

# ***The University of Nebraska***

*Basic Financial Statements and Additional Information  
for the Years Ended June 30, 2022 and 2021  
and Independent Auditors' Reports*

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**Issued on December 19, 2022**

# THE UNIVERSITY OF NEBRASKA

## TABLE OF CONTENTS

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	Pages
INDEPENDENT AUDITORS' REPORT	1 - 3
COMPONENT UNIT - INDEPENDENT AUDITORS' REPORT	4 - 5
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	6 - 16
BASIC FINANCIAL STATEMENTS:	
Statements of Net Position	17 - 18
Component Unit - Consolidated Statements of Financial Position	19
Statements of Revenues, Expenses, and Changes in Net Position	20
Component Unit - Consolidated Statements of Activities	21 - 22
Statements of Cash Flows	23 - 24
Component Unit - Consolidated Statements of Cash Flows	25
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
Notes to Financial Statements	28 - 76
ADDITIONAL INFORMATION:	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	77 - 78



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
auditors.nebraska.gov

### INDEPENDENT AUDITORS' REPORT

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

#### ***Opinion***

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

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, fiduciary activities, and the discretely presented component unit of the University of Nebraska, as of June 30, 2022 and 2021, 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.

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). The Blended Component Units represent 22 percent, 2 percent, and 7 percent, respectively, of the assets, net position, and revenues of the University at June 30, 2022, and 23 percent, 3 percent, and 8 percent, respectively, of the assets, net position, and revenues of the University at June 30, 2021. 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, and the Blended Component Units, is based solely on the report of the other auditors. The financial statements of the Foundation, and the Blended Component Units were not audited in accordance with *Government Auditing Standards*.

#### ***Basis for Opinion***

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

#### ***Emphasis of Matter***

As discussed in Note A to the financial statements, in fiscal year 2022 the University adopted new accounting guidance for lease accounting in GASB Statement No. 87. Additionally, as discussed in Note A to the financial statements, the 2021 financial statements have been restated. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 6 through 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 16, 2022, 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.

A handwritten signature in black ink, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

Lincoln, Nebraska  
December 16, 2022

Mark Avery, CPA  
Assistant Deputy Auditor



KPMG LLP  
Suite 300  
1212 N. 96th Street  
Omaha, NE 68114-2274

Suite 1120  
1248 O Street  
Lincoln, NE 68508-1493

## **Independent Auditors' Report**

The Board of Directors  
University of Nebraska Foundation:

### *Opinion*

We have audited the consolidated financial statements of the University of Nebraska Foundation (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

*KPMG LLP*

Omaha, Nebraska  
September 29, 2022

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2022 and 2021 (UNAUDITED) (Columnar Amounts in Thousands)

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### 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, 2022 and 2021. 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.



# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2022 and 2021 (UNAUDITED) (Columnar Amounts in Thousands)

Student Enrollment – Headcount					
Campus	Fiscal Year				
	2018	2019	2020	2021	2022
UNL	26,335	26,104	25,634	25,339	24,687
UNMC	3,895	3,954	4,053	4,227	4,388
UNO	15,730	15,429	15,153	15,892	15,329
UNK	6,644	6,327	6,279	6,318	6,453
Total	52,604	51,814	51,119	51,776	50,857

The fall semester (fiscal 2022) headcount enrollment was 50,857 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 13,308 representing 26% 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.** The University utilizes 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 \$97 million or 2% and is attributable to several factors. Invested in capital assets increased \$32 million, aided by construction beginning on Kiewit Hall and North Stadium Expansion projects at UNL, which expended nearly \$77 million in 2022. This investment was offset by reductions in capital project activity at the other campuses as well as annual depreciation. Unrestricted net position saw additional growth of \$97 million in 2022 to a total of \$1,736 million. Resumption of pre-pandemic activities and events across campuses contributed to the growth in net position. Some growth in overall net position was hindered, however, as nonexpendable permanent endowment decreased \$71 million due to deteriorating market conditions.
- **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.
  - A \$33 million project that replaces and relocates the fraternity and sorority housing on UNK's campus began in fiscal year 2021. This project will renovate the existing Martin Hall as well as construct a new three-story, 39,000-square-foot residence hall. This will add nearly 250 beds in order to provide enough living space and chapter room availability for all 12 UNK fraternities and sororities.

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2022 and 2021 (UNAUDITED) (Columnar Amounts in Thousands)

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- At UNO, construction continued for the Durham Science Center Renovation. The approximate 166,000 gross square foot building addition will include improved space for classrooms, faculty offices, teaching laboratories, research laboratories, student individual and group study, and activities. It will also include renovation of the building envelope, interior finishes, and code updates, in addition to mechanical, electrical, plumbing, and technology system updates. The total cost is budgeted at \$35 million.
- Work continues on the Scott Engineering Center renovation at UNL, with a budget of about \$80 million. This renovation will support the research mission of the University. The Lincoln campus also has ongoing engineering work in construction of Kiewit Hall, which will provide classrooms, instructional labs and an outdoor plaza for the university community. At a total budget of \$115 million, this project represents the largest academic building effort in the University of Nebraska's history. Finally, UNL has also budgeted \$165 million toward construction of the North Stadium Expansion, which will provide a new training table and academic center for all student-athletes as well as a new athletic medicine area, strength complex, equipment room, football locker area and football offices and meeting spaces.
- **Indebtedness.** Overall, bonded indebtedness decreased in 2022 by approximately \$51 million on a base of \$1,339 million at June 30, 2021, as a result of bond payments made in the ordinary course of business. Furthermore, no new bond issues were made in 2022.
- **State appropriations and tuition.** The Nebraska Legislature appropriated a 3% increase in state support of University operations for 2022 compared to a 4% increase in 2021 and a 3% increase in 2020. The Board of Regents approved a tuition freeze for 2022 and 2023, which followed tuition rate increases of 2.75% in both 2021 and 2020.
- **Federal Grants and Contracts.** Revenues from Federal grants and contracts increased by 7% from 2021 to 2022 compared to a 6% increase from 2020 to 2021. 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 \$139 million in 2022 compared to \$112 million in 2021, and \$68 million in 2020. The increase in capital gifts in 2022 resulted from \$62 million in increased capital project activity at UNL from the construction of Kiewit Hall and the North Stadium Expansion projects. This was offset by decreases in capital project activity of \$15 million and \$8 million at UNO and UNMC, respectively, as UNO's Mammel Hall Building Addition and UNMC's Wittson Hall projects were completed in the prior fiscal year.

### 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.

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2022 and 2021 (UNAUDITED) (Columnar Amounts in Thousands)

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**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 and right-to-use leased assets are presented net of accumulated amortization.

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 amortization, reduced by outstanding bond and lease 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 and amortization, 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.

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2022 and 2021 (UNAUDITED) (Columnar Amounts in Thousands)

### Condensed Financial Statements and Analysis Condensed Statements of Net Position

	June 30,		
	2022	2021	2020*
<b>Assets and Deferred Outflows</b>			
Current assets	\$ 1,896,435	\$ 1,732,734	\$ 1,587,419
Capital assets, net of accumulated depreciation	3,019,330	2,946,608	2,908,652
Other non-current assets	1,633,931	1,821,015	1,246,145
Total assets	<u>6,549,696</u>	<u>6,500,357</u>	<u>5,742,216</u>
Deferred Outflows of Resources	<u>30,129</u>	<u>32,010</u>	<u>33,849</u>
<b>Liabilities, Deferred Inflows, and Net Position</b>			
Current liabilities	481,420	430,968	438,588
Non-current liabilities	1,352,617	1,450,628	1,085,558
Total liabilities	<u>1,834,037</u>	<u>1,881,596</u>	<u>1,524,146</u>
Deferred Inflows of Resources	<u>52,267</u>	<u>54,668</u>	<u>19,937</u>
Net position:			
Net investment in capital assets	2,157,052	2,124,926	2,114,854
Restricted for:			
Nonexpendable:			
Permanent endowment	209,178	280,281	207,915
Loan funds	15,664	16,692	17,315
Expendable:			
Externally restricted funds	404,571	386,743	359,742
Plant construction	116,507	92,552	87,138
Debt service	54,615	56,146	53,067
Unrestricted	1,735,934	1,638,763	1,391,951
Total net position	<u>\$ 4,693,521</u>	<u>\$ 4,596,103</u>	<u>\$ 4,231,982</u>

\*Amounts reported above for fiscal year 2020 have not been restated due to the implementation of GASB 87, *Leases*.

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2022 and 2021 (UNAUDITED) (Columnar Amounts in Thousands)

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

	Year Ended June 30,		
	2022	2021	2020*
Operating Revenues:			
Tuition and fees	\$ 422,275	\$ 445,618	\$ 444,681
Federal grants and contracts - restricted	358,766	336,611	316,748
Private grants and contracts - restricted	215,274	209,813	217,321
State grants and contracts - restricted	43,341	40,510	40,580
Sales and services of educational activities	68,298	64,568	65,627
Sales and services of health care entities	21,787	16,191	25,325
Sales and services of auxiliary operations	340,973	235,248	321,340
Other operating revenues	28,776	24,418	28,342
Total operating revenues	<u>1,499,490</u>	<u>1,372,977</u>	<u>1,459,964</u>
Operating Expenses:			
Compensation and benefits	1,461,496	1,406,314	1,428,928
Supplies and services	595,789	535,280	565,478
Depreciation of capital assets	154,951	145,819	143,050
Amortization of right-to-use leased assets	7,451	6,935	-
Scholarships and fellowships	116,781	91,345	82,078
Total operating expenses	<u>2,336,468</u>	<u>2,185,693</u>	<u>2,219,534</u>
Operating Loss	<u>(836,978)</u>	<u>(812,716)</u>	<u>(759,570)</u>
Non-operating Revenues (Expenses):			
State of Nebraska non-capital appropriations	633,915	616,545	591,939
Federal grants	149,251	107,184	64,499
Gifts	96,513	121,473	106,239
Investment income	76,358	32,132	47,744
Interest on bond obligations	(43,593)	(34,894)	(27,944)
Equity in joint venture	19,589	95,212	40,647
Other non-operating revenues (expenses)	<u>(156,375)</u>	<u>110,742</u>	<u>(31,393)</u>
Net non-operating revenues	<u>775,658</u>	<u>1,048,394</u>	<u>791,731</u>
Income (Loss) before Other Revenues, Expenses, Gains or Losses	<u>(61,320)</u>	<u>235,678</u>	<u>32,161</u>
Other Revenues, Expenses, Gains or Losses:			
State of Nebraska capital appropriations	18,837	16,696	19,458
Capital grants and gifts	139,257	111,538	68,113
Additions to permanent endowments	<u>644</u>	<u>209</u>	<u>2,134</u>
Net other revenues, expenses, and gains or losses	<u>158,738</u>	<u>128,443</u>	<u>89,705</u>
Increase in net position	<u>97,418</u>	<u>364,121</u>	<u>121,866</u>
Net position, beginning of year	<u>4,596,103</u>	<u>4,231,982</u>	<u>4,110,116</u>
Net position, end of year	<u>\$ 4,693,521</u>	<u>\$ 4,596,103</u>	<u>\$ 4,231,982</u>

\*Amounts reported above for fiscal year 2020 have not been restated due to the implementation of GASB 87, *Leases*.

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2022 and 2021 (UNAUDITED) (Columnar Amounts in Thousands)

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***Analysis of Financial Position.*** Cash and cash equivalents represent the majority of current assets of the University and increased \$107 million in 2022, from \$1,336 million to \$1,229 million, as compared to a \$21 million increase in 2021, from \$1,208 million to \$1,229 million.

Non-current assets of the University are led by the investment in capital assets. At June 30, 2022, total investment in capital assets was \$4.6 billion, yielding a net investment, after accumulated depreciation, of \$3.0 billion. The increase in capital assets was \$73 million, consisting of additions of \$228 million net of depreciation of \$155 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 construction of Kiewit Hall and the North Stadium Expansion at UNL, UNO's Durham Science Center Renovation, 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 decreased by \$51 million in 2022 following increases of \$327 million and \$55 million in 2021 and 2020, respectively. No indebtedness was issued in 2022 with \$359 million issued in 2021 and \$563 million issued in 2020.

