

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Independent Auditor's Report and Financial Statements

June 30, 2021 and 2020

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

We have audited the accompanying 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 year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise UNFC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2021, UNFC adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Prior Year Audited by Other Auditors

The 2020 financial statements, before they were revised for the matter discussed in Note 1, were audited by other auditors, and their report thereon, dated November 19, 2020, expressed an unmodified opinion. Our opinion on the business-type activities is not modified with respect to this matter.

BKD, LLP

Lincoln, Nebraska
November 24, 2021

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Management's Discussion and Analysis

June 30, 2021 and 2020 (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 lease purchase or other financing arrangement with UNFC in amounts consistent with required debt service. The facilities are not reflected in the accompanying statements as they are transferred to the University campuses and reported in the University's financial statements. The University campuses include the University of Nebraska-Lincoln (UNL), University of Nebraska Medical Center (UNMC), University of Nebraska at Omaha (UNO), and the University of Nebraska at Kearney (UNK).

The financial statements include the activities related to the following projects and bond issues for the years ended June 30, 2021 and 2020:

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
Deferred Maintenance Refunding (Series 2016 Bonds)	Refund Deferred Maintenance Project Series 2006 Bonds
UNMC Cancer Center (Series 2016 Bonds)	Construction of a state-of-the-art cancer research center
UNMC Utility Improvement Project (Series 2016 Bonds)	Construct improvements to utility facilities
UNO Arena and UNL College of Business (Series 2015 Bonds)	Construction of the UNO/Community Arena and UNL College of Business
UNL Veterinary Diagnostic Center (Series 2015 Bonds)	Construction of a Veterinary Diagnostic Center at the Institute of Agriculture and Natural Resources
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 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.

UNFC issued the following new bonds in fiscal year 2020:

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

Bond obligations payable, including unamortized bond premium/discount, was \$1,325 million as of June 30, 2021, \$996 million as of June 30, 2020, and \$476 million as of June 30, 2019. The 2021 increase reflects new issuances, net of a decrease achieved by scheduled maturities of other issues. Restricted cash and cash equivalents, current and non-current, were \$608 million as of June 30, 2021, \$301 million as of June 30, 2020, and \$238 million as of June 30, 2019. The increase is due to the issuance of a new bond issue in 2021, offset by expenditures of bond proceeds for construction and renovation of the UNL College of Engineering, UNL Mabel Lee Hall, UNMC Monroe Meyer Institute and several Deferred Maintenance 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, UNL Veterinary Diagnostic Center, the NCTA Education Center/Student Housing Project, and UNL Health Center and College of Nursing Projects.
- The University of Nebraska Foundation continues to receive funds from donor gifts pledged toward the funding of the UNMC Cancer Center, the UNMC Global Experiential Learning Center, and the UNL College of Business.
- Funds flowing from internal University sources continue to meet expectations, allowing the service of debt obligations in their normal course, with University contributions of \$26,254 in 2021, \$24,567 in 2020, and \$32,660 in 2019.

UNFC had sufficient revenues to cover debt service for each bond issue and was in compliance with all covenants at June 30, 2021 and 2020.

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Management's Discussion and Analysis

June 30, 2021 and 2020 (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.

During 2021, UNFC adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of adopting GASB 84, UNFC has included, in its basic financial statements, the fiduciary fund financial statements for 2021. UNFC began reporting certain fiduciary activities in its financial statements as a result of adopting GASB 84.

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
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Management's Discussion and Analysis
June 30, 2021 and 2020 (Unaudited)
(Dollar amounts in thousands)

Condensed Statements of Net Position

	June 30		
	2021	2020	2019
Assets			
Current assets	\$ 267,722	\$ 271,373	\$ 60,186
Noncurrent assets	917,321	583,502	184,089
Total assets	<u>\$ 1,185,043</u>	<u>\$ 854,875</u>	<u>\$ 244,275</u>
Deferred Outflow of Resources			
Deferred loss on bond refunding	\$ 31,886	\$ 33,643	\$ 2,754
Liabilities			
Current liabilities	73,339	115,341	71,737
Noncurrent liabilities	1,280,865	931,286	430,130
Total liabilities	<u>\$ 1,354,204</u>	<u>\$1,046,627</u>	<u>\$ 501,867</u>
Deferred Inflow of Resources			
Deferred gain on bond refunding	\$ 21	\$ 74	\$ 344
Net Position			
Restricted			
Expendable			
Debt service	49,782	47,614	50,023
Unrestricted	(187,078)	(205,797)	(305,205)
Total net position	<u>\$ (137,296)</u>	<u>\$ (158,183)</u>	<u>\$(255,182)</u>

