




The University of Nebraska Facilities Corporation

(A Component Unit of the University of Nebraska)

Independent Auditor's Report and Financial
Statements

March 31, 2024



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Independent Auditor's Report

Board of Regents
University of Nebraska Facilities Corporation
Lincoln, Nebraska

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of the University of Nebraska Facilities Corporation, collectively a component unit of the University of Nebraska, as of and for the period ended March 31, 2024, and the related notes to the financial statements, which collectively comprise the University of Nebraska Facilities Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the University of Nebraska Facilities Corporation, as of March 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the period July 1, 2023 through March 31, 2024 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Nebraska Facilities Corporation's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University of Nebraska Facilities Corporation's ability to continue as a going concern for a reasonable period of time.

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

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statement of Net Position (Deficit)
March 31, 2024
(in thousands)

ASSETS

Current Assets

Cash and cash equivalents, held by trustee - unrestricted	\$ 62,242
Cash and cash equivalents, held by trustee - restricted	68,838
Investments held by trustee - unrestricted	160,121
Accrued interest receivable	1,631
Notes receivable from the University of Nebraska	36,820
Other assets	927
Total current assets	330,579

Noncurrent Assets

Cash and cash equivalents, held by trustee - restricted	222,630
Investments held by trustee - unrestricted	18,673
Notes receivable from the University of Nebraska	357,357
Other assets, net of current portion	751
Total noncurrent assets	599,411

Total assets	929,990
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Deferred Outflow of Resources

Deferred loss on bond refunding	27,054
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LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION

Current Liabilities

Accounts payable	23,560
Accrued interest payable	12,659
Due to the University of Nebraska	17,243
Bond obligations payable	36,813

The University of Nebraska Facilities Corporation
 (A Component Unit of the University of Nebraska)
 Statement of Revenues, Expenses, and Changes in Net Position (Deficit)
 For the Nine-Month Period Ending March 31, 2024
 (in thousands)

Nonoperating Revenues (Expenses)	
University contributions	\$ 25,999
Capital grants and gifts	17,405
Capital appropriations	12,744
Investment income	28,026
Interest and amortization on bond obligations payable	(25,410)
Administrative and other expenses	(972)
Increase in fair value of investments	7,356
Net nonoperating revenues	65,148

Transfers

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The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statement of Cash Flows
For the Nine-Month Period Ending March 31, 2024
(in thousands)

Cash Flows from Capital and Related Financing Activities	
University contributions	\$ 25,999
Capital appropriations	12,744
Capital grants and gifts	17,405
Transfers from University of Nebraska	9,638
Additions to notes receivable	(27,136)

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statement of Fiduciary Net Position
March 31, 2024
(in thousands)

ASSETS

Current Assets

Cash and cash equivalents, held by trustee - unrestrictets

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Statement of Changes in Fiduciary Net Position
For the Nine-Month Period Ending March 31, 2024
(in thousands)

Additions		
Other additions	\$	27,881
Total additions		27,881
Deductions		
Other deductions		23,820
Total deductions		23,820
Increase in Net Position		4,061
Net Position, Restricted for University Campus Projects		
Beginning of period		28,721
End of period		32,782

Note 1. Summary of Significant Accounting Policies

The University of Nebraska Facilities Corporation (UNFC or Corporation) is a Nebraska nonprofit corporation organized by the Board of Regents of the University of Nebraska (the Regents) in 1930 to finance buildings for the University of Nebraska (the University). The Regents serve as UNFC's Board of Directors. UNFC is a component unit of the University.

Reporting Entity

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

Basis of Presentation

The financial statements as presented have been prepared using the business-type activity model with an economic resources measurement focus and the accrual basis of accounting and include all accounts cited in the resolutions issued by UNFC in conjunction with the following bond issues:

- University Facilities Program Bonds, Series 2021A
- University Facilities Program Bonds, Series 2021B (Green Bonds)
- University System Facilities Bonds, Series 2019A
- University System Facilities Bonds, Series 2019B
- Facilities Bonds, Series 2018
- Facilities Bonds, Series 2017A
- Facilities Refunding Bonds, Series 2017B
- Building Bonds (UNMC Global Center Project), Series 2017
- Building and Refunding Bonds (Health Center and College of Nursing Projects), Series 2016
- UNMC Cancer Center Bonds, Series 2016
- UNMC Utility Improvement Project Bonds, Series 2016
- UNO Arena and UNL CBA Bonds, Series 2015
- UNMC Qualified Energy Conservation Bonds (Direct Pay), Taxable Series 2015
- UNMC Cancer Center Bonds, Series 2014A
- UNMC Qualified Energy Conservation Bonds, Series 2014B
- NCTA Education Center/Student Housing Project Bonds, Series 2011

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Notes to Financial Statements
March 31, 2024
(Dollar amounts in thousands)

University Contributions

University contributions include payments of designated tuition revenues from the University that are committed for repayment of the Deferred Maintenance Bonds, payments from UNMC that are committed to the UNMC Monroe Meyer Institute, the UNMC Global Experiential Learning Center, and the UNMC

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March 31, 2024
(Dollar amounts in thousands)

Nebraska management decided to present a single year presentation and omit the management's discussion and analysis.