The unrestricted net position of the University increased by 6% or \$97 million during the year to \$1.7 billion. Of this increase, about \$11 million was due to the University's share in equity in a joint venture. Additionally, campus activities, events, and auxiliary operations returned to pre-pandemic levels after significant COVID-19 closures, increasing revenues and driving the increase in unrestricted net position.

***Analysis of Operations – Overview.*** The University generated \$1,499 million of operating revenues during 2022, an increase of \$126 million over 2021, while operating expenses were \$2,336 million, up \$151 million over the prior year. These changes resulted in an increase in the operating loss of \$24 million to \$837 million in 2022 compared to losses of \$813 million and \$760 million for 2021 and 2020. 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 \$203 million in 2022 compared to similar "losses" of \$196 million in 2021 and \$168 million in 2020.

The Nebraska Legislature provided \$634 million in non-capital appropriations for 2022, an increase of \$17 million over 2021 following an increase of \$25 million over 2020. The University, in conjunction with the Foundation, generated non-operating and capital gifts of approximately \$236 million that, when combined with all other non-operating revenues and expenses including investment income of \$76 million, netted an overall increase in net position of approximately \$97 million.

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2022 and 2021 (UNAUDITED) (Columnar Amounts in Thousands)

**Revenues.** The following charts depict the operating revenues for 2022 and 2021 and the comparative changes that occurred between those years.

	2022		2021		2022-2021 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Tuition and fees	\$ 422,275	28%	\$ 445,618	32%	\$ (23,343)	(5)%
Federal grants and contracts - restricted	358,766	24	336,611	25	22,155	7
Private grants and contracts - restricted	215,274	14	209,813	15	5,461	3
State grants and contracts - restricted	43,341	3	40,510	3	2,831	7
Sales and services of educational activities	68,298	5	64,568	5	3,730	6
Sales and services of health care entities	21,787	1	16,191	1	5,996	35
Sales and services of auxiliary operations	340,973	23	235,248	17	105,725	45
Other operating revenues	28,776	2	24,418	2	4,358	18
Total operating revenues	<u>\$ 1,499,490</u>	<u>100%</u>	<u>\$ 1,372,977</u>	<u>100%</u>	<u>\$ 126,513</u>	<u>9%</u>

The University's operating revenues increased in fiscal year 2022 by 9% or \$126 million. A three-year comparison of revenues for the years 2022, 2021, and 2020 is presented on page 11.

- The largest increase in revenue occurred in sales and services of auxiliary operations, which increased about \$105 million, or 45%. This increase was consistent across campuses, as a resumption of on-campus events returned auxiliary operations to pre-pandemic levels by allowing for the return of spectators at sporting events and increasing the number of students living in student housing.

**Expenses.** The following chart shows the University's operating expenses for 2022 and 2021 and comparative changes that occurred between those years. A three-year comparison of operating expenses for the years 2022, 2021, and 2020 is presented on page 11.

	2022		2021		2022-2021 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Compensation and benefits	\$ 1,461,496	63%	\$ 1,406,314	64%	\$ 55,182	4%
Supplies and services	595,789	25	535,280	25	60,509	11
Depreciation and amortization	162,402	7	152,754	7	9,648	6
Scholarships and fellowships	116,781	5	91,345	4	25,436	28
Total operating expenses	<u>\$ 2,336,468</u>	<u>100%</u>	<u>\$ 2,185,693</u>	<u>100%</u>	<u>\$ 150,775</u>	<u>7%</u>

Operating expenses increased by \$151 million for the 2022 fiscal year. Changes in the major expense classifications follow.

- Supplies and services increased by 11% in 2022, following a 4% decrease in 2021 and 1% decrease in 2020. Much of this was driven by an increase in auxiliary expenditures of about \$37 million system-wide, which is consistent with similar operating revenue increases from auxiliary operations. Also noteworthy is the 28% increase in scholarships and fellowships in 2022. This increase was primarily aided by the Higher Education Emergency Relief Fund (HEERF), as 50% of funding received was earmarked for spending on students.

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2022 and 2021 (UNAUDITED) (Columnar Amounts in Thousands)

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**Non-Operating Revenues (Expenses).** Net non-operating revenues decreased \$273 million during 2022 compared to 2021. A decrease in the fair value of investments of about \$266 million contributed to the decrease, as investment markets encountered a difficult year in 2022. Also contributing to the decrease in non-operating revenues was a \$76 million reduction in revenue from equity in a joint venture as compared to the prior year.

**Other Revenues, Expenses, Gains, or Losses.** Net other revenues, expenses, gains, or losses increased by \$30 million. A \$28 million increase in capital gifts was the primary driver, as a result of construction beginning for Kiewit Hall and the North Stadium Expansion at UNL.

### Capital Assets

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

- At UNL, \$9.5 million of outdoor track land improvements were capitalized, with further work to the building and field seating yet to be completed. This project will improve the ability of the University to host championship events, and includes visiting team dressing rooms, meeting rooms, and extra practice space. In addition, a \$3.2 million renovation was completed on the fourth floor of Hamilton Hall, providing lab expansions and upgrades for Chemistry students.
- At UNO, the H&K Building and Wellness Center added \$1.5 million of new pool bulkheads, greatly enhancing the maneuverability of the aquatic area, and providing a variety of options for both competitive and recreational use.
- At UNMC, the College of Dentistry renovated space to accommodate programmatic needs for clinic, education and administrative capabilities. This \$2.3 million project includes updates to the facility to support accessibility for patients with compromised mobility and complex medical conditions. In addition to expanding from 7 to 15 operatories, the project also added sterilization, lab waiting, and support spaces.
- At UNK, a \$1 million renovation was made to the West Center, providing a new main entrance, fireplace lounge, seating and study areas, as well as a student-run coffee shop.

More information on capital asset activity is disclosed in the Notes to the Financial Statements included in this report on page 40.

### Debt Activity

**Bond Financings.** The University had no new bond financings in 2022.

UNFC met all debt service requirements during 2022. The State of Nebraska Legislature has reaffirmed and appropriated funds for their portion of the debt service pertaining to the Deferred Maintenance Projects, UNL 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 41 in the Notes to Financial Statements included in this report.



# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2022 and 2021 (UNAUDITED) (Columnar Amounts in Thousands)

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### Economic Outlook and Subsequent Events That Will Affect the Future

#### Nebraska Economy

According to a December 2022 report, the Nebraska economy is expected to contract during 2023 before returning to growth in 2024 and 2025, according to the new forecast from the University of Nebraska – Lincoln's Bureau of Business Research and the Nebraska Business Forecast Council.

"With the Federal Reserve Bank raising interest rates, the Nebraska economy is expected to fall into recession in 2023, although it is possible that the slowing state economy might narrowly avoid a decline," said Eric Thompson, director of the Bureau of Business Research and K.H. Nelson Professor and chair of economics at Nebraska.

Employment is expected to decline by 0.2% in Nebraska in 2023, compared with totals for 2022. Employment will rebound beginning in 2024. Nebraska employment is forecast to grow by 0.6% in 2024 and 0.9% in 2025.

The outlook is positive for Nebraska agriculture. Nebraska farm income is expected to remain at \$8 billion during 2023, near a record level.

#### University of Nebraska FY 2022-23 Operating Budget

At a time when families are paying more for gas, groceries and living expenses, the University of Nebraska System again froze tuition prices for all students under President Ted Carter's 2022-23 operating budget.

The budget completes a three-year, system-wide plan to manage the fiscal challenges created by COVID-19 while positioning the university for long-term success.

Carter said the budget is a strong statement of the University of Nebraska's priorities – starting with affordable access for students and families who are facing the highest rates of inflation in 40 years.

"As any Nebraska family or business knows, every dollar matters. Families are facing hard decisions these days, and we want them to know that we are doing everything possible to make sure a University of Nebraska education remains in reach for every student," Carter said.

"That's why we made a commitment across the entire university system to make the spending cuts necessary to freeze tuition across the board for two straight years. Access to higher education matters now more than ever. If we're going to produce the workforce Nebraska needs and grow our economy for the future, we need to make certain no student is denied the opportunity to pursue a college degree."

NU's proposed budget limits year-over-year growth to 1.3 percent – well below current rates of inflation. And when adjusted for inflation, the university system's budget has been brought down to the level it was a decade ago, thanks in part to \$48 million in cuts from 2020 to 2023. That includes a 20 percent cut in administrative costs Carter has implemented in the NU System's Office of the President.

With the budget, the university will complete a three-year plan announced by Carter in 2020 shortly after the pandemic hit. The plan called for back-to-back tuition freezes, significant spending reductions across the system, and targeted investments in strategic priorities like financial aid, faculty competitiveness and building maintenance that would advance the university's momentum even through a challenging period.

# THE UNIVERSITY OF NEBRASKA

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2022 and 2021 (UNAUDITED) (Columnar Amounts in Thousands)

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“With this budget, we’re doing what we said we would do,” Carter said. “The chancellors and I knew we couldn’t take the approach of simply ‘waiting out’ the pandemic. The needs of our students, our state and our workforce are too important to hunker down.

“So we built a plan to put us in a position of strength. We have had to make hard decisions and we have been conservative in our planning, but I’m truly proud to say we have maintained our upward trajectory. Thanks to hard work and discipline, today the University of Nebraska is well-positioned to help produce the workforce, research and services Nebraska needs to thrive.”

Key elements of the proposed 2022-23 budget include:

- The second straight across-the-board tuition freeze as part of a broad effort to provide predictability during a challenging time. With the freeze, all University of Nebraska campuses will continue to be among the best values in their peer groups. Carter thanked Gov. Pete Ricketts and the Legislature for providing a level of state support for the university that allowed for the tuition freeze.
- An expanded investment in the Nebraska Promise, under which qualifying Nebraska students with family incomes of \$65,000 or less can attend the university tuition-free. More than 7,000 students currently qualify for the Nebraska Promise.
- Modest fee increases in order to invest more resources in mental health services across the campuses, a key priority for Carter and the chancellors.
- Funding for faculty and staff salary increases, including additional investments to close the gap between UNL and UNMC faculty and their peers, a key pillar of Carter’s system-wide strategic plan.
- More than \$48 million in cuts since 2020, in order to ensure limited resources are directed to priorities. Carter said the university will look for additional efficiencies as fiscal uncertainties continue locally and nationally.

### 2023-25 Biennial Budget Request

In November, the Board of Regents approved a proposal where the university will seek 3 percent increases in state funding for 2023-24 and 2024-25 to help cover core operations. Also included are previously approved funds for the Nebraska Career Scholarships and the UNK-UNMC Rural Health Complex.

NU System President Ted Carter noted that the university’s proposed request is well below current rates of inflation, and below what the university would need to cover basic operations. With a 3 percent annual increase in state funds, the NU System would face an estimated \$12.5 million budget gap each year that would need to be closed with some combination of enrollment growth, budget cuts or tuition increases.

