

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Independent Auditor's Report and Financial Statements

June 30, 2022 and 2021

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)

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Board of Regents
University of Nebraska Facilities Corporation
Lincoln, Nebraska

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise UNFC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of the University of Nebraska Facilities Corporation, as of June 30, 2022 and 2021, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University of Nebraska Facilities Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University of Nebraska Facilities Corporation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Nebraska Facilities Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University of Nebraska Facilities Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

FORVIS, LLP

Lincoln, Nebraska
October 28, 2022

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Management’s Discussion and Analysis
June 30, 2022 and 2021 (Unaudited)
(Dollar amounts in thousands)

Introduction

The following is an overview of the financial position and changes in net position of the University of Nebraska Facilities Corporation (UNFC or Corporation). 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 a pledge of the University’s cash funds, with the University entering into a 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).

The financial statements include the activities related to the following projects and bond issues for the years ended June 30, 2022 and 2021:

| Facility | Financing Objective |
|---|---|
| University Facilities Program Bonds (Series 2021A Bonds) | Renewal, replacement, renovation, and repair projects on the campuses of the University |
| University Facilities Program Bonds (Series 2021B Bonds) | Environmentally sustainable renewal, replacement, renovation, and repair projects on the campuses of the University |
| 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 |

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| Facility | Financing Objective |
|---|---|
| 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 |
| UNMC Cancer Center (Series 2016 Bonds) | Construction of a state-of-the-art cancer research center |
| 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 |
| UNMC Qualified Energy Conservation Bond (Series 2015 Bonds) | Upgrades to UNMC energy management monitoring system |
| 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 system |
| NCTA Education Center/Student Housing Project (Series 2011 Bonds) | Construction of instruction facilities and student housing |

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(Dollar amounts in thousands)

Financial Highlights

UNFC issued no new bonds in fiscal year 2022. UNFC issued the following new bonds in fiscal year 2021:

- In June 2021, UNFC issued \$355,875 of tax-exempt University Facilities Program Bonds consisting of two series. Series 2021A in the amount of \$266,470 and 2021B “Green Bonds” in the amount of \$89,405. UNFC will use the proceeds to pay a portion of the costs of certain renewal, replacement, renovation and repair projects on the campuses of the University. The 2021B will be applied to finance environmentally sustainable projects.

Bond obligations payable, including unamortized bond premium/discount, was \$1,276 million as of June 30, 2022, \$1,325 million as of June 30, 2021, and \$996 million as of June 30, 2020. The 2022 decrease reflects no new issuances and a decrease achieved by scheduled maturities of other issues. Restricted cash and cash equivalents, current and non-current, were \$548 million as of June 30, 2022, \$608 million as of June 30, 2021, and \$301 million as of June 30, 2020. The decrease from June 30, 2021 to June 30, 2022 is due to expenditures of bond proceeds for construction and renovation of the UNL College of Engineering, UNL Mabel Lee Hall, and numerous Facilities Program Projects during 2022. The increase from June 30, 2020 to June 30, 2021 is due to the issuance of new bonds.

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, 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 UNMC Cancer Center and the UNMC Global Experiential Learning 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 \$48,922 in 2022, \$26,254 in 2021, and \$24,567 in 2020.

UNFC had sufficient revenues to cover debt service for each bond issue and was in compliance with all covenants at June 30, 2022 and 2021.

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Management's Discussion and Analysis

June 30, 2022 and 2021 (Unaudited)

(Dollar amounts in thousands)

Using the Financial Statements

The financial statements of UNFC include the statements of net position; the statements of revenues, expenses, and changes in net position; 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 include the trustee accounts of the various bond issues. The statements of revenues, expenses, and changes in net position 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. 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 debt service – bond reserve accounts relating to the individual bond issues and unrestricted. 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 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.

