



UNIVERSITY OF NEBRASKA FOUNDATION

Consolidated Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)



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:

We have audited the accompanying consolidated financial statements of the University of Nebraska Foundation (the Foundation), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Nebraska Foundation as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note 1 to the consolidated financial statements, in 2019 the Foundation adopted new accounting guidance, ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

KPMG LLP

Lincoln, Nebraska
September 27, 2019

UNIVERSITY OF NEBRASKA FOUNDATION

Consolidated Statements of Financial Position

June 30, 2019 and 2018

(Dollar amounts in thousands)

Assets	2019	2018
Assets:		
Cash and cash equivalents	\$ 33,092	48,769
Temporary investments	472,927	400,377
Pledges receivable	202,503	187,856
Other receivables	6,973	6,276
Investments	1,797,556	1,756,282
Property and equipment, net of depreciation	4,587	50,456
Total assets	\$ <u>2,517,638</u>	<u>2,450,016</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 4,944	2,695
University of Nebraska payable	21,191	16,671
Note payable	—	17,559
Deferred annuities payable	16,448	16,644
Deposits held in custody for others	339,491	334,749
Deferred revenue	—	2,725
Total liabilities	<u>382,074</u>	<u>391,043</u>
Net assets:		
Without donor restrictions	54,990	47,665
With donor restrictions	2,080,574	2,011,308
Total net assets	<u>2,135,564</u>	<u>2,058,973</u>
Total liabilities and net assets	\$ <u>2,517,638</u>	<u>2,450,016</u>

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION

Consolidated Statement of Activities

Year ended June 30, 2019

(Dollars in thousands)

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

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION

Consolidated Statement of Activities

Year ended June 30, 2018

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenue and gains:			
Gifts, bequests, and life insurance proceeds	\$ 904	184,970	185,874
Investment income (loss)	35,156	(1,346)	33,810
Change in value of split-interest agreements	—	1,118	1,118
Realized and unrealized gains, net	<u>893</u>	<u>102,085</u>	<u>102,978</u>
Total revenue and gains	<u>36,953</u>	<u>286,827</u>	<u>323,780</u>
Expenses:			
Payments to benefit the University:			
Academic support	93,401	—	93,401
Student assistance	25,316	—	25,316
Faculty assistance	7,592	—	7,592
Research	6,244	—	6,244
Museum, library, and fine arts	2,894	—	2,894
Campus and building improvements	44,535	—	44,535
Alumni associations	<u>570</u>	<u>—</u>	<u>570</u>
Total payments to benefit the University	<u>180,552</u>	<u>—</u>	<u>180,552</u>
Operating expenses:			
Salaries and benefits	20,256	—	20,256
Office expense	1,255	—	1,255
Office rent and utilities	1,710	—	1,710
Professional services	1,680	—	1,680
Dues and subscriptions	141	—	141
Travel and conferences	1,034	—	1,034
Cultivation expense	1,574	—	1,574
Miscellaneous expense	279	—	279
Contributions to other charities	173	—	173
Paid to beneficiaries	2,626	—	2,626
Depreciation	<u>1,959</u>	<u>—</u>	<u>1,959</u>
Total operating expenses	<u>32,687</u>	<u>—</u>	<u>32,687</u>
Total expenses	<u>213,239</u>	<u>—</u>	<u>213,239</u>
Other changes in net assets:			
Net assets released from restrictions	<u>178,569</u>	<u>(178,569)</u>	<u>—</u>
Total other changes in net assets	<u>178,569</u>	<u>(178,569)</u>	<u>—</u>
Increase in net assets	<u>2,283</u>	<u>108,258</u>	<u>110,541</u>
Net assets at beginning of year, as previously reported	13,507	1,934,925	1,948,432
Effect of adoption of ASU 2016-14	<u>31,875</u>	<u>(31,875)</u>	<u>—</u>
Net assets at beginning of year, as restated	<u>45,382</u>	<u>1,903,050</u>	<u>1,948,432</u>
Net assets at end of year	<u>\$ 47,665</u>	<u>2,011,308</u>	<u>2,058,973</u>

