding are also entitled to equitable and legal remedies to enforce their rights under the bond indenture.

UNFC also has the right to accelerate the Board's obligations under the lease upon an event of default by the Board of Regents. Events of default under the financing agreement include a payment default; a failure of the Board to perform any covenant or obligation thereunder that is not remedied within 30 days of notice or if the Board is not diligently working to cure such failure; an admission by the Board in writing that it is unable to pay its debts when due; the institution of bankruptcy proceedings with regards to the Board; appointment of receivership or similar proceedings; a writ or warrant of attachment or similar process against all or a substantial portion of the Board's property, which is not contested or stayed within 60 days; or if the Board shall abandon the project and it shall remain uncared for or unoccupied for a period of 60 days. UNFC may, and upon the written direction of the trustee shall declare the bonds due and payable, take possession of the facilities constituting the project and take such other action, including the lease thereof, as it shall deem advisable. For these purposes, UNFC has assigned its rights under the lease to the bond trustee.

The 2003 bonds were refunded with a portion of the proceeds of a bond issue of UNFC that closed on October 24, 2019.

Nebraska Utility Corporation

Events of Default and Acceleration Provisions – NUCorp 2010 Bonds

Events of default under the bond resolution include default of payment of principal on the bonds, or the payment of interest that is not remedied within 30 days after the payment date; a covenant default that continues for 90 days after written notice NUCorp (subject to limitations of inability to comply due to a force majeure); the failure of NUCorp to pay its debts when due; the institution of bankruptcy by NUCorp or similar proceedings with regards to the NUCorp; bankruptcy proceedings commenced against NUCorp that have not been stayed or dismissed within 90 days; and an event of default under the financing agreement. Upon the occurrence of an event of default under the bond resolution, the holders of not less than 25% of bonds outstanding may appoint a receiver to act as trustee for the benefit of bondholders. The receiver may sue for all amounts then due or during a default becoming, and at any time remaining due from NUCorp. Bondholders representing not less than 25% of outstanding bonds are also entitled to equitable and legal remedies to enforce their rights under the bond resolution.

Events of Default and Acceleration Provisions – NUCorp 2014A and 2014B Bonds

Events of default under the applicable bond resolution include default of payment of principal on the bonds, or the payment of interest that is not remedied within 30 days after the payment date; a covenant default that continues for 90 days after written notice NUCorp (subject to limitations of inability to comply due to a force majeure); the failure of NUCorp to pay its debts when due; the institution of bankruptcy by NUCorp or similar proceedings with regards to the NUCorp; bankruptcy proceedings commenced against NUCorp that have not been stayed or dismissed within 90 days; and an event of default under the financing agreement. Upon the occurrence of an event of default under the bond resolution, the holders of not less than 25% of bonds outstanding may appoint a receiver to act as trustee for the benefit of bondholders. The receiver may sue for all amounts then due or during a default becoming, and at any time remaining due from NUCorp. Bondholders representing not less than a majority of outstanding bonds are also entitled direct the proceedings of the receiver, subject to the receiver's opinion of fairness to all bondholders.

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Bond Resolutions/Indentures

The bond resolutions or indentures, as applicable, 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 or indentures also require that specified amounts be deposited with the trustee for certain funds. At June 30, 2021 and 2020, the University, UNFC, and NUCorp are in compliance with these requirements.

I. 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:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2021	<u>\$ 52,015</u>	<u>\$ 337</u>	<u>\$ 826</u>	<u>\$ 51,526</u>	<u>\$ 688</u>
2020	<u>\$ 49,582</u>	<u>\$ 3,133</u>	<u>\$ 700</u>	<u>\$ 52,015</u>	<u>\$ 716</u>

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

	Buildings and Properties	Equipment	Total
2022	\$ 4,249	\$ 737	\$ 4,986
2023	4,253	650	4,903
2024	4,249	631	4,880
2025	4,239	270	4,509
2026	4,219	68	4,287
2027-2031	22,683	55	22,738
2032-2036	26,438	-	26,438
2037-2041	29,190	-	29,190
2042-2046	<u>25,673</u>	<u>-</u>	<u>25,673</u>
	125,193	2,411	127,604
Less interest and executory costs	<u>75,955</u>	<u>123</u>	<u>76,078</u>
	<u>\$ 49,238</u>	<u>\$ 2,288</u>	<u>\$ 51,526</u>

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Capital assets held under capital lease obligations at June 30, 2021, are as follows:

	Cost	Accumulated Depreciation	Net
Buildings	\$ 48,572	\$ 9,677	\$ 38,895
Equipment	<u>3,960</u>	<u>1,070</u>	<u>2,890</u>
	<u>\$ 52,532</u>	<u>\$ 10,747</u>	<u>\$ 41,785</u>

The University has entered into operating leases for certain space and equipment, which expire at various dates through 2044. Outstanding commitments for these leases, with non-cancelable periods greater than one year, are expected to be paid in the following years ending June 30:

	Operating
2022	\$ 3,822
2023	3,683
2024	3,089
2025	2,750
2026	2,411
2027-2031	7,039
2032-2036	4,693
2037-2041	4,135
2042-2046	<u>1,749</u>
	<u>\$ 33,371</u>

Expenses for all operating leases totaled \$8,073 and \$11,137 in fiscal years 2021 and 2020, respectively.

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, 2019	\$ 743	\$ 2,884	\$ 7,211	\$ 10,838
Incurred claims	-	8,148	127,719	135,867
Payments on claims	<u>(594)</u>	<u>(4,747)</u>	<u>(127,719)</u>	<u>(133,060)</u>
Claim reserve, June 30, 2020	149	6,285	7,211	13,645
Incurred claims	-	1,234	139,702	140,936
Payments on claims	<u>(24)</u>	<u>(1,234)</u>	<u>(137,664)</u>	<u>(138,922)</u>
Claim reserve, June 30, 2021	<u>\$ 125</u>	<u>\$ 6,285</u>	<u>\$ 9,249</u>	<u>\$ 15,659</u>

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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. A bank administers the general liability program 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 an outside actuarial firm. The estimate of the claim reserves used by the actuaries was undiscounted. The 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 for medical malpractice claims.

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, 2021 and 2020, the trustees for the health and other insurance claims programs held cash and cash equivalents and investments totaling approximately \$84,094 and \$87,010, 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.

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 2021 and 2020 was approximately \$1,124,234 and \$1,122,577, respectively, of which approximately \$832,807 and \$833,120 was covered by the plan. The University’s contribution during 2021 and 2020 was approximately \$65,110, or 7.82%, and \$65,120, or 7.82%, of covered payroll, respectively, and the faculty and staff’s contribution was approximately \$43,811, or 5.26%, and \$43,804, or 5.26%, 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.

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L. COMMITMENTS AND CONTINGENCIES

The University has budgeted for the construction of facilities that are estimated to cost approximately \$580,465 and \$637,429 at June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the approximate remaining costs to complete these facilities were \$412,078 and \$350,437, respectively, which will be financed as follows:

	2021	2020
Bond funds	\$ 139,502	\$ 122,574
Federal Funds	-	5,444
University funds	21,147	19,215
State capital appropriations	277	767
Private gifts, grants, and contracts	<u>251,152</u>	<u>202,437</u>
	<u>\$ 412,078</u>	<u>\$ 350,437</u>

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 the EPA have agreed that an amendment to the record of decision is necessary to reduce the scope of remediation efforts at NOP. Current cost estimates are approximately \$138 per year until the amendment process is complete, at which time more precise costs will be known.

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

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M. RELATED-PARTY TRANSACTIONS

The University routinely has transactions with Nebraska Medicine (NM). 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, 2021 and 2020, NM purchased approximately \$25,998 and \$27,989 of goods and services from UNMC. In addition, during 2021 and 2020, UNMC paid NM \$29,134 and \$20,178, respectively, for support services provided by NM.