Note 2. Investments Held by Trustee

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

In certain cases, the inputs used to measure fair value may fall in different levels of the fair value hierarchy:

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

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

Level 3 inputs are unobservable and significant to the fair value measurement of the asset or liability. UNFC has no assets or liabilities that fall within the Level 3 classification.

The table below presents by level the asset balances at estimated fair value on a recurring basis as of March 31, 2024.

	Total	Level 1	Level 2
Investments			
Debt securities			
U.S. Treasury securities	\$ 59,597	\$ -14	\$ 20,507 20,507

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Notes to Financial Statements
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Investment maturities as of March 31, 2024 are as follows:

	Fair Value	Less Than 1	1-5
UNFC			

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March 31, 2024
(Dollar amounts in thousands)

Credit Risk

State statutes authorize UNFC to invest funds in accordance with the prudent man rule. Investments are made, as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. UNFC does not follow a more

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Note 3. Notes Receivable From the University of Nebraska

A summary of the notes receivable from the University of Nebraska are as follows as of March 31, 2024:

	Principal Outstanding	Remaining Term (in years)	Interest Rate
Legacy MTI	\$ 306,603	1 - 24	1 - 4%
UNL Steam Tunnel	883	12	4%
UNL East Campus	9,553	11	4%
UNMC Facilities	2,273	2	4%
ITS Tenable 2	331	3	4%
ITS DataVizion	6,568	5	4%
UNL Athletics	7,359	<1	4%
UNK Greek Life	18,909	23	4.5%
UNK REAC	12,555	18	4.5%
UNMC NPHL	456	5	4%
UNMC Catalyst	23,833	15	4%
ITS Norlem Palo Alto	2,962	2	4%
ITS Norlem Palo Alto 2	1,892	3	4%
	<u>1,892</u>		
Total	<u>\$ 394,177</u>		

Interest income recorded in relation to these notes receivable totaled \$9,781 for 2024.

Note 4. Bond Obligations Payable

UNFC outstanding bonds consists of \$1,095,455 of revenue bonds and \$5,615 of direct placement bonds.

Bond obligations payable, gross of premiums and discounts are as follows as of March 31, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds	\$ 1,133,545	\$ -	\$ 38,090	\$ 1,095,455	\$ 31,120
Revenue bonds, direct placement	5,800	-	185	5,615	375
Unamortized bond premium	68,565	-	4,915	63,650	5,319
Unamortized bond discount	(17)	-	3	(14)	(1)
	<u>\$ 1,207,893</u>	<u>\$ -</u>	<u>\$ 43,193</u>	<u>\$ 1,164,706</u>	<u>\$ 36,813</u>

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(Dollar amounts in thousands)

Revenue Bonds	Interest Rates	Final Maturity	Installments	2024
University Facilities Program Bonds, Series 2021A	2.50 - 5.00%	2063	\$9,905 - 34,540	\$ 266,470

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(Dollar amounts in thousands)

UNFC acts as issuer for lease-purchase financings conducted by the Board of Regents. UNFC's obligations to make any payments related to such financings are limited to amounts UNFC receives from the Board of Regents for such purpose, and UNFC has assigned its rights to receive such payments to a bond trustee. Accordingly, all of the material covenants, default, acceleration, and termination provisions in such financing documents relate primarily to obligations of the Board of Regents.

Annual Maturities - All Projects

Annual maturities of principal and interest are as follows:

Revenue Bonds	Principal	Interest	Total
2025	\$ 31,120	\$ 37,211	\$ 68,331
2026	53,915	35,784	89,699
2027	40,695	33,708	74,403
2028	42,330	32,196	74,526
2029	33,915	30,625	64,540
2030-2034	140,675	134,456	275,131
2035-2039	94,665	118,185	212,850
2040-2044	113,275	102,242	215,517
2045-2049	151,985		

The University of Nebraska Facilities Corporation
(A Component Unit of the University of Nebraska)
Notes to Financial Statements
March 31, 2024
(Dollar amounts in thousands)

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

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

Certain UNFC Bonds

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

Facilities 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.

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

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

UNO Arena and UNL CBA Bonds, 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.

UNMC Qualified Energy Conservation Bonds (Direct Pay), Taxable Series 2015

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

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

NCTA Education Center/Student Housing Project Bonds, 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.

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

Note 5. Insurance

The October 1, 1983 agreement and subsequent agreements require the Regents to carry insurance in amounts sufficient to provide for the cost of construction on any of the buildings. The facilities are included under the blanket policy of the University for amounts in excess of \$1,000. Amounts up to \$1,000 are paid by the University's Self-Insurance Trust, which is held by a trustee. UNFC is not responsible for contributing to this trust. The University has established a program to provide for protection against various liabilities, including property losses for amounts not covered by contracts with outside insurers.

Note 6. Due to the University of Nebraska

The amount due to the University represents construction expenses incurred by the campuses that UNFC will reimburse from bond proceeds for designated UNFC projects.

Note 7. Commitments and Contingencies

The University has budgeted for the construction of numerous UNFC funded facilities, which are estimated