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 76,591	110,541
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	1,943	1,959
Net realized and unrealized gains on investments, net	(45,918)	(102,978)
Imputed interest expense	441	588
Contribution to endowment funds	(39,189)	(42,324)
Real and personal property contributions received	(252)	(1,169)
Noncash donation to the University of Nebraska	44,241	—
(Increase) decrease in:		
Pledges receivable	(8,512)	13,264
Other receivables	(960)	(534)
(Decrease) increase in:		
Accounts payable and accrued liabilities	2,249	720
University of Nebraska payable	4,520	(1,127)
Deferred annuities payable	(196)	(2,523)
Deferred revenue	(2,725)	(392)
Net cash provided by (used in) operating activities	<u>32,233</u>	<u>(23,975)</u>
Cash flows from investing activities:		
Purchase of temporary investments	(173,467)	(576,386)
Proceeds from sale and maturity of temporary investments	114,480	540,392
Net increase (decrease) in student loans	263	(233)
Purchase of investments	(367,317)	(402,740)
Proceeds from sale and maturity of investments	363,392	428,006
Proceeds from sales of property and equipment	—	6
Purchase of property and equipment	(315)	(288)
Net cash used in investing activities	<u>(62,964)</u>	<u>(11,243)</u>
Cash flows from financing activity:		
Payment on notes payable	(18,000)	—
Contribution to endowment funds	33,054	43,207
Net cash provided by financing activities	<u>15,054</u>	<u>43,207</u>
Net increase (decrease) in cash and cash equivalents	(15,677)	7,989
Cash and cash equivalents, beginning of year	<u>48,769</u>	<u>40,780</u>
Cash and cash equivalents, end of year	\$ <u>33,092</u>	\$ <u>48,769</u>
Supplemental disclosure of cash flow information:		
Noncash property donation to the University of Nebraska	\$ 44,241	—

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(1) Summary of Significant Accounting Policies

(a) *Nature of the Entity and Principles of Consolidation*

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

The University of Nebraska considers the University of Nebraska Foundation a Component Unit under GASB standards and therefore includes the audited financial statements of the University of Nebraska Foundation in its Comprehensive Annual Financial Reports.

(b) *Basis of Accounting and Presentation*

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

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 and contributions subject to donor-imposed stipulations outlining a specific use or time restriction. After the donor-imposed time or purpose restriction is satisfied or after the board appropriates their expenditures in the case of gains and income realized on permanent endowment funds, 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 of the related assets 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. 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.

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(c) 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 portfolio.

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.

(d) Gifts, Bequests, and Life Insurance Proceeds

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as contributions with donor restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are transferred to net assets without donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the contribution as a component of net assets without donor restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

(e) Investments and Temporary Investments

Investments and temporary investments in equity securities with readily determinable fair values and debt securities are reported at fair value. Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. Corporate bonds are valued at market quotations for securities that have quoted prices in active markets. For alternative investments in funds that do not have readily determinable fair values, including 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 limited partnerships are generally valued based upon the most recent net asset value or capital account information available from the general partner of the limited partnership, taking into consideration, where applicable, other information determined to be a reliable indicator of fair value. Real estate, mortgage contracts, and the cash value of insurance policies are recorded at amortized cost. They are reviewed for impairment on an annual basis.

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

Donated investments are reported at estimated fair value at the date of receipt. Realized gains and losses on sales of investments are recognized in the consolidated statements of activities as specific investments are sold. Interest income is recognized as earned. Dividend income is recognized on the

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

ex-dividend date. All realized and unrealized gains and losses and income arising from investments are recognized in the consolidated statements of activities as increases or decreases to net assets without donor restrictions, unless their use is restricted by donor stipulation or by law.

Included in investment income is a management fee charged to accounts within each net asset class for which the Foundation manages investments. This management fee is charged based on the market value and type of investments managed. These fees are used for the administration of the Foundation's management and fund-raising operations. During the years ended June 30, 2019 and 2018, \$21,806 and \$20,214, 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, 2019 and 2018 is \$5,272 and \$4,967, respectively, of a management fee charged to agency funds.

