



**THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION**  
(A Component Unit of the University of Nebraska)

Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

**THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION**  
(A Component Unit of the University of Nebraska)

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## Independent Auditors' Report

The Board of Regents  
University of Nebraska:

We have audited the accompanying statements of net position (deficit) of the University of Nebraska Facilities Corporation (UNFC), a component unit of the University of Nebraska (the University), as of and for the years ended June 30, 2020 and 2019, and the related statements of revenue, expenses, and changes in net position (deficit) and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise UNFC'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 U.S. generally accepted accounting principles; 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.

### *Auditors' Responsibility*

Our responsibility is to express opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position (deficit) of the University of Nebraska Facilities Corporation of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



*Emphasis of Matter*

As discussed in Note 1(f) to the financial statements, in 2020, UNFC issued notes receivable to the University in response to the refunding of University obligations previously issued under the Master Trust Indenture. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3–8 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.

*KPMG LLP*

Omaha, Nebraska  
November 19, 2020

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Management's Discussion and Analysis

June 30, 2020 and 2019 (Unaudited)

(Dollar amounts in thousands)

**Introduction**

The following is an overview of the financial position and changes in net position (deficit) of the University of Nebraska Facilities Corporation (UNFC). Management has prepared the following discussion and it is intended to be read in conjunction with the financial statements and related notes, which follow this section.

UNFC was organized by the Board of Regents of the University of Nebraska (the University) in 1930 and is a component unit of the University. Its primary purpose is to provide a bond-financing vehicle for projects that cannot be bonded by the University under the State of Nebraska constitution, which generally limits the University's bonds to revenue-backed projects for student housing, parking, student unions, student health, and athletic facilities. Accordingly, UNFC constructs defined projects that are funded through bond proceeds, with repayment from specific state capital appropriations, university contributions, and donor gifts. The bonds are typically secured by an agreement to pay from the University's cash funds, with the University entering into a lease purchase or other financing arrangement with UNFC in amounts consistent with required debt service. The facilities are not reflected in the accompanying statements as they are transferred to the University campuses and reported in the University's financial statements. The University campuses include the University of Nebraska-Lincoln (UNL), University of Nebraska Medical Center (UNMC), University of Nebraska at Omaha (UNO), and the University of Nebraska at Kearney (UNK).

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The financial statements include the activities related to the following projects and bond issues for the years ended June 30, 2020 and 2019:

<b>Facility</b>	<b>Financing Objective</b>
System Facilities Bonds (Series 2019A Bonds)	Finance new projects for the University system and refinance certain debt obligations of the University
System Facilities Bonds (Series 2019B Bonds)	Finance new projects for the University system and refinance certain debt obligations of the University and Corporation
Deferred Maintenance Bonds (Series 2018 Bonds)	Defined deferred maintenance projects
UNMC Eye Institute Project (Series 2018 Bonds)	Construction of an ophthalmology and visual sciences research and clinical facility
Deferred Maintenance Bonds (Series 2017A Bonds)	Defined deferred maintenance projects
UNO/Community Facility Refunding (Series 2017B Bonds)	Refund UNO/Community Facility Series 2013A Bonds
UNMC Global Experiential Learning Center (Series 2017 Bonds)	Construction of a teaching and experiential learning center
UNL Health Center and College of Nursing Projects (Series 2016 Bonds)	Construction of a new student health center and College of Nursing facility at UNL
Deferred Maintenance Refunding (Series 2016 Bonds)	Refund Deferred Maintenance Project Series 2006 Bonds
UNMC Cancer Center (Series 2016 Bonds)	Construction of a state-of-the-art cancer research center