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Management's Discussion and Analysis
June 30, 2022 and 2021 (Unaudited)
(Dollar amounts in thousands)

Condensed Statements of Net Position

| | June 30 | | |
|--------------------------------------|---------------------|---------------------|---------------------|
| | 2022 | 2021 | 2020 |
| Assets | | | |
| Current assets | \$ 330,773 | \$ 267,722 | \$ 271,373 |
| Noncurrent assets | 793,481 | 917,321 | 583,502 |
| Total assets | <u>1,124,254</u> | <u>1,185,043</u> | <u>854,875</u> |
| Deferred Outflow of Resources | | | |
| Deferred loss on bond refunding | 30,129 | 31,886 | 33,643 |
| Liabilities | | | |
| Current liabilities | 109,515 | 73,339 | 115,341 |
| Noncurrent liabilities | <u>1,207,892</u> | <u>1,280,865</u> | <u>931,286</u> |
| Total liabilities | <u>1,317,407</u> | <u>1,354,204</u> | <u>1,046,627</u> |
| Deferred Inflow of Resources | | | |
| Deferred gain on bond refunding | 15 | 21 | 74 |
| Net Position | | | |
| Restricted | | | |
| Expendable | | | |
| Debt service | 48,827 | 49,782 | 47,614 |
| Unrestricted | <u>(211,866)</u> | <u>(187,078)</u> | <u>(205,797)</u> |
| Total net position | <u>\$ (163,039)</u> | <u>\$ (137,296)</u> | <u>\$ (158,183)</u> |

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

| | Year ended June 30 | | |
|---|---------------------------|---------------------|---------------------|
| | 2022 | 2021 | 2020 |
| Nonoperating Revenues (Expenses) | | | |
| University contributions | \$ 48,922 | \$ 26,254 | \$ 24,567 |
| Capital grants and gifts | 18,279 | 44,322 | 18,485 |
| Capital appropriations | 15,793 | 13,734 | 18,393 |
| Investment income | 13,955 | 11,672 | 13,712 |
| Interest and amortization on bond obligations payable | (37,750) | (29,005) | (23,734) |
| Administrative and other expenses | (1,100) | (2,869) | (4,319) |
| Increase (decrease) in fair value of investments | <u>(11,913)</u> | <u>2,364</u> | <u>12</u> |
| Net nonoperating revenues | 46,186 | 66,472 | 47,116 |
| Transfers to the University for capital projects | (81,862) | (61,788) | (106,709) |
| Other transfers from the University | <u>9,933</u> | <u>16,203</u> | <u>156,592</u> |
| Increase (decrease) in net position | (25,743) | 20,887 | 96,999 |
| Net position, beginning of year | <u>(137,296)</u> | <u>(158,183)</u> | <u>(255,182)</u> |
| Net position, end of year | <u>\$ (163,039)</u> | <u>\$ (137,296)</u> | <u>\$ (158,183)</u> |

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)

Statements of Net Position

June 30, 2022 and 2021

(in thousands)

| | 2022 | 2021 |
|---|--------------|--------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents, held by trustee - unrestricted | \$ 84,774 | \$ 76,439 |
| Cash and cash equivalents, held by trustee - restricted | 102,299 | 75,266 |
| Investments held by trustee - unrestricted | 114,084 | 86,401 |
| Accrued interest receivable | 406 | 50 |
| Notes receivable from the University of Nebraska | 27,529 | 27,904 |
| Due from the University of Nebraska | 734 | 717 |
| Other current assets | 947 | 945 |
| Total current assets | 330,773 | 267,722 |
| Noncurrent Assets | | |
| Cash and cash equivalents, held by trustee - restricted | 445,544 | 532,248 |
| Investments held by trustee - restricted | - | 5,320 |
| Notes receivable from the University of Nebraska | 345,750 | 376,835 |
| Other current assets, net of current portion | 2,187 | 2,918 |
| Total noncurrent assets | 793,481 | 917,321 |
| Total assets | 1,124,254 | 1,185,043 |
| Deferred Outflow of Resources | | |
| Deferred loss on bond refunding | 30,129 | 31,886 |
| Liabilities, Deferred Inflow of Resources and Net Position | | |
| Current Liabilities | | |
| Accounts payable | 14,347 | 5,516 |
| Accrued interest payable | 14,842 | 10,277 |
| Due to the University of Nebraska | 12,252 | 13,576 |
| Bond obligations payable | 68,074 | 43,970 |
| Total current liabilities | 109,515 | 73,339 |
| Noncurrent Liability | | |
| Bond obligations payable, net of current portion | 1,207,892 | 1,280,865 |
| Total liabilities | 1,317,407 | 1,354,204 |
| Deferred Inflow of Resources | | |
| Deferred gain on bond refunding | 15 | 21 |
| Net Position | | |
| Restricted | | |
| Expendable | | |
| Debt service | 48,827 | 49,782 |
| Unrestricted | (211,866) | (187,078) |
| Total net position | \$ (163,039) | \$ (137,296) |