(f) Property and Equipment

Property and equipment, consisting of real estate, furniture, equipment, and computer software, are stated at cost or, if contributed, at fair value at date of contribution. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which ranges from 3 to 32 years.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as contributions without donor restriction, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contributions with donor restriction. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

(g) Deposits Held for Others

Deposits held for others represent funds held in a fiduciary capacity. The transactions of these funds are not reflected in the consolidated statements of activities as the Foundation is acting as an agent for these funds. Such funds approximated \$339 million and \$335 million at June 30, 2019 and 2018 and were held on behalf of the University of Nebraska and other related entities.

(h) 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.

Cash and cash equivalents, other receivables, accounts payable and accrued liabilities, University of Nebraska benefits payable, scholarships, research, fellowships and professorships payable, and

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

deferred revenue approximate fair value due to their short-term nature. The carrying value of deferred annuities payable and pledges receivable approximates fair value since the inherent interest rates closely reflect current market rates. The note payable was discounted at market rates and approximates fair value.

(i) Income Taxes

The Foundation has been recognized as a not-for-profit corporation by the Internal Revenue Service as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Such tax positions, which are more than 50% likely of being realized, are measured at their highest value. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation believes it is no longer subject to incomes tax examinations for years prior to 2015. During 2019 and 2018, management determined that there are no income tax positions requiring recognition in the consolidated financial statements.

(j) 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.

(k) New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 provides a single model for recognizing revenue arising from contracts with customers and supersedes current revenue recognition guidance. This ASU requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of goods or services and will replace existing revenue recognition guidance in U.S. GAAP when it becomes effective. The guidance permits entities to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. The Foundation adopted the new standard on July 1, 2019. The effect of the adoption did not impact the Foundations' consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires the lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. For leases with a term of twelve months or less, the Foundation is permitted to make an accounting policy election by class of underlying asset to recognize lease assets and lease liabilities. Further ASU 2016-02 requires a finance lease to recognize both an interest expense and an amortization of the associated expense. Operating leases generally recognize the associated expense on a straight line basis. ASU 2016-02 requires the Foundation to adopt the standard using a modified retrospective approach and adoption beginning in fiscal year 2020. The Foundation is currently evaluating the impact

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

that ASU 2016-02 will have on its consolidated statement of financial position, statement of activities, and cash flows.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not For Profit Entities*, which improves the current net asset classification requirements and the information presented in financial statements and notes about a not for profit entity's liquidity, financial performance, and cash flows. The guidance requires entities to present two classes of net assets on the face of the consolidated statements of financial position: net assets with donor restrictions and net assets without donor restrictions. Further, the guidance provides for enhanced disclosures. The Foundation adopted the provisions of ASU 2016-14 as of July 1, 2018. As a result of the adoption, the Foundation's previously reported temporarily restricted net assets of \$1,021,314 and permanently restricted net assets of \$1,011,145 have been combined in net assets with donor restrictions as of June 30, 2018. In addition, \$31,875 of net assets were reclassified as of July 1, 2017 from net assets without donor restrictions to net assets with donor restrictions, representing unrealized losses on endowed net assets previously recorded against net assets without donor restrictions. As of June 30, 2018, the amount was \$21,151, of which \$10,724 of unrealized losses was reclassified between net asset classifications in the 2018 consolidated statement of activities.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides assistance in determining if a transaction should be accounted for as a contribution or as an exchange, as well as providing guidance in determining whether a contribution is conditional. The guidance should be applied on a modified prospective basis, although a retrospective application is permitted. The new standard is effective for the Foundation in fiscal year 2020. The Foundation is currently evaluating the impact that ASU 2016-02 will have on its consolidated statement of financial position, statement of activities, and cash flows.

(1) Reclassification

Certain reclassifications were made to prior year financials to conform to the 2019 presentation.

(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.

