The University of Nebraska

Basic Financial Statements and Additional Information
for the Years Ended June 30, 2020 and 2019
and Independent Auditors' Reports

Issued on December 15, 2020

THE UNIVERSITY OF NEBRASKA

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INDEPENDENT AUDITORS' REPORT

Board of Regents of the University of Nebraska
Lincoln, Nebraska:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the University of Nebraska (University) (a component unit of the State of Nebraska) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University of Nebraska Foundation (Foundation), a discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units); and the activity relating to the Members of the Obligated Group under the Master Trust Indenture. The Blended Component Units and the activity relating to the Members of the Obligated Group under the Master Trust Indenture represent 20 percent, 2 percent, and 7 percent, respectively, of the assets, net position, and revenues of the University at June 30, 2020, and 22 percent, 6 percent, and 13 percent, respectively, of the assets, net position, and revenues of the University at June 30, 2019. Those statements were audited by other auditors, whose reports have been furnished to us, along with the Foundation report, which appears herein, and our opinion, insofar as it relates to the amounts included for the Foundation, the Blended Component Units, and the activity relating to the Members of the Obligated Group under the Master Trust Indenture, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation, the University of Nebraska Facilities Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, and the Nebraska Utility Corporation were not audited in accordance with *Government Auditing Standards.*

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

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

Opinion

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University of Nebraska, as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the 2019 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 4 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Mark Avery

Lincoln, Nebraska
December 14, 2020

Mark Avery, CPA
Assistant Deputy Auditor

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Independent Auditors' Report

The Board of Directors
University of Nebraska Foundation:

We have audited the accompanying consolidated financial statements of the University of Nebraska Foundation (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Nebraska Foundation as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Lincoln, Nebraska
September 25, 2020

Introduction

This discussion and analysis is designed to provide an overview of the financial position and activities of the University of Nebraska (the University) for the years ended June 30, 2020 and 2019. This analysis has been prepared by management of the University of Nebraska and it is intended to be read with the financial statements and related footnotes that follow this section.

The University is a comprehensive public institution of higher education, research, and public service. It was founded in Lincoln, Nebraska on February 15, 1869. The University became a multi-campus institution in 1968 by an act of the Nebraska Legislature that provided for the addition of the University of Nebraska at Omaha to the University system (formerly the municipal University of Omaha) and, at the same time, designated the University of Nebraska-Lincoln and University of Nebraska Medical Center as separate campuses. In 1991, the former Kearney State College became the fourth campus as the University of Nebraska at Kearney.

The University's four campuses provide a diversity of offerings. The University of Nebraska-Lincoln (UNL) offers a wide range of undergraduate majors and has primary responsibility for graduate education, particularly at the doctoral level, and in the non-medical professions. UNL also includes the Institute of Agriculture and Natural Resources, which operates research extension centers across the State of Nebraska (the State), as well as offering major educational and research programs on campus. The University of Nebraska Medical Center (UNMC) features undergraduate, graduate, and professional degree programs that prepare students for a wide variety of careers in health sciences. The University of Nebraska at Omaha (UNO) is a metropolitan university located in the heart of Nebraska's largest city offering a broad range of undergraduate programs, as well as doctoral programs in criminal justice and public administration. The University of Nebraska at Kearney (UNK) is a mid-sized, residential campus with a commitment to excellence in undergraduate education. UNK offers undergraduate degrees in the arts and sciences, education, and business and technology, with a wide range of majors.

The financial statements for the University of Nebraska include six blended entities, those being the University of Nebraska Facilities Corporation (UNFC), the UNMC Science Research Fund, the University Dental Associates, UNeHealth, the Nebraska Utility Corporation, and the University Technology Development Corporation. Additional information regarding these entities is described in the footnotes to the financial statements.

In accordance with the guidance of Governmental Accounting Standards Board (GASB) Statement No. 39 and GASB Statement No. 61, the University of Nebraska Foundation's (the Foundation) financial statements are discretely presented with the University's financial statements. Management's discussion and analysis relates only to the University and does not include any overview of the financial position and activities of the Foundation. References to the Foundation within the analysis relate only to specific transactions with the University.

(Columnar Amounts in Thousands)

Student Enrollment – Headcount

	Fiscal Year				
Campus	**2016**	**2017**	**2018**	**2019**	**2020**
UNL	25,772	26,239	26,396	26,155	25,663
UNMC	3,790	3,862	3,908	3,972	4,095
UNO	15,526	15,627	15,731	15,431	15,153
UNK	6,747	6,788	6,644	6,327	6,279
Total	51,835	52,516	52,679	51,885	51,190

The fall semester (fiscal 2020) headcount enrollment was 51,190 students on the four campuses. Increasing enrollment is a strategic priority of the University and all campuses have devoted greater efforts to recruit both in-state and out-of-state students through such activities as improvement of student residences and facilities. The number of students enrolled in graduate and professional programs was 12,789 representing 25% of the student body, an important part of the University's commitment to its increasing prominence as a major research institution.

Financial and Operating Highlights

- ***Internal Loan Program.*** During fiscal year 2020, the University established an Internal Loan Program (ILP) to support the long-term stewardship of the University's financial resources. The ILP allows the University to manage these financial resources holistically across the system. The ILP seeks to decouple external financings and internal lending such that the University can strategically reinvest in future projects and initiatives.

- ***Growth in Net Position.*** Net position of the University grew by $119 million or 3% and is attributable to several factors. Plant construction decreased $35 million, while expendable debt service decreased $116 million. Invested in capital assets increased $74 million, aided by ongoing construction during 2020 of about $24 million at UNL on the East Union Renovation and Scott Engineering Center Renovation projects, as well as about $12 million on the STEM building project at UNK. Unrestricted net position saw additional growth of $209 million in FY20 to a total of $1,389 million due to the creation of the ILP, which accounted for about $142 million of the increase. Another factor leading to the unrestricted net position increase was a $32 million increase in equity of a joint venture investment.

- ***New Capital Construction.*** Investments in capital projects followed University priorities, with many of these projects coming courtesy of private support. The following endeavors align behind the educational, research, and public service missions and make the University more competitive in continuing to attract high caliber students and faculty.

  - At UNMC, the College of Dentistry is undergoing a $4.3 million renovation to create a state-of-the-art clinical and virtual simulation laboratory and digital design studio equipped with innovative simulation technology, hardware, software and IT infrastructure.

  - The $30 million STEM building, named Discovery Hall, nears completion at UNK. The building is a 90,000-square-foot facility that encourages collaboration and innovation across seven academic departments in science, technology, engineering and math education fields.

  - At UNO, construction continued for the Mammel Hall addition. This 43,700-square-foot building addition will create modern and appropriate facilities to assist in recruitment and retention of students, faculty, and staff while also creating spaces for interactive learning and collaboration. It will also provide enhancements to laboratories, classrooms, and program development facilities. The total cost is budgeted at $17 million.

  - Work continues on the East Union renovation at UNL, with a budget of about $28.6 million. Additional projects include the Scott Engineering Center renovation, with a budget of $75.5 million, and the replacement of Mabel Lee Hall, with a total budget of $46 million.

- ***Indebtedness.*** Overall, bonded indebtedness increased in 2020 by approximately $55 million on a base of $956 million at June 30, 2019, the result of two new issues, net of maturities/calls:

  Two new issues were marketed by UNFC:

  - $526 million of taxable System Facilities Bonds, Series 2019A, dated October 24, 2019. A portion of the proceeds were used to refinance $430 million of outstanding obligations under the University of Nebraska Master Trust Indenture (MTI), with the remainder to be used to finance new projects for the University system.
  - $37 million of tax-exempt System Facilities Bonds, Series 2019B, dated October 24, 2019. A portion of the proceeds were used to refinance $430 million of outstanding obligations under the University of Nebraska Master Trust Indenture (MTI), with the remainder to be used to finance new projects for the University system.

- ***State appropriations and tuition.*** The Nebraska Legislature appropriated a 3% increase in state support of University operations for 2020 compared to a 1% increase in 2019 and a 2% decrease in 2018. Tuition increased 2.75% and 3.2% in 2020 and 2019, respectively, compared to a 5.4% increase in 2018. Of note, in May 2020, President Carter announced a two-year tuition freeze beginning in 2022. This support, along with internal reallocations, permitted the University to provide a 2% increase in the salary pool for faculty and staff and to pay negotiated salary increases for UNO and UNK collective bargaining units.

- ***Federal Grants and Contracts.*** Revenues from Federal grants and contracts decreased by 5% from 2020 to 2019 compared to a 21% increase from 2019 to 2018. Revenues from Federal sources support the research and discovery efforts of the University and provide financial aid to students.

- ***Capital grants and gifts.*** Capital grants and gifts continue to be an important source of funding for facilities at the University. Capital grants and gifts totaled $68 million in 2020 compared to $94 million in 2019, and $55 million in 2018. The decrease in capital gifts in 2020 resulted from the donation of an office building in 2019. No such gift occurred in 2020.

Using the Financial Statements

The financial statements of the University include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These statements are prepared in accordance with GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. The statements and related footnotes are presented on a combined basis for the University as a whole.

Statement of Net Position. The Statement of Net Position includes all of the assets, deferred outflows, liabilities, and deferred inflows of the University and its component units on the accrual basis of accounting. The difference between total assets and deferred outflows and total liabilities and deferred inflows represents the net position of the University, and is one indicator of its overall current financial condition. Over time, increases or decreases in the University's net position are indicative of whether its financial health is improving or deteriorating.

Assets classified as non-current are those that are expected to mature beyond a one year period or represent special accounts such as those established to comply with revenue bond covenants.

Capital assets are presented net of accumulated depreciation.

Net position is divided into three parts:

- Net investment in capital assets: The University's total investment in capital assets, net of accumulated depreciation and reduced by outstanding bond obligations incurred to acquire, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.

- Restricted:
    - Expendable: A fund externally restricted by creditors, grantors, or donors and includes grant and research funds, funds for plant construction and debt service on bond obligations.
    - Non-expendable: Permanent endowments and the Perkins student loan program.

- Unrestricted: Comprised of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Revenues, Expenses, and Changes in Net Position disclose the revenues and expenses of the University during the year. Revenues and expenses are classified as either operating or non-operating. Revenues realized from operating activities are offset by operating expenses, including depreciation, resulting in an operating income or loss. Most significantly, GASB requires that certain funding sources that are significant to the University, including State appropriations, gifts, certain Federal student aid programs, and investment income, be classified as non-operating revenues. In large public land-grant institutions, this, by definition, will invariably create operating losses on the statement of revenues and expenses and negative cash flows from operations in the statement of cash flows.

Scholarships and fellowships granted to students are shown as a reduction of tuition and other revenues, while stipends and other cash payments made directly to students are reported as scholarship and fellowship expenses.

Statement of Cash Flows. The Statement of Cash Flows provides information about the cash receipts and cash payments made by the University during the year. When used with related disclosures and information in the other financial statements, this statement should help assess the University's ability to generate future cash flows, its ability to meet its obligations when they come due, its needs for financing, the reasons for differences between operating income and associated cash receipts, and payments and the effects on the University's financial position by investing, capital, and financing transactions during the year.

(Columnar Amounts in Thousands)

Condensed Financial Statements and Analysis

Condensed Statements of Net Position

	June 30, 2020	June 30, 2019	June 30, 2018
Assets and Deferred Outflows			
Current assets	$ 1,604,568	$ 1,449,278	$ 1,345,127
Capital assets, net of accumulated depreciation	2,949,831	2,878,778	2,797,199
Other non-current assets	1,168,129	1,246,247	1,167,883
Total assets	5,722,528	5,574,303	5,310,209
Deferred Outflows of Resources	33,849	18,547	19,810
Liabilities, Deferred Inflows, and Net Position			
Current liabilities	457,216	480,622	456,787
Non-current liabilities	1,045,811	981,781	939,323
Total liabilities	1,503,027	1,462,403	1,396,110
Deferred Inflows of Resources	18,718	15,192	19,785
Net position:			
Net investment in capital assets	2,105,680	2,031,214	1,944,552
Restricted for:			
Nonexpendable:			
Permanent endowment	207,915	225,959	233,949
Loan funds	17,315	18,375	17,914
Expendable:			
Externally restricted funds	373,597	367,397	365,561
Plant construction	87,138	122,268	117,039
Debt service	53,900	170,249	155,395
Unrestricted	1,389,087	1,179,793	1,079,714
Total net position	$ 4,234,632	$ 4,115,255	$ 3,914,124

(Columnar Amounts in Thousands)

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

	Year Ended June 30, 2020	2019	2018
Operating Revenues:			
Tuition and fees	$ 438,533	$ 432,389	$ 438,867
Federal grants and contracts - restricted	316,748	333,490	276,422
Private grants and contracts - restricted	217,321	182,443	180,070
State grants and contracts - restricted	37,741	34,136	37,792
Sales and services of educational activities	65,644	66,890	75,204
Sales and services of health care entities	25,325	22,359	26,210
Sales and services of auxiliary operations	321,122	218,807	216,245
Sales and services of auxiliary segments	-	124,057	122,603
Other operating revenues	20,246	17,976	13,745
Total operating revenues	1,442,680	1,432,547	1,387,158
Operating Expenses:			
Compensation and benefits	1,424,782	1,348,676	1,304,999
Supplies and services	560,103	566,237	562,190
Depreciation	143,050	142,862	139,408
Scholarships and fellowships	76,833	70,470	73,216
Total operating expenses	2,204,768	2,128,245	2,079,813
Operating Loss	(762,088)	(695,698)	(692,655)
Non-operating Revenues (Expenses):			
State of Nebraska non-capital appropriations	591,939	574,746	559,188
Federal grants	64,500	50,365	48,820
Gifts	106,154	101,398	96,683
Investment income	48,201	48,157	45,633
Interest on bond obligations	(27,944)	(35,621)	(32,758)
Equity in joint venture	40,647	48,870	36,243
Other non-operating revenues (expenses)	(31,737)	(10,784)	(25,355)
Net non-operating revenues	791,760	777,131	728,454
Income before Other Revenues, Expenses, Gains or Losses	29,672	81,433	35,799
Other Revenues, Expenses, Gains or Losses:			
State of Nebraska capital appropriations	19,458	21,266	36,182
Capital grants and gifts	68,113	94,393	55,213
Additions to permanent endowments	2,134	4,039	2,259
Other revenues (expenses)	-	-	(2,174)
Net other revenues, expenses, and gains or losses	89,705	119,698	91,480
Increase in net position	119,377	201,131	127,279
Net position, beginning of year	4,115,255	3,914,124	3,786,845
Net position, end of year	$ 4,234,632	$ 4,115,255	$ 3,914,124

Analysis of Financial Position. Cash and cash equivalents represent the majority of current assets of the University and increased $135 million in 2020, after an $84 million increase in 2019 and a $94 million increase in 2018.

