KPMG

UNIVERSITY OF NEBRASKA FOUNDATION

Consolidated Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Directors
University of Nebraska Foundation:

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Omaha, Nebraska
September 29, 2022

UNIVERSITY OF NEBRASKA FOUNDATION

Consolidated Statements of Financial Position

June 30, 2022 and 2021

(Dollar in thousands)

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

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION

Consolidated Statement of Activities

Year ended June 30, 2022

(Dollars in thousands)

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

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION

Consolidated Statement of Activities

Year ended June 30, 2021

(Dollars in thousands)

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

See accompanying notes to consolidated financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Dollars in thousands)

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

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of the Entity and Principles of Consolidation

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

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

(b) Basis of Accounting and Presentation

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

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

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

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

(c) Use of Estimates

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

(d) Gifts, Bequests, and Life Insurance Proceeds

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are recognized when they become unconditional. A promise to give is conditional based on whether the agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. A conditional promise to give becomes an unconditional promise to give when the barriers in the agreement are overcome. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as contributions with donor restriction.

The Foundation recognizes a receivable and revenue at the time a pledge is made by the donor if the pledge is verifiable, measurable, probable of collection, and meets all applicable eligibility requirements. Pledges extending beyond one year are discounted to recognize the present value of the future cash flows. In subsequent years, this discount is accreted and reported as additional contribution revenue in accordance with donor-imposed restrictions, if any, and is recorded in gifts, bequests, and life insurance proceeds on the statement of activity. The discount rate utilized for 2022 and 2021 was 2% and 6%, respectively. In addition, pledges are reported net of an allowance, which includes specific reserves for items that are past due in payments as well as a general reserve set at 3% of pledges receivable balance.

Included in gifts, bequests, and life insurance proceeds, is an advancement fee assessed on incoming expendable contributions, with certain predetermined exclusions, effective March 1, 2020. During the years ended June 30, 2022 and 2021 the fee was $1,415 and $1,031, respectively, and is included as an increase in net assets without donor restriction within gifts, bequests, and life insurance proceeds within the consolidated statement of activities.

(e) Cash and Cash Equivalents

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

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

(f) Investments and Temporary Investments

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

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

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

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

Investment income is comprised of dividends, interest, and other investment income and is shown net of external investment management and custody fees. Included in investment income is a management fee charged by the Foundation to endowment accounts within each net asset class for which the Foundation manages investments. This management fee is calculated annually based on the market value of the endowment and is charged ratably over the year on a monthly basis. These fees are used to support the Foundation's management and fund-raising operations. During the years ended June 30, 2022 and 2021, $20,153 and $19,471, respectively, was charged to donor restricted investment income and credited to investment income without donor restriction in the consolidated statements of activities related to the management fee for endowment funds. Also, included in investment income without donor restriction for the years ended June 30, 2022 and 2021 is $5,892 and $5,402, respectively, of a management fee charged by the Foundation to agency funds, which is calculated annually based on the market value of the agency funds and is charged ratably over the year on a monthly basis.

(g) Deposits Held in Custody for Others

Deposits held for others represent funds held in a fiduciary capacity. The assets are included in investments and the corresponding liability for these funds are reflected on the consolidated statements of financial position, however, the transactional activity of these funds is not reflected in the consolidated statements of activities as the Foundation is acting as an agent for these funds. Such funds approximated $360 million and $425 million at June 30, 2022 and 2021, respectively, and are recorded as a liability on the consolidated statements of financial position. These funds are held on behalf of the University and other related entities.