N. FUNCTIONAL CLASSIFICATIONS OF EXPENSES

For the year ended June 30, 2021:

	Compensation	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 524,345	\$ 40,118	\$ 11,606	\$ -	\$ 576,069
Research	262,737	128,628	4,844	-	396,209
Public service	83,871	35,124	297	-	119,292
Academic support	131,034	50,991	28,413	-	210,438
Student services	31,583	6,883	762	-	39,228
Institutional support	104,824	29,784	(28,086)	-	106,522
Operation and maintenance of plant	40,015	100,536	-	-	140,551
Healthcare entities	69,010	18,156	249	-	87,415
Scholarships and fellowships	903	698	69,376	-	70,977
Auxiliary operations	158,157	129,615	3,884	-	291,656
Depreciation	-	-	-	147,624	147,624
Total expenses	<u>\$ 1,406,479</u>	<u>\$ 540,533</u>	<u>\$ 91,345</u>	<u>\$ 147,624</u>	<u>\$ 2,185,981</u>

For the year ended June 30, 2020:

	Compensation	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 537,983	\$ 47,470	\$ 12,193	\$ -	\$ 597,646
Research	266,634	129,460	3,653	-	399,747
Public service	78,881	55,243	570	-	134,694
Academic support	139,497	41,799	1,336	-	182,632
Student services	31,070	9,245	(449)	-	39,866
Institutional support	109,702	30,001	(296)	-	139,407
Operation and maintenance of plant	42,811	88,352	-	-	131,163
Healthcare entities	72,937	16,355	1,194	-	90,486
Scholarships and fellowships	1,307	510	59,058	-	60,875
Auxiliary operations	148,238	146,984	4,819	-	300,041
Depreciation	-	-	-	143,050	143,050
Total expenses	<u>\$ 1,429,060</u>	<u>\$ 565,419</u>	<u>\$ 82,078</u>	<u>\$ 143,050</u>	<u>\$ 2,219,607</u>

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

O. Restatement

The GASB Statement No. 84 Fiduciary Activities was implemented in fiscal year 2021. This standard establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria are required to present these activities in a statement of fiduciary net position and a statement of changes in fiduciary net position.

As a result of implementing this statement in fiscal year 2021, the beginning net position was restated to retroactively report non-fiduciary net position as follows:

Net position at June 30, 2020, as previously reported	\$ 4,234,632
Adjustment for fiduciary funds as defined by GASB 84	(10,646)
Net position as June 30, 2020, as restated	<u>\$ 4,223,986</u>
Net position at June 30, 2019, as previously reported	\$ 4,115,255
Adjustment for fiduciary funds as defined by GASB 84	(13,101)
Net position at June 30, 2019, as restated	<u>\$ 4,102,154</u>
Net position at June 30, 2018, as previously reported	\$ 3,914,124
Adjustment for fiduciary funds as defined by GASB 84	(14,571)
Net position at June 30, 2018, as restated	<u>\$ 3,899,553</u>

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P. CONDENSED COMPONENT UNIT FINANCIAL INFORMATION

Condensed financial information, before the elimination of certain intra-University transactions, for each of the University's Component Units follows (in thousands):

For the year ended June 30, 2021

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
Condensed Statement of Net Position						
Assets and Deferred Outflows of Resources						
Assets:						
Current assets	\$ 18,556	\$ 267,722	\$ 5,307	\$ 1,327	\$ 18,283	\$ 8,073
Non-current assets						
Capital assets	117	-	-	16	-	66,003
Other non-current assets	-	917,321	-	-	163,402	16,622
Total assets	18,673	1,185,043	5,307	1,343	181,685	90,698
Deferred Outflows of Resources						
Deferred loss on bond refunding	-	31,886	-	-	-	124
Liabilities, Deferred Inflows of Resources, and Net Position						
Liabilities:						
Current liabilities	13,429	73,339	2,717	483	3,426	6,219
Non-current liabilities	209	1,280,865	-	-	1,392	12,048
Total liabilities	13,638	1,354,204	2,717	483	4,818	18,267
Deferred Inflows of Resources						
Deferred service concession arrangement receipts	-	21	-	-	-	-
Net Position:						
Net investment in capital assets	117	-	-	-	-	51,392
Restricted:						
Expendable	-	-	-	-	64,575	-
Plant construction	-	-	-	-	-	-
Debt service	-	49,782	-	-	-	6,439
Unrestricted	4,918	(187,078)	2,590	860	112,291	14,724
Total net position	\$ 5,035	\$ (137,296)	\$ 2,590	\$ 860	\$ 176,866	\$ 72,555

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating revenues						
Grants and contracts	\$ 18,281	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and services of educational activities	7,024	-	-	-	-	-
DDIR revenue	-	-	-	-	9,024	-
Sales and services of health care entities	-	-	7,028	2,839	-	-
Other operating revenue	1,187	-	-	-	-	27,308
Operating expenses:						
Depreciation	324	-	-	4	-	3,241
Other operating expenses	33,609	2,174	7,780	2,381	53	18,377
Operating income	(7,441)	(2,174)	(752)	454	8,971	5,690
Non-operating income (expense)	6,984	23,061	-	-	19,706	(300)
Increase (decrease) in net position	(457)	20,887	(752)	454	28,677	5,390
Net position - beginning of year	5,492	(158,183)	3,342	406	148,189	67,165
Net position - end of year	<u>\$ 5,035</u>	<u>\$ (137,296)</u>	<u>\$ 2,590</u>	<u>\$ 860</u>	<u>\$ 176,866</u>	<u>\$ 72,555</u>
Condensed Statement of Cash Flows						
Net cash flows from operating activities	\$ (3,249)	\$ -	\$ (1,629)	\$ 210	\$ 5,052	\$ 10,205
Net cash flows from noncapital financing activities	-	-	-	364	(13,998)	-
Net cash flows from capital and related financing activities	6,532	318,240	-	-	-	(8,677)
Net cash flows from investing activities	4	(85,843)	-	-	10,009	101
Net change in cash and cash equivalents	3,287	232,397	(1,629)	574	1,063	1,629
Cash and cash equivalents - beginning of year	8,024	451,556	4,717	399	3,273	4,216
Cash and cash equivalents - end of year	<u>\$ 11,311</u>	<u>\$ 683,953</u>	<u>\$ 3,088</u>	<u>\$ 973</u>	<u>\$ 4,336</u>	<u>\$ 5,845</u>

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

For the year ended June 30, 2020

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
Condensed Statement of Net Position						
Assets and Deferred Outflows of Resources						
Assets:						
Current assets	\$ 16,440	\$ 271,373	\$ 6,975	\$ 648	\$ 18,919	\$ 10,051
Non-current assets						
Capital assets	585	-	-	20	-	62,313
Other non-current assets	-	583,502	-	-	140,775	15,376
Total assets	17,025	854,875	6,975	668	159,694	87,740
Deferred outflows of Resources						
Deferred loss on bond refunding	-	33,643	-	-	-	206
Liabilities, Deferred Inflows of Resources, and Net Position						
Liabilities:						
Current liabilities	11,338	115,341	3,633	262	10,331	6,646
Non-current liabilities	195	931,286	-	-	1,174	14,134
Total liabilities	11,533	1,046,627	3,633	262	11,505	20,780
Deferred Inflows of Resources						
Deferred service concession arrangement receipts	-	74	-	-	-	-
Net Position:						
Net investment in capital assets	585	-	-	-	-	46,457
Restricted:						
Expendable	-	-	-	-	52,344	-
Plant construction	-	-	-	-	-	-
Debt service	-	47,614	-	-	-	5,526
Unrestricted	4,907	(205,797)	3,342	406	95,845	15,182
Total net position	\$ 5,492	\$ (158,183)	\$ 3,342	\$ 406	\$ 148,189	\$ 67,165