# THE UNIVERSITY OF NEBRASKA

## STATEMENTS OF NET POSITION

JUNE 30, 2022 AND 2021

(Thousands)

(See Independent Auditors' Report on Pages 1, 2, and 3)

	2022	2021
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 863,581	\$ 791,855
Cash and cash equivalents - restricted	281,422	278,863
Cash and cash equivalents held by trustee- unrestricted	84,774	76,439
Cash and cash equivalents held by trustee - restricted	105,764	81,430
Investments - restricted	134,810	146,684
Investments held by trustee – unrestricted	114,084	86,401
Accounts receivable and unbilled charges, net	272,667	240,797
Loans to students, net	3,271	4,058
Leases receivable, net	10,420	2,945
Other current assets	25,642	23,262
Total current assets	<u>1,896,435</u>	<u>1,732,734</u>
<b>NON-CURRENT ASSETS:</b>		
Cash and cash equivalents	14,927	2,063
Cash and cash equivalents - restricted	92	15
Cash and cash equivalents held by trustee - restricted	445,544	532,248
Investments - restricted	404,087	507,639
Investments held by trustee - restricted	-	5,320
Accounts receivable and unbilled charges, net of current portion	20,392	24,143
Investment in joint venture	613,461	602,157
Loans to students, net of current portion	15,411	18,015
Leases receivable, net of current portion	26,772	33,977
Capital assets, net of accumulated depreciation	3,019,330	2,946,608
Right-to-use leased assets, net of accumulated amortization	91,547	92,122
Other non-current assets	1,698	3,316
Total non-current assets	<u>4,653,261</u>	<u>4,767,623</u>
Total assets	<u>6,549,696</u>	<u>6,500,357</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Deferred loss on bond refunding	<u>30,129</u>	<u>32,010</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	171,292	138,062
Accrued salaries and wages	47,817	57,514
Accrued compensated absences	59,622	53,809
Note Payable	1	1
Bond obligations payable	68,074	46,005
Lease obligations payable	4,834	4,635
Unearned revenues and other credits	110,013	111,329
Refundable government grants	3,007	3,954
Health and other insurance claims	16,760	15,659
Total current liabilities	<u>481,420</u>	<u>430,968</u>
<b>NON-CURRENT LIABILITIES:</b>		
Accounts payable, net of current portion	1,123	21,267
Accrued salaries and wages, net of current portion	3	3
Accrued compensated absences, net of current portion	32,514	36,117
Note Payable, net of current portion	2	3
Bond obligations payable, net of current portion	1,219,892	1,292,913
Lease obligations payable, net of current portion	91,138	89,589
Unearned revenues and other credits, net of current portion	1,023	756
Refundable government grants, net of current portion	6,922	9,980
Total non-current liabilities	<u>1,352,617</u>	<u>1,450,628</u>
Total liabilities	<u>1,834,037</u>	<u>1,881,596</u>

(Continued)

# THE UNIVERSITY OF NEBRASKA

## STATEMENTS OF NET POSITION (Continued)

JUNE 30, 2022 AND 2021

(Thousands)

(See Independent Auditors' Report on Pages 1, 2, and 3)

	2022	2021
DEFERRED INFLOWS OF RESOURCES:		
Deferred service concession arrangement receipts	10,471	14,985
Deferred gain on bond refunding	15	21
Deferred lease arrangement receipts	<u>41,781</u>	<u>39,662</u>
Total deferred inflows of resources	<u>52,267</u>	<u>54,668</u>
NET POSITION:		
Net investment in capital assets	2,157,052	2,124,926
Restricted for:		
Nonexpendable:		
Permanent endowment	209,178	280,281
Loan Funds	15,664	16,692
Expendable:		
Externally restricted funds for scholarships, student aid, and research	404,571	386,743
Plant construction	116,507	92,552
Debt service	54,615	56,146
Unrestricted	<u>1,735,934</u>	<u>1,638,763</u>
Total net position	<u>\$ 4,693,521</u>	<u>\$ 4,596,103</u>

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

## UNIVERSITY OF NEBRASKA FOUNDATION

(A Component Unit of the University of Nebraska)

### CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

(Thousands)

(See Independent Auditors' Reports on Pages 1, 2, 3, 4, and 5)

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 25,118	\$ 16,319
Temporary investments	617,949	666,407
Pledges receivable	269,137	237,383
Other receivables	6,389	7,250
Investments	2,105,404	2,336,557
Property and equipment, net of depreciation	<u>3,945</u>	<u>4,136</u>
Total assets	<u>\$ 3,027,942</u>	<u>\$ 3,268,052</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 6,479	\$ 6,648
University of Nebraska payable	15,241	10,452
Deferred annuities payable	17,199	16,647
Deposits held in custody for others	<u>359,651</u>	<u>424,743</u>
Total liabilities	<u>398,570</u>	<u>458,490</u>
<b>NET ASSETS:</b>		
Without donor restrictions	109,763	91,115
With donor restrictions	<u>2,519,609</u>	<u>2,718,447</u>
Total net assets	<u>2,629,372</u>	<u>2,809,562</u>
Total liabilities and net assets	<u>\$ 3,027,942</u>	<u>\$ 3,268,052</u>

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

(Thousands)

(See Independent Auditors' Report on Pages 1, 2, and 3)

	2022	2021
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$199,344 and \$193,911 in 2022 and 2021, respectively)	\$ 422,275	\$ 445,618
Federal grants and contracts - restricted	358,766	336,611
Private grants and contracts - restricted	215,274	209,813
State and local grants and contracts - restricted	43,341	40,510
Sales and services of educational activities	68,298	64,568
Sales and services of health care entities	21,787	16,191
Sales and services of auxiliary operations (net of scholarship allowances of \$16,615 and \$13,309 in 2022 and 2021, respectively)	340,973	235,248
Other operating revenues	28,776	24,418
Total operating revenues	1,499,490	1,372,977
OPERATING EXPENSES:		
Compensation and benefits	1,461,496	1,406,314
Supplies and services	595,789	535,280
Depreciation	154,951	145,819
Amortization of right-to-use leased assets	7,451	6,935
Scholarships and fellowships	116,781	91,345
Total operating expenses	2,336,468	2,185,693
OPERATING LOSS	(836,978)	(812,716)
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	633,915	616,545
Federal grants	149,251	107,184
Gifts	96,513	121,473
Investment income (net of investment management fees of \$6,204 and \$5,713 in 2022 and 2021, respectively)	76,358	32,132
Interest on bond obligations and capital debt	(43,593)	(34,894)
Equity in joint venture	19,589	95,212
Other non-operating revenues (expenses)	(156,375)	110,742
Net non-operating revenues	775,658	1,048,394
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(61,320)	235,678
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	18,837	16,696
Capital grants and gifts	139,257	111,538
Additions to permanent endowments	644	209
Net other revenues, expenses, gains, or losses	158,738	128,443
INCREASE IN NET POSITION	97,418	364,121
NET POSITION:		
Net position, beginning of year	4,596,103	4,231,982
Net position, end of year	\$ 4,693,521	\$ 4,596,103

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

**UNIVERSITY OF NEBRASKA FOUNDATION**  
**(A Component Unit of the University of Nebraska)**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**  
**(Thousands)**

**(See Independent Auditors' Reports on Pages 1, 2, 3, 4, and 5)**

	<b>2022</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>REVENUE AND GAINS:</b>			
Gifts, bequests, and life insurance proceeds	\$ 2,370	\$ 315,564	\$ 317,934
Investment income (loss), net of expenses	40,783	2,071	42,854
Change in value of split-interest agreements	-	3,317	3,317
Realized and unrealized gains (loss), net	17,940	(311,658)	(293,718)
Total revenue and gains	61,093	9,294	70,387
<b>EXPENSES</b>			
Payments to benefit the University:			
Academic support	49,196	-	49,196
Student assistance	32,578	-	32,578
Faculty assistance	8,411	-	8,411
Research	7,836	-	7,836
Museum, library, and fine arts	3,686	-	3,686
Campus and building improvements	114,097	-	114,097
Alumni associations	598	-	598
Total payments to benefit the University	216,402	-	216,402
Operating expenses:			
Salaries and benefits	22,177	-	22,177
Office expense	1,246	-	1,246
Office rent and utilities	1,859	-	1,859
Professional services	1,849	-	1,849
Dues and subscriptions	766	-	766
Travel and conferences	775	-	775
Cultivation expense	1,767	-	1,767
Miscellaneous expense	426	-	426
Contributions to other charities	194	-	194
Paid to beneficiaries	2,614	-	2,614
Depreciation	502	-	502
Total operating expenses	34,175	-	34,175
Total expenses	250,577	-	250,577
Other changes in net assets:			
Net assets released from restrictions	208,132	(208,132)	-
Total other changes in net assets	208,132	(208,132)	-
Increase (decrease) in net assets	18,648	(198,838)	(180,190)
NET ASSETS at beginning of year	91,115	2,718,447	2,809,562
NET ASSETS at end of year	\$ 109,763	\$ 2,519,609	\$ 2,629,372

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

**UNIVERSITY OF NEBRASKA FOUNDATION**  
**(A Component Unit of the University of Nebraska)**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**  
**(Thousands)**

**(See Independent Auditors' Reports on Pages 1, 2, 3, 4, and 5)**

	<b>2021</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>REVENUE AND GAINS:</b>			
Gifts, bequests, and life insurance proceeds	\$ 2,580	\$ 258,407	\$ 260,987
Investment income (loss), net of expenses	37,746	(11,779)	25,967
Change in value of split-interest agreements	-	(1,335)	(1,335)
Realized and unrealized gains (loss), net	52,727	519,439	572,166
Total revenue and gains	93,053	764,732	857,785
<b>EXPENSES</b>			
Payments to benefit the University:			
Academic support	80,904	-	80,904
Student assistance	31,112	-	31,112
Faculty assistance	7,882	-	7,882
Research	8,149	-	8,149
Museum, library, and fine arts	2,337	-	2,337
Campus and building improvements	105,658	-	105,658
Alumni associations	570	-	570
Total payments to benefit the University	236,612	-	236,612
Operating expenses:			
Salaries and benefits	22,052	-	22,052
Office expense	1,137	-	1,137
Office rent and utilities	1,813	-	1,813
Professional services	1,223	-	1,223
Dues and subscriptions	759	-	759
Travel and conferences	102	-	102
Cultivation expense	1,202	-	1,202
Miscellaneous expense	318	-	318
Contributions to other charities	116	-	116
Paid to beneficiaries	2,363	-	2,363
Depreciation	559	-	559
Total operating expenses	31,644	-	31,644
Total expenses	268,256	-	268,256
Other changes in net assets:			
Net assets released from restrictions	213,173	(213,173)	-
Total other changes in net assets	213,173	(213,173)	-
Increase (decrease) in net assets	37,970	551,559	589,529
NET ASSETS at beginning of year	53,145	2,166,888	2,220,033
NET ASSETS at end of year	\$ 91,115	\$ 2,718,447	\$ 2,809,562

See notes to financial statements.



# THE UNIVERSITY OF NEBRASKA

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

(Thousands)

(See Independent Auditors' Report on Pages 1, 2, and 3)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 613,962	\$ 560,982
Tuition and fees	416,920	445,820
Sales and services of health care entities	17,275	15,457
Sales and services of auxiliary operations	344,656	237,992
Sales and services of educational activities	68,796	67,640
Student loans collected	1,739	1,745
Other receipts	36,920	7,038
Payments to employees	(1,484,424)	(1,381,968)
Payments to vendors	(581,745)	(529,101)
Scholarships paid to students	(116,781)	(91,342)
Student loans issued	(1,345)	(2,042)
Other Payments	(233)	-
Net cash flows from operating activities	(684,260)	(667,779)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	633,915	616,546
Gifts	107,234	126,765
Federal grants	150,616	106,264
Principal paid on note receivable	-	(8,357)
Other receipts	353	822
Remittance of refundable grant and Perkins Loan collections from students, net	(928)	128
Direct lending receipts	206,322	216,077
Direct lending payments	(206,322)	(216,077)
Net cash flows from non-capital financing activities	891,190	842,168
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	2,081	358,816
Gifts	102,411	110,067
State of Nebraska capital appropriations	18,797	16,846
Premium on issuance of bonds	-	46,187
Proceeds from the sale of capital assets	350	-
Purchases of capital assets	(230,614)	(185,895)
Principal paid on bond obligations	(48,062)	(75,518)
Interest paid on bond obligations	(44,985)	(38,806)
Other receipts	1,079	768
Net cash flows from capital and related financing activities	(198,943)	232,465
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	91,318	126,390
Interest on investments	75,462	31,862
Distributions received from joint venture	8,287	8,337
Purchases of investments	(149,863)	(227,057)
Net cash flows from investing activities	25,204	(60,468)
NET INCREASE IN CASH AND CASH EQUIVALENTS	33,191	346,386
CASH AND CASH EQUIVALENTS, beginning of year	1,762,913	1,416,527
CASH AND CASH EQUIVALENTS, end of year	\$ 1,796,104	\$ 1,762,913

See notes to financial statements.

