

2017 ANNUAL REPORT



Leadership Message



The foundation had another successful fiscal year, with \$169.2 million raised for the university in private gifts, an all-time high of 44,402 donors to the university, and a 12.7 percent return on the main endowment, valued at \$1.2 billion.

The State of Nebraska faced declining revenue this past year, which resulted in a cut in state appropriations to the University of Nebraska. Therefore, the number of donors and the amount of private funds available are even more important for the foundation and our role to advance the university. The \$169.2 million in total funds raised is down from last year, and one reason is that much of our focus was on the conclusion of fundraising for some of the largest projects in our history: the Fred and Pamela Buffett Cancer Center and the Dr. Edwin Davis & Dorothy Balbach Davis Global Center for Advanced Interprofessional Learning at UNMC, and Howard L. Hawks Hall, the new home for the College of Business at UNL. Many of our donors have made multi-year commitments to these key university projects. In general, large projects drive large gifts, and we had fewer new projects launched in this fiscal year. A key area where we did see growth is in the overall number of people who give to the university through the foundation. This new all-time high of 44,402 donors is up 2.4 percent from last year and is our sixth consecutive year of growth.

Another major milestone for the year, albeit one a bit behind the scene, was a successful implementation of a new database system. Updating a database which contained more than a million records was no easy task; the staff did a great job on this transition while continuing to run the day-to-day business of the foundation. While it was largely an internal function, we hope you will notice it too, as we better respond and track preferences for all university donors and alumni and provide you with a better experience in the years to come.

More highlights and information can be found throughout this year's annual report. We hope you take the time to review it and reach out to the foundation if you have questions. As always, you will find our independent auditor's report at nufoundation.org/annual-reports.

A handwritten signature in black ink, appearing to read "Mark Chronister".

Mark Chronister
Chair of the Board of Directors

A handwritten signature in black ink, appearing to read "Brian F. Hastings".

Brian F. Hastings
President and CEO



GIFTS RAISED

\$169,168,735

Compared to
\$228,871,400 in FY16
\$212,727,924 in FY15

- 21% of gifts were endowed; 79% were expendable
- 99% of gifts were designated by the donor

MAIN ENDOWMENT

\$1,184,321,692

Compared to
\$1,064,518,642 in FY16
\$1,118,571,184 in FY15

TOTAL ASSETS

\$2,333,262,696

Compared to
\$2,200,916,803 in FY16
\$2,229,379,512 in FY15

ANNUAL DONORS

44,402

Compared to
43,346 in FY16
39,921 in FY15

A Message from the Chief Financial Officer



Fiscal 2017 was a successful year operationally, with more change on the horizon as we focus on operational efficiencies, our fund management fee structure and partnering with the university to examine processes related to managing 10,408 active funds.

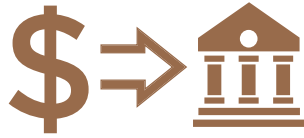
As a part of our ongoing focus to operate efficiently and our commitment to be fiscally responsible stewards of donor gifts, our 2017 operating expenses before depreciation and benefits paid to beneficiaries were held flat compared to 2016. The foundation also participates in facilitated bench marking with leading fundraising programs across the country, and looking at our average results over the last few years, we are among the most efficient programs in terms of cost-per-dollar raised. We continue to evaluate this, and similar data, to evaluate our efficiency and effectiveness.

On July 1, 2017, we lowered the management fee we charge on the endowment from 1.75 percent to 1.65 percent, continuing our efforts to reduce the fee from the high of 1.85 percent in 2012 to a target fee that balances the need to increase the purchasing power of the endowment for the university and the need to invest in the foundation's mission to meet the needs of the university. The average endowment management fee for foundations supporting public universities is 1.25 percent. Seventy-five percent of our operating expenses are funded by the management fee on the endowment, which we feel is an unsustainable burden on the endowment. Our board of directors has appointed a task force comprised of representatives from our board of directors, university leadership, the donor community and management. Their work is progressing with the goal to diversify revenue sources that will allow the foundation to expand its operation and grow results in accordance with the strategic plan, while reducing fees on the endowment so that we can optimize the purchasing power and growth of the endowment long-term.

The financial future of the foundation is solid and our commitment to maximizing the impact of donor gifts remains a top priority.

