
The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022



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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, a component unit of the University of Nebraska, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the University of Nebraska Facilities Corporation'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 respective financial position of the business-type activities and the fiduciary activities of the University of Nebraska Facilities Corporation, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 the 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 opinions. 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 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
November 15, 2023

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Management's Discussion and Analysis

June 30, 2023 and 2022 (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, 2023 and 2022:

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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(Dollar amounts in thousands)

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 2023 or fiscal year 2022.

Bond obligations payable, including unamortized bond premium/discount, was \$1,208 million as of June 30, 2023, \$1,276 million as of June 30, 2022, and \$1,325 million as of June 30, 2021. The 2023 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 \$372 million as of June 30, 2023, \$548 million as of June 30, 2022, and \$608 million as of June 30, 2021. The decrease from June 30, 2022 to June 30, 2023 is due to expenditures of bond proceeds for construction and renovation of numerous Facilities Program projects, including UNL Westbrook Music Hall, UNO Durham Science Center, and UNK Calvin T Ryan Library. The decrease from June 2021 to June 2022 was due to construction of the UNL College of Engineering, UNL Mabel Lee Hall, and numerous other Facilities Program projects.

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 \$39,043 in 2023, \$48,922 in 2022, and \$26,254 in 2021.

UNFC had sufficient revenues to cover debt service for each bond issue and was in compliance with all covenants at June 30, 2023 and 2022.

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Management's Discussion and Analysis
June 30, 2023 and 2022 (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, 2023 and 2022 (Unaudited)
(Dollar amounts in thousands)

Condensed Statements of Net Position

	June 30		
	2023	2022	2021
Assets			
Current assets	\$ 371,457	\$ 330,773	\$ 267,722
Noncurrent assets	647,119	793,481	917,321
Total assets	<u>1,018,576</u>	<u>1,124,254</u>	<u>1,185,043</u>
Deferred Outflow of Resources			
Deferred loss on bond refunding	28,372	30,129	31,886
Liabilities			
Current liabilities	87,773	109,515	73,339
Noncurrent liabilities	<u>1,161,256</u>	<u>1,207,892</u>	<u>1,280,865</u>
Total liabilities	<u>1,249,029</u>	<u>1,317,407</u>	<u>1,354,204</u>
Deferred Inflow of Resources			
Deferred gain on bond refunding	8	15	21
Net Position			
Restricted			
Expendable			
Debt service	47,817	48,827	49,782
Unrestricted	<u>(249,906)</u>	<u>(211,866)</u>	<u>(187,078)</u>
Total net position	<u>\$ (202,089)</u>	<u>\$ (163,039)</u>	<u>\$ (137,296)</u>

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

	Year ended June 30		
	2023	2022	2021
Nonoperating Revenues (Expenses)			
University contributions	\$ 39,043	\$ 48,922	\$ 26,254
Capital grants and gifts	7,271	18,279	44,322
Capital appropriations	17,559	15,793	13,734
Investment income	31,080	13,955	11,672
Interest and amortization on bond obligations payable	(35,185)	(37,750)	(29,005)
Administrative and other expenses	(1,131)	(1,100)	(2,869)
Increase (decrease) in fair value of investments	<u>4,531</u>	<u>(11,913)</u>	<u>2,364</u>
Net nonoperating revenues	63,168	46,186	66,472
Transfers to the University for capital projects	(114,680)	(81,862)	(61,788)
Other transfers from the University	<u>12,462</u>	<u>9,933</u>	<u>16,203</u>
Increase (decrease) in net position	(39,050)	(25,743)	20,887
Net position, beginning of year	<u>(163,039)</u>	<u>(137,296)</u>	<u>(158,183)</u>
Net position, end of year	<u>\$ (202,089)</u>	<u>\$ (163,039)</u>	<u>\$ (137,296)</u>

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

Statements of Net Position

June 30, 2023 and 2022

(in thousands)