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating revenues						
Grants and contracts	\$ 23,649	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and services of educational activities	7,177	-	-	-	-	-
DDIR revenue	-	-	-	-	9,450	-
Sales and services of health care entities	-	-	7,195	2,051	-	-
Other operating revenue	2,579	-	-	-	-	28,482
Operating expenses:						
Depreciation	338	-	-	4	-	2,977
Other operating expenses	36,780	2,708	7,581	2,244	(286)	19,041
Operating income	(3,713)	(2,708)	(386)	(197)	9,736	6,464
Non-operating income (expense)	7,460	99,707	-	-	(2,467)	8
Increase (decrease) in net position	3,747	96,999	(386)	(197)	7,269	6,472
Net position - beginning of year	1,745	(255,182)	3,728	603	140,920	60,693
Net position - end of year	<u>\$ 5,492</u>	<u>\$ (158,183)</u>	<u>\$ 3,342</u>	<u>\$ 406</u>	<u>\$ 148,189</u>	<u>\$ 67,165</u>
Condensed Statement of Cash Flows						
Net cash flows from operating activities	\$ (5,680)	\$ -	\$ 1,100	\$ (219)	\$ 12,372	\$ 6,700
Net cash flows from noncapital financing activities	-	-	-	-	(5,346)	-
Net cash flows from capital and related financing activities	7,602	207,842	-	(13)	-	(3,932)
Net cash flows from investing activities	13	6,008	-	-	(7,208)	(4,632)
Net change in cash and cash equivalents	1,935	213,850	1,100	(232)	(182)	(1,864)
Cash and cash equivalents - beginning of year	6,089	237,706	3,617	631	3,455	6,080
Cash and cash equivalents - end of year	<u>\$ 8,024</u>	<u>\$ 451,556</u>	<u>\$ 4,717</u>	<u>\$ 399</u>	<u>\$ 3,273</u>	<u>\$ 4,216</u>

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

Q. SUBSEQUENT EVENTS

The University of Nebraska has evaluated subsequent events from the balance sheet date through December 16, 2021, the date at which the financial statements were available to be issued. No additional items were identified that would require disclosure.

R. 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, 2021 and 2020, the Foundation's net assets (including unrealized gains) totaled \$2,809,562 and \$2,220,033, respectively.

During the years ended June 30, 2021 and 2020, the Foundation contributed \$130 million and \$109 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 \$60 million during 2021 and 2020, respectively, to the University. These contributions provided support for several projects, including the renovation of the UNMC Monroe-Meyer Institute, the UNL Dinsdale Family Learning Commons, and the UNO Durham Science Center.

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

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

S. 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 subsidiaries, UNF Investments, LLC and UNF Charitable Gift Fund (UNFCGF). All significant intercompany accounts and transactions have been eliminated upon consolidation.

The University of Nebraska (the University) considers the University of Nebraska Foundation a Component Unit under Government Accounting Standards Board Statements and therefore includes the audited financial statements of the Foundation in the University's Annual Financial Report.

(b) Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

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:

- *Net assets without donor restrictions* – Net assets and contributions not subject to donor-imposed stipulations.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations outlining a specific use or time restriction, which can be temporary or perpetual in nature. After the donor-imposed time or purpose restriction is satisfied or after the Foundation's board appropriates their expenditures in the case of gains and income realized on endowment funds maintained in perpetuity, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported within the consolidated statements of activities as net assets released from restrictions.

Revenue is reported as increases in net assets without donor restrictions unless use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and any other assets or liabilities are reported as increases (decreases) in net assets without donor restrictions, unless their use is limited by donor stipulation or by laws. Expirations of temporary restrictions on net assets with donor restrictions (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. If a restriction is fulfilled in the same time period in which the funds are received, the Foundation reports the funds as a component of net assets without donor restrictions. 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.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

(c) Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP 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.

(d) Gifts, Bequests, and Life Insurance Proceeds

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are recognized when they become unconditional. A promise to give is conditional based on whether the agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. A conditional promise to give becomes an unconditional promise to give when the barriers in the agreement are overcome. 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 contributions with donor restriction.

The Foundation recognizes a receivable and revenue at the time a pledge is made by the donor if the pledge is verifiable, measurable, probable of collection, and meets all applicable eligibility requirements. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows. In subsequent years, this discount is accreted and reported as additional contribution revenue in accordance with donor-imposed restrictions, if any. The discount rate utilized for 2021 and 2020 was 6%. In addition, pledges are reported net of an allowance, which includes specific reserves for items that are past due in payments as well as a general reserve set at 3% of pledges receivable balance.

Included in gifts, bequests, and life insurance proceeds, is an advancement fee assessed on incoming expendable contributions, with certain predetermined exclusions, effective March 1, 2020. During the years ended June 30, 2021 and 2020 the fee was \$1,031 and \$182, respectively, and is included as an increase in net assets without donor restriction within gifts, bequests, and life insurance proceeds within the consolidated statement of activities.

(e) 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 and temporary investment portfolios.

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.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

(f) Investments and Temporary Investments

Investments and temporary investments in equity securities with readily determinable fair values and debt securities are reported at fair value. For alternative investments in funds that do not have readily determinable fair values, including certain hedge funds and limited partnerships, the Foundation records these investments using net asset value per share or its equivalent as a practical expedient to fair value. These investments in alternative investments are valued based upon the most recent net asset value or capital account information available from the fund manager, adjusted for subsequent cash flows as necessary. The Foundation applies the practical expedient to its investments on an investment-by-investment basis and consistently with the Foundation's entire position in a particular investment unless it is probable that the Foundation will sell a portion of an investment at an amount different from the net asset valuation.

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

Temporary investments comprise short-term investments used to maintain liquidity 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 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 net assets without donor restrictions, unless their use is restricted by donor stipulation or by law.

Investment income is comprised of dividends, interest, and other investment income and is shown net of external investment management and custody fees. Included in investment income is a management fee charged by the Foundation to endowment accounts within each net asset class for which the Foundation manages investments. This management fee is calculated annually based on the market value of the endowment and is charged ratably over the year on a monthly basis. These fees are used to support the Foundation's management and fund-raising operations. During the years ended June 30, 2021 and 2020, \$19,471 and \$20,964, respectively, was charged to donor restricted investment income and credited to investment income without donor restriction in the consolidated statements of activities related to the management fee for endowment funds. Also, included in investment income without donor restriction for the years ended June 30, 2021 and 2020 is \$5,402 and \$5,312, respectively, of a management fee charged by the Foundation to agency funds, which is calculated annually based on the market value of the agency funds and is charged ratably over the year on a monthly basis.

(g) Deposits Held in Custody for Others

Deposits held for others represent funds held in a fiduciary capacity. The assets and corresponding liability for these funds are reflected on the consolidated statements of financial position, however, the transactional activity of these funds is not reflected in the consolidated statements of activities as the Foundation is acting as an agent for these funds. Such funds approximated \$425 million and \$327 million at June 30, 2021 and 2020, respectively, and are recorded as a liability on the consolidated statements of financial position. These funds are held on behalf of the University and other related entities.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

(h) Benefits Paid to University

The Foundation recognizes an expense related to benefits to the University when the University submits a request that meets the requirements of each fund or donor agreement. A payable is recognized for any requests made that meet requirements of the fund agreement but are not yet paid as of period end.

(i) Deferred Annuities Payable

The Foundation is the beneficiary of split interest agreements in the form of charitable gift annuities, charitable remainder trusts, and pooled income funds. The liability is established at the time of the contribution using actuarial tables and an assumed interest rate. The interest rates used for the establishment of the liability was 2.8% for the years 2021 and 2020. In connection with certain agreements, the Foundation has committed to the payment of an annual annuity to the donor. Liabilities associated with these agreements as of June 30, 2021 and 2020 are \$16,647 and \$15,067, respectively, and have been reflected as deferred annuities payable on the consolidated statements of financial position. Annuity obligations are adjusted annually for actuarial changes in life expectancy. The increases and decreases to the liability are reflected as change in the value of split interest agreements with donor restriction in the consolidated statements of activities, which is consistent with the method used to initially record the contribution.

(j) Fair Value of Financial Instruments

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

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

(k) Income Taxes

The Foundation has been recognized as a not-for-profit corporation by the Internal Revenue Service as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the 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 income tax examinations for years prior to 2017. During 2021 and 2020, management determined that there are no income tax positions requiring recognition in the consolidated financial statements.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

(1) New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). ASU 2016-02 requires the lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. For leases with a term of twelve months or less, the Foundation is permitted to make an accounting policy election by class of underlying asset to recognize lease assets and lease liabilities. Further ASU 2016-02 requires a finance lease to recognize both an interest expense and an amortization of the associated expense. Operating leases generally recognize the associated expense on a straight-line basis. ASU 2016-02 requires the Foundation to adopt the standard using a modified retrospective approach and adoption beginning in fiscal year 2022. The Foundation is currently evaluating the impact that ASU 2016-02 will have on its consolidated financial statements.