A handwritten signature in black ink, appearing to read 'T. Wilhelm', written over a light gray rectangular background.

Troy K. Wilhelm
Chief Financial Officer

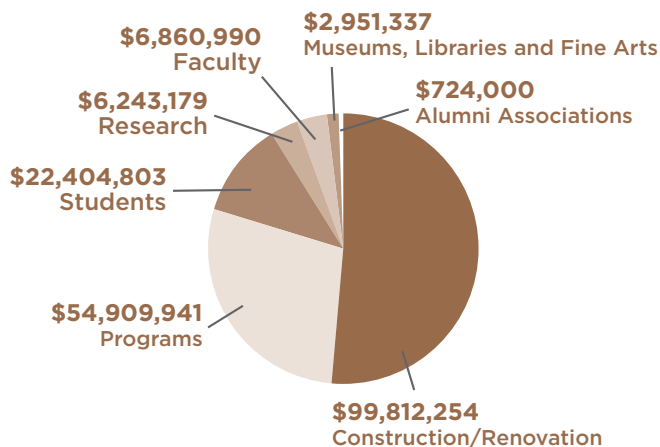


GIFTS TRANSFERRED TO THE UNIVERSITY

\$193,906,504

Compared to
\$206,379,728 in FY16
\$230,712,549 in FY15

WHERE FUNDS WERE TRANSFERRED



UNIQUE DONOR FUNDS UNDER MANAGEMENT

10,408

A Message from the Director of Investments



Many events surprised investors during the fiscal year ending June 30, 2017, not the least of which was the outcome of the U.S. presidential election. Domestic and international equity markets began to rally in early November, and continued the uptrend for the balance of the fiscal year. Domestic stocks performed well above their historical average for the year, with the S&P 500 returning +17.9 percent. International stocks fared even better, with the MSCI EAFE index posting a gain of +20.3 percent, while the MSCI Emerging Markets index gained +23.8 percent. On a negative note, core fixed income generally marked time during the year, with the Bloomberg Barclays U.S. Aggregate Bond Index losing -0.3 percent.

Fund A, our main endowment, was well positioned to benefit from a meaningful equity allocation and posted a net-of-investment fee gain for the fiscal Year of +12.7 percent. Coincidentally, this matches the median return reported by Cambridge Associates, an endowment consultant, of 43 public university endowments valued at more than \$1 billion. While it is encouraging to see attractive one year returns, our focus continues to be on achieving our long-term objective of 6.0 percent as measured on a five year annualized basis. The diversified investment approach utilized by Fund A has resulted in strong out-performance of this objective, as evidenced by a +7.7 percent five year annualized return.

While Fund A is the foundation's primary endowment benefiting the university, the foundation also manages Fund N, the university endowment, through an agency agreement with the university. Fund N was valued at \$308.1 million at the end of the fiscal year, with an investment return of 13.9 percent. The foundation also has some smaller endowment funds managed outside of Fund A and Fund N.

The investment committee and foundation staff continue to emphasize cost-effective investment solutions where practical. A review of expenses completed during the fiscal year shows our investment cost structure is well below our peer average. This includes both investment operations expenses as well as investment management fees. Additionally, while mindful of ever-increasing equity valuations, we continue to focus on idiosyncratic investment opportunities that will provide for the continued growth of the endowment.

Our views for the continued long-term success of the foundation remain unchanged: focus on prudent expense management; identify and retain talented investment managers; remain focused on the long-term; and, let asset allocation be the primary driver of returns.

A handwritten signature in black ink, appearing to read 'Brian Neale', written in a cursive style.

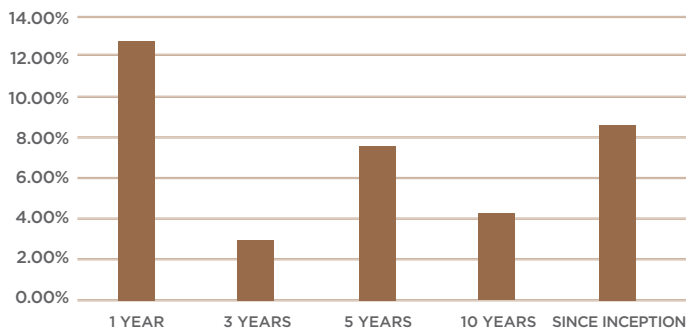
Brian Neale
Senior Director of Investments