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

	Year ended June 30		
	2021	2020	2019
Nonoperating Revenues (Expenses)			
University contributions	\$ 26,254	\$ 24,567	\$ 39,141
Capital grants and gifts	44,322	18,485	19,540
Capital appropriations	13,734	18,393	17,075
Investment income	11,672	13,712	4,864
Interest and amortization on bond obligations payable	(29,005)	(23,734)	(13,498)
Retirement of capital lease obligation receivable	(695)	(1,611)	(835)
Administrative and other expenses	(2,174)	(2,708)	(1,208)
Increase in fair value of investments	2,364	12	9
Net nonoperating revenues	66,472	47,116	65,088
Transfers to the University for capital projects	(61,788)	(106,709)	(79,987)
Other transfers from the University	16,203	156,592	-
Increase (decrease) in net position	20,887	96,999	(14,899)
Net position, beginning of year	(158,183)	(255,182)	(240,283)
Net position, end of year	<u>\$ (137,296)</u>	<u>\$ (158,183)</u>	<u>\$(255,182)</u>

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statements of Net Position
June 30, 2021 and 2020
(in thousands)

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents, held by trustee - unrestricted	\$ 76,439	\$ 150,720
Cash and cash equivalents, held by trustee - restricted	75,266	92,388
Investments held by trustee - unrestricted	86,401	2,691
Accrued interest receivable	50	-
Notes receivable from the University of Nebraska	27,904	23,901
Due from the University of Nebraska	717	728
Capital lease obligation receivable	945	945
Total current assets	267,722	271,373
Noncurrent Assets		
Cash and cash equivalents, held by trustee - restricted	532,248	208,448
Investments held by trustee - restricted	5,320	-
Notes receivable from the University of Nebraska	376,835	371,441
Capital lease obligation receivable, net of current portion	2,918	3,613
Total noncurrent assets	917,321	583,502
Total assets	1,185,043	854,875
Deferred Outflow of Resources		
Deferred loss on bond refunding	31,886	33,643
Liabilities, Deferred Inflow of Resources and Net Position		
Current Liabilities		
Accounts payable	5,516	29,782
Accrued interest payable	10,277	10,312
Due to the University of Nebraska	13,576	10,611
Bond obligations payable	43,970	64,636
Total current liabilities	73,339	115,341
Noncurrent Liability		
Bond obligations payable, net of current portion	1,280,865	931,286
Total liabilities	1,354,204	1,046,627
Deferred Inflow of Resources		
Deferred gain on bond refunding	21	74
Net Position		
Restricted		
Expendable		
Debt service	49,782	47,614
Unrestricted	(187,078)	(205,797)
Total net position	\$ (137,296)	\$ (158,183)

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, 2021 and 2020
(in thousands)

	2021	2020
Nonoperating Revenues (Expenses)		
University contributions	\$ 26,254	\$ 24,567
Capital grants and gifts	44,322	18,485
Capital appropriations	13,734	18,393
Investment income	11,672	13,712
Interest and amortization on bond obligations payable	(29,005)	(23,734)
Retirement of capital lease obligation receivable	(695)	(1,611)
Administrative and other expenses	(2,174)	(2,708)
Increase in fair value of investments	2,364	12
Net nonoperating revenues	66,472	47,116
Transfer		
Transfers to the University for capital projects	(61,788)	(106,709)
Other transfers from the University	16,203	156,592
Increase in net position	20,887	96,999
Net Position		
Beginning of year	(158,183)	(255,182)
End of year	\$ (137,296)	\$ (158,183)

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statements of Cash Flows
Years Ended June 30, 2021 and 2020
(in thousands)

	2021	2020
Cash Flows from Capital and Related Financing Activities		
Proceeds from the issuance of bonds	\$ 355,875	\$ 563,295
University contributions	26,254	24,567
Capital appropriations	13,734	18,393
Capital grants and gifts	44,322	18,485
Premium on issuance of bonds	46,187	3,763
Defeasance of bond obligation	-	(930)
Transfers from University of Nebraska	16,203	131,869
Additions to note receivable	(35,749)	(414,500)
Payments received on note receivable	26,352	23,238
Purchases of capital assets	(83,078)	(85,468)
Principal paid on bond obligations payable	(67,345)	(40,135)
Interest on notes receivable	10,799	10,150
Interest paid on bond obligations payable	(33,140)	(25,264)
Loss on bond refunding	-	(16,913)
Bond issuance costs	(2,036)	(2,698)
Administrative expenses	(138)	(10)
Net cash provided by capital and related financing activities	318,240	207,842
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	2,672	2,762
Purchases of investments	(89,411)	-
Interest on investments	896	3,246
Net cash provided by (used in) investing activities	(85,843)	6,008
Increase in cash and cash equivalents	232,397	213,850
Cash and Cash Equivalents, Beginning of Year	451,556	237,706
Cash and Cash Equivalents, End of Year	\$ 683,953	\$ 451,556
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Current Assets		
Cash and cash equivalents, held by trustee - unrestricted	\$ 76,439	\$ 150,720
Cash and cash equivalents, held by trustee - restricted	75,266	92,388
Noncurrent Assets		
Cash and cash equivalents, held by trustee - restricted	532,248	208,448
Total	\$ 683,953	\$ 451,556
Supplemental Cash Flows Information		
Increase in fair value of investments	\$ 2,364	\$ 12
Reduction in capital lease obligations	(695)	(1,611)
Accounts payable incurred for UNFC capital projects	19,092	40,393