Non-current assets of the University are led by the investment in capital assets. At June 30, 2020, total investment in capital assets was $4.4 billion, yielding a net investment, after accumulated depreciation, of $2.9 billion. The increase in capital assets was $71 million, consisting of additions of $214 million net of depreciation of $143 million. Changes in capital assets are further detailed in the capital asset section of this discussion.

Capital gifts from the Foundation contributed to funding the UNO Biomechanics Research building addition, the UNL Gymnastics facility, the Johnny Carson Center for Emerging Media Arts, the UNMC Davis Global Center, and funds for debt service on certain UNFC projects. All other projects were funded or partially funded from UNFC bond issues of current and prior years, capital appropriations, and certain designated internal funds.

Net bonded indebtedness increased by $55 million in 2020 following increases of $30 million and $14 million in 2019 and 2018, respectively. Indebtedness issued was $563 million in 2020 with $94 million issued in 2019 and $153 million issued in 2018. The individual bond issuances were recounted earlier in this discussion and in the debt activity portion of this communication.

The unrestricted net position of the University increased by 18% or $209 million during the year to $1.4 billion. Most of this change was driven by the creation of the ILP.

Analysis of Operations – Overview. The University generated $1,443 million of operating revenues during 2020, an increase of $10 million over 2019, while operating expenses were $2,205 million, up $77 million over the prior year. These changes resulted in an increase in the operating loss of $66 million to $762 million in 2020 compared to losses of $696 million and $693 million for 2019 and 2018. As disclosed earlier, because of the mandated financial reporting regarding classification of State appropriations and other funding sources, statements of activities for large public land-grant universities will invariably report an operating loss. If non-capital appropriations were added to the operating loss as displayed in the statements of revenues, expenses, and changes in net position, the University's "operating loss after appropriations" would have been $170 million in 2020 compared to similar "losses" of $121 million in 2019 and $133 million in 2018.

The Nebraska Legislature provided $592 million in non-capital appropriations for 2020, an increase of $17 million over 2019 following an increase of $16 million over 2018. The University, in conjunction with the Foundation, generated non-operating and capital gifts of approximately $174 million that, when combined with all other non-operating revenues and expenses including investment income of $48 million, netted an overall increase in net position of approximately $119 million.

(Columnar Amounts in Thousands)

Revenues. The following charts depict the operating revenues for 2020 and 2019 and the comparative changes that occurred between those years.

	2020		2019		2020-2019 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Tuition and fees	$ 438,533	30%	$ 432,389	30%	$ 6,144	1%
Federal grants and contracts - restricted	316,748	22	333,490	23	(16,742)	(5)
Private grants and contracts - restricted	217,321	15	182,443	13	34,878	19
State grants and contracts - restricted	37,741	3	34,136	2	3,605	11
Sales and services of educational activities	65,644	5	66,890	5	(1,246)	(2)
Sales and services of health care entities	25,325	2	22,359	2	2,966	13
Sales and services of auxiliary operations	321,122	22	218,807	15	102,315	47
Sales and services of auxiliary segments	-	-	124,057	9	(124,057)	(100)
Other operating revenues	20,246	1	17,976	1	2,270	13
Total operating revenues	$ 1,442,680	100%	$ 1,432,547	100%	$ 10,133	1%

The University's operating revenues increased in fiscal year 2020 by 1% or $10 million. A three-year comparison of revenues for the years 2020, 2019, and 2018 is presented on page 9.

- The largest increase in revenue was realized in sales and services of auxiliary operations, which increased about 47%. This increase was due to the refinancing and dissolution of the MTI, which eliminated the segregation of auxiliary segment revenue. That revenue is now included in auxiliary operations, in accordance with GASB 34. Private grants and contracts also saw a substantial increase of about $35 million, primarily due to $12 million in new grant money at UNL for the Rwanda Institute for Conservation Agriculture.

Expenses. The following chart shows the University's operating expenses for 2020 and 2019 and comparative changes that occurred between those years. A three-year comparison of operating expenses for the years 2020, 2019, and 2018 is presented on page 9.

	2020		2019		2020-2019 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Compensation and benefits	$ 1,424,782	65%	$ 1,348,676	63%	$ 76,106	6%
Supplies and services	560,103	25	566,237	27	(6,134)	(1)
Depreciation	143,050	7	142,862	7	188	0
Scholarships and fellowships	76,833	3	70,470	3	6,363	9
Total operating expenses	$ 2,204,768	100%	$ 2,128,245	100%	$ 76,523	4%

Operating expenses increased by $77 million for the 2020 fiscal year. Changes in the major expense classifications follow.

- Compensation and benefits increased by 6% in 2020, following a 3% increase in 2019 and a 3% increase in 2018. While the 2020 University salary pool was 2.0%, UNMC saw a $33 million increase in costs based on an overall employee headcount increase of 91 employees. Represented in that population was a 163 person increase in regular full time employees, offset by a 131 person decrease in temporary full time employees – thus leading to a significant increase in benefits expense.

Non-Operating Revenues (Expenses). Net non-operating revenues increased $15 million during 2020 compared to 2019. An increase in State noncapital appropriations of $17 million was the primary reason for the increase, driven by a 3% increase in state funding.

Other Revenues, Expenses, Gains, or Losses. Net other revenues, expenses, gains, or losses decreased by $30 million. A $26 million decrease in capital gifts was the primary driver, as 2019 contained a $36 million office building gift from the Foundation.

Capital Assets

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

- At UNL, an $8.5 million renovation was completed at the Johnny Carson Center for Emerging Media Arts. This new space will encourage active student engagement, flexibility and maximize potential for collaboration, communication and interaction. In the athletic realm, a new Gymnastics Facility, the Francis Allen Training Complex, was completed for a total cost of about $13 million. Included in the complex are practice gyms, locker rooms, team meeting rooms, athletic therapy areas, and coaches' offices.
- At UNO, the Biomechanics Research Building Addition was completed with a total capitalized cost of $10.3M. This project provides additional space, more than doubling the size of the existing building. It includes laboratories, instructional space, offices, and collaboration space for students and researchers.
- In October 2020, UNMC opened the Davis Global Center, a $121 million project aimed at creating a highly advanced clinical simulation facility purposefully designed to foster the practice of patient care in highly-functioning and effective interprofessional teams. The Center provides realistic replicated health care settings in which teams can practice and experiment safely. The Center also houses the Global Center for Health Security, which focuses on biopreparedness training, infectious diseases and high-consequence infections research, education and clinical care.
- At UNK, the Plambeck Early Childhood Education Center was completed at a total cost of about $6.6 million. The facility will feature 11 classrooms to provide early education for up to 180 children.

More information on capital asset activity is disclosed in the Notes to the Financial Statements included in this report on page 35.

Debt Activity

Bond Financings. The University marketed one bond financing during 2020. This financing was issued through UNFC and consisted of two new issues:

- In October 2019, UNFC issued $526 million of University System Facilities Bonds, Series 2019A (Taxable). The proceeds of the bonds were used to refund all of the University's obligations under the Master Trust Indenture, and to finance the costs of certain new facilities on various campuses of the University.
- In October 2019, UNFC issued $37 million of University System Facilities Bonds, Series 2019B. The proceeds of the bonds were used to refund all of the University's obligations under the Master Trust Indenture, and to finance the costs of certain new facilities on various campuses of the University.

UNFC met all debt service requirements during 2020. The State of Nebraska Legislature has reaffirmed and appropriated funds for their portion of the debt service pertaining to the Deferred Maintenance Projects, UNL Veterinary Diagnostic Center, the NCTA Education Center/Student Housing Project, and the UNL Health Center and College of Nursing Projects. The Foundation continues to receive funds from donor gifts pledged toward the funding of the UNO/Community Facility Refunding and the UNMC Cancer Center. Funds from internal University sources continue to meet expectations allowing the service of UNFC-related debt obligations in their normal course.

More information on debt financing is disclosed beginning on page 36 in the Notes to Financial Statements included in this report.

COVID-19 Impacts, Economic Outlook and Subsequent Events That Will Affect the Future

The University of Nebraska system's response to the COVID-19 pandemic has been driven by a set of core priorities including:

- Protecting the health and safety of the University's students, faculty and staff, as well as the community at large.
- Continuing to deliver affordable, quality education to the University's 51,000-plus students and keeping them on the path to a degree.
- Maintaining continuity of University operations, including the research enterprise that spans all campuses.
- Preserving the fiscal health of the institution.

On March 12, as the virus spread, all four University of Nebraska campuses announced that they would transition to remote learning for the rest of the semester following spring break. Students were encouraged to leave their residence halls and return home, and services and hours at shared facilities like libraries and campus recreation centers were reduced. All campuses canceled all non-essential domestic and international travel by students, faculty and staff. Further, athletic events, musical performances and other events were also canceled.

Several weeks later, the University closed its campuses to all employees except those whose presence was deemed essential. Remote or "staggered" work has largely continued through the fall for large segments of the University's workforce in order to ensure less density on the campuses at any given time.

Simultaneously, the University began to aggressively prepare for the short- and long-term financial impacts the pandemic would bring. Early in the spring, the University estimated an impact to operations in the 2019-20 year resulting from canceled events, healthcare costs, housing refunds and other costs. The University immediately implemented several system-wide steps:

- A hiring freeze for all but urgent mission-critical positions.
- A spending reduction of 3% in the final quarter of the fiscal year.
- Limits on travel and major purchases.
- A review of all capital projects to determine whether any could be delayed.

The University received approximately $32 million in federal CARES Act funding, half of which was required to go directly to students.

With those one-time financial measures in place, a longer-term strategy was also necessary. Stabilizing enrollment became the University's highest strategic priority. Tuition revenues fund approximately one-third of the University system's day-to-day operating budget, and a drop in enrollment could have a major impact on the University's fiscal picture. The University took the following actions all aimed at recruiting and retaining students:

- Launched the Nebraska Promise, a new financial aid program providing free tuition for Nebraska students with family incomes of $60,000 or less.
- Implemented a two-year, across-the-board tuition freeze.
- Reduced and standardized the tuition rates for online bachelor's degrees programs.
- Declared early in the spring that all campuses would re-open for in-person learning in the fall.

In the weeks following the launch of the Nebraska Promise, student applications to the University – initially on a downward trend – reversed course and soon were increasing by double-digit percentages. Ultimately 7,000 students qualified for the Nebraska Promise, an 18% year-over-year increase from the previous iteration of the University's financial aid program. Each campus also launched targeted financial aid and retention efforts aimed at attracting students and keeping them enrolled.

By Fall 2020, the University of Nebraska system reported a 1% growth in enrollment. While the University will still make reductions to close a projected $43 million shortfall over three years, the University's fiscal outlook is significantly better than it would have been if enrollment had not been stabilized.

All University campuses have been able to successfully complete their in-person fall semesters, thanks in part to a "pandemic playbook" developed by the University of Nebraska Medical Center, internationally known for its expertise in infectious disease. The playbook provides extensive guidance on elements from building ventilation systems, to safe arrangement of workspaces, to testing and tracing and more. Through a partnership with the State, COVID-19 testing was available to all faculty, staff and students, and all University campuses put contact tracing protocols in place to be able to quickly isolate individuals who may have been exposed to the virus. The University is currently exploring testing strategies for the spring semester.

Each of the campus' COVID-19 responses is led by a team responsible for developing protocols for teaching, working, and campus life, and communicating decisions to faculty, staff and students. Each campus has worked in close concert with the relevant local public health departments and other local entities. The Medical Center in particular has played a leadership role in providing public health expertise to the citizens and leaders of the state.