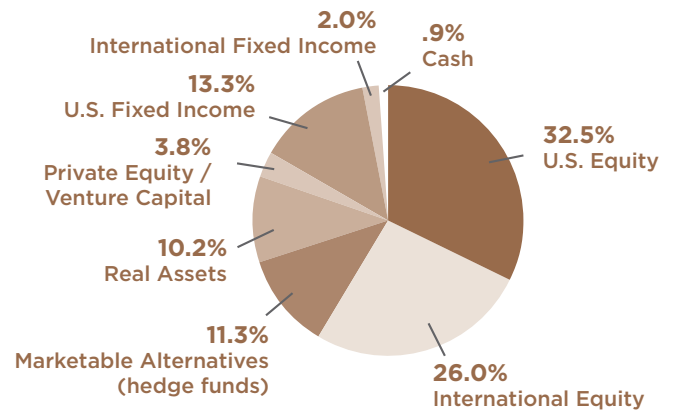
RETURN ON MAIN ENDOWMENT

12.7%

FUND A (MAIN ENDOWMENT)



ASSET ALLOCATION



Statement of Financial Position

DOLLARS IN THOUSANDS

FOR FISCAL YEAR ENDED

JUNE 30

JUNE 30

JUNE 30

ASSETS

2017

2016

2015

Cash and cash equivalents	\$40,780	\$27,100	\$998
Temporary investments	373,191	354,396	396,545
Pledges receivable	202,003	233,613	214,065
Other receivables	5,509	3,435	3,670
Investments	1,659,647	1,529,338	1,607,346
Property and equipment, net of depreciation	52,133	53,035	6,756
Total Assets	\$2,333,263	\$2,200,917	\$2,229,380

LIABILITIES

Accounts payable and accrued liabilities	\$5,232	\$1,404	\$988
University of Nebraska benefits payable	1,188	1,244	2,350
Scholarships, research, fellowships and professorships payable	13,353	12,171	7,481
*Note Payable	16,971	16,382	-
Deferred annuities payable	19,167	18,779	20,098
**Deposits held in custody for others	325,803	299,673	332,065
***Deferred revenue	3,117	6,556	3,392
Total Liabilities	\$384,831	\$356,209	\$366,374

NET ASSETS

Unrestricted	13,507	(\$26,299)	\$17,643
Temporarily restricted	966,858	949,313	964,325
Permanently restricted	968,067	921,694	881,038
Net Assets	\$1,948,432	\$1,844,708	\$1,863,006
Total Liabilities and Net Assets	\$2,333,263	\$2,200,917	\$2,229,380

* The foundation acquired a building during FY16 in exchange for an interest-free note of \$18 million. The note was recorded at its present value, and imputed interest expense is being recognized over the life of the loan.

** Gifts to other entities and managed by the University of Nebraska Foundation.

*** Deferred revenue in 2015 is for prepaid ground leases at Nebraska Technology Park. Deferred revenue in 2016 and 2017 is for the leasing back to the previous owner of a building purchased by the foundation in FY16.

Investments

DOLLARS IN THOUSANDS

FOR FISCAL YEAR ENDED

JUNE 30

JUNE 30

JUNE 30

INVESTMENTS STATED AT FAIR VALUE

2017

2016

2015

Certificates of deposit, savings and money market funds	\$15,228	\$14,746	\$14,104
U.S. government securities and sovereign debt	35,348	30,691	35,106
State government securities	156	241	587
Local government securities	124	639	852
International bonds	20,055	18,498	22,491
Corporate bonds	65,938	72,085	68,072
Common stock	504,238	459,308	428,980
Mutual funds — equity	83,356	83,947	87,674
Mutual funds — fixed income	133,266	135,565	137,498
Preferred stock	688	564	574
Limited partnerships	62,878	50,795	37,948
Commingled funds — public equity	282,828	187,168	186,898
Commingled funds — diversified real assets	35,098	35,870	37,995
Index funds — commodities	12,782	14,081	19,062
Index funds — public equity	219,694	247,363	319,560
Hedge funds	154,095	135,735	164,590
Subtotal	\$1,625,772	\$1,487,296	\$1,561,991