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<b>Facility</b>	<b>Financing Objective</b>
UNMC Utility Improvement Project (Series 2016 Bonds)	Construct improvements to utility facilities
UNO Arena and UNL College of Business (Series 2015 Bonds)	Construction of the UNO/Community Arena and UNL College of Business
UNL Veterinary Diagnostic Center (Series 2015 Bonds)	Construction of a Veterinary Diagnostic Center at the Institute of Agriculture and Natural and Resources
UNMC Qualified Energy Conservation Bond (Series 2015 Bonds)	Upgrades to UNMC energy management monitoring systems
UNMC Cancer Center (Series 2014A Bonds)	Construction of a state-of-the-art cancer research center
UNMC Qualified Energy Conservation Bond (Series 2014B Bonds)	Upgrades to UNMC energy management monitoring systems
UNMC Cancer Center (Series 2013 Bonds)	Construction of a state-of-the-art cancer research center
UNMC Eye Institute (Series 2011 Bonds)	Construction of an ophthalmology and visual sciences research and clinical facility
NCTA Education Center/Student Housing Project (Series 2011 Bonds)	Construction of instruction facilities and and student housing
UNL Alexander Building Project (Series 2003 Bonds)	Purchase/renovation of an office building

**Financial Highlights**

UNFC issued two new bonds in fiscal year 2020:

- In October 2019, UNFC issued \$525,880 of taxable System Facilities Bonds, Series 2019A to finance new projects for the University system and refinance certain outstanding debt obligations of the University.
- In October 2019, UNFC issued \$37,415 of tax-exempt System Facilities Bonds, Series 2019B to finance new projects for the University system and refinance certain outstanding debt obligations of the University and Corporation.

UNFC issued one new bond in fiscal year 2019:

- In July 2018, UNFC issued \$94,275 of Deferred Maintenance Bonds, Series 2018 for continued renewal, renovation, and replacement projects on the four campuses of the University.

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Bond obligations payable, including unamortized bond premium/discount, was \$996 million as of June 30, 2020, \$476 million as of June 30, 2019, and \$424 million as of June 30, 2018. The 2020 increase reflects two new issues, which refunded the University's bond obligations previously financed by the Master Trust Indenture (MTI). The increase was offset by scheduled maturities of other issues. Noncurrent cash and cash equivalents were \$208 million as of June 30, 2020, \$179 million as of June 30, 2019, and \$159 million as of June 30, 2018. The increase is due to the issuance of two new bond issues in 2020, offset by expenditures of bond proceeds for construction of the UNMC Munroe Meyer Institute, UNL East Union, UNMC Global Experiential Learning Center, and Deferred Maintenance Projects received in 2020, 2019, and 2018.

Revenue sources, including state appropriations, designated tuition revenues, private gifts, realized energy savings, and other sources supporting other outstanding borrowing, continued:

- 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 UNL Health Center and College of Nursing Projects.
- The University of Nebraska Foundation continues to receive funds from donor gifts pledged toward the funding of the UNO/Community Facility Refunding and the UNMC Cancer Center.
- Funds flowing from internal University sources continue to meet expectations, allowing the service of debt obligations in their normal course, with University contributions of \$24,567 in 2020, \$32,660 in 2019, and \$22,526 in 2018.

UNFC had sufficient revenues to cover debt service for each bond issue and was in compliance with all covenants at June 30, 2020 and 2019.

**Using the Financial Statements**

The financial statements of UNFC include the statements of net position (deficit); the statements of revenues, expenses, and changes in net position (deficit); and the statements of cash flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The statements are presented on a combined basis to focus on the combined acquisition, construction, and related financing activities of the entity as a whole.

The statements of net position (deficit) include the trustee accounts of the various bond issues. The statements of revenues, expenses, and changes in net position (deficit) depict the nonoperating revenues and expenses, which provide resources for the purchase, construction, and renovation of designated facilities and for debt service. The statements of cash flows show the sources and uses of cash from issuance of bonds, investments, and trustee activity, and other capital and financing activities.

**The Statements**

Condensed statements in an all-inclusive format are presented on the next page.