(Continued)

# THE UNIVERSITY OF NEBRASKA

**STATEMENTS OF CASH FLOWS (Continued)**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**  
**(Thousands)**  
**(See Independent Auditors' Report on Pages 1, 2, and 3)**

	2022	2021
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET POSITION:		
Cash and cash equivalents (current)	\$ 863,581	\$ 791,855
Cash and cash equivalents - restricted (current)	281,422	278,863
Cash and cash equivalents held by trustee - unrestricted (current)	84,774	76,439
Cash and cash equivalents held by trustee - restricted (current)	105,764	81,430
Cash and cash equivalents (non-current)	14,927	2,063
Cash and cash equivalents - restricted (non-current)	92	15
Cash and cash equivalents held by trustee - restricted (non-current)	445,544	532,248
	<u>\$ 1,796,104</u>	<u>\$ 1,762,913</u>
Cash and cash equivalents, end of year		
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (836,978)	\$ (812,716)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	154,951	145,819
Amortization expense	7,451	6,935
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(7,368)	(25,961)
Loans to students	311	(695)
Other current assets	(361)	(4,524)
Accounts payable	22,250	(8,491)
Accrued salaries and wages	(24,207)	29,505
Unearned revenues and credits	(1,410)	396
Health and other insurance claims	1,101	1,953
	<u>\$ (684,260)</u>	<u>\$ (667,779)</u>
Net cash flows used in operating activities		
NON-CASH TRANSACTIONS:		
Capital gifts and grants	\$ 57	\$ 342
Increase (decrease) in fair value of investments	(153,000)	113,311
Acquisition of right-of-use assets through lease obligations	6,697	3,294
Equity in earnings	413	257
Capital expenditures in accounts payable	65,489	55,408
Gain on dissolution of subsidiary company	-	19
Unrelated business income	-	(139)
Increase in lease receivables through deferred lease arrangements	3,240	473

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

**UNIVERSITY OF NEBRASKA FOUNDATION**  
**(A Component Unit of the University of Nebraska)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**  
**(Thousands)**  
**(See Independent Auditors' Report on Pages 1, 2, 3, 4, and 5)**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (180,190)	\$ 589,529
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Depreciation	502	559
Realized and unrealized (gains) losses on investments, net	293,718	(572,166)
Contribution to endowment funds	(65,940)	(52,318)
Real and personal property contributions received	(290)	(378)
(Increase) Decrease in:		
Pledges receivable	(21,786)	(42,659)
Other receivables	1,035	(1,433)
(Decrease) Increase in:		
Accounts payable and accrued liabilities	(169)	948
University of Nebraska payable	4,789	(19,338)
Deferred annuities payable	552	1,580
Net cash provided by (used in) operating activities	32,221	(95,676)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of temporary investments	(730,533)	(1,365,070)
Proceeds from sale and maturity of temporary investments	718,410	1,334,716
Net increase (decrease) in student loans	(174)	(467)
Purchase of investments	(397,702)	(538,915)
Proceeds from sale and maturity of investments	330,916	557,363
Proceeds from the disposal of property and equipment	-	25
Purchase of property and equipment	(311)	(331)
Net cash used in investing activities	(79,394)	(12,679)
CASH FLOWS FROM FINANCING ACTIVITY:		
Contribution to endowment funds	55,972	59,154
Net cash provided by financing activities	55,972	59,154
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,799	(49,201)
CASH AND CASH EQUIVALENTS, beginning of year	16,319	65,520
CASH AND CASH EQUIVALENTS, end of year	\$ 25,118	\$ 16,319

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2022**  
**(Thousands)**  
**(See Independent Auditors' Report on Pages 1, 2, and 3)**

	Private-Purpose Trust Funds	Custodial Funds
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 4,350	\$ 2,971
Investments	8,209	1,822
Accounts receivable and unbilled charges, net	1,008	1,026
Other current assets	-	39
Total current assets	<u>13,567</u>	<u>5,858</u>
<b>NON-CURRENT ASSETS:</b>		
Accounts receivable and unbilled charges, net of current portion	-	369
Total non-current assets	<u>-</u>	<u>369</u>
Total assets	<u>13,567</u>	<u>6,227</u>
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	485	684
Accrued compensated absences	-	14
Health and other insurance claims	<u>2,680</u>	<u>-</u>
Total Current Liabilities	<u>3,165</u>	<u>698</u>
<b>NON-CURRENT LIABILITIES:</b>		
Accrued compensated absences	-	46
Total Non-Current Liabilities	<u>-</u>	<u>46</u>
Total Liabilities	<u>3,165</u>	<u>744</u>
<b>NET POSITION:</b>		
Restricted for Individuals, Organizations, and Other Governments	<u>10,403</u>	<u>5,482</u>
Total Net Position	<u>\$ 10,403</u>	<u>\$ 5,482</u>

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**(Thousands)**  
**(See Independent Auditors' Report on Pages 1, 2, and 3)**

	Private-Purpose Trust Funds	Custodial Funds
ADDITIONS:		
Investment income	\$ 253	\$ 4
Employer sponsored cafeteria plan contributions	50,057	-
Scholarship receipts	-	13,177
Collected on behalf of student activities	-	2,274
Other additions	3,092	1,706
Total additions	53,402	17,161
DEDUCTIONS:		
Compensation and benefits	-	818
Employer sponsored cafeteria plan deductions	54,003	-
Scholarship expense	-	13,055
Remitted on behalf of student activities	-	2,176
Other deductions	2,025	1,110
Total deductions	56,028	17,159
INCREASE IN NET POSITION	(2,626)	2
NET POSITION:		
Net position, beginning of year	13,029	5,480
Net position, end of year	\$ 10,403	\$ 5,482

See notes to financial statements.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization** – The University of Nebraska (University) is a land-grant University founded in 1869 and governed by an elected eight-member University of Nebraska Board of Regents (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 (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** – In determining its financial reporting entity, the University has considered all potential component units for which it is financially accountable and other organizations which are fiscally dependent on the University or the significance of their relationship with the University is such that exclusion would be misleading. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the University to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the University.

As required by GAAP, these financial statements present the University and its component units. The component units are included in the University's reporting entity because of the significance of their operational or financial relationships with the University. The following component units and 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 UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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- 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 advances academic technology transfer globally through fostering strategic collaborations with industry through licensing, research, and new venture agreements.
- 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 advances 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 nine 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 Office of the President, Varner Hall, 3835 Holdrege, Lincoln, Nebraska 68583-0742.

The University of Nebraska Foundation's (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).

The Nebraska Statewide Workforce & Educational Reporting System (NSWERS) is a fiduciary component unit of the University and is included in the fiduciary fund financial statements as a custodial fund. NSWERS is a public body corporate and politic of the State of Nebraska pursuant to the Interlocal Cooperation Act (Neb. Rev. Stat. §§ 13-801 to 13-827). NSWERS exists to provide optimized and secured access to accurate and reliable longitudinal student information to analysts and researchers to discover those policies, processes, and practices across students' academic involvement and transition into the workforce that best improve student outcomes.

**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.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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The University reports the following fund types on its fiduciary financial statements:

**Private-Purpose Trust Funds** – These funds account for the University’s group health self-insurance program as well as the flexible spending account program available to employees. Employee contributions to each of these programs are reported as fiduciary activities, while employer contributions to the group health program are reported as a business-type activity.

**Custodial Funds** – These funds account for assets held by the University for outside scholarships, student organizations, NSWERS, and other entities associated with the University.

**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 Annual Comprehensive 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.

Cash and cash equivalents held by trustee – unrestricted is cash held by the bond trustee, is not restricted by any bond covenants, and is utilized by the ILP.

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 unrestricted, 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 OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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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.

***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.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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***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, 2022 and 2021, Federal grants and contracts includes Pell grant awards amounting to \$50,992 and \$50,830, 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 \$206,272 and \$216,085 at June 30, 2022 and 2021, 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.

***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 2021 financial statements have been restated to present certain components of net position in accordance with generally accepted accounting principles. A total of \$31,856 in net position previously classified as net investment in capital assets was reclassified to other net position categories (\$1,243 to externally restricted funds, \$26,965 to plant construction, and \$3,648 to unrestricted). Certain other 2021 amounts have been reclassified to conform to current year presentation. These reclassifications had no effect on change in net position.

***Implementation of New Accounting Principles*** – In 2022, the University adopted GASB Statement No. 87, Leases, ("GASB 87"). This statement supersedes GASB Statement No. 62 and establishes new requirements for calculating and reporting the University's lease activities. The adoption date of GASB 87 is reflected as of July 1, 2020. For further information regarding the impact of implementation of GASB 87, please see footnotes I and O.

In 2021, the University adopted GASB Statement No. 84, *Fiduciary Activities*. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The University began reporting certain fiduciary activities in its financial statements as a result of the adoption of GASB 84. For further information regarding the impact of implementation of GASB 84, please see footnote O.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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### 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 \$1,146 (book balance of approximately \$700) at June 30, 2022, with approximately \$1,146 covered by Federal depository insurance. Bank balances of cash and cash equivalents amounted to approximately \$1,321 (book balance of approximately \$902) at June 30, 2021, with approximately \$1,232 covered by Federal depository insurance. The remaining bank balances at June 30, 2021, 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.
- Level 3 inputs are unobservable and significant to the fair value measurement of the asset or liability.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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, 2022			
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Government Agencies	\$ 11,657	\$ -	\$ 11,657	\$ -
U.S. Government Treasuries	27,571	-	27,571	-
Certificate of Deposit	130	130	-	-
Municipal Bonds	3,336	-	3,336	-
Corporate Bonds	62,389	-	62,389	-
Mutual Funds-Fixed Income	54,916	54,916	-	-
Common Stock	13,972	13,972	-	-
Domestic Equity	229,029	229,029	-	-
International Equity	112,607	112,607	-	-
Mutual Funds	91,877	89,677	-	2,200
Index Funds-Public Equity	6,788	6,788	-	-
Real Estate held for investment purposes	932	-	-	932
Real Estate Mutual Funds	9,173	9,173	-	-
Money Market Funds	28,604	28,604	-	-
Total	<u>\$ 652,981</u>	<u>\$ 544,896</u>	<u>\$ 104,953</u>	<u>\$ 3,132</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

	Assets at fair value as of June 30, 2021			
	Total	Level 1	Level 2	Level 3
Investments:				
U.S. Government Agencies	\$ 22,299	\$ -	\$ 22,299	\$ -
U.S. Government Treasuries	42,707	-	42,707	-
Certificate of Deposit	130	130	-	-
Municipal Bonds	5,936	-	5,936	-
Corporate Bonds	69,407	-	69,407	-
Mutual Funds-Fixed Income	53,455	53,455	-	-
Common Stock	15,111	15,111	-	-
Domestic Equity	264,354	264,354	-	-
International Equity	147,862	147,862	-	-
Mutual Funds	72,157	70,079	-	2,078
Index Funds-Public Equity	8,122	8,122	-	-
Real Estate held for investment purposes	932	-	-	932
Real Estate Mutual Funds	9,296	9,296	-	-
Money Market Funds	34,276	34,276	-	-
Total	<u>\$ 746,044</u>	<u>\$ 602,685</u>	<u>\$ 140,349</u>	<u>\$ 3,010</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

Investment maturities as of June 30, 2022 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	\$ 11,657	\$ 895	\$ 1,261	\$ 833	\$ 8,668
U.S. Government Treasuries	27,571	2,569	13,845	9,829	1,328
Certificate of Deposit	130	130	-	-	-
Municipal Bonds	3,336	459	2,819	-	58
Corporate Bonds	<u>62,389</u>	<u>4,014</u> (1)	<u>31,995</u> (2)	<u>18,140</u> (3)	<u>8,240</u> (4)
	105,083	<u>\$ 8,067</u>	<u>\$ 49,920</u>	<u>\$ 28,802</u>	<u>\$ 18,294</u>
Other investments:					
Mutual Funds – Fixed Income	54,916				
Common Stock	13,972				
Domestic Equity	229,029				
International Equity	112,607				
Mutual Funds	91,877				
Index Funds – Public Equity	6,788				
Real Estate Mutual Funds	9,173				
Real Estate held for investment purposes	932				
Money Market Funds	<u>28,604</u>				
Total	\$ 652,981				

(1) This amount includes \$624 of bonds callable in less than 1 year.

(2) This amount includes \$233 of bonds callable in less than 2 years, \$1,973 of bonds callable in less than 3 years, \$1,946 of bonds callable in less than 4 years, \$4,070 of bonds callable in less than 5 years, and \$2,065 of bonds callable in less than 6 years.

(3) This amount includes \$300 of bonds callable in less than 3 years, \$865 of bonds callable in less than 4 years, \$1,235 of bonds callable in less than 6 years, and \$1,368 of bonds callable in less than 7 years, \$2,117 of bonds callable in less than 8 years, \$645 of bonds callable in less than 9 years, and \$845 of bonds callable in less than 10 years.