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2022 and 2021
(in thousands)

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|----------------------------|
| Nonoperating Revenues (Expenses) | | |
| University contributions | \$ 48,922 | \$ 26,254 |
| Capital grants and gifts | 18,279 | 44,322 |
| Capital appropriations | 15,793 | 13,734 |
| Investment income | 13,955 | 11,672 |
| Interest and amortization on bond obligations payable | (37,750) | (29,005) |
| Administrative and other expenses | (1,100) | (2,869) |
| Increase/(decrease) in fair value of investments | <u>(11,913)</u> | <u>2,364</u> |
| Net nonoperating revenues | 46,186 | 66,472 |
| Transfers | | |
| Transfers to the University for capital projects | (81,862) | (61,788) |
| Other transfers from the University | <u>9,933</u> | <u>16,203</u> |
| Increase (decrease) in net position | (25,743) | 20,887 |
| Net Position | | |
| Beginning of year | <u>(137,296)</u> | <u>(158,183)</u> |
| End of year | <u><u>\$ (163,039)</u></u> | <u><u>\$ (137,296)</u></u> |

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(in thousands)

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from the issuance of bonds | \$ - | \$ 355,875 |
| University contributions | 48,922 | 26,254 |
| Capital appropriations | 15,793 | 13,734 |
| Capital grants and gifts | 18,279 | 44,322 |
| Premium on issuance of bonds | - | 46,187 |
| Transfers from University of Nebraska | 9,933 | 16,203 |
| Additions to note receivable | - | (35,749) |
| Payments received on note receivable | 31,460 | 26,352 |
| Purchases of capital assets | (74,372) | (83,078) |
| Principal paid on bond obligations payable | (42,075) | (67,345) |
| Interest on notes receivable | 10,961 | 10,799 |
| Interest paid on bond obligations payable | (38,228) | (33,140) |
| Bond issuance costs | - | (2,036) |
| Administrative expenses | (371) | (138) |
| | <u>(19,698)</u> | <u>318,240</u> |
| Cash Flows from Investing Activities | | |
| Proceeds from sales and maturities of investments | 5,765 | 2,672 |
| Purchases of investments | (40,149) | (89,411) |
| Interest on investments | 2,746 | 896 |
| | <u>(31,638)</u> | <u>(85,843)</u> |
| Net cash used in investing activities | | |
| Increase (decrease) in cash and cash equivalents | (51,336) | 232,397 |
| Cash and Cash Equivalents, Beginning of Year | <u>683,953</u> | <u>451,556</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 632,617</u> | <u>\$ 683,953</u> |
| Reconciliation of Cash and Cash Equivalents to the Statement of Net Position | | |
| Current Assets | | |
| Cash and cash equivalents, held by trustee - unrestricted | \$ 84,774 | \$ 76,439 |
| Cash and cash equivalents, held by trustee - restricted | 102,299 | 75,266 |
| Noncurrent Assets | | |
| Cash and cash equivalents, held by trustee - restricted | 445,544 | 532,248 |
| | <u>\$ 632,617</u> | <u>\$ 683,953</u> |
| Total | <u>\$ 632,617</u> | <u>\$ 683,953</u> |
| Supplemental Cash Flows Information | | |
| Increase (decrease) in fair value of investments | \$ (11,913) | \$ 2,364 |
| Reduction in other assets | (729) | (695) |
| Accounts payable incurred for UNFC capital projects | 26,599 | 19,092 |