INVESTMENTS STATED AT OTHER THAN FAIR VALUE

Real estate	\$26,009	\$32,573	\$34,265
Real estate mortgage and contracts	2,218	3,860	5,480
Other	2,660	2,687	2,691
Cash value of life insurance	2,830	2,764	2,761
Annuity contracts	158	158	158
Subtotal	\$33,875	\$42,042	\$45,355

TEMPORARY INVESTMENTS STATED AT FAIR VALUE

U.S. Treasuries	\$110,880	\$118,257	\$183,743
Certificates of deposit and money market funds	66,950	892	1,491
State government securities	37,241	40,028	46,776
Local government securities	48,143	59,901	55,269
Corporate bonds	85,027	106,658	104,156
Exchange-traded funds — income	24,926	-	-
Exchange-traded funds — equity	-	28,451	4,770

TEMPORARY INVESTMENTS STATED AT OTHER THAN FAIR VALUE

Real estate	\$24	\$209	\$340
Subtotal	\$373,191	\$354,396	\$396,545
Total Investments and Temporary Investments	\$2,032,838	\$1,883,734	\$2,003,891

Statement of Activities

DOLLARS IN THOUSANDS

FOR FISCAL YEAR ENDED

JUNE 30

JUNE 30

JUNE 30

REVENUE AND GAINS

2017

2016

2015

Gifts, bequests and life insurance proceeds	\$169,168	\$228,871	\$212,727
Investment income	39,465	32,818	29,122
Change in value of split-interest agreements	397	989	1,191
Realized and unrealized gains (losses), net	119,798	(48,466)	(10,906)
Total Revenue and Gains	\$328,828	\$214,212	\$232,134

EXPENSES — BENEFITS TRANSFERRED TO THE UNIVERSITY

Student assistance	\$22,405	\$26,327	\$33,976
Faculty assistance	6,861	5,731	5,323
Research	6,243	9,123	8,378
Academic programs	54,910	55,331	61,660
Museum, library and fine arts	2,951	2,729	1,975
Campus and building improvements	99,813	106,342	118,526
Alumni associations	724	796	868
Deferred compensation	-	1	7
Total Benefits Transferred	\$193,907	\$206,380	\$230,713

EXPENSES — OPERATIONS

Management and fundraising	\$26,642	\$26,725	\$24,051
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EXPENSES — OTHER

*Paid to other charities	\$119	\$98	-
Paid to beneficiaries	2,730	2,958	3,043
Depreciation	1,706	1,085	776
Total Operations and Other	\$31,197	\$30,866	\$27,870
Total Expenses	\$225,104	\$237,246	\$258,583
Increase (decrease) in net assets	103,724	(23,034)	(26,449)
Net assets at beginning of year	1,844,708	1,863,006	1,889,455
*Change in reporting entity	-	4,736	-
Ending Net Assets	\$1,948,432	\$1,844,708	\$1,863,006

*Due to the consolidation of the UNF Charitable Gift Fund in 2016.

To review our Independent Auditor's Report,
please visit nufoundation.org/annualreports

Executive Leadership Team

Brian F. Hastings, President and CEO

Michael Bird, Vice President, UNO Advancement

Lori A. Byrne, Senior Vice President, Development

Lucas Dart, Vice President, UNK Alumni Relations & Development

Dorothy Endacott, Vice President, Marketing Communications

Keith Miles, Senior Vice President, General Counsel

Brian Neale, Senior Director of Investments

Joe Selig, Senior Vice President, UNL Development

Connie Soucie, Vice President, Talent, Culture and Human Resources

Ben Storck, Assistant Vice President, Advancement Services

Dara Troutman, Chief of Staff

Amy Volk, Senior Vice President, UNMC Development

Troy Wilhelm, Chief Financial Officer

To see a list of University of Nebraska
Foundation Trustees, please visit
nufoundation.org/about/trustees

Board of Directors 2016 – 2017



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Chair



JoAnn Martin
Chair-Elect



Norm Hedgecock
Chair, Audit Committee



Karen Himle
Chair, Advancement Committee



John Massey
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Tonn Ostergard
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Charles Fritch