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019
(Thousands)
(See Independent Auditors' Report on Pages 1 and 2)

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$ 681,356	$ 655,599
Cash and cash equivalents - restricted	289,433	327,059
Cash and cash equivalents held by trustee- unrestricted	150,720	-
Cash and cash equivalents held by trustee - restricted	92,388	96,374
Investments - restricted	139,996	145,786
Investments held by trustee – unrestricted	2,691	-
Accounts receivable and unbilled charges, net	221,435	198,303
Loans to students, net	4,593	4,613
Other current assets	21,956	21,544
Total current assets	1,604,568	1,449,278
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	315	500
Cash and cash equivalents held by trustee - restricted	208,448	303,763
Investments - restricted	391,363	393,329
Investments held by trustee - restricted	-	7,731
Accounts receivable and unbilled charges, net	30,704	30,830
Investment in joint venture	515,282	483,410
Loans to students, net of current portion	20,782	25,597
Capital assets, net of accumulated depreciation	2,949,831	2,878,778
Other non-current assets	1,235	1,087
Total non-current assets	4,117,960	4,125,025
Total assets	5,722,528	5,574,303
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on bond refunding	33,849	18,547
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	142,708	142,530
Accrued salaries and wages	60,414	49,760
Accrued compensated absences	54,287	54,686
Note Payable	440	440
Bond obligations payable	66,151	69,569
Capital lease obligations	716	273
Unearned revenues and other credits	112,359	144,718
Refundable government grants	4,250	5,561
Health and other insurance claims	15,891	13,085
Total current liabilities	457,216	480,622
NON-CURRENT LIABILITIES:		
Accrued salaries and wages, net of current portion	227	1
Accrued compensated absences, net of current portion	32,567	24,078
Note Payable	1,320	1,760
Bond obligations payable, net of current portion	945,420	886,550
Capital lease obligations, net of current portion	51,299	49,309
Unearned revenues and other credits, net of current portion	1,423	1,667
Refundable government grants	13,555	18,416
Total non-current liabilities	1,045,811	981,781
Total liabilities	1,503,027	1,462,403
DEFERRED INFLOWS OF RESOURCES:		
Deferred service concession arrangement receipts	18,644	14,848
Deferred gain on bond refunding	74	344
Total deferred inflows of resources	18,718	15,192

(Continued)

STATEMENTS OF NET POSITION (Continued)
JUNE 30, 2020 AND 2019
(Thousands)
(See Independent Auditors' Report on Pages 1 and 2)

	2020	**2019**
NET POSITION:		
Net investment in capital assets	2,105,680	2,031,214
Restricted for:		
Nonexpendable:		
Permanent endowment	207,915	225,959
Loan Funds	17,315	18,375
Expendable:		
Externally restricted funds for scholarships, student aid, and research	373,597	367,397
Plant construction	87,138	122,268
Debt service	53,900	170,249
Unrestricted	1,389,087	1,179,793
Total net position	$ 4,234,632	$ 4,115,255

See notes to financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019
(Thousands)
(See Independent Auditors' Reports on Pages 1, 2, and 3)

	2020	2019
ASSETS		
Cash and cash equivalents	$ 65,520	$ 33,092
Temporary investments	579,128	472,927
Pledges receivable	201,560	202,503
Other receivables	5,350	6,973
Investments	1,741,751	1,797,556
Property and equipment, net of depreciation	4,389	4,587
Total assets	$ 2,597,698	$ 2,517,638
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 5,700	$ 4,944
University of Nebraska payable	29,790	21,191
Deferred annuities payable	15,067	16,448
Deposits held in custody for others	327,108	339,491
Total liabilities	377,665	382,074
NET ASSETS:		
Without donor restrictions	53,145	54,990
With donor restrictions	2,166,888	2,080,574
Total net assets	2,220,033	2,135,564
Total liabilities and net assets	$ 2,597,698	$ 2,517,638

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Thousands)
(See Independent Auditors' Report on Pages 1 and 2)

	2020	2019
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of $183,900 and $169,445 in 2020 and 2019, respectively)	$ 438,533	$ 432,389
Federal grants and contracts - restricted	316,748	333,490
Private grants and contracts - restricted	217,321	182,443
State and local grants and contracts - restricted	37,741	34,136
Sales and services of educational activities	65,644	66,890
Sales and services of health care entities	25,325	22,359
Sales and services of auxiliary operations (net of scholarship allowances of $15,690 and $0 in 2020 and 2019, respectively)	321,122	218,807
Sales and services of auxiliary segments (net of scholarship allowances of $0 and $16,268 in 2020 and 2019, respectively)	-	124,057
Other operating revenues	20,246	17,976
Total operating revenues	1,442,680	1,432,547
OPERATING EXPENSES:		
Compensation and benefits	1,424,782	1,348,676
Supplies and services	560,103	566,237
Depreciation	143,050	142,862
Scholarships and fellowships	76,833	70,470
Total operating expenses	2,204,768	2,128,245
OPERATING LOSS	(762,088)	(695,698)
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	591,939	574,746
Federal Grants	64,500	50,365
Gifts	106,154	101,398
Investment income (net of investment management fees of $5,962 and $6,034 in 2020 and 2019, respectively)	48,201	48,157
Interest on bond obligations	(27,944)	(35,621)
Equity in joint venture	40,647	48,870
Other non-operating revenues (expenses)	(31,737)	(10,784)
Net non-operating revenues	791,760	777,131
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	29,672	81,433
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	19,458	21,266
Capital grants and gifts	68,113	94,393
Additions to permanent endowments	2,134	4,039
Net other revenues, expenses, gains, or losses	89,705	119,698
INCREASE IN NET POSITION	119,377	201,131
NET POSITION:		
Net position, beginning of year	4,115,255	3,914,124
Net position, end of year	$ 4,234,632	$ 4,115,255

See notes to financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(Thousands)
(See Independent Auditors' Reports on Pages 1, 2, and 3)

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

See notes to financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(Thousands)
(See Independent Auditors' Reports on Pages 1, 2, and 3)

	2019		
	Without donor restrictions	With donor restrictions	Total
REVENUE AND GAINS:			
Gifts, bequests, and life insurance proceeds	$ 885	$ 234,883	$ 235,768
Investment income (loss)	38,219	(2,954)	35,265
Change in value of split-interest agreements	-	(36)	(36)
Realized and unrealized gains, net	740	45,178	45,918
Total revenue and gains	39,844	277,071	316,915
EXPENSES			
Payments to benefit the University:			
Academic support	49,113	-	49,113
Student assistance	25,883	-	25,883
Faculty assistance	6,913	-	6,913
Research	6,740	-	6,740
Museum, library, and fine arts	3,931	-	3,931
Campus and building improvements	106,541	-	106,541
Alumni associations	570	-	570
Total payments to benefit the University	199,691	-	199,691
Operating expenses:			
Salaries and benefits	21,123	-	21,123
Office expense	1,079	-	1,079
Office rent and utilities	1,777	-	1,777
Professional services	1,353	-	1,353
Dues and subscriptions	170	-	170
Travel and conferences	1,097	-	1,097
Cultivation expense	1,426	-	1,426
Miscellaneous expense	286	-	286
Contributions to other charities	8,068	-	8,068
Paid to beneficiaries	2,311	-	2,311
Depreciation	1,943	-	1,943
Total operating expenses	40,633	-	40,633
Total expenses	240,324	-	240,324
Other changes in net assets:			
Net assets released from restrictions	207,805	(207,805)	-
Total other changes in net assets	207,805	(207,805)	-
Increase in net assets	7,325	69,266	76,591
NET ASSETS at beginning of year	47,665	2,011,308	2,058,973
NET ASSETS at end of year	$ 54,990	$ 2,080,574	$ 2,135,564

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Thousands)
(See Independent Auditors' Report on Pages 1 and 2)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	$ 540,291	$ 521,372
Tuition and fees	436,335	435,613
Sales and services of health care entities	26,099	22,959
Sales and services of auxiliary operations	297,702	219,713
Sales and services of auxiliary segments	-	123,524
Sales and services of educational activities	65,958	65,364
Student loans collected	1,963	1,201
Other receipts	59,991	25,643
Payments to employees	(1,404,891)	(1,342,392)
Payments to vendors	(583,476)	(556,988)
Scholarships paid to students	(76,833)	(70,471)
Student loans issued	(954)	(2,070)
Net cash flows from operating activities	(637,815)	(556,532)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	591,939	574,746
Gifts	112,363	107,301
Federal grants	59,244	47,365
Other receipts	(1,247)	658
Remittance of refundable grant and Perkins Loan collections from students, net	(1,373)	4,575
Direct lending receipts	226,425	233,251
Direct lending payments	(226,425)	(233,251)
Net cash flows from non-capital financing activities	760,926	734,645
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	563,295	94,275
Gifts	56,652	57,838
State of Nebraska capital appropriations	19,391	21,662
Premium on issuance of bonds	3,763	16,480
Purchases of capital assets	(216,927)	(185,990)
Defeasance of bond obligations	(468,914)	-
Principal paid on bond obligations	(53,050)	(73,305)
Interest paid on bond obligations	(35,099)	(40,168)
Payments made on lease obligations	(670)	(347)
Net cash flows from capital and related financing activities	(131,559)	(109,555)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	341,463	160,688
Interest on investments	48,634	46,991
Distributions received from joint venture	8,774	8,643
Purchases of investments	(351,058)	(173,698)
Net cash flows from investing activities	47,813	42,624
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,365	111,182
CASH AND CASH EQUIVALENTS, beginning of year	1,383,295	1,272,113
CASH AND CASH EQUIVALENTS, end of year	$ 1,422,660	$ 1,383,295

See notes to financial statements.

(Continued)

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Thousands)
(See Independent Auditors' Report on Pages 1 and 2)

	2020	2019
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET POSITION:		
Cash and cash equivalents (current)	$ 681,356	$ 655,599
Cash and cash equivalents - restricted (current)	289,433	327,059
Cash and cash equivalents held by trustee - unrestricted (current)	150,720	-
Cash and cash equivalents held by trustee - restricted (current)	92,388	96,374
Cash and cash equivalents - restricted (non-current)	315	500
Cash and cash equivalents held by trustee - restricted (non-current)	208,448	303,763
Cash and cash equivalents, end of year	$ 1,422,660	$ 1,383,295
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	$ (762,088)	$ (695,698)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	143,050	142,862
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(19,677)	(22,970)
Loans to students	33	(1,509)
Other current assets	10,236	505
Accounts payable	1,833	24,513
Accrued salaries and wages	18,763	5,805
Unearned revenues and credits	(32,772)	(8,864)
Health and other insurance claims	2,807	(1,176)
Net cash flows used in operating activities	$ (637,815)	$ (556,532)
NON-CASH TRANSACTIONS:		
Capital gifts and grants	$ 200	$ 36,139
Increase (decrease) in fair value of investments	(18,838)	(3,320)
Purchase of capital assets through lease obligations	(766)	(520)
Equity in earnings	565	719
Capital expenditures in accounts payable	1,413	591
Draw on line of credit for note receivable advanced	-	(5,944)
Unrelated business income	-	(145)

See notes to financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019
(Thousands)
(See Independent Auditors' Report on Pages 1, 2, and 3)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 84,469	$ 76,591
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	847	1,943
Net realized and unrealized gains on investments, net	(3,922)	(45,918)
Imputed interest expense	-	441
Contribution to endowment funds	(59,443)	(39,189)
Real and personal property contributions received	(2,291)	(252)
Noncash donation to the University of Nebraska	89	44,241
(Increase) Decrease in:		
Pledges receivable	3,172	(8,512)
Other receivables	2,002	(960)
(Decrease) Increase in:		
Accounts payable and accrued liabilities	756	2,249
University of Nebraska payable	8,599	4,520
Deferred annuities payable	(1,381)	(196)
Deferred revenue	-	(2,725)
Net cash provided by operating activities	32,897	32,233
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of temporary investments	(1,377,176)	(173,467)
Proceeds from sale and maturity of temporary investments	1,290,113	114,480
Net increase (decrease) in student loans	(380)	263
Purchase of investments	(934,795)	(367,317)
Proceeds from sale and maturity of investments	965,293	363,392
Purchase of property and equipment	(738)	(315)
Net cash used in investing activities	(57,683)	(62,964)
CASH FLOWS FROM FINANCING ACTIVITY:		
Payment on notes payable	-	(18,000)
Contribution to endowment funds	57,214	33,054
Net cash provided by financing activities	57,214	15,054
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,428	(15,677)
CASH AND CASH EQUIVALENTS, beginning of year	33,092	48,769
CASH AND CASH EQUIVALENTS, end of year	$ 65,520	$ 33,092
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Noncash property donation to the University of Nebraska	89	44,241

See notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The University of Nebraska (the University) is a land-grant University founded in 1869 and governed by an elected eight-member University of Nebraska Board of Regents (the Board of Regents). University activities are conducted at four primary campuses, with two located in Omaha and one each in Lincoln and Kearney, Nebraska. While the University is a legally separate entity, it is a component unit of the State of Nebraska (the State) because it is financially accountable to the State. The major accounting principles and practices followed by the University are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

These statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). GASB requires the following components of the basic financial statements:

- Management's Discussion and Analysis

- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements

The University follows all applicable GASB pronouncements.

Reporting Entity – Certain affiliated organizations for which the Board of Regents has financial accountability are included in the University's financial statements as component units.

The University's financial reporting entity consists of the University and the following component units. Their balances and transactions are blended into the accompanying financial statements and reported in a manner similar to the balances and transactions of the University itself.

- The University of Nebraska Facilities Corporation (UNFC) was organized to finance the construction, repair, and renovation of buildings and the acquisition of land and equipment and to hold them in trust for the University. UNFC is governed by a Board of Directors comprised of the Board of Regents.

- The University Dental Associates (UDA) is a not-for-profit corporation organized for the purpose of billing, collecting, and distributing dental service fees generated by dentists employed by the UNMC. The distribution of fees is governed by the terms of the University of Nebraska Dental Service Plan applicable to member dentists.

- The UNMC Science Research Fund (SRF) is a not-for-profit corporation organized by the Board of Regents to solely support the research mission of the UNMC and provides services entirely, or almost entirely, to UNMC and advance academic technology transfer globally through fostering strategic collaborations with industry through licensing, research, and new venture agreements.

(Continued)

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

- Nebraska Utility Corporation (NUCorp) is a not-for-profit corporation formed under the Nebraska Interlocal Cooperation Act between the Board of Regents and Lincoln Electric System. The purpose of NUCorp is to purchase, lease, construct, and finance activities relating to furnishing energy requirements and utility and infrastructure facilities for the University of Nebraska-Lincoln (UNL). NUCorp provides services entirely, or almost entirely, to the UNL campus. NUCorp is governed by a five-member Board, three of which are University officials.

- The University Technology Development Corporation (UTDC) was organized to solely support the research mission of the University and provides services entirely, or almost entirely, to the University campuses and advance academic technology transfer globally through fostering strategic collaborations with industry through licensing, research, and new venture agreements. The blended entity consists of the UTDC activity and the activities of seven non-profit subsidiaries and one for profit subsidiary. UTDC is the sole member/stockholder of each subsidiary.

Separate financial statements for UNFC, UDA, UNMC SRF, UNeHealth, NUCorp, and UTDC may be obtained from the University of Nebraska Central Administration, Varner Hall, 3835 Holdrege, Lincoln, Nebraska 68583-0742.

The University of Nebraska Foundation's (the Foundation) financial statements are discretely presented within the University's financial statements. The Foundation is a non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code whose purpose is to provide financial support for the University system. The Foundation reports under FASB standards, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented (see Note S).

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

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

Cash and cash equivalents held by trustee – restricted is cash held by bond fund trustees and held for the purposes designated by the respective bond covenants.