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statements of Fiduciary Net Position
June 30, 2022 and 2021
(in thousands)

| | 2022 | 2021 |
|---|-------------|-------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents, held by trustee - unrestricted | \$ 3,465 | \$ 6,259 |
| Total assets | 3,465 | 6,259 |
| Net Position | | |
| Restricted for University campus projects | 3,465 | 6,259 |
| Total net position | \$ 3,465 | \$ 6,259 |

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2022 and 2021
(in thousands)

| | 2022 | 2021 |
|--|-------------|-------------|
| Additions | | |
| Other additions | \$ 4 | \$ 35,752 |
| Total additions | 4 | 35,752 |
| Deductions | | |
| Other deductions | 2,798 | 29,493 |
| Total deductions | 2,798 | 29,493 |
| Increase (Decrease) in Net Position | (2,794) | 6,259 |
| Net Position, Restricted for University Campus Projects | | |
| Beginning of year | 6,259 | - |
| End of year | \$ 3,465 | \$ 6,259 |

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 1: Summary of Significant Accounting Policies

The University of Nebraska Facilities Corporation (UNFC or Corporation) 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 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; statement of revenues, expenses, and changes in net position; statement of cash flows; statement of fiduciary net position; and statement of changes in fiduciary net position
- Notes to financial statements

Reporting Entity

In evaluating how to define UNFC, for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) UNFC's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity; (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on UNFC; and (3) the entity's fiscal dependency on UNFC. Based on the above criteria, UNFC has determined that it has no reportable component units.

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Notes to Financial Statements
June 30, 2022 and 2021
(Dollar amounts in thousands)

Note 1: Summary of Significant Accounting Policies - Continued

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:

- University Facilities Program Bonds (Series 2021A Bonds)
- University Facilities Program Bonds (Series 2021B Bonds)
- 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 Facility Refunding (Series 2017B Bonds)
- UNMC Global Experiential Learning Center (Series 2017 Bonds)
- UNL Health Center and College of Nursing Projects (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)
- UNMC Qualified Energy Conservation Bond (Series 2015 Bonds)
- UNMC Cancer Center (Series 2014A Bonds)
- UNMC Qualified Energy Conservation Bond (Series 2014B Bonds)
- NCTA Education Center Project/Student Housing Project (Series 2011 Bonds)

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 1: Summary of Significant Accounting Policies - Continued

Basis of Presentation - Continued

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.

UNFC reports custodial funds for assets held by UNFC for various projects to be completed by the University campuses.

Classification of Revenues and Expenses

UNFC has classified its revenues and expenses as nonoperating as they include activities that have the characteristics of nonexchange transactions, and as they are all capital in nature.

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, deferred inflows and outflows of resources, and liabilities and disclosure of contingent items 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.

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. These amounts are comprised of money market accounts held with brokers at June 30, 2022 and 2021.

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 1: Summary of Significant Accounting Policies - Continued

Investments Held By Trustee

Investments are held by the bond trustee and are stated at fair value and consist of corporate bonds, municipal bonds, and mutual funds 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.

Notes Receivable from the 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 relates to new loans issued to the campuses and legacy University obligations previously financed by the Master Trust Indenture (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. The portion of the receivables classified as current is expected to be collected within one year.

Capital Grants and Gifts

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

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 Monroe Meyer Institute, 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 payments from University of Nebraska at Omaha that are committed to the UNO/Community Facility Project.

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 Health Center and College of Nursing, and the NCTA Education Center/Student Housing Project.

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 1: Summary of Significant Accounting Policies - Continued

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.

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.

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 campuses 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.

Reclassifications

Certain 2021 amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the changes in net position.

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 2: Investments Held by Trustee

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 the fair value hierarchy:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that UNFC has ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of a 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. UNFC has no assets or liabilities that fall within the Level 3 classification.