(2) Fair Value Investments

The Foundation uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Foundation determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

The tables below present the balances of assets and liabilities measured at June 30, 2021 and 2020 at estimated fair value on a recurring basis:

	2021			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Certificates of deposit, savings, and money market funds	\$ 10,816	\$ 10,816	\$ —	\$ —
U.S. government securities and sovereign debt	37,049	—	37,049	—
Corporate bonds	47,223	—	47,223	—
Common stock	236,879	194,415	—	42,464
Mutual funds – equity	523,294	523,294	—	—
Mutual funds – fixed income	14,231	14,231	—	—
Preferred stock	566	—	566	—
Commingled funds – public equity	342,282	—	342,282	—
Commingled funds – diversified real assets	79,231	79,231	—	—
Index funds – public equity	710,046	710,046	—	—
Investments measured at net asset value ⁽¹⁾ :				
Hedge funds	6,050	—	—	—
Limited partnerships	300,492	—	—	—
Temporary investments:				
U.S. treasuries	59,066	—	59,066	—
Certificates of deposit and money funds	45,060	30,733	14,327	—
State government securities	35,445	—	35,445	—
Local government securities	60,575	—	60,575	—
Corporate bonds	260,908	—	260,908	—
Common stock	61,467	61,467	—	—
Exchange traded funds – equity	143,886	143,886	—	—
Total	<u>\$ 2,974,566</u>	<u>\$ 1,768,119</u>	<u>\$ 857,441</u>	<u>\$ 42,464</u>

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

	2020			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Certificates of deposit, savings, and money market funds	\$ 6,550	\$ 6,550	\$ —	\$ —
U.S. government securities and sovereign debt	32,669	—	32,669	—
Corporate bonds	58,179	—	58,179	—
Common stock	186,320	151,596	—	34,724
Mutual funds – equity	368,311	368,311	—	—
Mutual funds – fixed income	27,119	27,119	—	—
Preferred stock	501	—	501	—
Commingled funds – public equity	314,579	—	314,579	—
Commingled funds – diversified real assets	32,103	—	32,103	—
Index funds – commodities	9,732	9,732	—	—
Index funds – public equity	429,528	429,528	—	—
Investments measured at net asset value ⁽¹⁾ :				
Hedge funds	77,584	—	—	—
Limited partnerships	165,737	—	—	—
Temporary investments:				
U.S. treasuries	61,336	—	61,336	—
Certificates of deposit and money funds	67,083	38,158	28,925	—
State government securities	30,201	—	30,201	—
Local government securities	50,456	—	50,456	—
Corporate bonds	224,531	—	224,531	—
Exchange traded funds – equity	145,521	145,521	—	—
Total	<u>\$ 2,288,040</u>	<u>\$ 1,176,515</u>	<u>\$ 833,480</u>	<u>\$ 34,724</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 fair values of the financial instruments shown in the above tables represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Certifications of deposit, savings, and money market funds: Money market are recorded at fair value using quoted market prices. These are classified as Level 1 as they are traded in an active market for which closing prices are readily available. Certificates of deposit are reported at face value plus accrued interest at the reporting date. These investments are classified as Level 2.

Corporate bonds, U.S. Treasuries, State Government Securities, Local Government Securities, and U.S. government securities and sovereign debt obligations: Investments include fixed-income securities comprised of U.S. government securities, sovereign debt, and corporate bonds. Actively traded fixed-income securities are classified as Level 1 and valued based upon observable market prices on the reporting date. When quoted prices of identical investment securities in active markets are not available, the fair values for these investment securities are obtained primarily from pricing services; one evaluated price is received for each security. The fair values provided by the pricing services are estimated using matrix pricing or other pricing models, where the inputs are based on observable market inputs or recent trades of similar securities. Such investment securities are generally classified as Level 2.

Common and preferred stock, mutual funds, index funds, and exchange traded funds: These securities are mainly measured using quoted market prices at the reporting date multiplied by the quantity held. These are classified as Level 1 securities as they are traded in an active market for which closing prices are readily available. Included within common stock is closely held stock valued at \$42,464 and \$34,724, respectively, as of June 30, 2021 and 2020. The closely held stock is classified as Level 3 as these are securities without readily observable inputs or measures. The closely held stock is measured using book value of equity of the closely held company as similar public companies in the industry trade near book value. There were no purchases or sales of closely held stock during 2021 or 2020.

Commingled funds: Commingled funds including public equity and diversified real asset funds have readily determinable fair values but are not traded on national exchanges. The balance of these funds are private funds where the fund stands ready to transact with investors at net asset value at certain time periods under the fund governing agreements. Price quotes for the underlying assets are available for identical assets but in markets that are not considered active. While trades occur, they are usually limited to once a month and as such limit the number of investors. The investors involved generally have longer term horizons and as such they are not considered to be active markets. These funds are classified as Level 2.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

(3) Investments

Investments consist of the following at June 30, 2021 and 2020:

	2021	2020
Investments stated at fair value:		
Certificates of deposit, savings, and money market funds	\$ 10,816	\$ 6,550
U.S. government securities and sovereign debt	37,049	32,669
Corporate bonds	47,223	58,179
Common stock	236,879	186,320
Mutual funds – equity	523,294	368,311
Mutual funds – fixed income	14,231	27,119
Preferred stock	566	501
Limited partnerships	300,492	165,737
Commingled funds – public equity	342,282	314,579
Commingled funds – diversified real assets	79,231	32,103
Index funds – commodities	–	9,732
Index funds – public equity	710,046	429,528
Hedge funds	6,050	77,584
Investments stated at other than fair value:		
Real estate	22,218	26,712
Real estate mortgage and contracts	1,130	1,085
Other	2,062	2,062
Cash value of life insurance	2,988	2,980
	<u>\$ 2,336,557</u>	<u>\$ 1,741,751</u>
	2021	2020
Temporary investments stated at fair value:		
U.S. treasuries	\$ 59,066	\$ 61,336
Certificates of deposit and money market funds	45,060	67,083
State government securities	35,445	30,201
Local government securities	60,575	50,456
Corporate bonds	260,908	224,531
Common stock	61,467	–
Exchange traded funds – equity	143,886	145,521
	<u>\$ 666,407</u>	<u>\$ 579,128</u>

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

The estimated value of hedge funds and limited partnerships was provided by the respective fund managers. 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, 2021 and 2020:

2021				
	Net asset value	Unfunded commitments	*Redemption frequency (if currently eligible)	Redemption notice period
Private equity/venture capital	\$ 248,752	\$ 149,530	N/A	N/A
Natural resources	22,932	21,598	N/A	N/A
Real estate funds	28,808	43,076	N/A	N/A
Hedge funds:				
Domestic long/short	—	—	q/sa/a	90-360 days
Global long/short	3,117	—	q/sa/a	90-360 days
Multiple strategies	139	—	q/sa/a	90-360 days
Credit strategies	2,794	—	q/sa/a	90-360 days
	<u>\$ 306,542</u>	<u>\$ 214,204</u>		

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

2020				
	Net asset value	Unfunded commitments	*Redemption frequency (if currently eligible)	Redemption notice period
Private equity/venture capital	\$ 126,406	\$ 150,820	N/A	N/A
Natural resources	16,548	20,235	N/A	N/A
Real estate funds	22,783	53,527	N/A	N/A
Hedge funds:				
Domestic long/short	13,869	—	q/sa/a	90-360 days
Global long/short	13,846	—	q/sa/a	90-360 days
Multiple strategies	27,996	—	q/sa/a	90-360 days
Credit strategies	21,873	—	q/sa/a	90-360 days
	<u>\$ 243,321</u>	<u>\$ 224,582</u>		

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

The Foundation invests a portion of its assets in private investment limited partnerships that have predetermined fund lives. Generally, these funds have lives of up to 10 years and in certain cases may be extended for an additional 1–2 years upon approval by a majority of limited partners. Although capital may be returned to limited partners at any time during the fund life, it is generally anticipated that such distributions will commence several years into the fund life with a target of all capital being returned to investors by the end of the term. Each specific limited partnership is governed by an individual Limited Partnership Agreement which details liquidity terms and other provisions.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

Liquidity terms for hedge fund investments are governed by each specific funds' terms as outlined in each respective set of governing fund documents. On an aggregated bases, it is anticipated that 90% of capital would be returned within 12 months of redemption action, with the remainder of assets being returned within 36 months.