Current assets consist of resources held by the bond trustee that are designated or restricted by the bond covenants for current maturities of bonds and related interest and notes receivable from the University for

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capital projects. Noncurrent assets consist primarily of cash and cash equivalents and investments that would either be liquidated to fund construction costs or remain invested in the several bond reserve accounts. Liabilities represent claims relating to construction and the balance of bonded obligations outstanding. Net position is a combination of plant construction – funds held in trust for specific construction projects, debt service – bond reserve accounts relating to the individual bond issues, and unrestricted (deficit). The negative balance in unrestricted, stated most simply, are amounts due in the future from state appropriation, donors, and university contributions to pay off the outstanding debt obligations.

The condensed statements of revenues, expenses, and changes in net position (deficit) is a recap of activities surrounding the funding and servicing of the outstanding debt. As such, it captures nonoperating revenue from appropriation, gifts, and University contributions. Outflows consist of amounts transferred to the University, representing capital projects activity during the year, and investment income and other activity at the bond trustees.

**Condensed Statements of Net Position (Deficit)**

	<b>June 30</b>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets:			
Current assets	\$ 271,373	60,186	32,574
Noncurrent assets	<u>583,502</u>	<u>184,089</u>	<u>165,219</u>
Total assets	<u><u>854,875</u></u>	<u><u>244,275</u></u>	<u><u>197,793</u></u>
Deferred outflow of resources:			
Deferred loss on bond refunding	\$ 33,643	2,754	3,016
Liabilities:			
Current liabilities	\$ 115,341	71,737	73,302
Noncurrent liabilities	<u>931,286</u>	<u>430,130</u>	<u>367,148</u>
Total liabilities	<u><u>1,046,627</u></u>	<u><u>501,867</u></u>	<u><u>440,450</u></u>
Deferred inflow of resources:			
Deferred gain on bond refunding	\$ 74	344	642
Net position (deficit):			
Restricted:			
Expendable:			
Plant construction	\$ 207,176	168,651	134,093
Debt service	48,447	50,023	46,842
Unrestricted	<u>(413,806)</u>	<u>(473,856)</u>	<u>(421,218)</u>
Total net position (deficit)	<u><u>\$ (158,183)</u></u>	<u><u>(255,182)</u></u>	<u><u>(240,283)</u></u>

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**Condensed Statements of Revenues, Expenses, and Changes in Net Position (Deficit)**

	Year ended June 30		
	2020	2019	2018
Nonoperating revenues (expenses):			
University contributions	\$ 24,567	32,660	29,575
Capital grants and gifts	18,485	26,021	23,175
Capital appropriations	18,393	17,075	17,077
Investment income	13,712	4,864	1,761
Interest and amortization on bond obligations payable	(23,734)	(13,498)	(10,029)
Retirement of capital lease obligation receivable	(1,611)	(835)	(791)
Administrative and other expenses	(2,708)	(1,208)	(1,013)
Increase in fair value of increase	12	9	7
Net nonoperating revenues	47,116	65,088	59,762
Transfers to the University for capital projects	(106,709)	(79,987)	(51,625)
Other transfers from the University	156,592	—	—
Increase (decrease) in net position (deficit)	96,999	(14,899)	8,137
Net position (deficit), beginning of year	(255,182)	(240,283)	(248,420)
Net position (deficit), end of year	\$ (158,183)	(255,182)	(240,283)

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Statements of Net Position (Deficit)