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

Assets

Current Assets

Cash and cash equivalents, held by trustee - unrestricted \$ 6,259

Total assets 6,259

Net Position

Restricted for University campus projects 6,259

Total net position \$ 6,259

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021
(in thousands)

Additions		
Other additions	\$	35,752
Total additions		35,752
Deductions		
Other deductions		29,493
Total deductions		29,493
Increase in Net Position		6,259
Net Position, Restricted for University Campus Projects		
Beginning of year		-
End of year	\$	6,259

The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2021 and 2020

(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.

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Notes to Financial Statements

June 30, 2021 and 2020

(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 Refunding (Series 2017B Bonds)
- UNMC Global Experiential Learning Center (Series 2017 Bonds)
- UNL Health Center and College of Nursing Projects (Series 2016 Bonds)
- Deferred Maintenance Refunding (Series 2016 Bonds)
- UNMC Cancer Center (Series 2016 Bonds)
- UNMC Utility Improvement Project (Series 2016 Bonds)
- UNO Arena and UNL College of Business (Series 2015 Bonds)
- UNL Veterinary Diagnostic Center (Series 2015 Bonds)
- UNMC Qualified Energy Conservation Bond (Series 2015 Bonds)
- UNMC Cancer Center (Series 2014A Bonds)
- 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, 2021 and 2020

(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 Revenue 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, 2021 and 2020.

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2021 and 2020

(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 U.S. government securities, corporate and 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. Amounts collected on notes receivable are included in the net cash provided by investing activities in the statement of cash flows.

Capital Grants and Gifts

Capital grants and gifts represent donor gifts designated for the UNL College of Business, 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 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 Veterinary Diagnostic Center Project, the UNL Health Center and College of Nursing, and the NCTA Education Center/Student Housing Project.

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2021 and 2020

(Dollar amounts in thousands)

Note 1: Summary of Significant Accounting Policies - Continued

Capital Lease Obligation Receivable

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

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, 2021 and 2020

(Dollar amounts in thousands)

Note 1: Summary of Significant Accounting Policies - Continued

Implementation of New Accounting Principle

In 2021, UNFC adopted GASB Statement No. 84, *Fiduciary Activities*. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. UNFC began reporting certain fiduciary activities in its financial statements as a result of the adoption of GASB 84. The accounts held in a custodial capacity by UNFC were initially funded during 2021, therefore information for 2020 is not presented.

Revision

During 2021, UNFC revised the presentation of net position reported at June 30, 2020 as follows:

	As Previously Reported	Revision	As Revised
Net Position			
Restricted			
Expendable			
Plant construction	\$ 207,176	\$ (207,176)	\$ -
Debt service	48,447	(833)	47,614
Unrestricted	<u>(413,806)</u>	<u>208,009</u>	<u>(205,797)</u>
	<u>\$ (158,183)</u>	<u>\$ -</u>	<u>\$ (158,183)</u>

These revisions had no effect on the change in net position.

The University of Nebraska Facilities Corporation
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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, 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	<u>\$ 91,721</u>	<u>\$ 86,401</u>	<u>\$ 5,320</u>
	Assets at Fair Value as of June 30, 2020		
	Total	Level 1	Level 2
Investments			
Debt securities			
U.S. government agencies	\$ 2,415	\$ -	\$ 2,415
U.S. government treasuries	276	-	276
Total	<u>\$ 2,691</u>	<u>\$ -</u>	<u>\$ 2,691</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.