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents, held by trustee - unrestricted	\$ 105,426	\$ 84,774
Cash and cash equivalents, held by trustee - restricted	79,433	102,299
Investments held by trustee - unrestricted	125,673	114,084
Accrued interest receivable	1,893	406
Notes receivable from the University of Nebraska	57,172	27,529
Due from the University of Nebraska	916	734
Other assets	944	947
Total current assets	371,457	330,773
Noncurrent Assets		
Cash and cash equivalents, held by trustee - restricted	292,488	445,544
Notes receivable from the University of Nebraska	353,252	345,750
Other assets, net of current portion	1,379	2,187
Total noncurrent assets	647,119	793,481
Total assets	1,018,576	1,124,254
Deferred Outflow of Resources		
Deferred loss on bond refunding	28,372	30,129
Liabilities, Deferred Inflow of Resources and Net Position		
Current Liabilities		
Accounts payable	11,083	14,347
Accrued interest payable	14,050	14,842
Due to the University of Nebraska	16,003	12,252
Bond obligations payable	46,637	68,074
Total current liabilities	87,773	109,515
Noncurrent Liability		
Bond obligations payable, net of current portion	1,161,256	1,207,892
Total liabilities	1,249,029	1,317,407
Deferred Inflow of Resources		
Deferred gain on bond refunding	8	15
Net Position		
Restricted		
Expendable		
Debt service	47,817	48,827
Unrestricted	(249,906)	(211,866)
Total net position	\$ (202,089)	\$ (163,039)

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, 2023 and 2022
(in thousands)

	2023	2022
Nonoperating Revenues (Expenses)		
University contributions	\$ 39,043	\$ 48,922
Capital grants and gifts	7,271	18,279
Capital appropriations	17,559	15,793
Investment income	31,080	13,955
Interest and amortization on bond obligations payable	(35,185)	(37,750)
Administrative and other expenses	(1,131)	(1,100)
Increase/(decrease) in fair value of investments	4,531	(11,913)
Net nonoperating revenues	63,168	46,186
Transfers		
Transfers to the University for capital projects	(114,680)	(81,862)
Other transfers from the University	12,462	9,933
Total transfers	(102,218)	(71,929)
Decrease in Net Position	(39,050)	(25,743)
Net Position		
Beginning of year	(163,039)	(137,296)
End of year	\$ (202,089)	\$ (163,039)

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(in thousands)

	2023	2022
Cash Flows from Capital and Related Financing Activities		
University contributions	\$ 39,043	\$ 48,922
Capital appropriations	17,559	15,793
Capital grants and gifts	7,271	18,279
Transfers from University of Nebraska	12,462	9,933
Additions to notes receivable	(87,612)	-
Payments received on notes receivable	50,467	31,460
Purchases of capital assets	(114,375)	(74,372)
Principal paid on bond obligations payable	(61,280)	(42,075)
Interest on notes receivable	13,124	10,961
Interest paid on bond obligations payable	(41,020)	(38,228)
Administrative expenses	(320)	(371)
	<u>(164,681)</u>	<u>(19,698)</u>
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	21,851	5,765
Purchases of investments	(28,941)	(40,149)
Interest on investments	16,501	2,746
	<u>9,411</u>	<u>(31,638)</u>
Decrease in cash and cash equivalents	(155,270)	(51,336)
Cash and Cash Equivalents, Beginning of Year	<u>632,617</u>	<u>683,953</u>
Cash and Cash Equivalents, End of Year	<u>\$ 477,347</u>	<u>\$ 632,617</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Current Assets		
Cash and cash equivalents, held by trustee - unrestricted	\$ 105,426	\$ 84,774
Cash and cash equivalents, held by trustee - restricted	79,433	102,299
Noncurrent Assets		
Cash and cash equivalents, held by trustee - restricted	292,488	445,544
	<u>\$ 477,347</u>	<u>\$ 632,617</u>
Supplemental Cash Flows Information		
Increase (decrease) in fair value of investments	\$ 4,531	\$ (11,913)
Reduction in other assets	(811)	(729)
Accounts payable incurred for UNFC capital projects	27,086	26,599

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statements of Fiduciary Net Position
June 30, 2023 and 2022
(in thousands)

	2023	2022
Assets		
Current Assets		
Cash and cash equivalents, held by trustee - unrestricted	\$ 28,721	\$ 3,465
Total assets	28,721	3,465
Net Position		
Restricted for University campus projects	28,721	3,465
Total net position	\$ 28,721	\$ 3,465

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, 2023 and 2022
(in thousands)

	2023	2022
Additions		
Other additions	\$ 89,270	\$ 4
Total additions		4
Deductions		
Other deductions	64,014	2,798
Total deductions	64,014	2,798
Increase (Decrease) in Net Position	25,256	(2,794)
Net Position, Restricted for University Campus Projects		
Beginning of year	3,465	6,259
End of year	\$ 28,721	\$ 3,465

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2023 and 2022

(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

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Notes to Financial Statements

June 30, 2023 and 2022

(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)

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.

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2023 and 2022

(Dollar amounts in thousands)

Note 1: Summary of Significant Accounting Policies - Continued

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, 2023 and 2022.