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The tables below presents the balances of assets and liabilities measured at June 30, 2019 and 2018 at estimated fair value on a recurring basis:

	2019			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Certificates of deposit, savings, and money market funds	\$ 11,658	11,658	—	—
U.S. government securities and sovereign debt	35,173	—	35,173	—
International bonds	18,724	—	18,724	—
Corporate bonds	69,337	—	69,337	—
Common stock	459,786	425,370	—	34,416
Mutual funds – equity	147,842	147,842	—	—
Mutual funds – fixed income	130,383	130,383	—	—
Preferred stock	530	—	530	—
Commingled funds – public equity	332,924	—	332,924	—
Commingled funds – diversified real assets	37,190	—	37,190	—
Index funds – commodities	14,674	14,674	—	—
Index funds – public equity	209,088	209,088	—	—
Investments measured at net asset value ⁽¹⁾ :				
Hedge funds	165,963	—	—	—
Limited partnerships	131,139	—	—	—
Temporary investments:				
U.S. treasuries	119,464	—	119,464	—
Certificates of deposit and money funds	9,515	8,770	745	—
State government securities	27,357	—	27,357	—
Local government securities	29,384	—	29,384	—
Corporate bonds	165,050	—	165,050	—
Exchange traded funds – equity	122,133	122,133	—	—
Total	\$ 2,237,314	1,069,918	835,878	34,416
Liabilities:				
Deferred annuities payable	\$ 16,448	—	16,448	—

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

	2018			
	Total	Level 1	Level 2	Level 3
Assets:				
Investments:				
Certificates of deposit, savings, and money market funds	\$ 9,750	9,714	36	—
U.S. government securities and sovereign debt	38,311	—	38,311	—
International bonds	19,479	—	19,479	—
Corporate bonds	65,997	—	65,997	—
Common stock	515,833	485,252	—	30,581
Mutual funds – equity	86,528	86,528	—	—
Mutual funds – fixed income	126,854	126,854	—	—
Preferred stock	655	—	655	—
Commingled funds – public equity	335,843	—	335,843	—
Commingled funds – diversified real assets	38,929	—	38,929	—
Index funds – commodities	16,584	16,584	—	—
Index funds – public equity	209,493	209,493	—	—
Investments measured at net asset value ⁽¹⁾ :				
Hedge funds	169,380	—	—	—
Limited partnerships	89,870	—	—	—
Temporary investments:				
U.S. treasuries	102,463	—	102,463	—
Certificates of deposit and money funds	546	46	500	—
State government securities	26,212	—	26,212	—
Local government securities	30,687	—	30,687	—
Corporate bonds	138,861	—	138,861	—
Exchange traded funds – equity	101,584	101,584	—	—
Total	\$ 2,123,859	1,036,055	797,973	30,581
Liabilities:				
Deferred annuities payable	\$ 16,644	—	16,644	—

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position. The policy is to reflect transfers between levels at the beginning of the year in which a change in circumstances resulted in the transfer. There were no transfers between levels during the years ended June 30, 2019 and 2018.

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

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

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

Investment money market funds and cash and cash equivalents: Money market funds included with cash and cash equivalents and investment money market funds, including equity and fixed income 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: Investments include certificates of deposit, savings, and other short-term investments, which are reported at face value plus accrued interest at the reporting date. These investments are classified as Level 2.

Corporate bonds and government obligations: Investments include fixed-income securities comprised of U.S. government securities, sovereign debt, and corporate bonds. Publicly traded fixed-income securities and funds 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 the 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.

Equity securities: Equity securities include common stock and exchanged traded funds, such as index funds. Equity securities are 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. The fair values of equity securities accounted for under the cost method (nonmarketable equity securities) are determined using market multiples derived from comparable companies. Under that approach, the identification of comparable companies requires significant judgment. Additionally, multiples might lie in ranges with a different multiple for each comparable company. The selection of where the appropriate multiple falls within that range also requires significant judgment, considering both qualitative and quantitative factors.

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Commingled funds: Commingled funds including public equity and diversified real asset funds have readily determinable fair values. The balance of these funds are private funds that do not have a public proxy that can be used to price them. Price quotes for the underlying assets are available for identical assets but in markets that are not considered active. While trades occur, they are limited to once a month and as such limit the number of investors. The investors involved generally have longer term horizons and as such they are not considered to be active markets and are not as liquid as index funds. These funds are classified as Level 2.