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 are due to be collected as follows as of June 30, 2021 and 2020:

	2021	2020
Gross amount due in:		
One year or less	\$ 70,579	\$ 83,673
One to five years	184,215	135,431
More than five years	5,190	7,622
	259,984	226,726
Less discount to present value	15,259	18,932
	244,725	207,794
Less allowance for doubtful accounts	7,342	6,234
	\$ 237,383	\$ 201,560

The discount will be recognized as contribution income in years 2021 through 2044.

In addition, the Foundation has been informed of intentions to give in the form of possible future bequests and conditional pledges, in the amount of \$122,040 and \$95,000 at June 30, 2021 and 2020, respectively. These amounts are not included in pledges receivable as they do not constitute unconditional promises to give. It is not practicable to estimate the net realizable value of these intentions to contribute or the period over which they will be collected.

(5) Net Assets with Donor Restrictions

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, the Medical Center in Omaha, and Nebraska Medicine. The purposes include scholarships, fellowships, research, academic support, and campus building and improvements. Net assets with donor restrictions include gifts contributed for a specified period or until the occurrence of some future event or unspent earnings on endowed funds.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

The amounts of net assets with donor restrictions as of June 30, 2021 and 2020 are as follows:

	2021	2020
Charitable trusts and annuities	\$ 24,952	\$ 18,877
Expendable funds for specific purposes	1,113,184	965,219
Permanent endowment pool subject to spending policy	1,580,311	1,182,792
	<u>\$ 2,718,447</u>	<u>\$ 2,166,888</u>

The Foundation had net assets without donor restrictions of \$91,115 and \$53,145 at the end of 2021 and 2020, respectively of which \$61,613 and \$28,478 was board designated. Net assets of \$213,173 and \$146,546 were released from donor restrictions during 2021 and 2020 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

(6) Financial Assets and Liquidity Resources

As of June 30, 2021, the Foundation's average month's operating cash and cash equivalents on hand is approximately 12 months, based on normal expenditures.

The following table reflects the Foundation's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditure because of contractual or donor-imposed restrictions within one year of the financial position date. Financial assets are considered unavailable when subject to donor-imposed restrictions.

	2021	2020
Financial assets:		
Cash and cash equivalents	\$ 16,319	\$ 65,520
Temporary investments	666,407	579,128
Pledges	237,383	201,560
Investments	2,336,557	1,741,751
Financial assets, at the end of the year	<u>3,256,666</u>	<u>2,587,959</u>
Less those unavailable for general expenditure within one year due to:		
Permanent endowment pool subject to spending policy	\$ 1,580,311	\$ 1,182,792
Deposits held in custody for others	424,743	327,108
Donor funds available for specific purpose	1,138,136	984,096
Total unavailable for general expenditure within one year due	<u>3,143,190</u>	<u>2,493,996</u>
Total financial assets available within one year	<u>\$ 113,476</u>	<u>\$ 93,963</u>

The Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligation come due. Included above are cash and investments in board designated endowments (see note 8). While those amounts are not expected to be used for general operations they are available to the board if needed.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

(7) Functional Expenses

The Foundation solicits and distributes funds for the benefit of the University. Expenses related to those activities providing these services for the years ended June 30, 2021 and 2020 are as follows:

The Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligation come due.

2021				
	Program support	Management and general	Fundraising	Total
Payments to benefit the University	\$ 236,612	—	—	236,612
Contributions to other charities	116	—	—	116
Salaries and benefits	—	7,700	14,352	22,052
Office expense	—	441	696	1,137
Office rent and utilities	—	703	1,110	1,813
Professional services	—	872	351	1,223
Dues and subscriptions	—	294	465	759
Travel and conferences	—	40	62	102
Cultivation expense	—	—	1,202	1,202
Miscellaneous expense	—	52	266	318
Paid to beneficiaries	—	2,363	—	2,363
Depreciation	—	217	342	559
Total expense	<u>\$ 236,728</u>	<u>12,682</u>	<u>18,846</u>	<u>268,256</u>

2020				
	Program support	Management and general	Fundraising	Total
Payments to benefit the University	\$ 169,594	—	—	169,594
Contributions to other charities	108	—	—	108
Salaries and benefits	—	7,323	14,738	22,061
Office expense	—	381	767	1,148
Office rent and utilities	—	601	1,211	1,812
Professional services	—	768	582	1,350
Dues and subscriptions	—	102	205	307
Travel and conferences	—	284	572	856
Cultivation expense	—	—	1,386	1,386
Miscellaneous expense	—	819	262	1,081
Paid to beneficiaries	—	2,329	—	2,329
Depreciation	—	179	668	847
Total expense	<u>\$ 169,702</u>	<u>12,786</u>	<u>20,391</u>	<u>202,879</u>

Expenses are allocated to the various functions based on either the underlying purpose of the expense or allocated based on the percentage of time employees spend on each function for those that can be attributable to more than one function.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

(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 5,600 individual funds established for a variety of purposes. The Foundation holds endowment funds for support of its programs and operations. As required by U.S. GAAP, 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 net assets with donor restrictions 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 net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the endowment fund
- (2) the purposes of the Foundation and the donor-restricted endowment fund
- (3) general economic conditions
- (4) the possible effect of inflation or deflation
- (5) the expected total return from income and the appreciation of investments
- (6) other resources of the Foundation
- (7) the investment policy of the Foundation

Endowment net asset composition by type of fund as of June 30, 2021 and 2020 is as follows:

	2021		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	1,842,222	1,842,222
Board-designated endowment funds	61,613	—	61,613
Endowment totals	<u>\$ 61,613</u>	<u>1,842,222</u>	<u>1,903,835</u>

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

	2020		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	1,367,357	1,367,357
Board-designated endowment funds	28,478	—	28,478
Endowment totals	\$ 28,478	1,367,357	1,395,835

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	2021		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 28,478	1,367,357	1,395,835
Contributions	2,580	52,318	54,898
Designation by board	26,217	—	26,217
Investment return, net of expenses	5,530	484,367	489,897
Amounts appropriated for expenditures	(1,192)	(61,820)	(63,012)
Endowment net assets, end of year	\$ 61,613	1,842,222	1,903,835

	2020		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 28,030	1,407,724	1,435,754
Contributions	1,637	59,443	61,080
Investment return, net of expenses	63	(41,403)	(41,340)
Amounts appropriated for expenditures	(1,252)	(58,407)	(59,659)
Endowment net assets, end of year	\$ 28,478	1,367,357	1,395,835

(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. The Foundation expects its endowment assets, over time, to earn a real (inflation-adjusted) rate of return of at least 6.0% per year net of investment management fees and investment operations expenses, when measured over a 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.

THE UNIVERSITY OF NEBRASKA

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2021 and 2020 (Thousands)

(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 of the unitized endowment shares. In establishing this policy and in the annual review of the policy, the Foundation considers 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.

(c) Funds with Deficiencies

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 contributions to the fund to be deficient and such funds are referred to as “underwater” funds. As of June 30, 2021, and 2020, funds with an original gift value of \$36,918 and \$765,877 were “underwater” by \$1,573 and \$76,923, respectively. Deficiencies of this nature were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions with donor restrictions and continued appropriation for certain programs as deemed prudent.

(9) 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.

(10) Subsequent Events

In preparing the consolidated financial statements, the Foundation has evaluated subsequent events for potential recognition or disclosure through September 24, 2021 the date the consolidated financial statements were available to be issued and determined there are no other items to disclose.

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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, fiduciary 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, 2021 and 2020, 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 16, 2021. 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 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), as described in our report on the University's financial statements. The financial statements of the Foundation, and the Blended Component Units were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

University's Findings

We did note certain other matters that we reported to management of the University in a separate letter dated December 16, 2021.

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.