June 30, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
Assets:		
Current assets:		
Cash and cash equivalents, held by trustee – unrestricted	\$ 150,720	—
Cash and cash equivalents, held by trustee – restricted	92,388	58,628
Investments held by trustee – unrestricted	2,691	—
Accrued interest receivable	—	399
Note receivable from the University of Nebraska	23,901	—
Due from University of Nebraska	728	—
Capital lease obligation receivable	945	1,159
Total current assets	<u>271,373</u>	<u>60,186</u>
Noncurrent assets:		
Cash and cash equivalents, held by trustee – restricted	208,448	179,078
Note receivable from the University of Nebraska	371,441	—
Capital lease obligation receivable, net of current portion	3,613	5,011
Total noncurrent assets	<u>583,502</u>	<u>184,089</u>
Total assets	<u>854,875</u>	<u>244,275</u>
Deferred outflow of resources:		
Deferred loss on bond refunding	33,643	2,754
Liabilities, deferred inflow of resources, and net position (deficit):		
Current liabilities:		
Accounts payable	29,782	17,254
Accrued interest payable	10,312	6,462
Due to University of Nebraska	10,611	1,885
Bond obligations payable	64,636	46,136
Total current liabilities	<u>115,341</u>	<u>71,737</u>
Noncurrent liability:		
Bond obligations payable, net of current portion	<u>931,286</u>	<u>430,130</u>
Total liabilities	<u>1,046,627</u>	<u>501,867</u>
Deferred inflow of resources:		
Deferred gain on bond refunding	74	344
Net position (deficit):		
Invested in capital assets, net of related debt	—	—
Restricted:		
Expendable:		
Plant construction	207,176	168,651
Debt service	48,447	50,023
Unrestricted	<u>(413,806)</u>	<u>(473,856)</u>
Total net position (deficit)	\$ <u><u>(158,183)</u></u>	\$ <u><u>(255,182)</u></u>

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Position (Deficit)

Years ended June 30, 2020 and 2019

(In thousands)

	<b>2020</b>	<b>2019</b>
Nonoperating revenues (expenses):		
University contributions	\$ 24,567	32,660
Capital grants and gifts	18,485	26,021
Capital appropriations	18,393	17,075
Investment income	13,712	4,864
Interest and amortization on bond obligations payable	(23,734)	(13,498)
Retirement of capital lease obligation receivable	(1,611)	(835)
Administrative and other expenses	(2,708)	(1,188)
Closing remittance to University	—	(20)
Increase in fair value of investments	12	9
Net nonoperating revenues	47,116	65,088
Transfers:		
Transfers to the University for capital projects	(106,709)	(79,987)
Other transfers from the University	156,592	—
Increase (decrease) in net position (deficit)	96,999	(14,899)
Net position (deficit):		
Beginning of year	(255,182)	(240,283)
End of year	\$ (158,183)	(255,182)

See accompanying notes to financial statements.

**THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION**  
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Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands)

	<b>2020</b>	<b>2019</b>
Cash flows from capital and related financing activities:		
Proceeds from the issuance of bonds	\$ 563,295	94,275
University contributions	24,567	39,141
Capital grants and gifts	18,485	19,540
Capital appropriations	18,393	17,075
Premium on issuance of bonds	3,763	16,480
Defeasance of bond obligation	(930)	—
Transfers from University of Nebraska	131,869	—
Additions to note receivable	(414,500)	—
Payments received on note receivable	23,238	—
Purchases of capital assets	(85,468)	(73,064)
Principal paid on bond obligations payable	(40,135)	(52,365)
Interest on notes receivable	10,150	—
Interest paid on bond obligations payable	(25,264)	(17,431)
Loss on bond refunding	(16,913)	—
Closing remittance to University	—	(20)
Bond issuance costs	(2,698)	(1,171)
Administrative expenses	(10)	(18)
	<u>207,842</u>	<u>42,442</u>
Net cash provided by capital and related financing activities		
	<u>207,842</u>	<u>42,442</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	2,762	815
Interest on investments	3,246	4,695
	<u>6,008</u>	<u>5,510</u>
Net cash provided by investing activities		
	<u>6,008</u>	<u>5,510</u>
Increase in cash and cash equivalents	213,850	47,952
Cash and cash equivalents restricted, beginning of year	237,706	189,754
Cash and cash equivalents unrestricted and restricted, end of year	<u>\$ 451,556</u>	<u>237,706</u>
Noncash items:		
Increase in fair value of investments	\$ 12	9
Reduction in capital lease obligations	(1,611)	(835)

See accompanying notes to financial statements.