Alternative investments: Alternative investments that do not have a readily determinable fair value includes investments in private equity and venture capital funds, natural resources, real estate funds, and hedge funds. These investments are valued based on the funds' net asset value, or its equivalent, as supplied by the fund managers and these valuations are used as a practical expedient to fair value. These investments are not included in the fair value hierarchy table.

Closely held stock: Investments in closely held stock are recorded at their estimated fair value which is based on net asset value of the respective company. The closely held stock is classified as Level 3 as these are securities without readily observable inputs or measures, rarely ever traded, and are calculated based on net asset value.

Annuities payable: Annuities payable value is based on the carrying value which management believes to approximate fair value since the inherent interest rates closely reflect current market rates, as such these are classified as Level 2.

The following table summarizes the changes in fair value of Level 3 investments for the years ended June 30, 2019 and 2018:

Balance, June 30, 2017	\$	27,164
Net unrealized gains		<u>3,417</u>
Balance, June 30, 2018		30,581
Net unrealized gains		<u>3,835</u>
Balance, June 30, 2019	\$	<u><u>34,416</u></u>

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(3) Investments

Investments consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Investments stated at fair value:		
Certificates of deposit, savings, and money market funds	\$ 11,658	9,750
U.S. government securities and sovereign debt	35,173	38,311
International bonds	18,724	19,479
Corporate bonds	69,337	65,997
Common stock	459,786	515,833
Mutual funds – equity	147,842	86,528
Mutual funds – fixed income	130,383	126,854
Preferred stock	530	655
Limited partnerships	131,139	89,870
Commingled funds – public equity	332,924	335,843
Commingled funds – diversified real assets	37,190	38,929
Index funds – commodities	14,674	16,584
Index funds – public equity	209,088	209,493
Hedge funds	165,963	169,380
Investments stated at other than fair value:		
Real estate	27,435	27,627
Real estate mortgage and contracts	808	793
Other	2,062	1,904
Cash value of life insurance	2,840	2,294
Annuity contracts	—	158
	<u>\$ 1,797,556</u>	<u>1,756,282</u>
	<u>2019</u>	<u>2018</u>
Temporary investments stated at fair value:		
U.S. treasuries	\$ 119,464	102,463
Certificates of deposit and money market funds	9,515	546
State government securities	27,357	26,212
Local government securities	29,384	30,687
Corporate bonds	165,050	138,861
Exchange traded funds – equity	122,133	101,584
Temporary investments stated at other than fair value:		
Real estate	24	24
	<u>\$ 472,927</u>	<u>400,377</u>

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The estimated value of hedge funds and limited partnerships was provided by the respective companies. 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, 2019 and 2018:

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

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

2018				
	Net asset value	Unfunded commitments	* Redemption frequency (if currently eligible)	Redemption notice period
Private equity/venture capital \$	68,285	100,814	N/A	N/A
Natural resources	9,012	19,435	N/A	N/A
Real estate funds	12,573	17,064	N/A	N/A
Hedge funds:				
Domestic long/short	38,472	—	q/sa/a	90–360 days
Global long/short	9,412	—	q/sa/a	90–360 days
Multiple strategies	87,306	—	q/sa/a	90–360 days
Credit strategies	34,190	—	q/sa/a	90–360 days
	<u>\$ 259,250</u>	<u>137,313</u>		

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

The Foundation invests a portion of its assets in private investment limited partnerships that have predetermined fund lives. Generally, these funds have lives of up to 10 years and in certain cases may be

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

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.

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

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

(4) Pledges Receivable

Pledges receivable are recorded on the consolidated statements of financial position, net of an allowance for uncollectible accounts and discounted to their present value. Pledges, net of discount to present value at 6% and allowance for doubtful accounts are due to be collected as follows as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Gross amount due in:		
One year or less	\$ 75,523	65,891
One to five years	144,182	139,425
More than five years	<u>9,049</u>	<u>7,397</u>
	228,754	212,713
Less discount to present value	<u>19,988</u>	<u>19,047</u>
	208,766	193,666
Less allowance for doubtful accounts	<u>6,263</u>	<u>5,810</u>
	<u>\$ 202,503</u>	<u>187,856</u>

The discount will be recognized as contribution income in years 2020 through 2044.