(4) This amount includes \$861 of bonds callable in 12-29 years.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

Investments maturities as of June 30, 2021 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	\$ 22,299	\$ 5,528	\$ 1,878	\$ 2,681	\$ 12,212
U.S. Government Treasuries	42,707	14,149	13,197	14,485	876
Certificate of Deposit	130	130	-	-	-
Municipal Bonds	5,936	2,223	3,641	-	72
Corporate Bonds	69,407	9,237 (1)	30,544 (2)	21,549 (3)	8,077 (4)
	140,479	<u>\$ 31,267</u>	<u>\$ 49,260</u>	<u>\$ 38,715</u>	<u>\$ 21,237</u>
Other investments:					
Mutual Funds – Fixed Income	53,455				
Common Stock	15,111				
Domestic Equity	264,354				
International Equity	147,862				
Mutual Funds	72,157				
Index Funds - Public Equity	8,122				
Real Estate Mutual Funds	9,296				
Real estate held for investment purposes	932				
Money Market Funds	34,276				
Total	\$ 746,044				

(1) This amount includes \$455 of bonds callable in less than 1 year.

(2) This amount includes \$375 of bonds callable in less than 1 year, \$1,082 of bonds callable in less than 2 years, \$340 of bonds callable in less than 3 years, \$2,493 of bonds callable in less than 4 years, \$1,749 of bonds callable in less than 5 years, and \$3,043 of bonds callable in less than 6 years.

(3) This amount includes \$2,073 of bonds callable in less than 6 years, \$2,533 of bonds callable in less than 7 years, \$1,528 of bonds callable in less than 8 years, and \$2,502 of bonds callable in less than 9 years and \$708 of bonds callable in less than 10 years.

(4) This amount includes \$852 of bonds callable in 12-29 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:

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

	2022						
	Quality Ratings						Unrated
	Fair Value	Aaa	Aa	A	Baa	Ba	
Investment type:							
U.S. Government Agencies	\$ 11,657	\$ 11,657	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Treasuries	27,571	27,571	-	-	-	-	-
Certificate of Deposit	130	-	-	-	-	-	130
Municipal Bonds	3,336	2,819	459	58	-	-	-
Corporate Bonds	62,389	5,643	4,556	36,577	10,476	-	5,137
Mutual Funds – Fixed Income	54,916	-	-	-	-	-	54,916
Common Stock	13,972	-	-	-	-	-	13,972
Domestic Equity	229,029	-	-	-	-	-	229,029
International Equity	112,607	-	-	-	-	-	112,607
Mutual Funds	91,877	-	-	-	-	-	91,877
Index Funds – Public Equity	6,788	-	-	-	-	-	6,788
Real Estate Mutual Funds	9,173	-	-	-	-	-	9,173
Real Estate held for investment purposes	932	-	-	-	-	-	932
Money Market Funds	28,604	-	-	-	-	-	28,604
	<u>\$ 652,981</u>	<u>\$ 47,690</u>	<u>\$ 5,015</u>	<u>\$ 36,635</u>	<u>\$ 10,476</u>	<u>\$ -</u>	<u>\$ 553,165</u>

	2021						
	Quality Ratings						Unrated
	Fair Value	Aaa	Aa	A	Baa	Ba	
Investment type:							
U.S. Government Agencies	\$ 22,299	\$ 22,299	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Treasuries	42,707	42,707	-	-	-	-	-
Certificate of Deposit	130	-	-	-	-	-	130
Municipal Bonds	5,936	1,050	1,773	1,869	-	-	1,244
Corporate Bonds	69,407	4,802	13,807	40,900	8,154	-	1,744
Mutual Funds – Fixed Income	53,455	-	-	-	-	-	53,455
Common Stock	15,111	-	-	-	-	-	15,111
Domestic Equity	264,354	-	-	-	-	-	264,354
International Equity	147,862	-	-	-	-	-	147,862
Mutual Funds	72,157	-	-	-	-	-	72,157
Index Funds – Public Equity	8,122	-	-	-	-	-	8,122
Real Estate Mutual Funds	9,296	-	-	-	-	-	9,296
Real Estate held for investment purposes	932	-	-	-	-	-	932
Money Market Funds	34,276	-	-	-	-	-	34,276
	<u>\$ 746,044</u>	<u>\$ 70,858</u>	<u>\$ 15,580</u>	<u>\$ 42,769</u>	<u>\$ 8,154</u>	<u>\$ -</u>	<u>\$ 608,683</u>



# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (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	
	2022	2021
U.S. Government Treasuries	-	6%

**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.

### 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 \$18,475 and \$17,815 at June 30, 2022 and 2021, respectively. In addition, the University established an allowance for doubtful collections of student loans of approximately \$1,563 and \$1,892 at June 30, 2022 and 2021, 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, 2022 and 2021 totaling \$19,176 and \$94,955, 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 2022 and 2021, respectively.

Separate financial statements of NM can be obtained from the Nebraska Medicine, 42<sup>nd</sup> 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, 2022 and 2021, the University received approximately \$83,014 and \$83,293, respectively, of support in connection with the agreement.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

### F. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2022 and 2021 is as follows:

	2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 109,063	\$ 5,366	\$ 16	\$ 114,413
Construction work in progress	142,561	181,786	48,763	275,584
Total capital assets not being depreciated	<u>251,624</u>	<u>187,152</u>	<u>48,779</u>	<u>389,997</u>
Capital assets, being depreciated:				
Land improvements	348,892	17,546	8,713	357,725
Leasehold improvements	44,510	-	-	44,510
Buildings	3,211,642	65,533	48,325	3,228,850
Equipment	590,790	35,664	30,556	595,898
Total capital assets, being depreciated	<u>4,195,834</u>	<u>118,743</u>	<u>87,594</u>	<u>4,226,983</u>
Less accumulated depreciation for:				
Land improvements	131,942	14,033	6,283	139,692
Leasehold improvements	19,073	1,732	-	20,805
Buildings	896,409	99,051	23,328	972,132
Equipment	453,426	40,135	28,540	465,021
Total accumulated depreciation other assets	<u>1,500,850</u>	<u>154,951</u>	<u>58,151</u>	<u>1,597,650</u>
Capital assets, net	<u>\$ 2,946,608</u>	<u>\$ 150,944</u>	<u>\$ 78,222</u>	<u>\$ 3,019,330</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

	2021			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 98,887	\$ 10,233	\$ 57	\$ 109,063
Construction work in progress	<u>231,647</u>	<u>96,810</u>	<u>185,896</u>	<u>142,561</u>
Total capital assets not being depreciated	<u>330,534</u>	<u>107,043</u>	<u>185,953</u>	<u>251,624</u>
Capital assets, being depreciated:				
Land improvements	335,821	14,047	976	348,892
Leasehold improvements	44,510	-	-	44,510
Buildings	3,037,193	251,207	76,758	3,211,642
Equipment	<u>570,783</u>	<u>35,134</u>	<u>15,127</u>	<u>590,790</u>
Total capital assets, being depreciated	<u>3,988,307</u>	<u>300,388</u>	<u>92,861</u>	<u>4,195,834</u>
Less accumulated depreciation for:				
Land improvements	118,946	13,778	782	131,942
Leasehold improvements	17,107	1,966	-	19,073
Buildings	850,720	90,101	44,412	896,409
Equipment	<u>423,529</u>	<u>39,974</u>	<u>10,077</u>	<u>453,426</u>
Total accumulated depreciation other assets	<u>1,410,302</u>	<u>145,819</u>	<u>55,271</u>	<u>1,500,850</u>
Capital assets, net	<u>\$ 2,908,539</u>	<u>\$ 261,612</u>	<u>\$ 223,543</u>	<u>\$ 2,946,608</u>

### G. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2022	<u>\$ 89,927</u>	<u>\$ 61,036</u>	<u>\$ 58,827</u>	<u>\$ 92,136</u>	<u>\$ 59,622</u>
2021	<u>\$ 86,854</u>	<u>\$ 57,123</u>	<u>\$ 54,051</u>	<u>\$ 89,926</u>	<u>\$ 53,809</u>

### H. BOND OBLIGATIONS PAYABLE

Bond obligations payable are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>2022</b>					
Revenue Bonds	\$ 1,239,055	\$ -	\$ 39,095	\$ 1,199,960	\$ 60,915
Revenue Bonds - Direct Placement	<u>17,680</u>	<u>-</u>	<u>5,015</u>	<u>12,665</u>	<u>365</u>
Total	<u>1,256,735</u>	<u>-</u>	<u>44,110</u>	<u>1,212,625</u>	<u>61,280</u>
<b>2021</b>					
Revenue Bonds	938,840	355,875	55,660	1,239,055	39,095
Revenue Bonds - Direct Placement	<u>30,880</u>	<u>-</u>	<u>13,200</u>	<u>17,680</u>	<u>180</u>
Total	<u>\$ 969,720</u>	<u>\$ 355,875</u>	<u>\$ 68,860</u>	<u>\$ 1,256,735</u>	<u>\$ 39,275</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

Bond obligations payable at June 30, 2022 and 2021 consist of the following:

Obligations of blended entities :	Coupon Rate	Annual Installment	Principal Amount Outstanding	
			2022	2021
University of Nebraska Facilities Corporation:				
Revenue Bonds:				
Series 2021A (Facilities Program Bonds )	2.50 - 5.00%	\$9,905 - 34,540	\$ 266,470	\$ 266,470
Series 2021B (Facilities Program Bonds )	3.00 - 5.00%	16,465 - 25,600	89,405	89,405
Series 2019A (System Facilities Bonds )	1.83 - 3.19%	950 - 50,160	525,880	525,880
Series 2019B (System Facilities Bonds)	4.00 - 5.00%	6,265 - 31,150	37,415	37,415
Series 2018 (Deferred Maintenance Bonds)	5.00%	7,870 - 11,630	86,775	94,275
Series 2017A (Deferred Maintenance Bonds)	4.00 - 5.00%	6,585 - 9,410	71,065	77,335
Series 2017B (UNO/Community Facility Refunding)	2.75 - 5.00%	1,015 - 2,075	31,920	32,520
Series 2017 (UNMC Global Experiential Learning Center)	2.00 - 5.00%	1,015 - 11,050	16,840	24,325
Series 2016 (UNL Health Center and College of Nursing)	3.00 - 5.00%	740 - 2,245	12,545	14,705
Series 2016 (UNMC Cancer Center)	2.63 - 5.00%	2,215 - 2,900	22,885	25,060
Series 2016 (UNMC Utility Improvement Project)	2.00 - 5.00%	1,415 - 1,590	5,960	7,305
Series 2014A (UNMC Cancer Center)	5.00%	4,410 - 15,490	19,900	28,315
Series 2014B (Qualified Energy Conservation Bonds)	3.25 - 4.25%	405 - 510	3,180	3,575
Series 2011 (NCTA Education Center/Student Housing Project)	4.40% - 5.50%	85 - 1,645	4,220	4,935
Revenue Bonds, Direct Placement:				
Series 2018 (UNMC Eye Institute Project)	2.40%	-	-	4,835
Series 2015 (UNO Arena and UNL College of Business)	2.00%	180 - 4,460	4,825	4,825
Series 2015 (UNMC Qualified Energy Conservation Bonds)	4.25%	185 - 200	1,340	1,520
Total University of Nebraska Facilities Corporation			1,200,625	1,242,700
Nebraska Utility Corporation (NUCorp):				
Revenue Bonds:				
Series 2010 revenue bonds	1.00 - 5.00%	2,035	-	2,035
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			12,000	14,035
Subtotal bonds payable			1,212,625	1,256,735
Add unamortized bond premium			75,362	82,209
Less unamortized bond discount			(21)	(26)
Total bond obligations payable			\$ 1,287,966	\$ 1,338,918

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

Annual maturities subject to mandatory redemption at June 30, 2022, are as follows:

UNFC						
Year	Revenue Bonds		Revenue Bonds (Direct Placement)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 60,915	\$ 40,867	\$ 365	\$ 153	\$ 61,280	\$ 41,020
2024	39,930	38,991	370	142	40,300	39,133
2025	32,025	36,991	4,650	131	36,675	37,122
2026	52,385	35,262	190	33	52,575	35,295
2027	40,755	33,478	195	25	40,950	33,503
2028-2032	184,200	145,335	395	25	184,595	145,360
2033-2037	88,195	122,395	-	-	88,195	122,395
2038-2042	104,355	107,199	-	-	104,355	107,199
2043-2047	123,115	89,697	-	-	123,115	89,697
2048-2052	148,350	66,836	-	-	148,350	66,836
2053-2057	131,725	46,079	-	-	131,725	46,079
2058-2062	153,970	22,620	-	-	153,970	22,620
2063	34,540	691	-	-	34,540	691
	<u>\$1,194,460</u>	<u>\$ 786,441</u>	<u>\$ 6,165</u>	<u>\$ 509</u>	<u>\$1,200,625</u>	<u>\$ 786,950</u>