John Gottschalk



Margaret Holman



Rodrigo López



Barb Schaefer



Don Voelte



Brian Hastings
Ex Officio



Hank Bounds
Ex Officio



Bob Whitehouse
Ex Officio

Committee Members

Executive Committee

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JoAnn Martin, Chair-Elect
Karen Himle
Norm Hedgecock
Bill Jackman
John Massey
Tonn Ostergard
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Ex Officio
UNOAA Chair, Scott Durbin
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UNMCAA Chair, John Mitchell, M.D.
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John Gottschalk
John Hancock
Sue Wilkinson
Mark Chronister, Ex Officio
JoAnn Martin, Ex Officio

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Dan Bahensky
Damon Barry
Scott Carlson
Paul Engler
Bob Harris
Norm Hedgecock
Dennis Hirschbrunner
Kelly Holthus
Del Lienemann
John Olsson
Connie Sadler
John Schuele
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JoAnn Martin, Ex Officio

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Marvin Dietrich
John Gottschalk
Thomas J. Henning
Rodrigo López
Barb Schaefer
Mark Chronister, Ex Officio
JoAnn Martin, Ex Officio

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Bob Harris
Thomas E. Henning
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Bill Lester
Rodrigo López
Pat Miner
Vince Miscia
Kevin Yost
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Alternative Asset Subcommittee

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Ted Harris
Thomas E. Henning
Bill Jackman
Bill Lester
Pat Miner
Brad Moline
Mark Chronister, Ex Officio
JoAnn Martin, Ex Officio

Compensation Subcommittee

Mark Chronister, Chair, Ex Officio
JoAnn Martin, Ex Officio
Tonn Ostergard, Ex Officio

Tax Review Subcommittee

Norm Hedgecock, Chair, Ex Officio
Mark Chronister, Ex Officio
JoAnn Martin, Ex Officio

DISCLOSURE STATEMENT FOR DONORS UPDATED JULY 1, 2017

The University of Nebraska Foundation wishes to educate donors about the foundation's fees and policies as they relate to charitable giving. Several states have specific requirements in place that nonprofit organizations such as the University of Nebraska Foundation are required to publish in order to solicit residents of that state. Our fees, policies and those state solicitation requirements are printed here and are available at nufoundation.org/legal.

Charitable Solicitations

The University of Nebraska Foundation is a 501(c)(3) tax-exempt organization soliciting tax deductible private contributions for the benefit of the University of Nebraska. All contributions are used solely for charitable purposes. The foundation is registered to solicit charitable contributions with the appropriate governing authorities in all states requiring registration. A copy of our most recent audited financial statement is available by writing to 1010 Lincoln Mall, Suite 300, Lincoln, NE 68508, by calling 402-458-1100, or if you are a resident of the following States you may obtain registration and financial information directly by contacting: **CALIFORNIA: The Attorney General's website at <http://caag.state.ca.us/charities>. MARYLAND:** For the cost of postage and copies, from the Maryland Secretary of State, State House, Annapolis, Maryland 21401, (410)-974-5534. **NEW JERSEY: INFORMATION FILED WITH THE ATTORNEY GENERAL CONCERNING THIS CHARITABLE SOLICITATION AND THE PERCENTAGE OF CONTRIBUTIONS RECEIVED BY THE CHARITY DURING THE LAST REPORTING PERIOD THAT WERE DEDICATED TO THE CHARITABLE PURPOSE MAY BE OBTAINED FROM THE ATTORNEY GENERAL OF THE STATE OF NEW JERSEY BY CALLING 973-504-6215 AND IS AVAILABLE ON THE INTERNET AT <http://www.state.nj.us/lps/ca/charfrm.htm>. REGISTRATION WITH THE ATTORNEY GENERAL DOES NOT IMPLY ENDORSEMENT. NEW YORK:** Upon request, a copy of the latest annual report can be obtained from the organization or from the Office of the Attorney General, Department of Law, Charities Bureau, Attn: FOIL Officer, 120 Broadway, New York, New York 10271. **OREGON:** Registration in no way constitutes or implies any endorsement, sanction or approval of this solicitation, its purposes, the manner in which it is conducted or the person or organization conducting it by the Oregon Attorney General. **PENNSYLVANIA:** The official registration and financial information of the University of Nebraska Foundation may be obtained from the Pennsylvania Department of State by calling toll free, within Pennsylvania, 1-800-732-0999. Registration does not imply endorsement. **WASHINGTON:** The official registration of the University of Nebraska Foundation may be obtained from the Washington Secretary of State at 1-800-332-GIVE or <http://www.sos.wa.gov>.