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**(1) Summary of Significant Accounting Policies**

The University of Nebraska Facilities Corporation (UNFC) is a Nebraska nonprofit corporation organized by the Board of Regents of the University of Nebraska (the Regents) in 1930 to finance buildings for the University of Nebraska (the University). The Regents serve as the UNFC's Board of Directors. UNFC is a component unit of the University.

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
- Financial statements, including statement of net position (deficit); statement of revenues, expenses, and changes in net position (deficit); and statement of cash flows
- Notes to financial statements

UNFC follows all GASB pronouncements.

**(a) Basis of Presentation**

The financial statements as presented have been prepared using the business-type activity model with an economic resources measurement focus and the accrual basis of accounting and include all accounts cited in the resolutions issued by UNFC in conjunction with the following bond issues:

- System Facilities Bonds (Series 2019A Bonds)
- System Facilities Bonds (Series 2019B Bonds)
- Deferred Maintenance Bonds (Series 2018 Bonds)
- UNMC Eye Institute Project (Series 2018 Bonds)
- Deferred Maintenance Bonds (Series 2017A Bonds)
- UNO/Community Refunding (Series 2017B Bonds)
- UNMC Global Experiential Learning Center (Series 2017 Bonds)
- UNL Health Center and College of Nursing Projects (Series 2016 Bonds)
- Deferred Maintenance Refunding (Series 2016 Bonds)
- UNMC Cancer Center (Series 2016 Bonds)
- UNMC Utility Improvement Project (Series 2016 Bonds)
- UNO Arena and UNL College of Business (Series 2015 Bonds)
- UNL Veterinary Diagnostic Center (Series 2015 Bonds)
- UNMC Qualified Energy Conservation Bond (Series 2015 Bonds)
- UNMC Cancer Center (Series 2014A Bonds)

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- UNMC Qualified Energy Conservation Bond (Series 2014B Bonds)
- UNMC Cancer Research Center (Series 2013 Bonds)
- NCTA Education Center Project/Student Housing Project (Series 2011 Bonds)
- UNL Alexander Building Project (Series 2003 Bonds)

As required by the resolutions, separate financial records are maintained for transactions relating to the bonds and to the revenues and expenses of each project.

Assets relating to capital project costs have not been reflected in the accompanying financial statements as these assets have been transferred to the University and are reported in the University's financial statements.

**(b) Classification of Revenue and Expenses**

UNFC has classified its revenues and expenses as nonoperating as they include activities that have the characteristics of nonexchange transactions.

**(c) Use of 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 amount 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.

**(d) Cash and Cash Equivalents, Held by Trustee**

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

**(e) Investments Held By Trustee – Restricted**

Investments are held by the bond trustee and are stated at fair value and consist of U.S. government securities that are uninsured, unregistered, and are held by the trust departments of the various financial institutions acting as trustee. Securities that are publicly traded are valued based upon quoted market prices.

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**(f) Notes Receivable from University of Nebraska**

Notes receivable relate to amounts loaned to the University for capital projects as part of the University's Internal Lending Program (IPL). The balance for the year ended June 30, 2020, relates to legacy University obligations previously financed by the MTI that were refunded through the issuance of the System Facilities Fund, Series 2019A and 2019B Bonds. The payment schedules and interest rates for these receivables are consistent with the terms established under the original bond indentures. Repayment terms range from 4–30 years and interest is charged at annual rates ranging from 1–4%. The portion of the receivables classified as current is expected to be collected within one year. Amounts collected on notes receivable are included in the net cash provided by investing activities in the statement of cash flows.