  

NUCorp						
Year	Revenue Bonds		Revenue Bonds (Direct Placement)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ -	\$ 275	\$ -	\$ 221	\$ -	\$ 496
2024	-	275	-	221	-	496
2025	-	275	-	221	-	496
2026	-	275	-	221	-	496
2027	-	275	-	221	-	496
2028-2032	-	1,375	-	1,106	-	2,481
2033	5,500	275	6,500	221	12,000	496
	<u>\$ 5,500</u>	<u>\$ 3,025</u>	<u>\$ 6,500</u>	<u>\$ 2,432</u>	<u>\$ 12,000</u>	<u>\$ 5,457</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

Year	Total University					
	Revenue Bonds		Revenue Bonds (Direct Placement)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 60,915	\$ 41,142	\$ 365	\$ 374	\$ 61,280	\$ 41,516
2024	39,930	39,266	370	363	40,300	39,629
2025	32,025	37,266	4,650	352	36,675	37,618
2026	52,385	35,537	190	254	52,575	35,791
2027	40,755	33,753	195	246	40,950	33,999
2028-2032	184,200	146,710	395	1,131	184,595	147,841
2033-2037	93,695	122,670	6,500	221	100,195	122,891
2038-2042	104,355	107,199	-	-	104,355	107,199
2043-2047	123,115	89,697	-	-	123,115	89,697
2048-2052	148,350	66,836	-	-	148,350	66,836
2053-2057	131,725	46,079	-	-	131,725	46,079
2058-2062	153,970	22,620	-	-	153,970	22,620
2063	34,540	691	-	-	34,540	691
	<u>\$1,199,960</u>	<u>\$ 789,466</u>	<u>\$ 12,665</u>	<u>\$ 2,941</u>	<u>\$1,212,625</u>	<u>\$ 792,407</u>

At June 30, 2022 and 2021, the University and trustees for these bond funds held cash and investments in the amount of approximately \$746,701 and \$775,674, respectively, which is reflected as cash and cash equivalents held by trustee - unrestricted, cash and cash equivalents held by trustee - restricted, investments held by trustee - unrestricted, and investments held by trustee - restricted on the statements of net position.

### *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 Facilities Program Bonds, Series 2021A and Series 2021B* – On June 9, 2021, UNFC issued \$266,470 of Facilities Program Bonds, Series 2021A, and \$89,405 of Facilities Program Bonds, Series 2021B (Green Bonds). The proceeds of the bonds will be used to finance new projects for the University system. Principal and interest payments will come from moneys derived by UNFC under a financing agreement with the Board of Regents.

### *Events of Default and Acceleration Provisions – University Facilities Program Bonds, Series 2021A and 2021B (Green Bonds)*

The below-described events of default and acceleration provisions are contained in the legal documentation for the University Facilities Program Bonds, Series 2021A and Series 2021B (Green Bonds).

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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

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

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

The below-described events of default and acceleration provisions are contained in the legal documentation for the University System Facilities Bonds, Series 2019A and Series 2019B.

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

UNFC also has the right to accelerate the Board's obligations under the financing agreement upon an event of default by the Board of Regents. Events of default under the financing agreement include a payment default that is not remedied within 3 business days or a failure of the Board to perform any covenant or obligation thereunder that is not remedied within 30 days of notice. If the Board fails to make payment upon acceleration, UNFC may, and upon the written direction of the holders of at least a majority of bonds outstanding shall, take possession of the facilities constituting the projects and take such other action, including the lease thereof, as it shall deem advisable.

### *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

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

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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The third amended and restated financing agreement for the Facilities Bonds, Series 2018 also governs the Board's obligations under UNFC's Deferred Maintenance Refunding Bonds, Series 2016 and Facilities Bonds, Series 2017A. UNFC also has the right to accelerate the Board's obligations under the financing agreement upon an event of default by the Board of Regents. Events of default under the financing agreement include a payment default that is not remedied within 15 days and a failure of the Board to perform any covenant or obligation thereunder that is not remedied within 30 days of notice. UNFC may, and upon the written direction of the holders of at least 25% of bonds outstanding shall, take possession of the facilities constituting the projects and take such other action, including the lease thereof, as it shall deem advisable. For these purposes, UNFC has assigned its rights under the third amended and restated financing agreement to the bond trustee.

### *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

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

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.



# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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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 – NCTA Education Center/Student Housing Project, Series 2011*

Events of default under the bond indenture include default of payment of principal or interest, or a covenant default that continues for 30 days after written notice to UNFC or the bond trustee. Upon the occurrence of an event of default under the bond indenture, the bond trustee may, and upon the written direction of the holders of not less than 10% of bonds outstanding shall, declare all outstanding principal and accrued interest due and payable immediately. Bondholders are also entitled to equitable and legal remedies to enforce its rights under the bond resolution.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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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.

### *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.

#### *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, 2022 and 2021, the University, UNFC, and NUCorp are in compliance with these requirements.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

### I. LEASE OBLIGATIONS

#### Change in Accounting Policy

Effective for the fiscal year ended June 30, 2022, the University adopted GASB Statement No. 87, Leases, ("GASB 87"). This statement supersedes GASB Statement No. 62 and establishes new requirements for calculating and reporting the University's lease activities. The adoption date of GASB 87 is reflected as of July 1, 2020, resulting in an increase in right-to-use leased assets of \$98,832 and increase in lease obligations of \$46,818. These balances were calculated using the facts and circumstances that existed at July 1, 2020, as prescribed by GASB 87. There was no impact to beginning net position at July 1, 2020.

#### Lessee

The University leases office space and land from external parties, as well as office, medical, research, athletics, residential, custodial and telecommunications equipment. In accordance with GASB 87, the University records right-to-use assets and lease obligations based on the present value of expected payments over the term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the University of Nebraska's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. For leases featuring payments tied to an index or market rate, the valuation is based on the initial index or market rate. The University does not have any leases subject to a residual value guarantee. The right-to-use assets are amortized over the shorter of the lease term or the underlying asset useful life.

The amount of right-to-use leased assets by major classes of underlying assets at June 30, 2022 and 2021, respectively, are as follows:

#### Year ended June 30, 2022

Asset Class	Right-to-use leased assets	Right-to-use leased assets accumulated amortization	Right-to-use leased assets, net
Buildings	\$ 96,957	\$ (11,200)	\$ 85,757
Equipment	8,603	(2,864)	5,739
Land	19	(2)	17
Land Improvements	36	(2)	34
	<u>\$ 105,615</u>	<u>\$ (14,068)</u>	<u>\$ 91,547</u>

#### Year ended June 30, 2021

Asset Class	Right-to-use leased assets	Right-to-use leased assets accumulated amortization	Right-to-use leased assets, net
Buildings	\$ 91,199	\$ (5,410)	\$ 85,789
Equipment	7,857	(1,524)	6,333
Land	-	-	-
Land Improvements	-	-	-
	<u>\$ 99,056</u>	<u>\$ (6,934)</u>	<u>\$ 92,122</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

As of June 30, 2022, the scheduled fiscal year maturities of lease obligations and related interest expense are as follows:

Ending June 30,	Principal	Interest
2023	\$ 4,343	\$ 5,247
2024	4,989	5,156
2025	4,449	5,051
2026	4,036	4,962
2027	3,511	4,874
2028-2032	14,630	22,873
2033-2037	15,446	19,331
2038-2042	20,447	13,507
2043-2047	21,723	4,108
2048-2052	209	375
2053-2057	344	331
2058-2062	518	260
2063-2067	742	157
2068-2072	576	26
	<u>\$ 95,963</u>	<u>\$ 86,258</u>

During the years ended June 30, 2022 and 2021, the University paid \$65 and \$54, respectively, in variable lease payments not previously included in the measurement of the related lease liabilities.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2022 Lease obligations	<u>\$ 94,196</u>	<u>\$ 6,697</u>	<u>\$ 4,930</u>	<u>\$ 95,963</u>	<u>\$ 4,826</u>
2021 Lease obligations	<u>\$ 95,736</u>	<u>\$ 3,294</u>	<u>\$ 4,834</u>	<u>\$ 94,196</u>	<u>\$ 4,616</u>

### Lessor

The University leases office space and land to external parties. In accordance with GASB 87, the University records lease receivables and deferred inflows of resources based on the present value of remaining lease payments expected to be received during the lease term plus any payments received at or before the commencement of the lease term that relate to future periods. The expected receipts are discounted using the interest rate charged on the lease, if known, or the University of Nebraska's incremental borrowing rate. Variable receipts are excluded from the valuations unless they are fixed in substance. Future recognition of the deferred inflow of resources as revenue is performed in a systematic and rational manner over the term of the lease. During the years ended June 30, 2022 and 2021, the University recognized revenues related to these lease agreements totaling \$2,201 and \$2,195, respectively.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

### 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, 2020	\$ 149	\$ 6,285	\$ 7,211	\$ 13,645
Incurring claims	-	1,234	139,702	140,936
Payments on claims	(24)	(1,234)	(137,664)	(138,922)
Claim reserve, June 30, 2021	125	6,285	9,249	15,659
Incurring claims	-	4,407	145,711	150,118
Payments on claims	(125)	(2,510)	(146,382)	(149,017)
Claim reserve, June 30, 2022	\$ -	\$ 8,182	\$ 8,578	\$ 16,760

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. A bank administers the general liability trust 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. The 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 for medical malpractice claims.

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, 2022 and 2021, the trustees for the health and other insurance claims programs held cash and cash equivalents and investments totaling approximately \$70,617 and \$84,094, 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

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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 2022 and 2021 was approximately \$1,169,926 and \$1,124,234, respectively, of which approximately \$866,373 and \$832,807 was covered by the plan. The University's contribution during 2022 and 2021 was approximately \$67,707, or 7.81%, and \$65,110, or 7.82%, of covered payroll, respectively, and the faculty and staff's contribution was approximately \$45,538, or 5.26%, and \$43,811, or 5.26%, 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.

### L. COMMITMENTS AND CONTINGENCIES

The University has budgeted for the construction of facilities that are estimated to cost approximately \$825,988 and \$580,465 at June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the approximate remaining costs to complete these facilities were \$546,867 and \$412,078, respectively, which will be financed as follows:

	2022	2021
Bond funds	\$ 332,377	\$ 139,502
Federal Funds	1,429	-
University funds	16,795	21,147
State capital appropriations	136	277
Private gifts, grants, and contracts	<u>196,130</u>	<u>251,152</u>
	<u>\$ 546,867</u>	<u>\$ 412,078</u>

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 UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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.

### 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, 2022 and 2021, NM purchased approximately \$24,736 and \$25,998 of goods and services from UNMC. In addition, during 2022 and 2021, UNMC paid NM \$33,422 and \$29,134, respectively, for support services provided by NM.