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

Investments – Investments are stated at fair value. Securities that are publicly traded are valued based on quoted market prices. Investments that do not have an established market are reported at estimated fair value. Investments received from donors as gifts are recognized as revenue at fair value at the date of the gift. Income from investments is recognized as earned and includes realized and unrealized gains and losses.

Capital Assets – Land improvements, leasehold improvements, buildings, and equipment are stated at cost at the date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. At UNL, and for certain research buildings at UNMC, estimated useful lives for buildings are accounted for on a componentized basis. The estimated useful lives are 25 to 50 years for buildings and their components and 20 to 30 years for land improvements. Equipment is generally depreciated from 2 to 10 years depending on its useful life. Leasehold improvements are depreciated using the straight-line method over the aforementioned estimated useful lives or the term of the related lease, if shorter. Maintenance, repairs, and minor replacements are charged to expense as incurred. The University maintains various collections of inexhaustible assets to which no value can be determined. Such collections include contributed works of art, historical treasures, and literature.

Capital assets are defined by the University as assets with initial, individual costs in excess of $500 for buildings and renovations, $100 for land improvements, and $5 for equipment. It is the University's policy that library books are not capitalized.

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

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

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

Unearned Revenues and Credits – These consist of advance payments on athletic tickets, fall semester student residence hall contracts, tuition deposits, unearned income on direct financing leases, and cash received in advance for grants and contracts.

(Continued)

Deferred Outflows and Inflows of Resources – Deferred outflows represent the unamortized losses/gains on bond refundings, which are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt. Deferred inflows represent the present value of remaining accounts receivable due from a vendor resulting from a service concession arrangement. The University enters into service concession arrangements with outside vendors for services, including food service, bookstores, banking, and concession and catering operations. Capital improvements received are recorded as capital assets as the University retains rights to the facilities. Amounts receivable are present valued and realized over the course of the contract. These assets are offset by deferred inflows of resources. Resources are recognized over the respective contract periods.

Classification of Revenues and Expenses – The University has classified its revenues and expenses as either operating or non-operating revenues and expenses according to the following criteria:

Operating Revenues and Expenses – Operating revenues and expenses include activities that have the characteristics of exchange transactions.

Non-Operating Revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, contributions, State appropriations, investment income, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* and GASB Statement No. 34.

Non-Operating Expenses – Non-operating expenses are activities of non-operating nature and include interest expense on bond obligations and loss on disposal of capital assets.

Unrestricted Gifts – Revenue is recognized when an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received.

Scholarships and Fellowships – The University receives funds that are restricted by donors and grantors for aid to students. When these funds are granted to students or when scholarships and fellowships are provided through student tuition waiver, the University records the expense for student aid and the corresponding revenue. Accordingly, at June 30, 2020 and 2019, Federal grants and contracts includes Pell grant awards amounting to $49,106 and $50,429, respectively, and are also included in Scholarships and Fellowships expense. For employee tuition waivers, the University records a benefit expense and corresponding revenue. Ford direct student loans amounting to $226,405 and $233,217 at June 30, 2020 and 2019, respectively, are treated as agency funds and not included in revenues and expenses.

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

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

Tax Status – The University qualifies as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal or State income taxes is required. However, income from unrelated activities is subject to Federal and State income taxes. No provision is deemed necessary for any income taxes associated with unrelated activities.

(Continued)

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications –The fiscal year 2019 financial statements have been restated to present certain components of net position in accordance with generally accepted accounting principles. Loan funds net position was reclassified from expendable to nonexpendable and reduced by $24,123. This was due to the Federal Capital Contribution of Perkins Loan funds being reclassified as a liability in connection with the close-out of the Perkins Loan Program. Additionally, unrestricted net position was reduced by $2,571. This was due to $2,716 in revenue being reclassified as unearned revenue and $145 in Perkins Loan funds being reclassified from Loan funds to unrestricted net position. Certain other 2019 amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on change in net position.

B. DEPOSITS

Custodial credit risk – In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a formal custodial risk policy. Bank balances of cash and cash equivalents amounted to approximately $1,157 (book balance of approximately $868) at June 30, 2020, with approximately $1,155 covered by Federal depository insurance. Bank balances of cash and cash equivalents amounted to approximately $1,994 (book balance of approximately $1,188) at June 30, 2019, with approximately $1,946 covered by Federal depository insurance. The remaining bank balances at June 30, 2020 and 2019, were collateralized with securities held by the pledging financial institution, but not in the University's name.

C. INVESTMENTS

Funds held for the support of University operations, excluding endowed funds, are invested according to State statute by the State Investment Officer. Regulatory oversight is provided by the Nebraska Investment Council. The University's fair value in the Nebraska Investment Council's investment pool is equal to its pool units. University endowed funds are invested by the University and its designated investment managers, in accordance with the prudent person rule as established by the University. The prudent person rule places no restrictions on the investment of these funds.

The University utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

In certain cases, the inputs used to measure fair value may fall in different levels of fair value hierarchy. The three levels are as follows:

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

- Level 2 inputs are those other than quoted prices included in Level 1 that are observable for the asset or liability, whether directly or indirectly.

(Thousands)

- Level 3 inputs are unobservable and significant to the fair value measurement of the asset or liability.

The tables below present by Level the asset balances at estimated fair value on a recurring basis.

	Assets at fair value as of June 30, 2020			
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Government Agencies	$ 39,561	$ -	$ 39,561	$ -
U.S. Government Treasuries	25,646	-	25,646	-
Certificate of Deposit	125	125	-	-
Municipal Bonds	6,307	-	6,307	-
Corporate Bonds	66,742	-	66,742	-
Mutual Funds-Fixed Income	30,417	30,417	-	-
Common Stock	10,193	10,193	-	-
Domestic Equity	193,346	193,346	-	-
International equity	107,876	107,876	-	-
Mutual Funds	9,486	7,536	-	1,950
Index Funds-Commodities	2,077	2,077	-	-
Index Funds-Public Equity	4,690	4,690	-	-
Real Estate held for investment purposes	932	-	-	932
Real Estate Mutual Funds	4,229	4,229	-	-
Money Market funds	32,423	32,423	-	-
Total	$ 534,050	$ 392,912	$ 138,256	$ 2,882

(Continued)

(Thousands)

	Assets at fair value as of June 30, 2019			
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Government Agencies	$ 48,856	$ -	$ 48,856	$ -
U.S. Government Treasuries	28,432	-	28,432	-
Municipal Bonds	7,904	-	7,904	-
International Bonds	9,602	-	9,602	-
Corporate Bonds	67,219	-	67,219	-
Mutual Funds-Fixed Income	25,149	25,149	-	-
Common Stock	10,201	10,201	-	-
Domestic Equity	169,675	169,675	-	-
International Equity	111,443	111,443	-	-
Mutual Funds	28,421	28,421	-	-
Index Funds-Commodities	3,133	3,133	-	-
Index Funds-Public Equity	5,673	5,673	-	-
Real Estate held for investment purposes	932	-	-	932
Real Estate Mutual Funds	10,684	10,684	-	-
Money Market Funds	19,522	19,522	-	-
Total	$ 546,846	$ 383,901	$ 162,013	$ 932

(Thousands)

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

		Investment Maturities (in years)			
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Investments type:					
Debt securities:					
U.S. Government Agencies	$ 39,561	$ 11,000	$ 7,761	$ 2,771	$ 18,029
U.S. Government Treasuries	25,645	3,177	8,797	12,391	1,280
Certificate of Deposit	125	125	-	-	-
Municipal Bonds	6,307	113	4,531	1,588	75
Corporate Bonds	66,743	8,200 (1)	32,587 (2)	17,874 (3)	8,082 (4)
	138,381	$ 22,615	$ 53,676	$ 34,624	$ 27,466
Other investments:					
Mutual Funds – Fixed Income	30,417				
Common Stock	10,193				
Domestic Equity	193,346				
International Equity	107,876				
Mutual Funds	9,486				
Index Funds – Commodities	2,077				
Index Funds – Public Equity	4,690				
Real Estate Mutual Funds	4,229				
Real Estate held for investment purposes	932				
Money Market Funds	32,423				
Total	$ 534,050				

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

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

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

(4) This amount includes $968 of bonds callable in 13-29 years.

(Continued)

(Thousands)

Investments maturities as of June 30, 2019 are as follows:

		Investment Maturities (in years)							
	Fair Value	Less Than 1		1-5		6-10		More Than 10	
Investment type:									
Debt securities:									
U.S. Government Agencies	$ 48,856	$ 15,121		$ 4,611		$ 2,700		$ 26,424	
U.S. Government Treasuries	28,432	4,174		13,754		9,295		1,209	
Municipal Bonds	7,904	774		4,105		2,957		68	
Corporate Bonds	67,219	6,334	(1)	42,033	(2)	17,585	(3)	1,267	(4)
International Bonds	9,602	3,232		4,099		564		1,707	
	162,013	$ 29,635		$ 68,602		$ 33,101		$ 30,675	
Other investments:									
Mutual Funds – Fixed Income	25,149								
Common Stock	10,201								
Domestic Equity	169,675								
International Equity	111,443								
Mutual Funds	28,421								
Index Funds - Commodities	3,133								
Index Funds – Public Equity	5,673								
Real Estate Mutual Funds	10,684								
Real estate held for investment purposes	932								
Money Market Funds	19,522								
Total	$ 546,846								

(1) This amount includes $155 of bonds callable in less than1 year.
(2) This amount includes $979 of bonds callable in less than 3 years, $238 of bonds callable in less than 4 years, $237 of bonds callable in less than 5 years, and $240 of bonds callable in less than 6 years.
(3) This amount includes $675 of bonds callable in less than 7 years, and $293 of bonds callable in less than 8 years.
(4) This amount includes $235 of bonds callable in 20 - 26 years,

Interest Rate Risk – The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State statutes authorize the University to invest funds in accordance with the prudent person rule: Investments are made, as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The University does not follow a more restrictive policy. Credit ratings for these investments that are rated are as follows:

(Thousands)

	2020						
		Quality Ratings					
	Fair Value	Aaa	Aa	A	Baa	Ba	Unrated
Investment type:							
U.S. Government Agencies	$ 39,561	$ 39,561	$ -	$ -	$ -	$ -	$ -
U.S. Government Treasuries	25,646	25,646	-	-	-	-	-
Certificate of Deposit	125	-	-	-	-	-	125
Municipal Bonds	6,307	5,672	560	75	-	-	-
Corporate Bonds	66,743	5,068	7,569	50,627	3,397	82	-
Mutual Funds – Fixed Income	30,417	-	-	-	-	-	30,417
Common Stock	10,193	-	-	-	-	-	10,193
Domestic Equity	193,345	-	-	-	-	-	193,345
International Equity	107,876	-	-	-	-	-	107,876
Mutual Funds	9,486	-	-	-	-	-	9,486
Index Funds – Commodities	2,077	-	-	-	-	-	2,077
Index Funds – Public Equity	4,690	-	-	-	-	-	4,690
Real Estate Mutual Funds	4,229	-	-	-	-	-	4,229
Real Estate held for investment purposes	932	-	-	-	-	-	932
Money Market Funds	32,423	-	-	-	-	-	32,423
	$ 534,050	$ 75,947	$ 8,129	$ 50,702	$ 3,397	$ 82	$ 395,793

	2019						
		Quality Ratings					
	Fair Value	Aaa	Aa	A	Baa	Ba	Unrated
Investment type:							
U.S. Government Agencies	$ 48,856	$ 48,856	$ -	$ -	$ -	$ -	$ -
U.S. Government Treasuries	28,432	28,432	-	-	-	-	-
Municipal Bonds	7,904	7,040	796	68	-	-	-
Corporate Bonds	67,219	4,847	9,945	49,896	2,485	46	-
International Bonds	9,602	3,807	1,614	3,268	497	416	-
Mutual Funds – Fixed Income	25,149	-	-	-	-	-	25,149
Common Stock	10,201	-	-	-	-	-	10,201
Domestic Equity	169,675	-	-	-	-	-	169,675
International Equity	111,443	-	-	-	-	-	111,443
Mutual Funds	28,421	-	-	-	-	-	28,421
Index Funds – Commodities	3,133	-	-	-	-	-	3,133
Index Funds – Public Equity	5,673	-	-	-	-	-	5,673
Real Estate Mutual Funds	10,684	-	-	-	-	-	10,684
Real Estate held for investment purposes	932	-	-	-	-	-	932
Money Market Funds	19,522	-	-	-	-	-	19,522
	$ 546,846	$ 92,982	$ 12,355	$ 53,232	$ 2,982	$ 462	$ 384,833

(Thousands)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University places no limit on the amount that may be invested in any one issuer. Investment types comprising 5% or more of the University's portfolio are as follows at June 30:

	Concentration	
	2020	2019
U.S. Government Treasuries	5%	5%

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal custodial credit risk policy. Investments are stated at fair value and are uninsured, unregistered, and held by the trustee or an agent, but not in the name of the University.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not have a formal policy to limit foreign currency risk. Primary exposure to foreign currency risk from investment in international bonds is presented in the following table.

	Foreign Currency	
	2020	2019
Mexican Peso	$ -	$ 1,368
Australian Dollar	-	518
British Pound	-	1,292
Brazilian Real	-	416
Poland Zloty	-	638
Peruvian Sol	-	271
South African Rand	-	497
Malaysian Ringgit	-	815
Totals	$ -	$ 5,815

D. ACCOUNTS RECEIVABLE, UNBILLED CHARGES, AND LOANS TO STUDENTS

Substantially all amounts included in accounts receivable and unbilled charges represent tuition receivables, grant reimbursements, unbilled charges, patient accounts receivable, and other receivables. Balances are stated net of allowances for doubtful accounts and contractual adjustments of approximately $16,894 and $15,570 at June 30, 2020 and 2019, respectively. In addition, the University established an allowance for doubtful collections of student loans of approximately $2,148 and $2,553 at June 30, 2020 and 2019, respectively.