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Note 2: Investments Held by Trustee - Continued

Investment maturities as of June 30, 2021 and 2020 are as follows:

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
	<u>5,320</u>	<u>\$ 5,061</u>	<u>\$ 259</u>
Mutual funds			
Equities	20,126		
Fixed income	66,275		
Money market funds	683,953		
Total UNFC	<u>775,674</u>		
Fiduciary Funds			
Money market funds	6,259		
Total	<u>\$ 781,933</u>		
2020	Investment Maturities (in years)		
	Fair Value	Less Than 1	1-5
UNFC			
Debt securities			
U.S. government agencies	\$ 2,415	\$ 2,415	\$ -
U.S. government treasuries	276	276	-
	<u>2,691</u>	<u>\$ 2,691</u>	<u>\$ -</u>
Money market funds	451,556		
Total UNFC	<u>\$ 454,247</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.

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Notes to Financial Statements

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(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:

2021	Fair Value	Quality Ratings			
		Aaa	Aa	A	Unrated
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
	<u>775,674</u>	<u>-</u>	<u>3,523</u>	<u>1,797</u>	<u>770,354</u>
Fiduciary Funds					
Money market funds	6,259	-	-	-	6,259
Total	<u>\$ 781,933</u>	<u>\$ -</u>	<u>\$ 3,523</u>	<u>\$ 1,797</u>	<u>\$ 776,613</u>
2020	Fair Value	Quality Ratings			
		Aaa	Aa	A	Unrated
UNFC					
Debt securities					
U.S. government agencies	\$ 2,415	\$ 2,415	\$ -	\$ -	\$ -
U.S. government treasuries	276	276	-	-	-
Money market funds	451,556	-	-	-	451,556
	<u>\$ 454,247</u>	<u>\$ 2,691</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451,556</u>

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2021 and 2020

(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, 2021. Investment types comprising 5% or more of UNFC's portfolio are as follows at June 30, 2020:

Federal Farm Credit Bank	90%
U.S. Treasury Note	10%

Summary of Carrying Values

The investments shown above are included in the following statement of net position captions at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
UNFC		
Current Assets		
Cash and cash equivalents held by trustee - unrestricted	\$ 76,439	\$ 150,720
Cash and cash equivalents held by trustee - restricted	75,266	92,388
Investments held by trustee - unrestricted	86,401	2,691
Noncurrent Assets		
Cash and cash equivalents held by trustee - restricted	532,248	208,448
Investments held by trustee - restricted	<u>5,320</u>	<u>-</u>
Total UNFC	<u>775,674</u>	<u>454,247</u>
Fiduciary Funds		
Current Assets		
Cash and cash equivalents held by trustee - unrestricted	<u>6,259</u>	<u>-</u>
Total	<u>\$ 781,933</u>	<u>\$ 454,247</u>

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

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(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, 2021 and 2020:

2021	Principal Outstanding	Term (in years)	Interest Rate
Legacy MTI	\$ 371,441	4 - 30	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	<u>4,073</u>	8	4%
Total	<u>\$ 404,739</u>		

2020	Principal Outstanding	Term (in years)	Interest Rate
Legacy MTI	<u>\$ 395,342</u>	4 - 30	1 - 4%
Total	<u>\$ 395,342</u>		

Interest income recorded in relation to these notes receivable totaled \$10,799 and \$10,150 for 2021 and 2020, respectively.

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Notes to Financial Statements

June 30, 2021 and 2020

(Dollar amounts in thousands)

Note 4: Bond Obligations Payable

UNFC outstanding bonds consists of \$1,231,520 of revenue bonds and \$11,180 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
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>
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2020					
Revenue bonds	\$ 405,000	\$ 563,295	\$ 38,505	\$ 929,790	\$ 54,145
Revenue bonds, direct placement	26,940	-	2,560	24,380	5,035
Unamortized bond premium	44,367	3,763	6,347	41,783	5,461
Unamortized bond discount	(41)	-	10	(31)	(5)
	<u>\$ 476,266</u>	<u>\$ 567,058</u>	<u>\$ 47,422</u>	<u>\$ 995,922</u>	<u>\$ 64,636</u>

The University of Nebraska Facilities Corporation
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Notes to Financial Statements

June 30, 2021 and 2020

(Dollar amounts in thousands)