The table below presents by level the asset balances at estimated fair value on a recurring basis.

| | Assets at Fair Value as of June 30, 2022 | | |
|--------------------|---|-------------------|-----------------|
| | Total | Level 1 | Level 2 |
| Investments | | | |
| Mutual funds | | | |
| Equities | \$ 28,519 | \$ 28,519 | \$ - |
| Fixed income | 85,565 | 85,565 | - |
| Total | \$ 114,084 | \$ 114,084 | \$ - |
| | | | |
| | Assets at Fair Value as of June 30, 2021 | | |
| | Total | Level 1 | Level 2 |
| Investments | | | |
| Debt securities | | | |
| Corporate bonds | \$ 3,523 | \$ - | \$ 3,523 |
| Municipal bonds | 1,797 | - | 1,797 |
| Mutual funds | | | |
| Equities | 20,126 | 20,126 | - |
| Fixed income | 66,275 | 66,275 | - |
| Total | \$ 91,721 | \$ 86,401 | \$ 5,320 |

Money market funds are carried at cost and thus are not included within the fair value hierarchy. Debt securities presented as level 2 are valued using matrix pricing.

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Notes to Financial Statements
June 30, 2022 and 2021
(Dollar amounts in thousands)

Note 2: Investments Held by Trustee - Continued

Investment maturities as of June 30, 2022 and 2021 are as follows:

| 2022 | Investment Maturities (in years) | | |
|------------------------|---|--------------------|------------|
| | Fair Value | Less Than 1 | 1-5 |
| UNFC | | | |
| Mutual funds | | | |
| Equities | \$ 28,519 | | |
| Fixed income | 85,565 | | |
| Money market funds | 632,617 | | |
| Total UNFC | 746,701 | | |
| Fiduciary Funds | | | |
| Money market funds | 3,465 | | |
| Total | \$ 750,166 | | |
| | | | |
| 2021 | Investment Maturities (in years) | | |
| | Fair Value | Less Than 1 | 1-5 |
| UNFC | | | |
| Debt securities | | | |
| Corporate bonds | \$ 3,523 | \$ 3,523 | \$ - |
| Municipal bonds | 1,797 | 1,538 | 259 |
| | 5,320 | \$ 5,061 | \$ 259 |
| Mutual funds | | | |
| Equities | 20,126 | | |
| Fixed income | 66,275 | | |
| Money market funds | 683,953 | | |
| Total UNFC | 775,674 | | |
| Fiduciary Funds | | | |
| Money market funds | 6,259 | | |
| Total | \$ 781,933 | | |

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.

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 2: Investments Held by Trustee - Continued

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 investments are exposed to custodial credit risk as they are unregistered and uninsured.

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. UNFC does not follow a more restrictive policy. Credit ratings for these investments that are rated are as follows:

| | Fair Value | Quality Ratings | | | Unrated/ Not Applicable |
|------------------------|------------|-----------------|----------|----------|----------------------------|
| | | Aaa | Aa | A | |
| 2022 | | | | | |
| UNFC | | | | | |
| Mutual funds | | | | | |
| Equities | \$ 28,519 | \$ - | \$ - | \$ - | \$ 28,519 |
| Fixed income | 85,565 | - | - | - | 85,565 |
| Money market funds | 632,617 | - | - | - | 632,617 |
| Total UNFC | 746,701 | - | - | - | 746,701 |
| Fiduciary Funds | | | | | |
| Money market funds | 3,465 | - | - | - | 3,465 |
| Total | \$ 750,166 | \$ - | \$ - | \$ - | \$ 750,166 |
| | | Quality Ratings | | | |
| | Fair Value | Aaa | Aa | A | Unrated/ Not Applicable |
| 2021 | | | | | |
| UNFC | | | | | |
| Debt securities | | | | | |
| Corporate bonds | \$ 3,523 | \$ - | \$ 3,523 | \$ - | \$ - |
| Municipal bonds | 1,797 | - | - | 1,797 | - |
| Mutual funds | | | | | |
| Equities | 20,126 | - | - | - | 20,126 |
| Fixed income | 66,275 | - | - | - | 66,275 |
| Money market funds | 683,953 | - | - | - | 683,953 |
| Total UNFC | 775,674 | - | 3,523 | 1,797 | 770,354 |
| Fiduciary Funds | | | | | |
| Money market funds | 6,259 | - | - | - | 6,259 |
| Total | \$ 781,933 | \$ - | \$ 3,523 | \$ 1,797 | \$ 776,613 |

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 2: Investments Held by Trustee - Continued

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. UNFC places no limit on the amount that may be invested in any one issuer. No individual investments comprised 5% or more of UNFC's portfolio at June 30, 2022 and June 30, 2021.