E. INVESTMENT IN JOINT VENTURE

The University and Bishop Clarkson Memorial Hospital (Clarkson) entered into a Joint Operating Agreement in 1997 forming the Nebraska Health System, a Nebraska non-profit corporation doing business as the Nebraska Medical Center. Effective July 1, 2016, NMC, the University, Clarkson, and UNMC Physicians (UNMCP) entered into a System Integration Agreement (SIA) and a successor Joint Operating Agreement (SJOA) to permanently integrate the businesses of NMC and UNMCP into Nebraska Medicine (NM). Should there be a dissolution of NM, the University and Clarkson will share equally in the remaining net position. As the University has an ongoing financial interest in NM, the University is accounting for the joint venture under the equity method, and accordingly, equity in joint venture in the accompanying statement of net position represents its one-half undivided interest based on the separate financial statements of the venture. The University has recorded 50% equity in earnings of NM for the years ended June 30, 2020 and 2019 totaling $40,082 and $48,151, respectively. In addition, to the extent that sufficient funds are available, as determined by the NM Board of Directors, the University will receive an annual capital distribution. Distributions of $8 million and $8 million, shared equally by the venturers, were declared and paid for both 2020 and 2019, respectively.

(Thousands)

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

In addition, the University and NM have entered into an Academic Affiliation Agreement for Education and Research. In connection with the agreement, NM has agreed to financially support certain educational, research, operational, and clinical activities of the University College of Medicine that further the mission and objectives of NM. During the fiscal years ended June 30, 2020 and 2019, the University received approximately $70,692 and $68,026, respectively, of support in connection with the agreement.

F. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2020 and 2019 is as follows:

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

(Thousands)

	2019			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	$ 91,273	$ 743	$ -	$ 92,016
Construction work in progress	118,840	163,092	56,937	224,995
Total capital assets not being depreciated	210,113	163,835	56,937	317,011
Capital assets, being depreciated:				
Land improvements	300,125	25,829	3,300	322,654
Leasehold improvements	44,445	-	-	44,445
Buildings	2,954,470	56,523	31,626	2,979,367
Equipment	516,422	39,038	16,137	539,323
Total capital assets, being depreciated	3,815,462	121,390	51,063	3,885,789
Less accumulated depreciation for:				
Land improvements	98,729	12,030	3,248	107,511
Leasehold improvements	13,130	2,018	-	15,148
Buildings	751,755	88,036	29,585	810,206
Equipment	364,762	40,778	14,383	391,157
Total accumulated depreciation other assets	1,228,376	142,862	47,216	1,324,022
Capital assets, net	$ 2,797,199	$ 142,363	$ 60,784	$ 2,878,778

G. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2020	$ 78,764	$ 60,559	$ 52,469	$ 86,854	$ 54,287
2019	$ 74,497	$ 58,058	$ 53,791	$ 78,764	$ 54,686

H. BOND OBLIGATIONS PAYABLE

Bond obligations payable are as follows at June 30:

	Beg Balance	Additions	Reductions	Ending Balance	Current
2020					
Revenue Bonds	845,105	563,295	469,560	938,840	55,660
Revenue Bonds - Direct Placement	33,440	-	2,560	30,880	5,035
Total	878,545	563,295	472,120	969,720	60,695
2019					
Revenue Bonds	817,915	94,275	67,085	845,105	59,335
Revenue Bonds - Direct Placement	39,660	-	6,220	33,440	2,560
Total	857,575	94,275	73,305	878,545	61,895

(Thousands)

Bond obligations payable at June 30, 2020 and 2019 consist of the following:

Obligations under the master trust indenture :	**Coupon Rate**	**Annual Installment**	**Principal Amount Outstanding 2020**	**Principal Amount Outstanding 2019**
Revenue Bonds:				
University of Nebraska-Lincoln:				
Student Fees and Facilities:				
Series 2009B, revenue bonds	3.00 - 5.70%	$510 - 1,840	$ -	$ 7,905
Series 2011, revenue bonds	2.00 - 5.00%	1,495 - 4,095	-	60,580
Series 2012, refunding bonds	3.99 - 5.00%	1,220 - 4,560	-	55,945
Series 2012B, revenue bonds	1.50 - 5.00%	350 - 1,640	-	15,025
Series 2015A, revenue bonds	2.00 - 5.00%	1,335 - 4,100	-	65,355
Series 2016A, revenue bonds	3.00 - 5.00%	1,995 - 4,365	-	61,390
Lincoln Parking Project:				
Series 2009A&B, revenue bonds	3.50 - 6.00%	780 - 1,110	-	9,400
Series 2013, revenue and refunding	2.00 - 4.00%	275 - 40	-	4,905
Series 2015, revenue and refunding	2.00 - 5.00%	505 - 1,965	-	4,750
University of Nebraska at Omaha:				
Student Facilities:				
Series 2015B, revenue bonds	2.00 - 5.00%	370 - 640	-	7,780
Series 2016B, revenue bonds	1.50 - 5.00%	915 - 2,295	-	33,990
Student Housing and Parking:				
Series 2014, revenue bonds	1.50 - 5.00%	500 - 790	-	9,065
Series 2015, revenue bonds	1.20 - 5.00%	890 - 2,580	-	39,980
Series 2017A, revenue bonds	1.30 - 5.00%	125 - 955	-	14,570
Series 2017B, revenue bonds	1.30 - 5.00%	265 - 1,075	-	9,950
University of Nebraska at Kearney:				
Student Facilities:				
Series 2015, revenue bonds	2.00 - 3.15%	835 - 1,270	-	16,610
Series 2017, revenue bonds	2.00 - 4.00%	280 - 675	-	12,415
Total obligations under the master trust indenture			-	429,615
Obligations of blended entities:				
University of Nebraska Facilities Corporation:				
Revenue Bonds:				
Series 2019A (System Facilities Bonds)	1.83 - 3.19%	$950 - 50,160	$ 525,880	$ -
Series 2019B (System Facilities Bonds)	4.00 - 5.00%	6,265 - 31,150	37,415	-
Series 2018 (Deferred Maintenance Bonds)	5.00%	7,500 - 11,630	94,275	94,275
Series 2017A (Deferred Maintenance Bonds)	4.00 - 5.00%	6,270 - 9,410	77,335	77,335
Series 2017B (UNO/Community Facility Refunding)	2.00 - 5.00%	540 - 2,940	35,460	36,000
Series 2017 (UNMC Global Experiential Learning Center)	2.00 - 5.00%	1,015 - 13,795	38,120	51,260
Series 2016 (UNL Health Center and College of Nursing)	2.00 - 5.00%	790 - 2,245	16,820	17,610
Series 2016 (Deferred Maintenance Refunding)	3.00 - 4.00%	10,380 - 10,690	10,690	21,070
Series 2016 (UNMC Cancer Center)	2.00 - 5.00%	2,090 - 2,900	27,190	29,280
Series 2016 (UNMC Utility Improvement Project)	1.75 - 5.00%	1,295 - 1,590	8,625	9,920
Series 2015 (Veterinary Diagnostic Project)	4.00%	2,680 - 4,895	2,680	7,575
Series 2014A (UNMC Cancer Center)	5.00%	3,415 - 17,410	45,725	49,140
Series 2014B (Qualified Energy Conservation Bonds)	2.50 - 4.25%	370 - 510	3,955	4,325
Series 2011 (NCTA Education Center/Student Housing Project)	4.00% - 5.50%	85 - 1,645	5,620	6,280
Series 2003 (UNL Alexander Building Project)	4.65% - 5.00%	170 - 205	-	930
Revenue Bonds, Direct Placement:				
Series 2018 (UNMC Eye Institute Project)	2.40%	13,000	13,000	13,000
Series 2015 (UNO Arena and UNL College of Business)	2.00%	180 - 4,855	9,680	12,065
Series 2015 (UNMC Qualified Energy Conservation Bonds)	4.25%	180 - 200	1,700	1,875
Total University of Nebraska Facilities Corporation			954,170	431,940

(Continued)

(Thousands)

Obligations of blended entities (Continued):				
Nebraska Utility Corporation (NUCorp):				
Revenue Bonds:				
Series 2010 revenue bonds	1.00 - 5.00%	$1,440 - 2,035	$ 3,550	$ 4,990
Series 2014B revenue bonds	5.00%	5,500	5,500	5,500
Revenue Bonds, Direct Placement:				
Series 2014A revenue bonds	3.40%	6,500	6,500	6,500
Total NUCorp			15,550	16,990
Subtotal bonds payable			969,720	878,545
Add unamortized bond premium			41,882	77,805
Less unamortized bond discount			31	231
Total bond obligations payable			$ 1,011,571	$ 956,119

Annual maturities subject to mandatory redemption at June 30, 2020, are as follows:

	UNFC					
	Revenue Bonds		Revenue Bonds (Direct Placement)		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 54,145	$ 32,532	$ 5,035	$ 578	$ 59,180	$ 33,110
2022	68,210	30,202	180	473	68,390	30,675
2023	29,765	28,016	13,365	465	43,130	28,481
2024	39,930	26,141	370	142	40,300	26,283
2025	32,025	24,141	4,650	130	36,675	24,271
2026-2030	209,620	95,984	780	84	210,400	96,068
2031-2035	105,460	66,965	-	-	105,460	66,965
2036-2040	97,965	52,632	-	-	97,965	52,632
2041-2045	115,190	36,054	-	-	115,190	36,054
2046-2050	177,480	15,661	-	-	177,480	15,661
	$ 929,790	$ 408,328	$ 24,380	$ 1,872	$ 954,170	$ 410,200

	NUCorp					
	Revenue Bonds		Revenue Bonds (Direct Placement)		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 1,515	$ 444	$ -	$ 221	$ 1,515	$ 665
2022	2,035	369	-	221	2,035	590
2023	-	275	-	221	-	496
2024	-	275	-	221	-	496
2025	-	275	-	221	-	496
2026-2030	-	1,375	-	1,106	-	2,481
2031-2035	5,500	825	6,500	663	12,000	1,488
2036-2040	-	-	-	-	-	-
2041-2045	-	-	-	-	-	-
2046-2050	-	-	-	-	-	-
	$ 9,050	$ 3,838	$ 6,500	$ 2,874	$ 15,550	$ 6,712

(Thousands)

	Total University					
	Revenue Bonds		Revenue Bonds (Direct Placement)		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 55,660	$ 32,976	$ 5,035	$ 799	$ 60,695	$ 33,775
2022	70,245	30,571	180	694	70,425	31,265
2023	29,765	28,291	13,365	686	43,130	28,977
2024	39,930	26,416	370	363	40,300	26,779
2025	32,025	24,416	4,650	351	36,675	24,767
2026-2030	209,620	97,359	780	1,190	210,400	98,549
2031-2035	110,960	67,790	6,500	663	117,460	68,453
2036-2040	97,965	52,632	-	-	97,965	52,632
2041-2045	115,190	36,054	-	-	115,190	36,054
2046-2050	177,480	15,661	-	-	177,480	15,661
	$ 938,840	$ 412,166	$ 30,880	$ 4,746	$ 969,720	$ 416,912

At June 30, 2020 and 2019, the University and trustees for these bond funds held cash and investments in the amount of approximately $454,247 and $433,474, respectively, which is reflected as cash and cash equivalents, cash and cash equivalents held by trustee – restricted, and investments held by trustee – restricted on the statements of net position.

Master Trust Indenture (MTI)

On October 24, 2019, the University of Nebraska Facility Corporation issued $563,295 of bonds and used a portion of the proceeds to refinance all of the outstanding obligations under the University of Nebraska MTI. As a result, the MTI was formally dissolved. The following narrative gives a historical overview of the MTI.

The Board of Regents entered into a Master Trust Indenture dated as of June 1, 1995, (as amended and supplemented from time to time) with a fiduciary with respect to the facilities (including student housing, student unions, student health and recreational facilities, and parking facilities) from which the Board of Regents derives revenues, fees, and earnings. The MTI was created for the purpose of achieving lower borrowing costs through sharing accumulated excess revenues and earnings derived from such facilities. As of June 30, 2019, the members of the Obligated Group are (a) the student housing, student unions, student recreation, and student health facilities on the University of Nebraska - Lincoln campus (UNL Student Fees and Facilities), (b) the parking facilities on the University of Nebraska - Lincoln campus (UNL Parking); (c) the student center and HPER facility at the University of Nebraska at Omaha (UNO Facilities); (d) certain student housing and parking facilities at the University of Nebraska at Omaha (UNO Student Housing and Parking); and (e) the student housing facilities on the University of Nebraska at Kearney campus (UNK Student Facilities). The accumulated surplus revenues, fees, and other payments of the members have been jointly pledged to the payment of revenue bonds issued with respect to such facilities. Other facilities will be added to the Obligated Group and the revenues, fees, and other payments derived from such facilities will be pledged under the MTI in the future as circumstances permit.

The University of Nebraska Medical Center Student Housing Project was removed from the Obligated Group effective June 1, 2018 as no related bonds are outstanding under the provisions of the related bond resolution.

Pledged revenues are defined in the Obligated Group as all of the revenues of each member that remain after payment of the expenses of such member. Pledged revenues do not include any balances in any debt service fund or debt service reserve fund, but shall include any balances in any other reserve, replacement, or contingency fund and any surplus fund held for and on behalf of such member under a Related Bond Resolution (as defined in the Obligated Group).

The bonds are not obligations of the State, nor do they constitute debt of the Board of Regents, but shall be payable solely from the aforementioned pledged revenues and fees.

Events of default under the applicable bond resolution for each Obligated Group Member include defaults in the payment of principal at any time, or of interest not remedied within 30 days, failure to perform covenants that is not remedied within 90 days, failure to complete construction of a facility; damage to the facilities constituting part of the facilities group resulting in a material reduction in revenues; insolvency or institution of bankruptcy proceedings; receivership appointment; or a final judgment against the Board of Regents resulting in a superior lien on the applicable pledged revenues. Certain events of default related to legal proceedings include provisions for appeal by the Board of Regents. Upon the occurrence of an event of default under the applicable bond resolution, the bond trustee may, and upon the written direction of the holders of not less than 20% of bonds outstanding in the case of UNL Student Fees and Facilities, and 25% of bonds outstanding for all other Obligated Group Members, shall, declare all outstanding principal and accrued interest due. The bond resolutions provide for the appointment of a receiver for the facilities and the related revenues and fees by the applicable bond trustee upon an event of default and the institution of legal proceedings by the bond trustee or a bondholder.