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

In addition, the Foundation has been informed of intentions to give in the form of possible future bequests, currently of indeterminable value, that have not been reflected in the accompanying consolidated financial statements because they are not unconditional pledges.

(5) Property and Equipment

Property and equipment at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 204	8,314
Buildings	1,251	40,660
Leasehold improvements	3,581	3,578
Automobiles	169	168
Furniture, equipment, and software	<u>10,620</u>	<u>10,362</u>
	15,825	63,082
Less accumulated depreciation	<u>11,238</u>	<u>12,626</u>
Net property and equipment	<u>\$ 4,587</u>	<u>50,456</u>

During 2019, the Foundation donated certain assets, including a building and land, in the amount of \$44,241 to the University of Nebraska.

(6) Split-Interest Agreements

The Foundation is the beneficiary of split-interest agreements in the form of charitable gift annuities, charitable remainder trusts, and pooled income funds. The liability is established at the time of the contribution using actuarial tables and an assumed interest rate. The interest rates used for the establishment of the liability was 2.8% for the years 2019 and 2018. 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, 2019 and 2018 are \$16,448 and \$16,644, respectively, and have been reflected as deferred annuities payable on the consolidated statements of financial position. Annuity obligations are adjusted annual for actuarial changes in life expectancy. The increases and decreases to the liability are reflected as with donor or without donor restriction change in the value of split-interest agreements, which is consistent with the method used to initially record the contribution.

(7) Net Assets with Donor Restrictions

Net assets are restricted by donors for various purposes in support of activities at the University of Nebraska, including the campuses at Lincoln, Kearney, Omaha, the Medical Center in Omaha, and Nebraska Medicine. The purposes include scholarships, fellowships, research, academic support, and campus building and improvements. Included in net assets with donor restriction are the net assets of UNFCGF. The net assets of UNFCGF are restricted for distribution to qualified 501(c)(3) organizations, including the Foundation, at the request of the donor and approval by the Grants Committee of UNFCGF. 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.

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The amounts of net assets with donor restrictions as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Temporarily restricted – charitable trusts and annuities	\$ 21,957	24,714
Temporarily restricted – available for specific purposes	828,610	801,995
Permanently restricted – endowment	<u>1,230,007</u>	<u>1,184,599</u>
	\$ <u>2,080,574</u>	<u>2,011,308</u>

The Foundation had net assets without donor restrictions of \$54,990 and \$47,665 at the end of 2019 and 2018, respectively. Net assets of \$207,805 and \$178,569 were released from donor restrictions during 2019 and 2018 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

As a result of the adoption of ASU No. 2016-14, the Foundation reclassified \$31,875 of unrealized losses on endowment funds as of July 1, 2017, from net assets without donor restrictions to net assets with donor restrictions.

(8) Financial Assets and Liquidity Resources

As of June 30, 2019, the Foundation's average month's operating cash on hand of approximately 10 months, based on normal expenditures.

The following table reflects the Foundation's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure because of contractual or donor-imposed restrictions within one year of the financial position date. Financial assets are considered unavailable when subject to donor-imposed restrictions or because the governing board has directed funds be invested as board designated or quasi endowments.

	<u>2019</u>
Financial assets:	
Cash and cash equivalents	\$ 33,092
Temporary investments	472,927
Pledges	202,503
Investments	<u>1,797,556</u>
Financial assets, at the end of the year	<u>2,506,078</u>

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Less those unavailable for general expenditure within one year due to:

Permanent endowment net assets	\$	1,230,007
Deposits held in custody for others		339,491
Other nonpermanently endowed donor restricted fund		<u>850,567</u>
		<u>2,420,065</u>
	\$	<u><u>86,013</u></u>

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

(9) 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, 2019 and 2018 are as follows:

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

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

	2018			
	<u>Program support</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Payments to benefit the University	\$ 180,552	—	—	180,552
Contributions to other charities	173	—	—	173
Salaries and benefits	—	7,043	13,213	20,256
Office expense	—	421	834	1,255
Office rent and utilities	—	573	1,137	1,710
Professional services	—	809	871	1,680
Dues and subscriptions	—	47	94	141
Travel and conferences	—	347	687	1,034
Cultivation expense	—	—	1,574	1,574
Miscellaneous expense	—	51	228	279
Paid to beneficiaries	—	2,626	—	2,626
Depreciation	—	544	1,415	1,959
Total expense	<u>\$ 180,725</u>	<u>12,461</u>	<u>20,053</u>	<u>213,239</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.