**(g) Capital Grants and Gifts**

Capital grants and gifts represent donor gifts designated for the UNO/Community Facility, UNMC Global Experiential Learning Center, and the UNMC Cancer Research Center. These gifts flow to UNFC from the University of Nebraska Foundation.

**(h) University Contributions**

University contributions include payments of designated tuition revenues from the University that are committed for repayment of the Deferred Maintenance Bonds, payments from UNMC that are committed to the UNMC Eye Institute Project, the UNMC Global Experiential Learning Center, and the UNMC Cancer Research Center, payments from the University of Nebraska-Lincoln (UNL) that are committed to the UNL Health Center and College of Nursing Projects, the NCTA Education Center/Student Housing Project, and the UNL Alexander Building Project, and payments from University of Nebraska at Omaha that are committed to the UNO/Community Facility Project.

**(i) Capital Appropriations**

This source of funds represents a designated appropriation of funds from the State of Nebraska to pay debt service for the Deferred Maintenance Bonds, the UNL Veterinary Diagnostic Center Project, and the NCTA Education Center/Student Housing Project.

**(j) Capital Lease Obligation Receivable**

This receivable represents payments due from UNL for capital assets acquired as projects are completed and as construction progresses, which UNFC leases to UNL under capital lease purchases, including the NCTA Education Center/Student Housing Project and the UNL Alexander Building Project. Rent payments are received as needed for debt service, as defined by each respective agreement. The current portion of the lease obligation receivable approximates the debt service due on the respective bond issue in the following year. Annual additions or payments in excess of the capital lease obligation receivable are reflected as additions to or retirement of capital lease obligation receivable. The UNL Alexander Building Project bonds were refunded on November 4, 2019.

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**(k) Amortization of Bond Premium or Discount**

Premiums and discounts are being amortized or accreted to interest expense on a method that approximates the level-yield method. The amortization is included in interest and amortization on bond obligations payable in the statements of revenues, expenses, and changes in net position (deficit).

**(l) Deferred Inflow and Outflow of Resources**

Deferred inflow of resources represents the unamortized gains on bond refunding, and deferred outflow of resources represents the unamortized loss on bond refunding, which are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.

**(m) Reclassifications**

Certain balances from 2019 financial statements have been reclassified to conform to the current year presentation.

**(n) Tax Status**

UNFC is an instrumentality of the Regents, a political subdivision of the State of Nebraska. Its activities in building and maintaining facilities for the University of Nebraska campus constitute the exercise of essential governmental functions. UNFC's income accrues to the benefit of the University and is therefore excluded from tax under Section 115 of the Internal Revenue Code. Because it is not a school or exempt from tax under Section 501(c)(3) of the Internal Revenue Code, UNFC is not subject to the unrelated business income tax, and therefore, no provision for income taxes is required.

**(2) Deposits**

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, UNFC will not be able to recover its deposits' investments, or collateral securities that are in the possession of an outside party. UNFC's deposits and investments are exposed to custodial credit risk as they are unregistered and uninsured. Bank balances of cash and cash equivalents amounted to approximately \$452 million and \$238 million at June 30, 2020 and 2019, with \$0 covered by federal depository insurance. Of the remaining bank balance at June 30, 2020 and 2019, \$0 were collateralized with securities held by the pledging financial institution, but not in the University's name, and \$0 were uninsured and uncollateralized, respectively."

**(3) Investments Held by Trustee**

The UNFC 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:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the UNFC has ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of broadly traded range of equity and debt securities.

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- 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 table below presents by level the asset balances at estimated fair value on a recurring basis at June 30, 2020. There were no investments as of June 30, 2019.

	<b>Assets at fair value</b>	
	<b>June 30</b>	
	<b>2020</b>	<b>2019</b>
Investment type:		
Debt securities:		
U.S. agencies	\$ 2,691	—

Debt securities – U.S. agencies (Level 2) are valued using matrix pricing.