A handwritten signature in black ink, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

Lincoln, Nebraska
December 16, 2021

Mark Avery, CPA
Assistant Deputy Auditor

STATISTICAL



**THE UNIVERSITY OF NEBRASKA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2021
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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)				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
Revenues:										
Tuition and fees	\$ 445,645	\$ 444,535	\$ 434,084	\$ 438,867	\$ 425,860	17 %	18 %	18 %	19 %	17 %
Grants and contracts - restricted	590,893	574,650	553,022	494,284	484,668	23	24	23	21	20
Sales and services of educational activities	65,188	65,627	66,931	75,204	68,531	2	3	3	3	4
Sales and services of health care entities	15,523	25,325	22,359	26,210	27,437	1	1	1	1	1
Sales and services of auxiliary operations	235,310	321,396	342,875	338,848	302,606	9	13	14	13	14
Other operating revenues	24,418	28,342	22,477	13,745	12,956	1	1	1	1	1
Total operating revenues	1,376,977	1,459,875	1,441,748	1,387,158	1,322,058	53	60	60	58	57
State of Nebraska noncapital appropriations	616,545	591,939	574,746	559,188	576,559	24	25	24	26	25
Other non-operating revenues, net	593,921	348,962	367,149	321,033	361,605	23	15	16	16	18
Total revenues	2,587,443	2,400,776	2,383,643	2,267,379	2,260,222	100	100 %	100 %	100 %	100 %
Expenses:										
Compensation and benefits	1,406,479	1,429,060	1,349,318	1,304,999	1,263,594	63 %	63 %	62 %	62 %	61 %
Supplies and services	540,533	565,419	572,218	562,190	567,470	24	25	26	28	27
Depreciation	147,624	143,050	142,862	139,408	120,111	7	6	7	6	6
Scholarships and fellowships	91,345	82,078	69,656	73,216	68,639	4	4	3	3	4
Total operating expenses	2,185,981	2,219,607	2,134,054	2,079,813	2,019,814	98	98	98	99	98
Other non-operating expenses, net	33,948	59,337	46,988	60,287	24,044	2	2	2	1	2
Total expenses	2,219,929	2,278,944	2,181,042	2,140,100	2,043,858	100 %	100 %	100 %	100 %	100 %
Increase in net position	\$ 367,514	\$ 121,832	\$ 202,601	\$ 127,279	\$ 216,364					

(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)				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Revenues:										
Tuition and fees	\$ 376,599	\$ 362,210	\$ 347,428	\$ 336,112	\$ 321,279	17 %	17 %	16 %	16 %	16 %
Grants and contracts - restricted	444,877	444,104	356,423	371,709	366,212	20	21	16	17	19
Sales and services of educational activities	98,992	97,332	96,858	93,759	88,046	4	5	4	4	4
Sales and services of health care entities	23,557	24,828	239,521	227,924	217,799	1	1	11	11	11
Sales and services of auxiliary operations	297,825	275,466	281,363	270,906	245,366	14	13	13	13	12
Other operating revenues	13,238	12,235	11,999	13,132	12,777	1	1	1	1	1
Total operating revenues	1,255,088	1,216,175	1,333,592	1,313,542	1,251,479	57	58	61	62	63
State of Nebraska noncapital appropriations	561,079	544,201	527,656	498,509	486,155	25	26	24	23	25
Other non-operating revenues, net	387,697	366,561	352,391	330,105	227,816	18	16	15	15	12
Total revenues	2,203,864	2,126,937	2,213,639	2,142,156	1,965,450	100 %	100 %	100 %	100 %	100 %
Expenses:										
Compensation and benefits	1,221,257	1,156,166	1,232,351	1,174,580	1,126,038	61 %	61 %	62 %	62 %	62 %
Supplies and services	540,357	527,388	537,445	510,068	494,789	27	28	27	27	27
Depreciation	115,216	106,270	117,361	106,788	104,088	6	6	6	6	6
Scholarships and fellowships	63,600	70,440	70,195	70,155	67,820	4	3	3	4	4
Total operating expenses	1,940,430	1,860,264	1,957,352	1,861,591	1,792,735	98	98	98	99	99
Other non-operating expenses, net	47,069	43,836	33,647	25,598	28,701	2	2	2	1	1
Total expenses	1,987,499	1,904,100	1,990,999	1,887,189	1,821,436	100 %	100 %	100 %	100 %	100 %
Increase in net position	\$ 216,365	\$ 222,837	\$ 222,640	\$ 254,967	\$ 144,014					

THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS

SCHEDULE OF NET POSITION COMPONENTS (THOUSANDS) (UNAUDITED)

YEARS ENDED JUNE 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Net investment in capital assets	\$ 2,151,882	\$ 2,106,513	\$ 2,031,214	\$ 1,944,552	\$ 1,777,515	\$ 1,953,065	1,683,616	\$ 1,559,636	\$ 1,408,851	\$ 1,277,228
Restricted for:										
Nonexpendable:										
Permanent endowment	280,281	207,915	225,959	233,949	225,490	207,481	221,048	234,690	204,529	190,492
Loan fund	16,692	17,315	18,375	17,914	-	-	-	-	-	-
Expendable:										
Externally restricted funds	385,655	359,942	351,703	348,546	344,631	227,970	197,616	162,118	160,479	148,726
Loan fund	-	-	-	-	43,439	43,110	44,916	44,562	44,869	44,507
Plant construction	65,583	87,138	122,269	117,039	211,566	243,917	312,047	284,336	185,744	159,447
Debt service	56,146	53,067	170,249	155,395	145,500	144,167	132,662	136,229	157,353	161,384
Unrestricted	<u>1,635,261</u>	<u>1,392,096</u>	<u>1,182,385</u>	<u>1,082,158</u>	<u>1,038,704</u>	<u>750,771</u>	<u>762,211</u>	<u>722,932</u>	<u>760,038</u>	<u>690,977</u>
Total net position	<u>\$ 4,591,500</u>	<u>\$ 4,223,986</u>	<u>\$ 4,102,154</u>	<u>\$ 3,899,553</u>	<u>\$ 3,786,845</u>	<u>\$ 3,570,481</u>	<u>\$ 3,354,116</u>	<u>\$ 3,144,503</u>	<u>\$ 2,921,863</u>	<u>\$ 2,672,761</u>
Reconciliation of Adjusted Unrestricted Assets:										
Unrestricted net position per statements	\$ 1,635,261	\$ 1,392,096	\$ 1,182,385	\$ 1,082,158	\$ 1,038,704	\$ 750,771	\$ 762,211	\$ 722,932	\$ 760,038	\$ 690,977
Less: Investment in joint venture	<u>602,157</u>	<u>515,282</u>	<u>483,410</u>	<u>443,182</u>	<u>415,573</u>	<u>385,080</u>	<u>343,098</u>	<u>316,599</u>	<u>296,747</u>	<u>282,013</u>
Adjusted unrestricted net position	<u>\$ 1,033,104</u>	<u>\$ 876,814</u>	<u>\$ 698,975</u>	<u>\$ 638,976</u>	<u>\$ 623,131</u>	<u>\$ 365,691</u>	<u>\$ 419,113</u>	<u>\$ 406,333</u>	<u>\$ 463,291</u>	<u>\$ 408,964</u>
Reconciliation of outstanding indebtedness:										
Bond obligations payable	\$ 1,256,735	\$ 969,720	\$ 878,545	\$ 857,575	\$ 851,640	\$ 826,625	\$ 792,995	\$ 757,965	\$ 684,265	\$ 671,305
Lease obligations payable	<u>51,526</u>	<u>52,015</u>	<u>49,582</u>	<u>49,409</u>	<u>49,130</u>	<u>48,523</u>	<u>12,398</u>	<u>1,163</u>	<u>1,325</u>	<u>3,442</u>
Total outstanding indebtedness	<u>\$ 1,308,261</u>	<u>\$ 1,021,735</u>	<u>\$ 928,127</u>	<u>\$ 906,984</u>	<u>\$ 900,770</u>	<u>\$ 875,148</u>	<u>\$ 805,393</u>	<u>\$ 759,128</u>	<u>\$ 685,590</u>	<u>\$ 674,747</u>
Ratio of adjusted unrestricted net position to total outstanding indebtedness (times)	<u>0.79</u>	<u>0.86</u>	<u>0.75</u>	<u>0.70</u>	<u>0.69</u>	<u>0.42</u>	<u>0.52</u>	<u>0.54</u>	<u>0.68</u>	<u>0.61</u>