Note 4: Bond Obligations Payable - Continued

Revenue Bonds	Interest Rates	Final Maturity	Installments	Principal Amount Outstanding	
				2021	2020
Facilities Program Bonds, Series 2021A	2.50 - 5.00%	2063	\$9,905 - 34,540	\$ 266,470	\$ -
Facilities Program Bonds, Series 2021B	2.50 - 5.00%	2055	16,465 - 25,600	89,405	-
System Facilities Bonds, Series 2019B	4.00 - 5.00%	2025	6,265 - 31,150	37,415	37,415
System Facilities Bonds, Series 2019A	1.83 - 3.19%	2050	950 - 50,160	525,880	525,880
Deferred Maintenance, Series 2018	5.00%	2031	7,500 - 11,630	94,275	94,275
Deferred Maintenance Project, Series 2017A	4.00 - 5.00%	2031	6,270 - 9,410	77,335	77,335
UNO Arena Refunding, Series 2017B	2.00 - 5.00%	2043	600 - 2,075	32,520	35,460
UNMC Global Center Project, Series 2017	2.00 - 5.00%	2026	1,015 - 11,050	24,325	38,120
Student Health, College of Nursing, and Library Refunding, Series 2016	3.00 - 5.00%	2034	740 - 2,245	14,705	16,820
Deferred Maintenance Project, Series 2016	-	2021	-	-	10,690
UNMC Cancer Center, Series 2016	2.00 - 5.00%	2031	2,175 - 2,900	25,060	27,190
UNMC Utility Improvements, Series 2016	2.00 - 5.00%	2026	1,345 - 1,590	7,305	8,625
Veterinary Diagnostic Project, Series 2015	-	2021	-	-	2,680
UNMC Cancer Center, Series 2014A	5.00%	2024	8,415 - 15,490	28,315	45,725
UNMC Qualified Energy Conservation Bond, Series 2014B	3.25 - 4.25%	2029	395 - 510	3,575	3,955
NCTA Education Center and Student Housing Project, Series 2011	4.20 - 5.50%	2035	85 - 1,645	4,935	5,620
Revenue Bonds, Direct Placement					
UNMC Eye Institute Project, Series 2018	2.40%	2023	4,835	4,835	13,000
UNO Arena and UNL CBA Project, Series 2015	2.00%	2025	180 - 4,460	4,825	9,680
UNMC Qualified Energy Conservation Bonds, Series 2015	4.25%	2029	180 - 200	1,520	1,700
				<u>1,242,700</u>	<u>954,170</u>
Subtotal bonds payable					
Unamortized bond premium				82,161	41,783
Unamortized bond discount				<u>(26)</u>	<u>(31)</u>
Total bonds payable				<u>\$ 1,324,835</u>	<u>\$ 995,922</u>

The University of Nebraska Facilities Corporation

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Notes to Financial Statements

June 30, 2021 and 2020

(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, 2021 and 2020, 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.

System Facilities Bonds, Series 2019A & B

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

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

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

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(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	Totals UNFC		
	Principal	Interest	Total
2022	\$ 37,060	\$ 37,912	\$ 74,972
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
2027-2031	196,240	152,552	348,792
2032-2036	97,955	125,299	223,254
2037-2041	101,130	110,425	211,555
2042-2046	119,100	93,415	212,515
2047-2051	152,060	71,619	223,679
2052-2056	126,420	49,922	176,342
2057-2061	148,545	28,362	176,907
2062-2066	67,755	2,736	70,491
	<u>\$ 1,231,520</u>	<u>\$ 824,353</u>	<u>\$ 2,055,873</u>
Revenue Bonds, Direct Placement	Totals UNFC		
	Principal	Interest	Total
2022	\$ 180	\$ 277	\$ 457
2023	5,200	270	5,470
2024	370	142	512
2025	4,650	131	4,781
2026	190	33	223
2027-2031	590	50	640
	<u>\$ 11,180</u>	<u>\$ 903</u>	<u>\$ 12,083</u>

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Notes to Financial Statements

June 30, 2021 and 2020

(Dollar amounts in thousands)

Note 4: Bond Obligations Payable - Continued

Current Refunding of Bonds

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

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, 2021 and 2020

(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
- Deferred Maintenance Refunding Bonds, Series 2016

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

The 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 - 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
- UNL Veterinary Diagnostic Center, Series 2015

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

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

June 30, 2021 and 2020

(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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June 30, 2021 and 2020

(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, 2021 and 2020

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

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

(A Component Unit of the University of Nebraska)

Notes to Financial Statements

June 30, 2021 and 2020

(Dollar amounts in thousands)

Note 7: Commitments and Contingencies

The University has contracted for the construction of several UNFC funded facilities, which are estimated to cost approximately \$53,795 as of June 30, 2021. The projects are as follows:

	<u>Construction Cash</u>	<u>Construction Investments</u>	<u>Less Payable</u>	<u>Total</u>
Deferred Maintenance 2018	\$ 70,009	\$ -	\$ 16,214	\$ 53,795
Total projects	<u>\$ 70,009</u>	<u>\$ -</u>	<u>\$ 16,214</u>	<u>\$ 53,795</u>