Investments are as follows as of June 30, 2020:

	<b>Fair value</b>	<b>Investment maturities (in years)</b>		<b>Concentration</b>
		<b>Less than 1</b>	<b>1–2</b>	
Investment type:				
Debt securities:				
Federal Farm Credit Bank	\$ 2,415	2,415	—	90 %
U.S. Treasury Note	276	276	—	10
	\$ 2,691	2,691	—	100 %

**(a) Interest Rate Risk**

UNFC 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.

**(b) Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of the failure of the counterparty, UNFC will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. UNFC's deposits and investments are exposed to custodial credit risk as they are unregistered and uninsured.

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**(c) Credit Risk**

State statutes authorize UNFC to invest funds in accordance with the prudent man 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 UNFC does not follow a more restrictive policy. All investments are rated Aaa at June 30, 2020.

**(d) Concentration of Credit Risk**

UNFC places no limit on the amount that may be invested in any one issuer. Concentration percentages by investment type are included in the above tables.

**(4) Bond Obligations Payable**

UNFC outstanding bonds consists of \$929,790 of revenue bonds and \$24,380 of direct placement bonds.

Bond obligations payable, gross of premiums, and discounts are as follows as of June 30:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Current portion</u>
2020:					
Revenue bonds	\$ 405,000	563,295	38,505	929,790	54,145
Revenue bonds, direct placement	26,940	—	2,560	24,380	5,035
	<u>\$ 431,940</u>	<u>563,295</u>	<u>41,065</u>	<u>954,170</u>	<u>59,180</u>
2019:					
Revenue bonds	\$ 356,870	94,275	46,145	405,000	37,745
Revenue bonds, direct placement	33,160	—	6,220	26,940	2,560
	<u>\$ 390,030</u>	<u>94,275</u>	<u>52,365</u>	<u>431,940</u>	<u>40,305</u>

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	Interest rates	Installments	Principal amount outstanding	
			2020	2019
Revenue Bonds:				
System Facilities Bonds 2019A	1.83–3.19%	\$950–50,160	\$ 525,880	\$ —
System Facilities Bonds 2019B	4.00–5.00	6,265–31,150	37,415	—
Deferred Maintenance Bonds, Series 2018	5.00	7,500–11,630	94,275	94,275
Deferred Maintenance Bonds, Series 2017A	4.00–5.00	6,270–9,410	77,335	77,335
UNO/Community Refunding, Series 2017B	2.00–5.00	540–2,940	35,460	36,000
UNMC Global Experiential Learning Center, Series 2017	2.00–5.00	1,015–13,795	38,120	51,260
UNL Health Center and College of Nursing Projects, Series 2016	2.00–5.00	790–2,245	16,820	17,610
Deferred Maintenance Refunding, Series 2016	3.00–4.00	10,380–10,690	10,690	21,070
UNMC Cancer Center, Series 2016	2.00–5.00	2,090–2,900	27,190	29,280
UNMC Utility Improvement Project, Series 2016	1.75–5.00	1,295–1,590	8,625	9,920
UNL Veterinary Diagnostic Center, Series 2015	4.00	2,680–4,895	2,680	7,575
UNMC Cancer Center, Series 2014A	5.00	3,415–17,410	45,725	49,140
UNMC Qualified Energy Conservation Bond, Series 2014B	2.50–4.25	370–510	3,955	4,325
NCTA Education Center/Student Housing Project, Series 2011	4.00–5.50	85–1,645	5,620	6,280
UNL Alexander Building Project, Series 2003	4.65–5.00	170–205	—	930
Revenue Bonds, Direct Placement:				
UNMC Qualified Energy Conservation Bond, Series 2015	4.25	180–200	1,700	1,875
UNO Arena and UNL College of Business, Series 2015	2.00	180–4,855	9,680	12,065
UNMC Eye Institute Project, Series 2018	2.40	13,000	13,000	13,000
Subtotal bonds payable			954,170	431,940
Unamortized bond premium			41,783	44,367
Unamortized bond discount			(31)	(41)
Total bonds payable			\$ 995,922	476,266

**Bond Resolutions**

**(a) General**

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.