Summary of Carrying Values

The investments shown above are included in the following statement of net position captions at June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|-------------------|
| UNFC | | |
| Current Assets | | |
| Cash and cash equivalents held by trustee - unrestricted | \$ 84,774 | \$ 76,439 |
| Cash and cash equivalents held by trustee - restricted | 102,299 | 75,266 |
| Investments held by trustee - unrestricted | 114,084 | 86,401 |
| Noncurrent Assets | | |
| Cash and cash equivalents held by trustee - restricted | 445,544 | 532,248 |
| Investments held by trustee - restricted | <u>-</u> | <u>5,320</u> |
| Total UNFC | <u>746,701</u> | <u>775,674</u> |
| Fiduciary Funds | | |
| Current Assets | | |
| Cash and cash equivalents held by trustee - unrestricted | <u>3,465</u> | <u>6,259</u> |
| Total | <u>\$ 750,166</u> | <u>\$ 781,933</u> |

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 3: Notes Receivable From the University of Nebraska

A summary of the notes receivable from the University of Nebraska are as follows as of June 30, 2022 and 2021:

Notes Receivable as of June 30, 2022:

| | Principal Outstanding | Remaining Term (in years) | Interest Rate |
|----------------------|--------------------------|---------------------------------|------------------|
| Legacy MTI | \$ 347,539 | 2 - 26 | 1 - 4% |
| UNL Steam Tunnel | 989 | 14 | 4% |
| UNL East Campus | 10,815 | 13 | 4% |
| UNMC Facilities | 3,971 | 4 | 4% |
| ITS Cisco/Connection | 333 | 4 | 4% |
| ITS Tenable | 263 | 2 | 4% |
| ITS DataVizion | 9,369 | 7 | 4% |
| | <u>373,279</u> | | |
| Total | <u>\$ 373,279</u> | | |

Notes Receivable as of June 30, 2021:

| | Principal Outstanding | Remaining Term (in years) | Interest Rate |
|----------------------|--------------------------|---------------------------------|------------------|
| Legacy MTI | \$ 371,441 | 3 - 37 | 1 - 4% |
| UNL Steam Tunnel | 1,045 | 15 | 4% |
| UNL East Campus | 11,498 | 14 | 4% |
| UNMC Facilities | 4,889 | 5 | 4% |
| ITS Cisco/Connection | 430 | 5 | 4% |
| ITS Tenable | 480 | 3 | 4% |
| ITS DataVizion | 10,883 | 8 | 4% |
| ITS DataVizion II | 4,073 | 8 | 4% |
| | <u>404,739</u> | | |
| Total | <u>\$ 404,739</u> | | |

Interest income recorded in relation to these notes receivable totaled \$10,961 and \$10,799 for 2022 and 2021, respectively.

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 4: Bond Obligations Payable

UNFC outstanding bonds consists of \$1,194,460 of revenue bonds and \$6,165 of direct placement bonds.