### N. FUNCTIONAL CLASSIFICATIONS OF EXPENSES

For the year ended June 30, 2022:

	Compensation	Supplies and Services	Scholarships and Fellowships	Depreciation and Amortization	Total
Instruction	\$ 537,147	\$ 48,243	\$ 11,447	\$ -	\$ 596,837
Research	271,215	143,399	6,433	-	421,047
Public service	88,892	38,640	551	-	128,083
Academic support	143,544	56,066	540	-	200,150
Student services	31,328	8,073	791	-	40,192
Institutional support	115,799	40,094	157	-	156,050
Operation and maintenance of plant	43,136	72,071	-	-	115,207
Healthcare entities	72,981	22,954	324	-	96,259
Scholarships and fellowships	905	197	94,723	-	95,825
Auxiliary operations	156,549	166,052	1,815	-	324,416
Depreciation and amortization	-	-	-	162,402	162,402
Total expenses	<u>\$ 1,461,496</u>	<u>\$ 595,789</u>	<u>\$ 116,781</u>	<u>\$ 162,402</u>	<u>\$ 2,336,468</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

For the year ended June 30, 2021:

	Compensation	Supplies and Services	Scholarships and Fellowships	Depreciation and Amortization	Total
Instruction	\$ 524,182	\$ 39,185	\$ 11,606	\$ -	\$ 574,973
Research	262,737	127,893	4,844	-	395,474
Public service	83,871	34,525	297	-	118,693
Academic support	131,034	50,465	28,413	-	209,912
Student services	31,583	5,645	762	-	37,990
Institutional support	104,823	29,270	(28,086)	-	106,007
Operation and maintenance of plant	40,014	99,769	-	-	139,783
Healthcare entities	69,010	18,824	249	-	88,083
Scholarships and fellowships	903	697	69,376	-	70,976
Auxiliary operations	158,157	129,007	3,884	-	291,048
Depreciation and amortization	-	-	-	152,754	152,754
Total expenses	<u>\$ 1,406,314</u>	<u>\$ 535,280</u>	<u>\$ 91,345</u>	<u>\$ 152,754</u>	<u>\$ 2,185,693</u>

### O. Restatement

Effective for fiscal year ended June 30, 2022, the University adopted GASB Statement No.87, *Leases* ("GASB 87"). This statement supersedes GASB Statement No. 62 and establishes new requirements for calculating and reporting the University's lease activities. The University recognized lease assets and related lease obligations at the present value of expected future payments for lease agreements in which the University is the lessee. The University recognized lease receivables and related deferred inflows of resources at the present value of expected future receipts for lease agreements in which the University is the lessor. The impacts to the Statement of Revenues, Expenses, and Changes in Net Position include reclassifying certain lease payments from operating revenues and expenses to nonoperating revenues and expenses and recognizing annual amortization of lease assets and deferred inflows of resources over the term of the lease. The adoption of GASB 87 has been reflected as of July 1, 2020. The financial statements for the year ended June 30, 2021 have been restated to present the impact of GASB 87. The impact to net position for the year ended June 30, 2021 is summarized below.

#### GASB 87 Impact for the Year Ended June 30, 2021 (in thousands):

Net position at June 30, 2021, as previously reported	\$ 4,591,500
Adjustment for leases defined by GASB 87	4,816
Other restatements to FY21 net position made during FY22 preparation not related to GASB 87	(213)
Net position as June 30, 2021, as restated	<u>4,596,103</u>

The GASB Statement No. 84 Fiduciary Activities was implemented in fiscal year 2021. This standard establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Governments with activities meeting the criteria are required to present these activities in a statement of fiduciary net position and a statement of changes in fiduciary net position.



# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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As a result of implementing this statement in fiscal year 2021, the beginning net position was restated to retroactively report non-fiduciary net position as follows:

Net position at June 30, 2020, as previously reported	\$ 4,234,632
Adjustment for fiduciary funds as defined by GASB 84	(10,646)
Net position as June 30, 2020, as restated	<u>\$ 4,223,986</u>
 Net position at June 30, 2019, as previously reported	 \$ 4,115,255
Adjustment for fiduciary funds as defined by GASB 84	(13,101)
Net position at June 30, 2019, as restated	<u>\$ 4,102,154</u>
 Net position at June 30, 2018, as previously reported	 \$ 3,914,124
Adjustment for fiduciary funds as defined by GASB 84	(14,571)
Net position at June 30, 2018, as restated	<u>\$ 3,899,553</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

### 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, 2022

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
<b>Condensed Statement of Net Position</b>						
Assets and Deferred Outflows of Resources						
Assets:						
Current assets	\$ 19,753	\$ 330,773	\$ 6,235	\$ 1,193	\$ 15,281	\$ 9,123
Non-current assets						
Capital assets	6,912	-	-	42	-	71,221
Right-to-use leased assets	5,880					
Other non-current assets	1,456	793,481	946	-	155,573	14,900
Total assets	34,001	1,124,254	7,181	1,235	170,854	95,244
Deferred Outflows of Resources						
Deferred loss on bond refunding	-	30,129	-	-	-	-
Liabilities, Deferred Inflows of Resources, and Net Position						
Liabilities:						
Current liabilities	12,737	109,515	3,589	437	4,883	5,214
Non-current liabilities	5,715	1,207,892	804	-	1,123	12,000
Total liabilities	18,452	1,317,407	4,393	437	6,006	17,214
Deferred Inflows of Resources						
Deferred lease agreements	1,480	-	-	-	-	-
Deferred service concession arrangement receipts	-	15	-	-	-	-
Net Position:						
Net investment in capital assets	6,203	-	-	-	-	57,032
Restricted:						
Expendable	23	-	-	-	63,658	-
Debt service	-	48,827	-	-	-	5,788
Unrestricted	7,843	(211,866)	2,788	798	101,190	15,210
Total net position	\$ 14,069	\$ (163,039)	\$ 2,788	\$ 798	\$ 164,848	\$ 78,030

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>						
Operating revenues						
Grants and contracts	\$ 27,598	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and services of educational activities	7,143	-	-	-	-	-
DDIF revenue	-	-	-	-	8,000	-
Sales and services of health care entities	-	-	8,526	2,357	-	-
Other operating revenue	1,208	-	-	-	-	28,718
Operating expenses:						
Depreciation	75	-	-	7	-	3,283
Amortization	585					-
Other operating expenses	34,833	371	8,328	2,412	(12)	19,738
Operating income	456	(371)	198	(62)	8,012	5,697
Non-operating income (expense)	8,680	(25,372)	-	-	(20,030)	(222)
Increase (decrease) in net position	9,136	(25,743)	198	(62)	(12,018)	5,475
Net position - beginning of year	4,933	(137,296)	2,590	860	176,866	72,555
Net position - end of year	<u>\$ 14,069</u>	<u>\$ (163,039)</u>	<u>\$ 2,788</u>	<u>\$ 798</u>	<u>\$ 164,848</u>	<u>\$ 78,030</u>
<b>Condensed Statement of Cash Flows</b>						
Net cash flows from operating activities	\$ (1,915)	\$ -	\$ 87	\$ (179)	\$ 8,948	\$ 9,222
Net cash flows from noncapital financing activities	-	-	-	81	(5,197)	-
Net cash flows from capital and related financing activities	1,902	(19,698)	-	(27)	-	(10,013)
Net cash flows from investing activities	9	(31,638)	-	-	(3,239)	16,351
Net change in cash and cash equivalents	(4)	(51,336)	87	(125)	512	15,560
Cash and cash equivalents - beginning of year	11,311	683,953	3,088	973	4,336	5,845
Cash and cash equivalents - end of year	<u>\$ 11,307</u>	<u>\$ 632,617</u>	<u>\$ 3,175</u>	<u>\$ 848</u>	<u>\$ 4,848</u>	<u>\$ 21,405</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

For the year ended June 30, 2021

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
<b>Condensed Statement of Net Position</b>						
Assets and Deferred Outflows of Resources						
Assets:						
Current assets	\$ 18,556	\$ 267,722	\$ 4,437	\$ 1,327	\$ 18,283	\$ 8,073
Non-current assets						
Capital assets	117	-	-	16	-	66,003
Right-to-use leased assets	3,744					
Other non-current assets	-	917,321	870	-	163,402	16,622
Total assets	22,417	1,185,043	5,307	1,343	181,685	90,698
Deferred Outflows of Resources						
Deferred loss on bond refunding	-	31,886	-	-	-	124
Liabilities, Deferred Inflows of Resources, and Net Position						
Liabilities:						
Current liabilities	13,843	73,339	1,982	483	3,426	6,219
Non-current liabilities	3,641	1,280,865	735	-	1,392	12,048
Total liabilities	17,484	1,354,204	2,717	483	4,818	18,267
Deferred Inflows of Resources						
Deferred service concession arrangement receipts	-	21	-	-	-	-
Net Position:						
Net investment in capital assets	15	-	-	-	-	51,392
Restricted:						
Expendable	-	-	-	-	64,575	-
Debt service	-	49,782	-	-	-	6,439
Unrestricted	4,918	(187,078)	2,590	860	112,291	14,724
Total net position	\$ 4,933	\$ (137,296)	\$ 2,590	\$ 860	\$ 176,866	\$ 72,555

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

	UTDC	UNFC	UNeHealth	UDA	SRF	NUCorp
<b>Condensed Statement of Revenues, Expenses and Changes in Net Position</b>						
Operating revenues						
Grants and contracts	\$ 18,281	\$ -	\$ -	\$ -	\$ -	\$ -
Sales and services of educational activities	7,024	-	-	-	-	-
DDIF revenue	-	-	-	-	9,024	-
Sales and services of health care entities	-	-	7,028	2,839	-	-
Other operating revenue	1,187	-	-	-	-	27,308
Operating expenses:						
Depreciation	324	-	-	4	-	3,241
Amortization	486					
Other operating expenses	33,153	2,174	7,780	2,381	53	18,377
Operating income	(7,471)	(2,174)	(752)	454	8,971	5,690
Non-operating income (expense)	6,912	23,061	-	-	19,706	(300)
Increase (decrease) in net position	(559)	20,887	(752)	454	28,677	5,390
Net position - beginning of year	5,492	(158,183)	3,342	406	148,189	67,165
Net position - end of year	<u>\$ 4,933</u>	<u>\$ (137,296)</u>	<u>\$ 2,590</u>	<u>\$ 860</u>	<u>\$ 176,866</u>	<u>\$ 72,555</u>
<b>Condensed Statement of Cash Flows</b>						
Net cash flows from operating activities	\$ (2,793)	\$ -	\$ (1,629)	\$ 210	\$ 5,052	\$ 10,205
Net cash flows from noncapital financing activities	-	-	-	364	(13,998)	-
Net cash flows from capital and related financing activities	6,076	318,240	-	-	-	(8,677)
Net cash flows from investing activities	4	(85,843)	-	-	10,009	101
Net change in cash and cash equivalents	3,287	232,397	(1,629)	574	1,063	1,629
Cash and cash equivalents - beginning of year	8,024	451,556	4,717	399	3,273	4,216
Cash and cash equivalents - end of year	<u>\$ 11,311</u>	<u>\$ 683,953</u>	<u>\$ 3,088</u>	<u>\$ 973</u>	<u>\$ 4,336</u>	<u>\$ 5,845</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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### Q. SUBSEQUENT EVENTS

The University of Nebraska has evaluated subsequent events from the balance sheet date through December 16, 2022, 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, 2022 and 2021, the Foundation's net assets (including unrealized gains) totaled \$2,629,372 and \$2,809,562, respectively.

During the years ended June 30, 2022 and 2021, the Foundation contributed \$102 million and \$130 million, respectively, to the University for academic support, student assistance, faculty assistance, research, museums, and libraries. In addition, the Foundation provided capital gifts of \$114 million and \$106 million during 2022 and 2021, respectively, to the University. These contributions provided support for several projects, including the renovation of the UNO Durham Science Center and the construction of Kiewit Hall and the North Stadium Expansion at UNL.

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

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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### 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 University). 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 Annual Financial Report.

##### *(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 funds are received, the Foundation reports the funds 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.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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### *(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. Conditional promises to give and indications of intentions to give are recognized when they become unconditional. A promise to give is conditional based on whether the agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. A conditional promise to give becomes an unconditional promise to give when the barriers in the agreement are overcome. 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, and is recorded in gifts, bequests, and life insurance proceeds on the statement of activity. The discount rate utilized for 2022 and 2021 was 2% and 6%, respectively. 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.

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 years ended June 30, 2022 and 2021 the fee was \$1,415 and \$1,031, respectively, and is included as an increase in net assets without donor restriction within 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.



# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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### *(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 and promissory notes, 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 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.

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, 2022 and 2021, \$20,153 and \$19,471, 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, 2022 and 2021 is \$5,892 and \$5,402, respectively, of a management fee charged by the Foundation to agency funds, which 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 are included in investments and the 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 \$360 million and \$425 million at June 30, 2022 and 2021, 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.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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### *(h) Benefits Paid to University*

The Foundation recognizes an expense related to benefits to the University when the University submits a request that meets the requirements of each fund or donor agreement. A payable is recognized for any requests made that meet requirements of the fund agreement but are not yet paid as of period end.

### *(i) 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 6% for the years 2022 and 2021. 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, 2022 and 2021 are \$17,199 and \$16,647, 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.