THE UNIVERSITY OF NEBRASKA

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

Year	Appropriations		University as Percent of State
	State General Fund	University Non-capital	
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
2017	4,411,691	583,069	13
2018	4,390,295	559,189	13
2019	4,456,284	574,746	13
2020	4,624,672	592,105	13
2021	4,783,767	616,436	13

Source: Legislative Fiscal Office

THE UNIVERSITY OF NEBRASKA**MARKET, DEMOGRAPHIC, AND ECONOMIC INFORMATION****STATE OF NEBRASKA POPULATION, AND PERSONAL INCOME PER PERSON
CALENDAR YEARS 2011 - 2020 (UNAUDITED)**

Year	Calendar Years 2011 - 2020		
	Population	Personal Income (In Millions)	Personal Income Per Person
2011	1,840,672	83,614	45,426
2012	1,853,303	86,294	46,562
2013	1,865,279	86,914	46,596
2014	1,879,321	91,999	48,953
2015	1,891,277	95,936	50,726
2016	1,905,616	94,548	49,615
2017	1,915,947	97,032	50,644
2018	1,925,614	101,846	52,890
2019	1,934,408	105,454	54,515
2020	1,937,552	111,545	57,570

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 2019			December 2010		
	Total Employment		982,504	Total Employment		896,936
	Rank	Number of Employees	% of Total Employment	Rank	Number of Employees	% of Total Employment
US Government (excluding Department of Defense) *	1	24,960	2.540	1	22,754	2.537
State of Nebraska (excluding University)	2	17,914	1.823	2	17,944	2.001
University of Nebraska **	3	13,709	1.395	3	13,592	1.515
Alegent Health/CHI	4	11,424	1.163	10	5,489	0.612
Creighton University	5	10,299	1.048	4	9,585	1.069
City of Omaha	6	10,178	1.036	8	6,117	0.682
Omaha Public Schools	7	9,897	1.007			
Werner Enterprises	8	9,500	0.967	5	9,500	1.059
Hy-Vee Food Stores	9	7,886	0.803			
Valmont	10	7,689	0.783	9	6,029	0.672
Wal-Mart				6	7,165	0.799
Bryan Medical Center				7	6,970	0.777

SOURCE: The Nebraska Department of Economic Development,
Hoovers, a Dun and Bradstreet data base, and Employers

NOTES:

* Univeristy of Nebraska - Medical Center, University of Nebraska - Lincoln, University of Nebraska at Omaha, University of Nebraska at Kearney

** Sources did not track US Government employment in Nebraska

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			
2021	University of Nebraska Facilities Corporation Nebraska Utility Corporation	\$ 1,242,700 14,035 <u>\$ 1,256,735</u>						
2020	University of Nebraska Facilities Corporation Nebraska Utility Corporation	\$ 954,170 15,550 <u>\$ 969,720</u>						
2019	University of Nebraska Master Trust Indenture University of Nebraska Facilities Corporation Nebraska Utility Corporation	\$ 429,615 431,940 16,990 <u>\$ 878,545</u>	\$ 142,815	\$ 81,119	\$ 61,696	\$ 37,797	1.63	1.15
2018	University of Nebraska Master Trust Indenture University of Nebraska Facilities Corporation Nebraska Utility Corporation	\$ 449,135 390,030 18,410 <u>\$ 857,575</u>	\$ 139,317	\$ 80,827	\$ 58,490	\$ 35,372	1.65	1.15
2017	University of Nebraska Master Trust Indenture University of Nebraska Facilities Corporation Nebraska Utility Corporation	\$ 467,365 364,515 19,760 <u>\$ 851,640</u>	\$ 140,589	\$ 80,171	\$ 60,418	\$ 35,192	1.72	1.15
		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>		
Bonded Debt per student FTE: (in dollars)								
Master Trust Indenture		\$ -	\$ -	\$ 9,823	\$ 10,135	\$ 10,462		
All bonded indebtedness		29,151	21,950	20,088	19,352	19,065		

(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			
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 Bonds 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 Bonds 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 Bonds 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
		2016	2015	2014	2013	2012		
Bonded Debt per student FTE: (in dollars)								
Master Trust Indenture		\$ 10,697	\$ 10,871	\$ 9,669	\$ 10,007	\$ 9,667		
All bonded indebtedness		18,549	18,136	17,596	16,102	15,685		

THE UNIVERSITY OF NEBRASKA

DEBT INFORMATION

CAPITAL LEASE OBLIGATIONS PAYABLE

FOR THE PAST TEN YEARS AS OF JUNE 30 (THOUSANDS) (UNAUDITED)

	At June 30,
Year	Outstanding Capital Lease Obligations
2021	\$ 51,526
2020	52,015
2019	49,582
2018	49,409
2017	49,130
2016	48,523
2015	12,398
2014	1,163
2013	1,325
2012	3,442

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION

SCHEDULE OF CAPITAL ASSET INFORMATION (THOUSANDS) (UNAUDITED)

	Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Land	\$ 109,063	\$ 98,887	\$ 92,016	\$ 91,273	\$ 89,773	\$ 91,299	\$ 88,020	\$ 84,660	\$ 84,625	\$ 73,170
Land improvements	348,893	335,821	322,654	300,125	262,532	251,411	210,805	197,686	183,577	159,630
Leasehold improvements	44,510	44,510	44,445	44,445	42,958	40,626	33,435	31,937	31,223	13,209
Buildings	3,297,778	3,085,765	2,979,368	2,954,470	2,745,740	2,347,924	2,169,553	2,088,516	1,928,844	1,929,341
Equipment	594,326	571,782	539,324	516,422	499,150	470,985	462,487	431,543	413,843	388,388
Construction work in progress	114,407	231,647	224,995	118,840	252,972	426,895	345,823	202,643	227,881	118,823
Total capital assets	<u>4,508,977</u>	<u>4,368,412</u>	<u>4,202,802</u>	<u>4,025,575</u>	<u>3,893,125</u>	<u>3,629,140</u>	<u>3,310,123</u>	<u>3,036,985</u>	<u>2,869,993</u>	<u>2,682,561</u>
Less accumulated depreciation for:										
Land improvements	131,942	118,946	107,511	98,729	88,635	79,943	72,688	66,213	59,849	54,167
Leasehold improvements	19,073	17,107	15,148	13,130	10,394	7,901	11,412	9,780	8,187	3,847
Buildings	915,612	858,780	810,208	751,755	678,499	620,296	588,202	562,535	533,744	516,924
Equipment	453,948	423,748	391,157	364,762	347,503	332,194	329,110	306,977	283,009	251,750
Total capital assets	<u>1,520,575</u>	<u>1,418,581</u>	<u>1,324,024</u>	<u>1,228,376</u>	<u>1,125,031</u>	<u>1,040,334</u>	<u>1,001,412</u>	<u>945,505</u>	<u>884,789</u>	<u>826,688</u>
Capital assets, net	<u>\$ 2,988,402</u>	<u>\$ 2,949,831</u>	<u>\$ 2,878,778</u>	<u>\$ 2,797,199</u>	<u>\$ 2,768,094</u>	<u>\$ 2,588,806</u>	<u>\$ 2,308,711</u>	<u>\$ 2,091,480</u>	<u>\$ 1,985,204</u>	<u>\$ 1,855,873</u>
Age of plant (in years) (1):	<u>10</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>8</u>	<u>8</u>	<u>8</u>

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION

FRESHMAN SELECTIVITY AND MATRICULATION DATA (UNAUDITED)