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

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|---------------------------------|------------------------------|-------------------|-------------------|---------------------------|----------------------------|
| 2022 | | | | | |
| Revenue bonds | \$ 1,231,520 | \$ - | \$ 37,060 | \$ 1,194,460 | \$ 60,915 |
| Revenue bonds, direct placement | 11,180 | - | 5,015 | 6,165 | 365 |
| Unamortized bond premium | 82,161 | - | 6,799 | 75,362 | 6,799 |
| Unamortized bond discount | (26) | - | 5 | (21) | (5) |
| | <u>\$ 1,324,835</u> | <u>\$ -</u> | <u>\$ 48,879</u> | <u>\$ 1,275,966</u> | <u>\$ 68,074</u> |
| | | | | | |
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| 2021 | | | | | |
| Revenue bonds | \$ 929,790 | \$ 355,875 | \$ 54,145 | \$ 1,231,520 | \$ 37,060 |
| Revenue bonds, direct placement | 24,380 | - | 13,200 | 11,180 | 180 |
| Unamortized bond premium | 41,783 | 46,187 | 5,809 | 82,161 | 6,735 |
| Unamortized bond discount | (31) | - | 5 | (26) | (5) |
| | <u>\$ 995,922</u> | <u>\$ 402,062</u> | <u>\$ 73,159</u> | <u>\$ 1,324,835</u> | <u>\$ 43,970</u> |

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 4: Bond Obligations Payable - Continued

| Revenue Bonds | Interest Rates | Final Maturity | Installments | Principal Amount Outstanding | |
|--|----------------|----------------|------------------|------------------------------|--------------|
| | | | | 2022 | 2021 |
| Facilities Program Bonds, Series 2021A | 2.50 - 5.00% | 2063 | \$9,905 - 34,540 | \$ 266,470 | \$ 266,470 |
| Facilities Program Bonds, Series 2021B | 3.00 - 5.00% | 2055 | 16,465 - 25,600 | 89,405 | 89,405 |
| System Facilities Bonds, Series 2019A | 1.83 - 3.19% | 2050 | 950 - 50,160 | 525,880 | 525,880 |
| System Facilities Bonds, Series 2019B | 4.00 - 5.00% | 2025 | 6,265 - 31,150 | 37,415 | 37,415 |
| Deferred Maintenance, Series 2018 | 5.00% | 2031 | 7,870 - 11,630 | 86,775 | 94,275 |
| Deferred Maintenance Project, Series 2017A | 4.00 - 5.00% | 2031 | 6,585 - 9,410 | 71,065 | 77,335 |
| UNO Arena Refunding, Series 2017B | 2.75 - 5.00% | 2043 | 1,015 - 2,075 | 31,920 | 32,520 |
| UNMC Global Center Project, Series 2017 | 2.00 - 5.00% | 2026 | 1,015 - 11,050 | 16,840 | 24,325 |
| Student Health, College of Nursing, and Library Refunding, Series 2016 | 3.00 - 5.00% | 2034 | 740 - 2,245 | 12,545 | 14,705 |
| UNMC Cancer Center, Series 2016 | 2.63 - 5.00% | 2031 | 2,215 - 2,900 | 22,885 | 25,060 |
| UNMC Utility Improvements, Series 2016 | 2.00 - 5.00% | 2026 | 1,415 - 1,590 | 5,960 | 7,305 |
| UNMC Cancer Center, Series 2014A | 5.00% | 2024 | 4,410 - 15,490 | 19,900 | 28,315 |
| UNMC Qualified Energy Conservation Bond, Series 2014B | 3.45 - 4.25% | 2029 | 405 - 510 | 3,180 | 3,575 |
| NCTA Education Center and Student Housing Project, Series 2011 | 4.40 - 5.50% | 2035 | 85 - 1,645 | 4,220 | 4,935 |
| Revenue Bonds, Direct Placement | | | | | |
| UNMC Eye Institute Project, Series 2018 | 2.40% | 2023 | - | - | 4,835 |
| UNO Arena and UNL CBA Project, Series 2015 | 2.00% | 2025 | 180 - 4,460 | 4,825 | 4,825 |
| UNMC Qualified Energy Conservation Bonds, Series 2015 | 4.25% | 2029 | 185 - 200 | 1,340 | 1,520 |
| | | | | 1,200,625 | 1,242,700 |
| Subtotal bonds payable | | | | | |
| | | | | 75,362 | 82,161 |
| Unamortized bond premium | | | | (21) | (26) |
| Unamortized bond discount | | | | | |
| Total bonds payable | | | | \$ 1,275,966 | \$ 1,324,835 |

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 4: Bond Obligations Payable - Continued

Bond Resolutions

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, 2022 and 2021, 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.