University of Nebraska Facilities Corporation

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

UNFC Bond Issuances

University System Facilities Bonds, Series 2019A and Series 2019B – On October 24, 2019, UNFC issued $525,880 of University System Facilities Bonds, Series 2019A (Taxable) and $37,415 of University System Facilities Bonds, Series 2019B. The proceeds of the bonds were used to refund all of the University's obligations under the Master Trust Indenture, and to finance the costs of certain new facilities on various campuses of the University. The bonds are secured by a covenant by the Board of Regents to make all necessary payments under a financing agreement between the Board of Regents and UNFC. The Series 2019A Bonds maturing October 1, 2030 through and including October 1, 2039, are subject to redemption prior to maturity at the option of the Board of Regents, on or after October 1, 2029, at a redemption price of par plus accrued interest to the date of redemption. The Series 2019A Bonds maturing October 1, 2049 are subject to optional redemption prior to maturity at the option of the Board of Regents, on any business day, in the order of maturity (and pro rata within a maturity), subject to a make-whole premium as described in the bond indenture authorizing the issuance of the Series 2019 Bonds. The Series 2019B Bonds are not subject to optional redemption prior to maturity.

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Facilities Bonds, Series 2018 – On August 9, 2018, UNFC issued $94,275 of Facilities Bonds, Series 2018. The proceeds of the bonds will be used for continued renewal, renovation and replacement projects on the four campuses of the University of Nebraska. Principal and interest payments will be paid from appropriations by the State of Nebraska and matched amounts by the Board of Regents. The bonds are secured by a covenant by the Board of Regents to make payments under a third amended and restated financing agreement between the Board of Regents and UNFC.

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

The following summarizes the event of default and acceleration provisions 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.

Events of Default and Acceleration Provisions – UNFC Deferred Maintenance Bonds

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

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

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

The third amended and restated financing agreement for the Facilities Bonds, Series 2018 also governs the Board's obligations under UNFC's Deferred Maintenance Refunding Bonds, Series 2016 and Facilities Bonds, Series 2017A. UNFC also has the right to accelerate the Board's obligations under the financing agreement upon an event of default by the Board of Regents. Events of default under the financing agreement include a payment default that is not remedied within 15 days and a failure of the Board to perform any covenant or

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

Events of Default and Acceleration Provisions – Certain UNFC Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Nebraska Utility Corporation

Events of Default and Acceleration Provisions – NUCorp 2010 Bonds

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

(Thousands)

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

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

Bond Resolutions/Indentures

The bond resolutions or indentures, as applicable, specify the funds that need to be established, the required transfers between funds, and the maximum maturity limits for each funds' investments. The bond resolutions or indentures also require that specified amounts be deposited with the trustee for certain funds. At June 30, 2020 and 2019, the University, UNFC, and NUCorp are in compliance with these requirements.

I. LEASE OBLIGATIONS

The University is presently leasing real property, buildings, and equipment with either the option to purchase or transfer of title at the expiration of the lease term.

Capital lease obligation activity for the year ended June 30 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2020	$ 49,582	$ 3,133	$ 700	$ 52,015	$ 716
2019	$ 49,409	$ 520	$ 347	$ 49,582	$ 273

(Thousands)

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

	Buildings and Properties	Equipment	Total
2021	$ 4,239	$ 775	$ 5,014
2022	4,249	710	4,959
2023	4,253	623	4,876
2024	4,250	596	4,846
2025	4,238	324	4,562
2026-2030	21,921	65	21,986
2031-2035	25,920	-	25,920
2036-2040	28,618	-	28,618
2041-2045	31,328	-	31,328
2046-2050	416	-	416
	129,432	3,093	132,525
Less interest and executory costs	80,347	163	80,510
	$ 49,085	$ 2,930	$ 52,015

Capital assets held under capital lease obligations at June 30, 2020, are as follows:

	Cost	Accumulated Depreciation	Net
Buildings	$ 48,572	$ 8,058	$ 40,514
Equipment	3,840	553	3,287
	$ 52,412	$ 8,611	$ 43,801

(Continued)

(Thousands)

The University has entered into operating leases for certain space and equipment, which expire at various dates through 2043. Outstanding commitments for these leases, with non-cancelable periods greater than one year, are expected to be paid in the following years ending June 30:

	Operating
2021	$ 3,899
2022	3,069
2023	2,725
2024	2,329
2025	2,086
2026-2030	6,365
2031-2035	4,505
2036-2040	3,750
2041-2045	2,250
	$ 30,978

Expenses for all operating leases totaled $10,876 and $10,518 in fiscal years 2020 and 2019, respectively.

J. HEALTH AND OTHER INSURANCE CLAIMS

Activity in the health and other insurance claims programs is as follows:

	Self-Insurance	General Liability	Health and Dental	Total
Claim reserve, July 1, 2018	$ 1,153	$ 2,784	$ 10,323	$ 14,260
Incurred claims	-	1,201	170,250	171,451
Payments on claims	(410)	(1,101)	(171,115)	(172,626)
Claim reserve, June 30, 2019	743	2,884	9,458	13,085
Incurred claims	-	8,147	169,370	177,517
Payments on claims	(594)	(4,747)	(169,370)	(174,711)
Claim reserve, June 30, 2020	$ 149	$ 6,284	$ 9,458	$ 15,891

The Board of Regents provides for protection against comprehensive general liability and property losses through a partially self-insured general liability program. The self-insured program also covers the retained deductible for directors and officers liability and miscellaneous claims not covered by insurance. The Board of Regents has purchased all-risk “blanket” policies for risks not covered by the partially self-insured general liability program. These policies generally provide for $1,250,000 in property coverage with a $500 per occurrence deductible and $1,000 aggregate deductible, $5,000 in educators legal liability coverage with a $1,000 per claim deductible, and $20,000 in umbrella excess liability coverage with a $1,000 per occurrence deductible and $3,000 aggregate deductible. A bank administers the general liability and self-insured trusts including the investments and payment of approved claims. The University estimates a range of loss for general liability and property claims using actuarial studies conducted by an outside actuarial firm. The estimate of the claim reserves used by the actuaries was undiscounted for general liability. This estimate is accrued in the accompanying financial statements and includes a reserve for known claims as well as incurred but unreported incidents.

The University participates in the State Excess Liability Fund that provides coverage from $500 up to $2,250 for each medical malpractice claim.

The Board of Regents provides for faculty and staff group health and dental benefits through a self-insurance program. The University accrued an estimate for known as well as incurred but not reported claims based on claim history adjusted for current trends. A trust agreement with a bank provides for the collection, investment, and administration of premiums and for payment to the third-party administrators for claims paid.

At June 30, 2020 and 2019, the trustees for the health and other insurance claims programs held cash and cash equivalents and investments totaling approximately $87,010 and $92,622, respectively, whose use is limited to the payment of claims under the programs. These amounts are included in cash and cash equivalents and investments – restricted on the statements of net position.

K. RETIREMENT PLANS

The University sponsors a defined contribution retirement plan that the Board of Regents established and has the authority to amend. The plan covers all academic faculty, administrative, and classified staff and provides investment options administered by Teachers Insurance and Annuity Association/College Retirement Equity Fund and Fidelity Investments. Under the plan, faculty and staff are required to contribute 3.5% or 5.5% if they participate in either Tier 1 or Tier 2 of the plan, respectively. The University matches faculty and staff participation by contributing 6.5% and 8.0% for Tier 1 and Tier 2, respectively. The University's policy is to fund costs accrued on an annual basis.

The University's total payroll for fiscal years 2020 and 2019 was approximately $1,122,577 and $1,074,621, respectively, of which approximately $833,120 and $802,862 was covered by the plan. The University's contribution during 2020 and 2019 was approximately $65,120, or 7.82%, and $62,672, or 7.81%, of covered payroll, respectively, and the faculty and staff's contribution was approximately $43,804, or 5.26%, and $42,108, or 5.24%, of covered payroll, respectively.

Faculty and staff (at least 0.5 FTE) who attain age 26 and have completed 24 months of continuous service are eligible to participate in the retirement plan. Faculty and staff (at least 0.5 FTE) attaining age 30 following 24 months of continuous service are required to participate. The plan benefits are fully vested at the date of contribution.

(Continued)

(Thousands)

L. COMMITMENTS AND CONTINGENCIES

The University has budgeted for the construction of facilities that are estimated to cost approximately $637,429 and $641,253 at June 30, 2020 and 2019, respectively. As of June 30, 2019 and 2018, the approximate remaining costs to complete these facilities were $350,437 and $396,495, respectively, which will be financed as follows:

	2020	2019
Bond funds	$ 122,574	$ 189,690
Federal Funds	5,444	8,362
University funds	19,215	26,400
State capital appropriations	767	241
Private gifts, grants, and contracts	202,437	171,802
	$ 350,437	$ 396,495

During the normal course of business, the University receives funds from the U.S. Government, State and local governments, and private donors for student loans, special projects, research grants, and research contracts. Substantially all of these funds are subject to audit by various Federal and State agencies; however, it is the University's opinion that resulting adjustments, if any, would not have a material effect upon the accompanying financial statements.

The University established its Agricultural Research and Development Center (ARDC) on approximately 9,000 acres acquired from the Nebraska Ordnance Plant (NOP) from 1962 to 1971. The Federal government produced munitions at NOP during World War II and the Korean Conflict, exposing the area to contaminants. The University legally disposed of certain materials at the site in the 1970s.

In 1990, the NOP became a Federal Superfund site. An administrative order has been entered into between the Board of Regents and the Environmental Protection Agency (EPA) requiring a remedial investigation/feasibility study to determine the extent of contamination and removal actions necessary. This study was completed and the consulting firm made recommendations to the University for the removal and disposal of the contaminants at the site.

The Board of Regents and the EPA subsequently agreed to an action for the remediation and restoration of the area, which was completed pending acceptance of the final remedial investigation feasibility study report by the EPA. In 2011, the University received a proposed plan from the EPA for additional remedial activities, such as installation of a landfill cap, an establishment of a monitoring well network, and treatment for a groundwater contaminant. In 2013, the EPA submitted a record of decision of an approved remedy and, in 2014, the University and the EPA signed a consent decree and statement of work to complete the remediation work, which decree was approved by the United States District Court in June 2015.

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

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

(Thousands)

M. RELATED-PARTY TRANSACTIONS

The University routinely has transactions with Nebraska Medicine (NM). The members of the faculty at the University are also members of the medical staff of NM, and in many other areas, the operations of the University and NM are integrated and overlap. The University provides certain operational and support services, as well as certain direct financial support to NM. For the fiscal years ended June 30, 2020 and 2019, NM purchased approximately $27,989 and $26,715 of goods and services from UNMC. In addition, during 2020 and 2019, UNMC paid NM $20,178 and $16,369, respectively, for support services provided by NM.

N. FUNCTIONAL CLASSIFICATIONS OF EXPENSES

For the year ended June 30, 2020:

	Compensation	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 536,528	$ 47,470	$ 12,193	$ -	$ 596,191
Research	265,914	129,460	3,653	-	399,027
Public service	78,668	55,243	571	-	134,482
Academic support	139,120	41,799	1,336	-	182,255
Student services	30,370	8,696	(449)	-	38,617
Institutional support	109,406	25,296	(296)	-	134,406
Operation and maintenance of plant	42,696	88,351	-	-	131,047
Healthcare entities	72,937	16,355	1,194	-	90,486
Scholarships and fellowships	1,307	513	54,400	-	56,220
Auxiliary operations	147,836	146,920	4,231	-	298,986
Depreciation	-	-	-	143,050	143,050
Total expenses	$ 1,424,782	$ 560,103	$ 76,833	$ 143,050	$ 2,204,768

For the year ended June 30, 2019:

	Compensation	Supplies and Services	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 512,535	$ 56,856	$ 11,162	$ -	$ 580,553
Research	253,446	140,402	3,274	-	397,122
Public service	73,281	41,783	667	-	115,731
Academic support	123,729	43,945	168	-	167,842
Student services	29,035	9,294	404	-	38,733
Institutional support	105,066	23,286	41	-	128,393
Operation and maintenance of plant	41,557	71,953	-	-	113,510
Healthcare entities	66,923	15,077	876	-	82,876
Scholarships and fellowships	1,337	271	49,368	-	50,976
Auxiliary operations	141,767	163,370	4,510	-	309,647
Depreciation	-	-	-	142,862	142,862
Total expenses	$ 1,348,676	$ 566,237	$ 70,470	$ 142,862	$ 2,128,245

(Continued)

O. AUXILIARY SEGMENT

The University issues revenue bonds to finance certain auxiliary activities under its Master Trust Indenture (MTI). Investors in these bonds rely on the revenue generated by the individual activities and other sources specified for repayment. Descriptive segment information for the Master Trust Indenture Obligated Group includes the following:

UNL Student Fees and Facilities Bonds, Series 2009B, Series 2011, Series 2012, Series 2012B, Series 2015A, and Series 2016A – These bonds are used to provide student housing and related facilities as allowed by the bond covenants for the UNL campus. Operating revenues consist primarily of room and board charges.

University of Nebraska – Lincoln Parking Revenue Bonds, Series 2009A, Series 2009B, Series 2013 and Series 2015 **–** These bonds are used to provide parking-related facilities as allowed by the bond covenants for the UNL campus. Operating revenues consist of parking fee revenues.

UNO Student Facilities Bonds, Series 2015B and 2016B – These bonds are used to provide a variety of services for the benefit of the University and its students in the Student Center and to provide health, physical education, and recreation services in the HPER building.

UNO Student Housing/Parking Bonds, Series 2014, Series 2015, Series 2017A, and Series 2017B – The bonds are used to provide student housing, parking, and related facilities as allowed by the covenants for the University. Operating revenues consist primarily of rentals, student fees, and parking fees.

UNK Student Fees and Facilities Revenue Bonds, Series 2015 and Series 2017 – The bonds are used to provide student housing and related facilities as allowed by the bond covenants for the UNK campus. Operating revenues consist primarily of rentals, food service income, and student fees.

Pledges pertaining to these issues are disclosed in Note H.