(10) 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 permanent 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 temporary donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

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, 2019 and 2018 is as follows:

	2019		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	1,407,724	1,407,724
Board-designated endowment funds	28,030	—	28,030
Endowment totals	<u>\$ 28,030</u>	<u>1,407,724</u>	<u>1,435,754</u>
	2018		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	1,371,460	1,371,460
Board-designated endowment funds	27,047	—	27,047
Endowment totals	<u>\$ 27,047</u>	<u>1,371,460</u>	<u>1,398,507</u>

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	2019		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ 27,047	1,371,460	1,398,507
Contributions	885	39,189	40,074
Investment income, net of expenses	—	9,671	9,671
Realized and unrealized gains, net	1,284	43,959	45,243
Amounts appropriated for expenditures	<u>(1,186)</u>	<u>(56,555)</u>	<u>(57,741)</u>
Endowment net assets, end of year	<u>\$ 28,030</u>	<u>1,407,724</u>	<u>1,435,754</u>
	2018		
	Without donor restrictions	With donor restrictions	Total
Endowment net assets, beginning of year	\$ (5,302)	1,314,518	1,309,216
Adoption of ASU 2016-14	<u>31,875</u>	<u>(31,875)</u>	<u>—</u>
Endowment net assets, beginning of year, as restated	26,573	1,282,643	1,309,216
Contributions	904	47,838	48,742
Investment income, net of expenses	—	4,869	4,869
Realized and unrealized gains, net	758	90,524	91,282
Amounts appropriated for expenditure	<u>(1,188)</u>	<u>(54,414)</u>	<u>(55,602)</u>
Endowment net assets, end of year	<u>\$ 27,047</u>	<u>1,371,460</u>	<u>1,398,507</u>

(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. Therefore, 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

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

(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.

(11) Lease Commitments

The minimum rentals for operating leases for office space with guaranteed terms for the five fiscal years after June 30, 2019 are as follows:

2020	\$	1,148
2021		1,117
2022		1,101
2023		667
2024		149
Thereafter		—

(12) Notes Payable

During the year ended June 30, 2016, the Foundation entered into an agreement resulting in the acquisition of certain properties. The transaction included the purchase of certain properties valued at \$47.5 million in exchange for an interest free note of \$18 million. The note was recorded at its present value and the imputed interest expense is being recognized over the life of the loan. The \$18 million was paid in full in 2019. In addition, the Foundation agreed to lease certain space back over 36 months at a nominal amount. During the years ended June 30, 2019 and 2018, the Foundation recognized imputed interest of \$441 and \$588, respectively, related to the interest free loan.

(13) Retirement Plan

The Foundation sponsors a retirement plan that covers employees of the Foundation with one year of service who work in excess of 1,000 hours annually and have attained the age of 21 years or previous participation in the TIAA CREF or Fidelity annuity plan. Participation in the plan is mandatory upon attainment of age 30. The plan is an annuity arrangement under Section 403b(1) of the Internal Revenue Code using annuities under TIAA CREF and Fidelity Investments. Under the plan, the employee chooses to contribute either 5.5% or 3.5% of his/her salary to the plan and the Foundation matches the amount with either 8.0% or 5.5% of salary, respectively, unless grandfathered in under previous terms, which allowed for a 6.5% match instead of the 5.5%. The Foundation contributions to the plan for the years ended June 30, 2019 and 2018 were \$1,089 and \$1,048, respectively.

UNIVERSITY OF NEBRASKA FOUNDATION

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(14) 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.

(15) Subsequent Events

In preparing the consolidated financial statements, the Foundation has evaluated subsequent events for potential recognition or disclosure through September 27, 2019, the date the consolidated financial statements were available to be issued.