Investments Held By Trustee

Investments are held by the bond trustee and are stated at fair value and consist of U.S. Treasury securities 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.

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2023 and 2022

(Dollar amounts in thousands)

Note 1: Summary of Significant Accounting Policies - Continued

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 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.

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.

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2023 and 2022

(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, 2023		
	Total	Level 1	Level 2
Investments			
Debt securities			
U.S. Treasury securities	\$ 21,007	\$ -	\$ 21,007
Mutual funds			
Equities	35,167	35,167	-
Fixed income	69,499	69,499	-
Total	<u>\$ 125,673</u>	<u>\$ 104,666</u>	<u>\$ 21,007</u>

	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	<u>\$ 114,084</u>	<u>\$ 114,084</u>	<u>\$ -</u>

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, 2023 and 2022

(Dollar amounts in thousands)

Note 2: Investments Held by Trustee - Continued

Investment maturities as of June 30, 2023 and 2022 are as follows:

June 30, 2023	Investment Maturities (in years)		
	Fair Value	Less Than 1	1-5
UNFC			
Debt securities			
U.S. Treasury securities	\$ 21,007	\$ 21,007	\$ -
Mutual funds			
Equities	35,167		
Fixed income	69,499		
Money market funds	477,347		
Total UNFC	<u>603,020</u>		
Fiduciary Funds			
Money market funds	<u>28,721</u>		
Total	<u>\$ 631,741</u>		
June 30, 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	<u>746,701</u>		
Fiduciary Funds			
Money market funds	<u>3,465</u>		
Total	<u>\$ 750,166</u>		

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

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Notes to Financial Statements

June 30, 2023 and 2022

(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	
		Aaa	Unrated/ Not Applicable
June 30, 2023			
UNFC			
Debt securities			
U.S. Treasury securities	\$ 21,007	\$ 21,007	\$ -
Mutual funds			
Equities	35,167	-	35,167
Fixed income	69,499	-	69,499
Money market funds	477,347	-	477,347
Total UNFC	<u>603,020</u>	<u>21,007</u>	<u>582,013</u>
Fiduciary Funds			
Money market funds	28,721	-	28,721
Total	<u>\$ 631,741</u>	<u>\$ 21,007</u>	<u>\$ 610,734</u>

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2023 and 2022

(Dollar amounts in thousands)

Note 2: Investments Held by Trustee - Continued

Credit Risk - Continued

June 30, 2022	Fair Value	Quality Ratings	
		Aaa	Unrated/ Not Applicable
UNFC			
Mutual funds			
Equities	\$ 28,519	\$ -	\$ 28,519
Fixed income	85,565	-	85,565
Money market funds	632,617	-	632,617
Total UNFC	<u>746,701</u>	<u>-</u>	<u>746,701</u>
Fiduciary Funds			
Money market funds	3,465	-	3,465
Total	<u>\$ 750,166</u>	<u>\$ -</u>	<u>\$ 750,166</u>

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, 2023 and June 30, 2022.

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2023 and 2022

(Dollar amounts in thousands)

Note 2: Investments Held by Trustee - Continued

Summary of Carrying Values

The investments shown above are included in the following statement of net position captions at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
UNFC		
Current Assets		
Cash and cash equivalents held by trustee - unrestricted	\$ 105,426	\$ 84,774
Cash and cash equivalents held by trustee - restricted	79,433	102,299
Investments held by trustee - unrestricted	125,673	114,084
Noncurrent Assets		
Cash and cash equivalents held by trustee - restricted	<u>292,488</u>	<u>445,544</u>
Total UNFC	<u>603,020</u>	<u>746,701</u>
Fiduciary Funds		
Current Assets		
Cash and cash equivalents held by trustee - unrestricted	<u>28,721</u>	<u>3,465</u>
Total	<u>\$ 631,741</u>	<u>\$ 750,166</u>

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2023 and 2022

(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, 2023 and 2022:

Notes Receivable as of June 30, 2023:

	Principal Outstanding	Remaining Term (in years)	Interest Rate
Legacy MTI	\$ 323,638	1 - 25	1 - 4%
UNL Steam Tunnel	929	13	4%
UNL East Campus	10,105	12	4%
UNMC Facilities	3,015	3	4%
ITS Tenable	38	1	4%
ITS DataVizion	7,792	6	4%
UNL Athletics	28,999	1	4%
UNK Greek Life	19,248	24	4.5%
UNK REAC	12,865	19	4.5%
ITS Norlem Palo Alto	3,795	3	4%
	<hr/>		
Total	\$ 410,424		

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%
	<hr/>		
Total	\$ 373,279		

Interest income recorded in relation to these notes receivable totaled \$13,113 and \$10,961 for 2023 and 2022, respectively.