On August 16, 2019, the Board of Regents approved a resolution authorizing the refinancing of certain outstanding obligations of the Board. On October 24, 2019, the University of Nebraska Facility Corporation issued $563,295 of bonds and used a portion of the proceeds to refinance all of the outstanding obligations under the MTI. As a result, the MTI was formally dissolved.

Condensed financial information for the University's segment follows (in thousands):

	June 30, 2020	June 30, 2019
Condensed Statements of Net Position		
Assets and Deferred Outflows of Resources		
Assets:		
Current assets	$ -	$ 74,502
Non-current assets:		
Capital assets	-	542,514
Other non-current assets	-	134,139
Total assets	-	751,155
Deferred Outflows of Resources:		
Deferred loss on bond refunding	-	15,504
Liabilities, Deferred Inflows of Resources, and Net Position		
Liabilities:		
Current liabilities	-	43,029
Non-current liabilities	-	443,569
Total liabilities	-	486,598
Deferred Inflows of Resources:		
Deferred service concession arrangement receipts	-	2,214
Net Position:		
Net investment in capital assets	-	92,165
Restricted:		
Expendable:		
Plant construction	-	28,364
Debt service	-	136,482
Unrestricted	-	20,836
Total net position	$ -	$ 277,847

(Thousands)

	Years Ended June 30, 2020	Years Ended June 30, 2019
Condensed Statements of Revenues, Expenses, and Changes in Net Position		
Operating revenues		
Room and board	$ -	$ 99,394
Student Fees	-	13,814
Parking facilities	-	14,670
Bookstore and bookstore commissions	-	6,727
Other operating revenues	-	5,291
Operating expenses:		
Depreciation	-	(20,467)
Other operating expenses	-	(87,718)
Operating income	-	31,711
Non-operating expense	-	(4,141)
Change in net position	-	27,570
Net position, beginning of year	-	250,277
Net position, end of year	$ -	$ 277,847

	Years Ended June 30, 2020	Years Ended June 30, 2019
Condensed Statements of Cash Flows		
Net cash flows from operating activities	$ -	$ 49,770
Net cash flows from capital and related financing activities	-	(45,149)
Net cash flows from investing activities	-	7,092
Net change in cash and cash equivalents	-	11,713
Cash and cash equivalents, beginning of year	-	176,324
Cash and cash equivalents, end of year	$ -	$ 188,037

(Continued)

P. CONDENSED COMPONENT UNIT FINANCIAL INFORMATION

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

For the year ended June 30, 2020

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
Condensed Statement of Net Position						
Assets and Deferred Outflows of Resources						
Assets:						
Current assets	$ 16,440	$ 271,373	$ 6,975	$ 648	$ 18,919	$ 10,051
Non-current assets						
Capital assets	585	-	-	20	-	62,313
Other non-current assets	-	583,502	-	-	140,775	15,376
Total assets	17,025	854,875	6,975	668	159,694	87,740
Deferred Outflows of Resources						
Deferred loss on bond refunding	-	33,643	-	-	-	206
Liabilities, Deferred Inflows of Resources, and Net Position						
Liabilities:						
Current liabilities	11,338	115,341	3,633	262	10,331	6,646
Non-current liabilities	195	931,286	-	-	1,174	14,134
Total liabilities	11,533	1,046,627	3,633	262	11,505	20,780
Deferred Inflows of Resources						
Deferred service concession arrangement receipts	-	74	-	-	-	-
Net Position:						
Net investment in capital assets	585	-	-	-	-	46,457
Restricted:						
Expendable	-	-	-	-	52,344	-
Plant construction	-	207,176	-	-	-	-
Debt service	-	48,447	-	-	-	5,526
Unrestricted	4,907	(413,806)	3,342	406	95,845	15,182
Total net position	$ 5,492	$ (158,183)	$ 3,342	$ 406	$ 148,189	$ 67,165

(Continued)

(Thousands)

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

(Continued)

(Thousands)

For the year ended June 30, 2019

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
Condensed Statement of Net Position						
Assets and Deferred Outflows of Resources						
Assets:						
Current assets	$ 12,653	$ 60,186	$ 5,666	$ 1,010	$ 18,923	$ 9,292
Non-current assets						
Capital assets	858	-	-	11	-	62,328
Other non-current assets	-	184,089	-	-	134,363	10,667
Total assets	13,511	244,275	5,666	1,021	153,286	82,287
Deferred outflows of Resources						
Deferred loss on bond refunding	-	2,754	-	-	-	288
Liabilities, Deferred Inflows of Resources, and Net Position						
Liabilities:						
Current liabilities	11,692	71,737	1,938	418	10,948	6,155
Non-current liabilities	74	430,130	-	-	1,418	15,727
Total liabilities	11,766	501,867	1,938	418	12,366	21,882
Deferred Inflows of Resources						
Deferred service concession arrangement receipts	-	344	-	-	-	-
Net Position:						
Net investment in capital assets	858	-	-	-	-	45,857
Restricted:						
Expendable	-	-	-	-	47,039	-
Plant construction	-	168,651	-	-	-	-
Debt service	-	50,023	-	-	-	4,367
Unrestricted	887	(473,856)	3,728	603	93,881	10,469
Total net position	$ 1,745	$ (255,182)	$ 3,728	$ 603	$ 140,920	$ 60,693

(Continued)

(Thousands)

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
Condensed Statement of Revenues, Expenses and Changes in Net Position						
Operating revenues						
Grants and contracts	$ 19,761	$ -	$ -	$ -	$ -	$ -
Sales and services of educational activities	6,742	-	-	-	-	-
DDIR revenue	-	-	-	-	7,130	-
Sales and services of health care entities	-	-	7,420	2,507	-	-
Other operating revenue	2,330	-	-	-	-	30,126
Operating expenses:						
Depreciation	332	-	-	25	-	2,955
Other operating expenses	37,274	1,188	6,892	2,418	(193)	20,465
Operating income	(8,773)	(1,188)	528	64	7,323	6,706
Non-operating income (expense)	8,274	(13,711)	-	-	1,040	(118)
Increase (decrease) in net position	(499)	(14,899)	528	64	8,363	6,588
Net position - beginning of year	2,244	(240,283)	3,200	539	132,557	54,105
Net position - end of year	$ 1,745	$ (255,182)	$ 3,728	$ 603	$ 140,920	$ 60,693
Condensed Statement of Cash Flows						
Net cash flows from operating activities	$ (7,800)	$ -	$ 621	$ 77	$ 8,205	$ 10,649
Net cash flows from noncapital financing activities	-	-	-	-	(1,301)	-
Net cash flows from capital and related financing activities	8,258	42,442	-	-	-	(6,130)
Net cash flows from investing activities	11	5,510	-	-	(5,090)	(7,069)
Net change in cash and cash equivalents	469	47,952	621	77	1,814	(2,550)
Cash and cash equivalents - beginning of year	5,620	189,754	2,996	554	1,641	8,630
Cash and cash equivalents - end of year	$ 6,089	$ 237,706	$ 3,617	$ 631	$ 3,455	$ 6,080

(Continued)

Q. SUBSEQUENT EVENTS

The University of Nebraska has evaluated subsequent events from the balance sheet date through December 14, 2020, the date at which the financial statements were available to be issued. No additional items were identified that would require disclosure.

R. UNIVERSITY OF NEBRASKA FOUNDATION

The Foundation is a separate, nonprofit organization incorporated in the State of Nebraska and has as its purpose to encourage private financial support of the University from individuals, corporations, and other foundations. Oversight of the Foundation is the responsibility of a separate and independent Board of Trustees, not otherwise affiliated with the University. In carrying out its responsibilities, the Board of Trustees of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation.

Although the University does not control the timing or amount of receipts from the Foundation, the resources that the Foundation holds and invests, or the income thereon, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation are primarily used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University's financial statements. Based on the Foundation's audited financial statements as of June 30, 2020 and 2019, the Foundation's net assets (including unrealized gains) totaled $2,220,033 and $2,135,564, respectively.

During the years ended June 30, 2020 and 2019, the Foundation contributed $109 million and $93 million, respectively, to the University for academic support, student assistance, faculty assistance, research, museums, and libraries. In addition, the Foundation provided capital gifts of $60 million and $107 million during 2020 and 2019, respectively, to the University. These contributions provided support for several projects, including the renovation of the UNL Johnny Carson Center for Emerging Media Arts, the UNO Biomechanics Research building addition, and the construction of the UNL Gymnastics facility and UNMC Davis Global Center.

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

S. COMPONENT UNIT DISCLOSURES

(1) Summary of Significant Accounting Policies

(a) Nature of the Entity and Principles of Consolidation

The University of Nebraska Foundation (the Foundation) is a nonprofit corporation whose purpose is to provide financial support to the University of Nebraska system. The accompanying consolidated financial statements include the Foundation's wholly owned subsidiaries, UNF Investments, LLC and UNF Charitable Gift Fund (UNFCGF). All significant intercompany accounts and transactions have been eliminated upon consolidation.

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

(b) Basis of Accounting and Presentation

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

Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets that have similar characteristics have been combined into similar categories as follows:

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

Revenue is reported as increases in net assets without donor restrictions unless use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains or losses on investments and any other assets or liabilities are reported as increases (decreases) in net assets without donor restrictions, unless their use is limited by donor stipulation or by laws. Expirations of temporary restrictions on net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the contribution as a component of net assets without donor restrictions. At times, the Foundation receives requests by donors or their designees to change the use for which the gifts were originally intended. The requests are reviewed by the Foundation for approval. Approved changes, depending on the donor's request, may result in the reclassification due to change in donor intent in the consolidated statements of activities.

(c) Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(d) Gifts, Bequests, and Life Insurance Proceeds

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as contributions with donor restriction.

The Foundation recognizes a receivable and revenue at the time a pledge is made by the donor if the pledge is verifiable, measurable, probable of collection, and meets all applicable eligibility requirements. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows. In subsequent years, this discount is accreted and reported as additional contribution revenue in accordance with donor-imposed restrictions, if any. The discount rate utilized for 2020 and 2019 was 6%. In addition, pledges are reported net of an allowance, which includes specific reserves for items that are past due in payments as well as a general reserve set at 3% of pledges receivable balance.

Conditional promises to give are not recorded until one or more barriers are overcome for the recipient to be entitled to the assets transferred and there is either a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets.

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

(e) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid instruments with original maturity of three months or less when purchased, excluding those amounts held as part of the investment and temporary investment portfolios.

The Foundation maintains cash balances and certificates of deposit at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation. At various times during the fiscal year, the Foundation's cash in bank balances exceeded the federally insured limits. The Foundation has maintained its cash balances and certificates of deposit at financial institutions in accordance with all Foundation policies and procedures.

(Continued)

(f) Investments and Temporary Investments

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

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

Temporary investments comprise short-term investments used to maintain liquidity and are comprised mainly of a mix of U.S., state, and local government fixed income securities and corporate bonds. Investments comprise a mix of equities, fixed income, other investments, and alternative investments, which have a longer-term focus (generally investing endowment funds).

Donated investments are reported at estimated fair value at the date of receipt. Realized gains and losses on sales of investments are recognized in the consolidated statements of activities as specific investments are sold. Interest income is recognized as earned. Dividend income is recognized on the ex-dividend date. All realized and unrealized gains and losses and income arising from investments are recognized in the consolidated statements of activities as increases or decreases to net assets without donor restrictions, unless their use is restricted by donor stipulation or by law.

Investment income is comprised of dividends, interest, and other investment income and is shown net of external investment management and custody fees. Included in investment income is a management fee charged by the Foundation to endowment accounts within each net asset class for which the Foundation manages investments. This management fee is calculated annually based on the market value of the endowment and is charged ratably over the year on a monthly basis. These fees are used to support the Foundation's management and fund-raising operations. During the years ended June 30, 2020 and 2019, $20,964 and $21,806, respectively, was charged to donor restricted investment income and credited to investment income without donor restriction in the consolidated statements of activities related to the management fee for endowment funds. Also, included in investment income without donor restriction for the years ended June 30, 2020 and 2019 is $5,312 and $5,272, respectively, of a management fee charged by the Foundation to agency funds, is calculated annually based on the market value of the agency funds and is charged ratably over the year on a monthly basis.

(g) Deposits Held in Custody for Others

Deposits held for others represent funds held in a fiduciary capacity. The assets and corresponding liability for these funds are reflected on the consolidated statements of financial position, however, the transactional activity of these funds is not reflected in the consolidated statements of activities as the Foundation is acting as an agent for these funds. Such funds approximated $327 million and $339 million at June 30, 2020 and 2019, respectively, and are recorded as a liability on the consolidated statements of financial position. These funds are held on behalf of the University and other related entities.

(Continued)

(h) Deferred Annuities Payable

The Foundation is the beneficiary of split interest agreements in the form of charitable gift annuities, charitable remainder trusts, and pooled income funds. The liability is established at the time of the contribution using actuarial tables and an assumed interest rate. The interest rates used for the establishment of the liability was 2.8% for the years 2020 and 2019. In connection with certain agreements, the Foundation has committed to the payment of an annual annuity to the donor. Liabilities associated with these agreements as of June 30, 2020 and 2019 are $15,067 and $16,448, respectively, and have been reflected as deferred annuities payable on the consolidated statements of financial position. Annuity obligations are adjusted annually for actuarial changes in life expectancy. The increases and decreases to the liability are reflected as change in the value of split interest agreements with donor restriction in the consolidated statements of activities, which is consistent with the method used to initially record the contribution.

(i) Fair Value of Financial Instruments

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

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

(j) Income Taxes

The Foundation has been recognized as a not-for-profit corporation by the Internal Revenue Service as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Such tax positions, which are more than 50% likely of being realized, are measured at their highest value. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation believes it is no longer subject to incomes tax examinations for years prior to 2016. During 2020 and 2019, management determined that there are no income tax positions requiring recognition in the consolidated financial statements.