The bond resolutions specify the funds that need to be established and the required transfers between funds. The bond resolutions also require that specified amounts be deposited with the trustee for certain funds. At June 30, 2020 and 2019, UNFC is in compliance with those requirements.

UNFC acts as issuer for lease-purchase financings conducted by the Board of Regents. UNFC's obligations to make any payments related to such financings are limited to amounts UNFC receives from the Board of Regents for such purpose, and UNFC has assigned its rights to receive such payments to a bond trustee. Accordingly, all of the material covenants, default, acceleration, and termination provisions in such financing documents relate primarily to obligations of the Board of Regents.

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**(b) System Facilities Bonds, Series 2019A & 2019B**

In 2020, UNFC authorized the issuance of \$525,880 of taxable System Facilities Bonds, Series 2019A, and \$37,415 of tax-exempt System Facilities Bonds, Series 2019B, dated October 24, 2019.

The proceeds of the Series 2019A & B Bonds will be used to finance new projects for the University system and refinance certain outstanding debt obligations of the University and Corporation.

Principal and interest payments will come from moneys derived by UNFC under a financing agreement with the Regents.

**(c) Annual Maturities – All Projects**

Annual maturities of principal and interest are as follows:

Revenue Bonds	Totals UNFC		
	Principal	Interest	Total
2021	\$ 54,145	32,532	86,677
2022	68,210	30,202	98,412
2023	29,765	28,016	57,781
2024	39,930	26,141	66,071
2025	32,025	24,141	56,166
2026–2030	209,620	95,984	305,604
2031–2035	105,460	66,965	172,425
2036–2040	97,965	52,632	150,597
2041–2045	115,190	36,054	151,244
2046–2050	177,480	15,661	193,141
	\$ 929,790	408,328	1,338,118

Revenue Bonds, Direct Placement	Totals UNFC		
	Principal	Interest	Total
2021	\$ 5,035	578	5,613
2022	180	473	653
2023	13,365	465	13,830
2024	370	142	512
2025	4,650	130	4,780
2026–2030	780	84	864
	\$ 24,380	1,872	26,252

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**(d) Current Refunding of Bonds**

During the year ended June 30, 2020, UNFC issued \$37,415 of System Facilities Fund, Series 2019B Bonds and used a portion of the net proceeds to refund \$930 of UNL Alexander Building Project, Series 2003 Bonds. The UNL Alexander Building Project, Series 2003 Bonds were called on November 4, 2019. The refunding permitted UNFC to realize an economic gain (difference between present values of the old and new debt service payments) of \$109; and reduced the aggregate debt service payments by \$1,051 over the next four years.

**(5) Insurance**

The October 1, 1983 agreement and subsequent agreements require the Regents to carry insurance in amounts sufficient to provide for the cost of construction on any of the buildings. The facilities are included under the blanket policy of the University for amounts in excess of \$500. Amounts up to \$500 are paid by the University's Self-Insurance Trust, which is held by a trustee. UNFC is not responsible for contributing to this trust. The University has established a program to provide for protection against various liabilities, including property losses for amounts not covered by contracts with outside insurers.

**(6) Due to University of Nebraska**

The amount due to the University represents construction expenses incurred by the campuses that UNFC will reimburse from bond proceeds for designated UNFC projects.

**(7) Commitments and Contingencies**

UNFC has budgeted for the construction of facilities that are estimated to cost approximately \$252,800 at June 30, 2020. As of June 30, 2020, the approximate remaining costs to complete these facilities was \$118,373.

**(8) Subsequent Events**

UNFC has evaluated subsequent events from the date of the Statement of Financial Position (Deficit) through November 19, 2020, the date at which the financial statements were available to be issued. No additional items were identified that would require disclosure.