The University of Nebraska Facilities Corporation
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Notes to Financial Statements

June 30, 2023 and 2022

(Dollar amounts in thousands)

Note 4: Bond Obligations Payable

UNFC outstanding bonds consists of \$1,133,545 of revenue bonds and \$5,800 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
2023					
Revenue bonds	\$ 1,194,460	\$ -	\$ 60,915	\$ 1,133,545	\$ 39,930
Revenue bonds, direct placement	6,165	-	365	5,800	370
Unamortized bond premium	75,362	-	6,797	68,565	6,342
Unamortized bond discount	(21)	-	4	(17)	(5)
	<u>\$ 1,275,966</u>	<u>\$ -</u>	<u>\$ 68,081</u>	<u>\$ 1,207,893</u>	<u>\$ 46,637</u>
2022					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
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>

The University of Nebraska Facilities Corporation
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Notes to Financial Statements

June 30, 2023 and 2022

(Dollar amounts in thousands)

Note 4: Bond Obligations Payable - Continued

Revenue Bonds	Interest Rates	Final Maturity	Installments	Principal Amount Outstanding	
				2023	2022
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	5.00%	2025	6,265 - 31,150	6,265	37,415
Deferred Maintenance, Series 2018	5.00%	2031	7,870 - 11,630	78,905	86,775
Deferred Maintenance Project, Series 2017A	4.00 - 5.00%	2031	6,585 - 9,410	64,480	71,065
UNO Arena Refunding, Series 2017B	2.75 - 5.00%	2043	1,015 - 2,075	30,905	31,920
UNMC Global Center Project, Series 2017	4.00 - 5.00%	2026	1,015 - 11,050	13,980	16,840
Student Health, College of Nursing, and Library Refunding, Series 2016	3.00 - 5.00%	2034	740 - 2,245	10,300	12,545
UNMC Cancer Center, Series 2016	2.63 - 5.00%	2031	2,215 - 2,900	20,670	22,885
UNMC Utility Improvements, Series 2016	4.00 - 5.00%	2026	1,415 - 1,590	4,545	5,960
UNMC Cancer Center, Series 2014A	5.00%	2024	4,410 - 15,490	15,490	19,900
UNMC Qualified Energy Conservation Bond, Series 2014B	3.65 - 4.25%	2029	405 - 510	2,775	3,180
NCTA Education Center and Student Housing Project, Series 2011	4.60 - 5.50%	2035	85 - 1,645	3,475	4,220
Revenue Bonds, Direct Placement					
UNO Arena and UNL CBA Project, Series 2015	2.00%	2025	180 - 4,460	4,645	4,825
UNMC Qualified Energy Conservation Bonds, Series 2015	4.25%	2029	185 - 200	1,155	1,340
				1,139,345	1,200,625
Subtotal bonds payable					
Unamortized bond premium				68,565	75,362
Unamortized bond discount				(17)	(21)
Total bonds payable				\$ 1,207,893	\$ 1,275,966

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2023 and 2022

(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, 2023 and 2022, 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.

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2023 and 2022

(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
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	42,395	31,951	74,346
2029–2033	157,810	138,892	296,702
2034–2038	91,775	119,616	211,391
2039–2043	107,690	103,906	211,596
2044–2048	127,210	85,865	213,075
2049–2053	146,190	61,927	208,117
2054–2058	135,355	42,270	177,625
2059–2063	160,025	16,425	176,450
	<u>\$1,133,545</u>	<u>\$745,574</u>	<u>\$1,879,119</u>
Revenue Bonds, Direct Placement	Principal	Interest	Total
2024	\$ 370	\$ 142	\$ 512
2025	4,650	130	4,780
2026	190	33	223
2027	195	25	220
2028	195	17	212
2029–2033	200	9	209
	<u>\$ 5,800</u>	<u>\$ 356</u>	<u>\$ 6,156</u>

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2023 and 2022

(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.

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2023 and 2022

(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.

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2023 and 2022

(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.

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2023 and 2022

(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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Notes to Financial Statements

June 30, 2023 and 2022

(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.

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Notes to Financial Statements

June 30, 2023 and 2022

(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.

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Notes to Financial Statements

June 30, 2023 and 2022

(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 \$288,006 as of June 30, 2023.