Facilities Program Bonds, Series 2021 A & B

In 2021, UNFC authorized the issuance of \$266,470 of Facilities Program Bonds, Series 2021A, and \$89,405 of Facilities Program Bonds, Series 2021B (Green Bonds), dated June 9, 2021.

The proceeds of the Series 2021A & B 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 Regents.

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 4: Bond Obligations Payable - Continued

Annual Maturities - All Projects

Annual maturities of principal and interest are as follows:

| Revenue Bonds | Principal | Interest | Total |
|--|--------------------|------------------|--------------------|
| 2023 | \$ 60,915 | \$ 40,867 | \$ 101,782 |
| 2024 | 39,930 | 38,991 | 78,921 |
| 2025 | 32,025 | 36,991 | 69,016 |
| 2026 | 52,385 | 35,262 | 87,647 |
| 2027 | 40,755 | 33,478 | 74,233 |
| 2028–2032 | 184,200 | 145,335 | 329,535 |
| 2033–2037 | 88,195 | 122,395 | 210,590 |
| 2038–2042 | 104,355 | 107,199 | 211,554 |
| 2043–2047 | 123,115 | 89,697 | 212,812 |
| 2048-2052 | 148,350 | 66,836 | 215,186 |
| 2053-2057 | 131,725 | 46,079 | 177,804 |
| 2058-2062 | 153,970 | 22,620 | 176,590 |
| 2063 | 34,540 | 691 | 35,231 |
| | <u>\$1,194,460</u> | <u>\$786,441</u> | <u>\$1,980,901</u> |
| | | | |
| Revenue Bonds, Direct Placement | Principal | Interest | Total |
| 2023 | \$ 365 | \$ 153 | \$ 518 |
| 2024 | 370 | 142 | 512 |
| 2025 | 4,650 | 131 | 4,781 |
| 2026 | 190 | 33 | 223 |
| 2027 | 195 | 25 | 220 |
| 2028-2031 | 395 | 25 | 420 |
| | <u>\$ 6,165</u> | <u>\$ 509</u> | <u>\$ 6,674</u> |

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

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(Dollar amounts in thousands)

Note 4: Bond Obligations Payable - Continued

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.

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Notes to Financial Statements

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(Dollar amounts in thousands)

Note 4: Bond Obligations Payable - Continued

Events of Default and Acceleration Provisions - Continued

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, 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.

UNFC Deferred Maintenance Bonds

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

- Facilities Bonds, Series 2018
- Facilities Bonds, Series 2017A

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.

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June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 4: Bond Obligations Payable - Continued

Events of Default and Acceleration Provisions - Continued

UNFC Deferred Maintenance Bonds - Continued

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.

Certain UNFC Bonds

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

- UNMC Eye Institute Project, Series 2018
- UNO/Community Facility Refunding Bonds, Series 2017B

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 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.

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(Dollar amounts in thousands)

Note 4: Bond Obligations Payable - Continued

Events of Default and Acceleration Provisions - Continued

Certain UNFC Bonds - Continued

The below-described events of default and acceleration provisions are contained in 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

Events of default under the bond resolution include default of payment of principal and 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.

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.

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(Dollar amounts in thousands)

Note 4: Bond Obligations Payable - Continued

Events of Default and Acceleration Provisions - Continued

UNO Arena and UNL College of Business, Series 2015 - Continued

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

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 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 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.

NCTA Education Center and 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 10% 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 its rights under the bond resolution.

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 4: Bond Obligations Payable - Continued

Events of Default and Acceleration Provisions - Continued

NCTA Education Center and Student Housing Project, Series 2011 - Continued

UNFC also has the right to accelerate the Board's obligations under the agreement 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 agreement to the bond trustee.

Note 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.

Note 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.

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2022 and 2021

(Dollar amounts in thousands)

Note 7: Commitments and Contingencies

The University has budgeted for the construction of numerous UNFC funded facilities, which are estimated to cost approximately \$382,222 as of June 30, 2022.