### *(j) 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.

### *(k) 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 income tax examinations for years prior to 2017. During 2022 and 2021, management determined that there are no income tax positions requiring recognition in the consolidated financial statements.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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### *(1) New Accounting Pronouncements Not Yet Adopted*

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. 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 2023. 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.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

The tables below present the balances of assets and liabilities measured at June 30, 2022 and 2021 at estimated fair value on a recurring basis:

	2022			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Certificates of deposit, savings, and money market funds	\$ 5,758	\$ 5,758	\$ -	\$ -
U.S. government securities and sovereign debt	13,712	-	13,712	-
Corporate bonds	13,400	-	13,400	-
Common stock	206,849	160,816	-	46,033
Mutual funds – equity	427,876	427,876	-	-
Mutual funds – fixed income	11,030	11,030	-	-
Preferred stock	81	-	81	-
Commingled funds – public equity	273,025	-	273,025	-
Commingled funds – diversified real assets	128,570	128,570	-	-
Index funds – public equity	629,594	629,594	-	-
Investments measured at net asset value <sup>(1)</sup> :				
Hedge funds	1,722	-	-	-
Limited partnerships	371,174	-	-	-
Temporary investments:				
U.S. treasuries	50,445	-	50,445	-
Certificates of deposit and money funds	51,409	32,477	18,932	-
State government securities	27,743	-	27,743	-
Local government securities	42,782	-	42,782	-
Corporate bonds	254,822	-	254,822	-
Exchange traded funds – equity	190,748	190,748	-	-
Total	<u>\$ 2,700,740</u>	<u>\$ 1,586,869</u>	<u>\$ 694,942</u>	<u>\$ 46,033</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

	2021			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Certificates of deposit, savings, and money market funds	\$ 10,816	\$ 10,816	\$ -	\$ -
U.S. government securities and sovereign debt	37,049	-	37,049	-
Corporate bonds	47,223	-	47,223	-
Common stock	236,879	194,415	-	42,464
Mutual funds – equity	523,294	523,294	-	-
Mutual funds – fixed income	14,231	14,231	-	-
Preferred stock	566	-	566	-
Commingled funds – public equity	342,282	-	342,282	-
Commingled funds – diversified real assets	79,231	79,231	-	-
Index funds – public equity	710,046	710,046	-	-
Investments measured at net asset value <sup>(1)</sup> :				
Hedge funds	6,050	-	-	-
Limited partnerships	300,492	-	-	-
Temporary investments:				
U.S. treasuries	59,066	-	59,066	-
Certificates of deposit and money funds	45,060	30,733	14,327	-
State government securities	35,445	-	35,445	-
Local government securities	60,575	-	60,575	-
Corporate bonds	260,908	-	260,908	-
Common stock	61,467	61,467	-	-
Exchange traded funds – equity	143,886	143,886	-	-
Total	<u>\$ 2,974,566</u>	<u>\$ 1,768,119</u>	<u>\$ 857,441</u>	<u>\$ 42,464</u>

- (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 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 UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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For alternative investments valued at net asset value, 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.

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, 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 and preferred 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 \$46,033 and \$42,464, respectively, as of June 30, 2022 and 2021. The closely held stock is classified as Level 3 as these are securities without readily observable inputs or measures. The closely held stock is recorded at fair value determined using book value of equity of the closely held company as similar public companies in the industry trade near book value. There were no purchases or sales of closely held stock during 2022 or 2021.

*Commingled funds:* Commingled funds have readily determinable fair values but are not traded on national exchanges. The 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. Commingled public equity funds are limited to once a month and as such limit the activity of the markets. These funds are classified as Level 2. Commingled diversified real asset funds are made up of publicly traded U.S. and foreign equities in the real estate industry. Quoted prices are available in active markets and there is the ability to trade at the measurement date. These funds are classified as Level 1.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

### (3) Investments

Investments consist of the following at June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Investments stated at fair value:		
Certificates of deposit, savings, and money market funds	\$ 5,758	\$ 10,816
U.S. government securities and sovereign debt	13,712	37,049
Corporate bonds	13,400	47,223
Common stock	206,849	236,879
Mutual funds – equity	427,876	523,294
Mutual funds – fixed income	11,030	14,231
Preferred stock	81	566
Limited partnerships	371,174	300,492
Commingled funds – public equity	273,025	342,282
Commingled funds – diversified real assets	128,570	79,231
Index funds – public equity	629,594	710,046
Hedge funds	1,722	6,050
Investments stated at other than fair value:		
Real estate	17,228	22,218
Real estate mortgage and promissory notes	212	1,130
Other	2,062	2,062
Cash value of life insurance	3,111	2,988
	<u>\$ 2,105,404</u>	<u>\$ 2,336,557</u>
	<b>2022</b>	<b>2021</b>
Temporary investments stated at fair value:		
U.S. treasuries	\$ 50,445	\$ 59,066
Certificates of deposit and money market funds	51,409	45,060
State government securities	27,743	35,445
Local government securities	42,782	60,575
Corporate bonds	254,822	260,908
Common stock	-	61,467
Exchange traded funds – equity	190,748	143,886
	<u>\$ 617,949</u>	<u>\$ 666,407</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (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, 2022 and 2021:

	2022			
	Net asset value	Unfunded commitments	*Redemption frequency (if currently eligible)	Redemption notice period
Private equity/venture capital	\$ 293,027	\$ 192,104	N/A	N/A
Natural resources	32,890	16,092	N/A	N/A
Real estate funds	45,257	47,800	N/A	N/A
Hedge funds:				
Global long/short	-	-	q/sa/a	90-360 days
Multiple strategies	-	-	q/sa/a	90-360 days
Credit strategies	1,722	-	q/sa/a	90-360 days
	<u>\$ 372,896</u>	<u>\$ 255,996</u>		

\* q – quarterly, sa – semiannual, a – annual

	2021			
	Net asset value	Unfunded commitments	*Redemption frequency (if currently eligible)	Redemption notice period
Private equity/venture capital	\$ 248,752	\$ 149,530	N/A	N/A
Natural resources	22,932	21,598	N/A	N/A
Real estate funds	28,808	43,076	N/A	N/A
Hedge funds:				
Global long/short	3,117	-	q/sa/a	90-360 days
Multiple strategies	139	-	q/sa/a	90-360 days
Credit strategies	2,794	-	q/sa/a	90-360 days
	<u>\$ 306,542</u>	<u>\$ 214,204</u>		

\* 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.



# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (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.

### (4) Pledges Receivable

Pledges are due to be collected as follows as of June 30, 2022 and 2021:

	2022	2021
Gross amount due in:		
One year or less	\$ 78,146	\$ 70,579
One to five years	198,761	184,215
More than five years	7,418	5,190
	284,325	259,984
Less discount to present value	(6,864)	(15,259)
	277,461	244,725
Less allowance for doubtful accounts	(8,324)	(7,342)
	\$ 269,137	\$ 237,383

The discount will be recognized as contribution income in years 2023 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 \$65,575 and \$122,040 at June 30, 2022 and 2021, 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, 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.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

The amounts of net assets with donor restrictions as of June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Charitable trusts and annuities	\$ 18,218	\$ 24,952
Expendable funds for specific purposes	1,078,671	1,113,184
Permanent endowment pool subject to spending policy	<u>1,422,720</u>	<u>1,580,311</u>
	<u>\$ 2,519,609</u>	<u>\$ 2,718,447</u>

The Foundation had net assets without donor restrictions of \$109,763 and \$91,115 at the end of 2022 and 2021, respectively of which \$53,941 and \$61,613 was board designated. Net assets of \$208,132 and \$213,173 were released from donor restrictions during 2022 and 2021 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, 2022, the Foundation's average month's operating cash and cash equivalents on hand is approximately 12 months, based on normal expenditures.

The following table reflects the Foundation's financial assets as of June 30, 2022 and 2021, 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.

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 25,118	\$ 16,319
Temporary investments	617,949	666,407
Pledges	269,137	237,383
Investments	<u>2,105,404</u>	<u>2,336,557</u>
Financial assets, at the end of the year	<u>3,017,608</u>	<u>3,256,666</u>
	<u>2022</u>	<u>2021</u>
Less those unavailable for general expenditure within one year due to:		
Permanent endowment pool subject to spending policy	\$ 1,422,720	\$ 1,580,311
Deposits held in custody for others	359,651	424,743
Donor funds available for specific purpose	<u>1,096,889</u>	<u>1,138,136</u>
Total unavailable for general expenditure within one year due	<u>2,879,260</u>	<u>3,143,190</u>
Total financial assets available within one year	<u>\$ 138,348</u>	<u>\$ 113,476</u>

The Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligation come due. Included above are cash and investments in board designated endowments (see note 8). While those amounts are not expected to be used for general operations they are available to the board if needed.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (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, 2022 and 2021 are as follows:

	<b>2022</b>			
	<b>Program support</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Total</b>
Payments to benefit the University	\$ 216,402	\$ -	\$ -	\$ 216,402
Contributions to other charities	194	-	-	194
Salaries and benefits	-	8,090	14,087	22,177
Office expense	-	497	749	1,246
Office rent and utilities	-	741	1,118	1,859
Professional services	-	480	1,369	1,849
Dues and subscriptions	-	305	461	766
Travel and conferences	-	309	466	775
Cultivation expense	-	-	1,767	1,767
Miscellaneous expense	-	94	332	426
Paid to beneficiaries	-	2,614	-	2,614
Depreciation	-	200	302	502
Total expense	<u>\$ 216,596</u>	<u>\$ 13,330</u>	<u>\$ 20,651</u>	<u>\$ 250,557</u>

  

	<b>2021</b>			
	<b>Program support</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Total</b>
Payments to benefit the University	\$ 236,612	\$ -	\$ -	\$ 236,612
Contributions to other charities	116	-	-	116
Salaries and benefits	-	7,700	14,352	22,052
Office expense	-	441	696	1,137
Office rent and utilities	-	703	1,110	1,813
Professional services	-	872	351	1,223
Dues and subscriptions	-	294	465	759
Travel and conferences	-	40	62	102
Cultivation expense	-	-	1,202	1,202
Miscellaneous expense	-	52	266	318
Paid to beneficiaries	-	2,363	-	2,363
Depreciation	-	217	342	559
Total expense	<u>\$ 236,728</u>	<u>\$ 12,682</u>	<u>\$ 18,846</u>	<u>\$ 268,256</u>

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.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (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, 2022 and 2021 is as follows:

	2022		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,668,931	\$ 1,668,931
Board-designated endowment funds	53,941	-	53,941
Endowment totals	<u>\$ 53,941</u>	<u>\$ 1,668,931</u>	<u>\$ 1,722,872</u>

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

	2021		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,842,222	\$ 1,842,222
Board-designated endowment funds	63,613	-	63,613
Endowment totals	\$ 63,613	\$ 1,842,222	\$ 1,905,835

Changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	2022		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 61,613	\$ 1,842,222	\$ 1,903,835
Contributions	2,370	65,940	68,310
Investment return, net of expenses	(7,913)	(168,694)	(176,607)
Amounts appropriated for expenditures	(2,129)	(70,537)	(72,666)
Endowment net assets, end of year	\$ 53,941	\$ 1,668,931	\$ 1,722,872

	2021		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 28,478	\$ 1,367,357	\$ 1,395,835
Contributions	2,580	52,318	54,898
Designation by board	26,217	-	26,217
Investment return, net of expenses	5,530	484,367	489,897
Amounts appropriated for expenditures	(1,192)	(61,820)	(63,012)
Endowment net assets, end of year	\$ 61,613	\$ 1,842,222	\$ 1,903,835

### (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.

# THE UNIVERSITY OF NEBRASKA

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2022 and 2021 (Thousands)

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### *(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 NUPMIFA 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, 2022, and 2021, funds with an original gift value of \$655,534 and \$36,918 were “underwater” by \$43,081 and \$1,573, 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 29, 2022 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

Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov

PO Box 98917

State Capitol, Suite 2303

Lincoln, Nebraska 68509

402-471-2111, FAX 402-471-3301

auditors.nebraska.gov

**INDEPENDENT AUDITOR'S 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***

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, fiduciary 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, 2022 and 2021, 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 16, 2022. 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), as described in our report on the University's financial statements. The financial statements of the Foundation, and the Blended Component Units were not audited in accordance with *Government Auditing Standards*; accordingly, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Report on 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.

#### **Report on 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 16, 2022.

#### **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.

A handwritten signature in black ink, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

Mark Avery, CPA  
Assistant Deputy Auditor

Lincoln, Nebraska  
December 16, 2022