(k) New Accounting Pronouncements Recently Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 provides a single model for recognizing revenue arising from contracts with customers and supersedes current revenue recognition guidance. The Foundation adopted the new standard on July 1, 2019, using the modified retrospective transition method. There were no adjustments to the July 1, 2019 consolidated statement of financial position for the adoption of the new revenue standard. The ASU did not have a material impact on the timing or amount of revenue recorded by the Foundation for the year ended June 30, 2020. The new revenue recognition standard would not have materially impacted the revenue recorded in 2019 had the new revenue recognition standard been utilized in 2019.

(Continued)

In November 2016, the FASB issued ASU 2016-18, *Restricted cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Foundation adopted the standard on July 1, 2019 using the retrospective transition method to each period presented. The adoption had no material impacts on the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides assistance in determining if a transaction should be accounted for as a contribution or as an exchange, as well as providing guidance in determining whether a contribution is conditional. The guidance should be applied on a modified prospective basis, although a retrospective application is permitted. The Foundation adopted the standard on July 1, 2019 on a modified prospective basis. The adoption of this ASU did not have a material impact on its consolidated financial statements.

(l) New Accounting Pronouncements Not Yet Adopted

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

(2) Fair Value Investments

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

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(Thousands)

The tables below present the balances of assets and liabilities measured at June 30, 2020 and 2019 at estimated fair value on a recurring basis:

	2020			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments:				
Certificates of deposit, savings, and money market funds	$ 6,550	$ 6,550	$ –	$ –
U.S. government securities and sovereign debt	32,669	–	32,669	–
Corporate bonds	58,179	–	58,179	–
Common stock	186,320	151,596	–	34,724
Mutual funds – equity	368,311	368,311	–	–
Mutual funds – fixed income	27,119	27,119	–	–
Preferred stock	501	–	501	–
Commingled funds – public equity	314,579	–	314,579	–
Commingled funds – diversified real assets	32,103	–	32,103	–
Index funds – commodities	9,732	9,732	–	–
Index funds – public equity	429,528	429,528	–	–
Investments measured at net asset value [1]:				
Hedge funds	77,584	–	–	–
Limited partnerships	165,737	–	–	–
Temporary Investments:				
U.S. treasuries	61,336	–	61,336	–
Certificates of deposit and money funds	67,083	38,158	28,925	–
State government securities	30,201	–	30,201	–
Local government securities	50,456	–	50,456	–
Corporate bonds	224,531	–	224,531	–
Exchange traded funds – equity	145,521	145,521	–	–
Total	$ 2,288,040	$ 1,176,515	$ 833,480	$ 34,724

(Thousands)

	2019			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Certificates of deposit, savings, and money market funds	$ 11,658	$ 11,658	$ –	$ –
U.S. government securities and sovereign debt	35,173	–	35,173	–
International bonds	18,724	–	18,724	–
Corporate bonds	69,337	–	69,337	–
Common stock	459,786	425,370	–	34,416
Mutual funds – equity	147,842	147,842	–	–
Mutual funds – fixed income	130,383	130,383	–	–
Preferred stock	530	–	530	–
Commingled funds – public equity	332,924	–	332,924	–
Commingled funds – diversified real assets	37,190	–	37,190	–
Index funds – commodities	14,674	14,674	–	–
Index funds – public equity	209,088	209,088	–	–
Investments measured at net asset value (1):				
Hedge funds	165,963	–	–	–
Limited partnerships	131,139	–	–	–
Temporary Investments:				
U.S. treasuries	119,464	–	119,464	–
Certificates of deposit and money funds	9,515	8,770	745	–
State government securities	27,357	–	27,357	–
Local government securities	29,384	–	29,384	–
Corporate bonds	165,050	–	165,050	–
Exchange traded funds – equity	122,133	122,133	–	–
Total	$ 2,237,314	$ 1,069,918	$ 835,878	$ 34,416

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position. The policy is to reflect transfers between levels at the beginning of the year in which a change in circumstances resulted in the transfer. There were no transfers between levels during the years ended June 30, 2020 and 2019.

The fair values of the financial instruments shown in the above tables represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

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

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

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

Common stock, mutual funds, index funds, and exchange traded funds: These securities are mainly measured using quoted market prices at the reporting date multiplied by the quantity held. These are classified as Level 1 securities as they are traded in an active market for which closing prices are readily available. Included within common stock is closely held stock valued at $34,724 and $34,416, respectively, as of June 30, 2020 and 2019. The closely held stock is classified as Level 3 as these are securities without readily observable inputs or measures. There were no purchases or sales of closely held stock during 2020 or 2019.

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

(Thousands)

(3) Investments

Investments consist of the following at June 30, 2020 and 2019:

	2020	2019
Investments stated at fair value:		
Certificates of deposit, savings, and money market funds	$ 6,550	$ 11,658
U.S. government securities and sovereign debt	32,669	35,173
International bonds	–	18,724
Corporate bonds	58,179	69,337
Common stock	186,320	459,786
Mutual funds – equity	368,311	147,842
Mutual funds – fixed income	27,119	130,383
Preferred stock	501	530
Limited partnerships	165,737	131,139
Commingled funds – public equity	314,579	332,924
Commingled funds – diversified real assets	32,103	37,190
Index funds – commodities	9,732	14,674
Index funds – public equity	429,528	209,088
Hedge funds	77,584	165,963
Investments stated at other than fair value:		
Real estate	26,712	27,435
Real estate mortgage and contracts	1,085	808
Other	2,062	2,062
Cash value of life insurance	2,980	2,840
	$ 1,741,751	$ 1,797,556

	2020	2019
Temporary investments stated at fair value:		
U.S. treasuries	$ 61,336	$ 119,464
Certificates of deposit and money market funds	67,083	9,515
State government securities	30,201	27,357
Local government securities	50,456	29,384
Corporate bonds	224,531	165,050
Exchange traded funds – equity	145,521	122,133
Temporary investments stated at other than fair value:		
Real estate	–	24
	$ 579,128	$ 472,927

(Continued)

(Thousands)

The estimated value of hedge funds and limited partnerships was provided by the respective fund managers. For these alternative investments, the Foundation uses the net asset value (or its equivalent) reported by the underlying fund to estimate the fair value of the investment. Below is a summary of investments accounted for at net asset value at June 30, 2020 and 2019:

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

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

	2019			
	Net asset value	Unfunded commitments	*Redemption frequency (if currently eligible)	Redemption notice period
Private equity/venture capital	$ 105,336	$ 129,598	N/A	N/A
Natural resources	11,531	12,867	N/A	N/A
Real estate funds	14,272	10,341	N/A	N/A
Hedge funds:				
Domestic long/short	28,805	–	q/sa/a	90-360 days
Global long/short	31,252	–	q/sa/a	90-360 days
Multiple strategies	70,880	–	q/sa/a	90-360 days
Credit strategies	35,026	–	q/sa/a	90-360 days
	$ 297,102	$ 152,806		

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

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

(Continued)

(Thousands)

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

Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is, therefore, reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

(4) Pledges Receivable

Pledges are due to be collected as follows as of June 30, 2020 and 2019:

	2020	2019
Gross amount due in:		
One year or less	$ 83,673	$ 75,523
One to five years	135,431	144,182
More than five years	7,622	9,049
	226,726	228,754
Less discount to present value	18,932	19,988
	207,794	208,766
Less allowance for doubtful accounts	6,234	6,263
	$ 201,560	$ 202,503

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

In addition, the Foundation has been informed of intentions to give in the form of possible future bequests and conditional pledges, in the amount of $95,000 and $45,000 at June 30, 2020 and 2019, respectively. These amounts are not included in pledges receivable as they do not constitute unconditional promises to give. It is not practicable to estimate the net realizable value of these intentions to contribute or the period over which they will be collected.

(5) Net Assets with Donor Restrictions

Net assets are restricted by donors for various purposes in support of activities at the University of Nebraska, including the campuses at Lincoln, Kearney, Omaha, the Medical Center in Omaha, and Nebraska Medicine. The purposes include scholarships, fellowships, research, academic support, and campus building and improvements. Net assets with donor restrictions include gifts contributed for a specified period or until the occurrence of some future event or unspent earnings on endowed funds.

(Thousands)

The amounts of net assets with donor restrictions as of June 30, 2020 and 2019 are as follows:

	2020	2019
Charitable trusts and annuities	$ 18,877	$ 21,957
Expendable funds for specific purposes	965,219	828,610
Permanent endowment pool subject to spending policy	1,182,792	1,230,007
	$ 2,166,888	$ 2,080,574

The Foundation had net assets without donor restrictions of $53,145 and $54,990 at the end of 2020 and 2019, respectively of which $28,478 and $28,030 was board designated. Net assets of $146,546 and $207,805 were released from donor restrictions during 2020 and 2019 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

(6) Financial Assets and Liquidity Resources

As of June 30, 2020, the Foundation's average month's operating cash on hand of approximately 11 months, based on normal expenditures.

The following table reflects the Foundation's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditure because of contractual or donor-imposed restrictions within one year of the financial position date. Financial assets are considered unavailable when subject to donor-imposed restrictions.

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 65,520	$ 33,092
Temporary investments	579,128	472,927
Pledges	201,560	202,503
Investments	1,741,751	1,797,556
Financial assets, at the end of the year	2,587,959	2,506,078

	2020	2019
Less those unavailable for general expenditure within one year due to:		
Permanent endowment pool subject to spending policy	$ 1,182,792	$ 1,230,007
Deposits held in custody for others	327,108	339,491
Donor funds available for specific purpose	984,096	850,567
	2,493,996	2,420,065
	$ 93,963	$ 86,013

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

(Thousands)

(7) Functional Expenses

The Foundation solicits and distributes funds for the benefit of the University. Expenses related to those activities providing these services for the years ended June 30, 2020 and 2019 are as follows:

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

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

	2019			
	Program support	Management and general	Fundraising	Total
Payments to benefit the University	$ 199,691	–	–	199,691
Contributions to other charities	8,068	–	–	8,068
Salaries and benefits	–	6,959	14,164	21,123
Office expense	–	361	718	1,079
Office rent and utilities	–	594	1,183	1,777
Professional services	–	574	779	1,353
Dues and subscriptions	–	57	113	170
Travel and conferences	–	367	730	1,097
Cultivation expense	–	–	1,426	1,426
Miscellaneous expense	–	51	235	286
Paid to beneficiaries	–	2,311	–	2,311
Depreciation	–	537	1,406	1,943
Total expense	$ 207,759	11,811	20,754	240,324

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

(Thousands)

(8) Endowments

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) sets out guidelines to be considered when managing and investing donor-restricted endowment funds.

The Foundation's endowment consists of approximately 5,600 individual funds established for a variety of purposes. The Foundation holds endowment funds for support of its programs and operations. As required by U.S. GAAP, net assets and the changes therein associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted NUPMIFA as allowing the Foundation to appropriate the expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Interest, dividends, and net appreciation of the donor-restricted endowment funds are classified according to donor stipulations, if any. Absent any donor-imposed restrictions, interest, dividends, and net appreciation of donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) the duration and preservation of the endowment fund

(2) the purposes of the Foundation and the donor-restricted endowment fund

(3) general economic conditions

(4) the possible effect of inflation or deflation

(5) the expected total return from income and the appreciation of investments

(6) other resources of the Foundation

(7) the investment policy of the Foundation

Endowment net asset composition by type of fund as of June 30, 2020 and 2019 is as follows:

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

(Continued)

(Thousands)

	2019		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ –	1,407,724	1,407,724
Board-designated endowment funds	28,030	–	28,030
Endowment totals	$ 28,030	1,407,724	1,435,754

Changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

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

	2019		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	$ 27,047	1,371,460	1,398,507
Contributions	885	39,189	40,074
Investment return, net of expenses	1,284	53,630	54,914
Amounts appropriated for expenditures	(1,186)	(56,555)	(57,741)
Endowment net assets, end of year	$ 28,030	1,407,724	1,435,754

(a) Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Board of Directors of the Foundation, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity, debt securities, and illiquid alternative investments that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.25%, while growing the funds if possible. The Foundation expects its endowment assets, over time, to earn a real (inflation-adjusted) rate of return of at least 6.0% per year net of investment management fees and investment operations expenses, when measured over a rolling five-year period. Actual return in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

(Continued)

(b) Spending Policy and How the Investment Objectives Relate to the Appropriate Policy

The Foundation has a policy of appropriating for distribution each year 4.25% of the average fair market value of the prior 20 quarters of the unitized endowment shares. In establishing this policy and in the annual review of the policy, the Foundation considers the long-term expected return on its investment assets, the nature, and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation.

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. The Foundation considers funds for which the fair value of the assets is less than the value of all contributions to the fund to be deficient and such funds are referred to as "underwater" funds. As of June 30, 2020, and 2019, funds with an original gift value of $765,877 and $555,674 were "underwater" by $76,923 and $35,240, respectively. Deficiencies of this nature were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions with donor restrictions and continued appropriation for certain programs as deemed prudent.

(9) Contingencies and Commitments

The Foundation is involved in several legal actions in the ordinary course of business. The Foundation believes it has defenses for all such claims, believes the claims are substantially without merit, and is vigorously defending the actions. In the opinion of management, the final dispositions of these matters will not have a material effect on the Foundation's financial position.

(10) Subsequent Events

In preparing the consolidated financial statements, the Foundation has evaluated subsequent events for potential recognition or disclosure through September 25, 2020 the date the consolidated financial statements were available to be issued and determined there are no other items to disclose.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

Board of Regents of the University of Nebraska
Lincoln, Nebraska:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the discretely presented component unit of the University of Nebraska (University) (a component unit of the State of Nebraska) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 14, 2020. Our report includes a reference to other auditors who audited the financial statements of the University of Nebraska Foundation (Foundation), a discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the University Technology Development Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units); and the activity relating to the Members of the Obligated Group under the Master Trust Indenture, as described in our report on the University's financial statements. The financial statements of the Foundation, the University of Nebraska Facilities Corporation, the University Dental Associates, the UNeHealth, the UNMC Science Research Fund, and the Nebraska Utility Corporation were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

University's Findings

We did note certain other matters that we reported to management of the University in a separate letter dated December 14, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lincoln, Nebraska
December 14, 2020

Mark Avery, CPA
Assistant Deputy Auditor