Fees

The foundation annually allocates a total of 1.65 percent of the market value of its main endowment, on a lagged basis, to support the foundation's operations. This expense is applied quarterly to the previous month's unadjusted (before additions for the month) market value. In addition, the foundation employs professional fund managers, and manager fees are assessed to the endowment.

Gifts made for immediate support of the university (rather than invested as an endowment) are considered expendable funds. No fee is charged to expendable funds, but income earned on expendable funds prior to expenditure by the University of Nebraska is added to the University of Nebraska Foundation's general fund to support its operations.

Distributions from estates (including living and revocable trusts or other trusts established by a donor for estate planning purposes) (collectively "Estate Gifts") added to the foundation's main endowment are used for the foundation's operations during the first 12 full months after each distribution is made. Thereafter, distributions from Estate Gifts will be used for the designated charitable purpose.

From time to time, the foundation serves as trustee of charitable remainder unitrusts and annuity trusts (collectively, "CRTs"), and offers charitable gift annuity contracts ("CGAs") which distribute variable (unitrusts) or fixed (annuity

trusts and CGAs) payments to designated beneficiaries, with the remainder of the trust supporting the University of Nebraska upon the termination of the trust. CRTs or CGAs managed by the foundation are not charged a trustee or administrator fee. However, unless the agreement provides otherwise, any professional fund manager or advisor fees are charged to the CRT or CGA. A distribution fee is assessed based on the realized value of the CRT or CGA at the termination of intervening beneficiary interests in accordance with the following schedule:

Distribution Value of CRT or CGA	Fee
50% or less of original value	None
50-75% of original value	1.0% of realized value
75-100% of original value	2.0% of realized value
More than 100% of original value	2.0% of realized value plus 20.0% of excess over original value

Spending Policy

The endowment spending policy allocates a fixed percentage of a market value average (referred to as the “distribution”) to each individual fund within the endowment to be utilized for the specific charitable purpose of that fund. The spending policy calculates the annual distributions on the basis of 4.25 percent of the 20-quarter moving average of the endowment’s market value, as adjusted for new gifts. The annual distribution is allocated on a monthly basis to each individual fund and is funded, first from current ordinary income (interest dividends, etc.), and second from capital gains.

Constituent Information

The foundation maintains information on alumni, donors and friends of the university (“Constituents”). Some of this information is generally available from third-party sources (such as the internet). Constituent information maintained by the foundation will not be disclosed to any third party without the Constituent’s express written consent. The foundation also documents giving records, other financial information, contacts, philanthropic interests and the foundation’s cultivation strategies. This information is an internal work product and would be considered “trade secret” information vital to the foundation’s business objective and protected under Nebraska’s Trade Secrets Act. It will not be disclosed to any external source, unless required to do so by law. In the event a donor or alumnus wishes to see his or her own biographical data, past giving information, or direct correspondence to and from the foundation, that data can be viewed by contacting the foundation; a reasonable opportunity to view data will be provided during regular business hours at a foundation office.

The foundation maintains physical, electronic and procedural safeguards to protect nonpublic personally identifiable information and to comply with federal and state laws. In addition, we regularly review policies and practices, monitor our computer networks and evaluate the strength of our security protocols.

If you prefer not to be contacted by the foundation, contact us at 800-432-3216 or info@nufoundation.org and request that a “Do Not Contact” code be placed on your record.

This information is being provided to educate our donors about our fees and operating policies. All policies are reviewed on an annual basis and may be modified by the foundation’s board of directors. Visit nufoundation.org/legal for the most updated policies. If you have any questions or would like further information, please contact General Counsel Keith Miles or Chief Financial Officer Troy Wilhelm at 402-458-1100 or 800-432-3216.

UNIVERSITY *of* NEBRASKA FOUNDATION

nufoundation.org
800-432-3216
info@nufoundation.org

Kearney
308-698-5270

Lincoln
402-458-1100

Omaha
402-502-0300