		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
UNL	Applications	17,866	17,497	16,829	14,956	12,321	11,193	9,724	11,865	10,929	10,350
	Accepted	15,110	13,603	13,165	11,906	7,524	8,425	7,425	8,293	6,999	6,662
	<i>Selectivity</i>	84.6%	77.7%	78.2%	79.6%	61.1%	75.3%	76.4%	69.9%	64.0%	64.4%
	Enrolled	4,736	4,771	4,775	4,816	4,905	4,860	4,628	4,652	4,420	3,937
	<i>Matriculation</i>	31.3%	35.1%	36.3%	40.5%	65.2%	57.7%	62.3%	56.1%	63.2%	59.1%
	Composite ACT Scores	24.8	25.4	25.5	25.4	25.3	25.2	25.2	25.4	25.3	25.4
UNO	Applications	8,821	8,864	8,565	8,170	5,036	5,551	5,581	5,750	4,955	4,536
	Accepted	7,696	7,294	7,148	6,673	4,628	4,799	4,238	4,514	3,507	3,630
	<i>Selectivity</i>	87.2%	82.3%	83.5%	81.7%	91.9%	86.5%	75.9%	78.5%	70.8%	80.0%
	Enrolled	2,166	2,226	2,069	2,151	2,105	2,069	2,007	1,848	1,890	1,761
	<i>Matriculation</i>	28.1%	30.5%	28.9%	32.2%	45.5%	43.1%	47.4%	40.9%	53.9%	48.5%
	Composite ACT Scores	21.7	22.3	22.5	22.6	22.0	22.0	22.5	22.6	22.7	22.9
UNK	Applications	6,076	5,359	5,324	5,518	2,594	2,815	2,511	2,706	2,589	2,815
	Accepted	5,488	4,738	4,535	4,809	2,181	2,395	2,144	2,276	2,197	2,402
	<i>Selectivity</i>	90.3%	88.4%	85.2%	87.2%	84.1%	85.1%	85.4%	84.1%	84.9%	85.3%
	Enrolled	958	833	863	944	904	1,008	938	990	1,022	1,136
	<i>Matriculation</i>	17.5%	17.6%	19.0%	19.6%	41.4%	42.1%	43.8%	43.5%	46.5%	47.3%
	Composite ACT Scores	21.9	22.5	23.2	22.7	21.1	23.0	22.6	22.8	22.6	22.9
Total	Applications	32,763	31,720	30,718	28,644	19,951	19,559	17,816	20,321	18,473	17,701
	Accepted	28,294	25,635	24,848	23,388	14,333	15,619	13,807	15,083	12,703	12,694
	<i>Selectivity</i>	86.4%	80.8%	80.9%	81.7%	71.8%	79.9%	77.5%	74.2%	68.8%	71.7%
	Enrolled	7,860	7,830	7,707	7,911	7,914	7,937	7,573	7,490	7,332	6,834
	<i>Matriculation</i>	27.8%	30.5%	31.0%	33.8%	55.2%	50.8%	54.8%	49.7%	57.7%	53.8%

Selectivity computed as accepted freshman as a percent of applications.

Matriculation computed as enrolled freshman as a percent of acceptances.

Beginning in 2018, the University moved to one application for resident first-time freshman for UNL, UNO, and UNK for a single application fee. This significantly increased the duplicate applications across campuses, bringing downward pressure on the matriculation rate.

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,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Level										
Undergraduate	34,581	35,394	35,115	35,524	35,850	35,913	35,260	34,753	34,303	34,604
Graduate	5,848	5,650	5,662	5,839	5,943	5,868	5,797	5,758	5,532	5,970
Professional	2,682	3,134	2,958	2,951	2,878	2,784	2,669	2,566	2,661	2,224
Total	43,112	44,178	43,735	44,314	44,671	44,565	43,726	43,077	42,496	42,798
Percent										
Undergraduate	80	80 %	80 %	80 %	80 %	81 %	81 %	81 %	81 %	81 %
Graduate	14	13	13	13	13	13	13	13	13	14
Professional	7	7	7	7	7	6	6	6	6	5
Total	100	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Gross tuition and fees (thousands)	\$ 639,556	\$ 624,211	\$ 601,834	\$ 581,240	\$ 552,017	\$ 493,776	\$ 474,057	\$ 452,929	\$ 433,498	\$ 411,567
Tuition discounts and allowances (thousands)	(193,911)	(179,676)	(169,445)	(142,373)	(126,157)	(117,177)	(111,847)	(105,501)	(97,386)	(90,288)
Net tuition revenue and fees (thousands)	\$ 445,645	\$ 444,535	\$ 432,389	\$ 438,867	\$ 425,860	\$ 376,599	\$ 362,210	\$ 347,428	\$ 336,112	\$ 321,279
Net tuition revenue and fees per FTE	\$ 10,337	\$ 10,062	\$ 9,887	\$ 9,904	\$ 9,533	\$ 8,451	\$ 8,284	\$ 8,065	\$ 7,909	\$ 7,507
Percent of tuition discounts and allowances (1)	30 %	30 %	28 %	24 %	23 %	24 %	24 %	23 %	22 %	22 %

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

Source: University of Nebraska Enterprise Data Solutions

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION

FACULTY AND STAFF FTE (UNAUDITED)

	Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Faculty	4,679	4,531	4,486	4,365	4,468	4,429	4,159	4,122	3,953	3,871
Staff *	<u>12,201</u>	<u>12,304</u>	<u>12,891</u>	<u>12,270</u>	<u>11,961</u>	<u>12,166</u>	<u>12,404</u>	<u>12,087</u>	<u>12,099</u>	<u>11,997</u>
Total Employees	<u>16,880</u>	<u>16,835</u>	<u>17,377</u>	<u>16,635</u>	<u>16,429</u>	<u>16,595</u>	<u>16,563</u>	<u>16,209</u>	<u>16,052</u>	<u>15,868</u>
Student FTE per Faculty FTE	<u>9</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</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 Enterprise Data Solutions

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

		2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
UNL	Tenured Faculty	855	852	869	855	873	877	847	886	882	886
	Tenure-Track	262	284	311	323	327	326	295	287	280	266
	Percent of tenured and tenure track	76.5%	75.0%	73.6%	72.6%	72.8%	72.9%	74.2%	75.5%	75.9%	76.9%
UNMC	Tenured Faculty	276	271	245	245	264	263	268	276	271	271
	Health Professionals	825	796	677	639	578	564	519	484	487	490
	Percent of tenured	25.1%	25.4%	26.6%	27.7%	31.4%	31.8%	34.1%	36.3%	35.8%	35.6%
UNO	Tenured Faculty	330	327	334	333	332	327	323	338	338	347
	Tenure-Track	165	137	128	131	126	127	114	115	97	94
	Percent of tenured and tenure track	66.7%	70.5%	72.3%	71.8%	72.5%	72.0%	73.9%	74.6%	77.7%	78.7%
UNK	Tenured Faculty	184	178	177	164	169	162	164	168	169	177
	Tenure-Track	81	69	86	93	93	74	81	95	86	74
	Percent of tenured and tenure track	69.4%	72.1%	67.3%	63.8%	64.5%	68.6%	66.9%	63.9%	66.3%	70.5%

Source: University of Nebraska Enterprise Data Solutions

UNIVERSITY OF NEBRASKA

OPERATING INFORMATION

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

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

<u>Fall Cohort</u>	<u>UNL</u>	<u>UNO</u>	<u>UNK</u>
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
2016	83	76	79
2017	83	75	80
2018	84	75	80
2019	85	76	81
2020	80	69	76

Baccalaureate Graduation Rate After Six Years

<u>Fall Cohort</u>	<u>UNL</u>	<u>UNO</u>	<u>UNK</u>
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
2011	70	47	61
2012	69	49	58
2013	68	52	60
2014	67	50	60
2015	62	52	58

Source: University of Nebraska Enterprise Data Solutions

UNIVERSITY OF NEBRASKA

OPERATING INFORMATION

DEGREES EARNED

FOR THE YEARS ENDED JUNE 30 (UNAUDITED)

BACHELOR'S

<u>Year</u>	<u>UNL</u>	<u>UNO</u>	<u>UNMC</u>	<u>UNK</u>
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
2017	3,964	2,233	639	890
2018	4,102	2,301	660	964
2019	4,464	2,224	646	850
2020	4,302	2,375	659	843
2021	4,418	2,492	695	874

MASTER'S

<u>Year</u>	<u>UNL</u>	<u>UNO</u>	<u>UNMC</u>	<u>UNK</u>
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
2017	953	880	405	435
2018	943	891	406	435
2019	951	878	409	456
2020	956	793	432	473
2021	917	833	434	498

DOCTOR'S

<u>Year</u>	<u>UNL</u>	<u>UNO</u>	<u>UNMC</u>
2011	426	23	293
2012	391	32	309
2013	463	21	336
2014	445	29	319
2015	464	27	368
2016	442	29	368
2017	412	40	361
2018	403	50	356
2019	453	46	406
2020	454	40	409
2021	403	41	391

Source: University of Nebraska Enterprise Data Solutions

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.