(h) Benefits Paid to University

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

(i) Deferred Annuities Payable

The Foundation is the beneficiary of split interest agreements in the form of charitable gift annuities, charitable remainder trusts, and pooled income funds. The liability is established at the time of the contribution using actuarial tables and an assumed interest rate. The interest rates used for the establishment of the liability was 6% for the years 2022 and 2021. In connection with certain agreements, the Foundation has committed to the payment of an annual annuity to the donor. Liabilities associated with these agreements as of June 30, 2022 and 2021 are $17,199 and $16,647, respectively, and have been reflected as deferred annuities payable on the consolidated statements of financial position. Annuity obligations are adjusted annually for actuarial changes in life expectancy. The increases and decreases to the liability are reflected as change in the value of split interest agreements with donor restriction in the consolidated statements of activities, which is consistent with the method used to initially record the contribution.

(j) Fair Value of Financial Instruments

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

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

(k) Income Taxes

The Foundation has been recognized as a not-for-profit corporation by the Internal Revenue Service as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Such tax positions, which are more than 50% likely of being realized, are measured at their highest value. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Foundation believes it is no longer subject to income tax examinations for years prior to 2017. During 2022 and 2021, management determined that there are no income tax positions requiring recognition in the consolidated financial statements.

(Continued)

(l) New Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 requires the lessee to recognize assets and liabilities for leases with lease terms of more than twelve months. For leases with a term of twelve months or less, the Foundation is permitted to make an accounting policy election by class of underlying asset to recognize lease assets and lease liabilities. Further ASU 2016-02 requires a finance lease to recognize both an interest expense and an amortization of the associated expense. Operating leases generally recognize the associated expense on a straight-line basis. ASU 2016-02 requires the Foundation to adopt the standard using a modified retrospective approach and adoption beginning in fiscal year 2023. The Foundation is currently evaluating the impact that ASU 2016-02 will have on its consolidated financial statements.

(2) Fair Value Investments

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

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

(Dollars in thousands)

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

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

(Dollars in thousands)

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

(1) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

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

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

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

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

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

Common and preferred stock, mutual funds, index funds, and exchange traded funds: These securities are mainly measured using quoted market prices at the reporting date multiplied by the quantity held. These are classified as Level 1 securities as they are traded in an active market for which closing prices are readily available. Included within common stock is closely held stock valued at $46,033 and $42,464, respectively, as of June 30, 2022 and 2021. The closely held stock is classified as Level 3 as these are securities without readily observable inputs or measures. The closely held stock is recorded at fair value determined using book value of equity of the closely held company as similar public companies in the industry trade near book value. There were no purchases or sales of closely held stock during 2022 or 2021.

Commingled funds: Commingled funds have readily determinable fair values but are not traded on national exchanges. These funds are private funds where the fund stands ready to transact with investors at net asset value at certain time periods under the fund governing agreements. Price quotes for the underlying assets are available for identical assets. Commingled public equity funds are limited to once a month and as such limit the activity of the markets. These funds are classified as Level 2. Commingled diversified real asset funds are made up of publicly traded U.S. and foreign equities in the real estate industry. Quoted prices are available in active markets and there is the ability to trade at the measurement date. These funds are classified as Level 1.

(Dollars in thousands)

(3) Investments

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

	2022	2021
Investments stated at fair value or net asset value:		
Certificates of deposit, savings, and money market funds	$ 5,758	10,816
U.S. government securities and sovereign debt	13,712	37,049
Corporate bonds	13,400	47,223
Common stock	206,849	236,879
Mutual funds – equity	427,876	523,294
Mutual funds – fixed income	11,030	14,231
Preferred stock	81	566
Limited partnerships	371,174	300,492
Commingled funds – public equity	273,025	342,282
Commingled funds – diversified real assets	128,570	79,231
Index funds – public equity	629,594	710,046
Hedge funds	1,722	6,050
Investments stated at other than fair value:		
Real estate	17,228	22,218
Real estate mortgage and promissory notes	212	1,130
Other	2,062	2,062
Cash value of life insurance	3,111	2,988
	$ 2,105,404	2,336,557

	2022	2021
Temporary investments stated at fair value:		
U.S. treasuries	$ 50,445	59,066
Certificates of deposit and money market funds	51,409	45,060
State government securities	27,743	35,445
Local government securities	42,782	60,575
Corporate bonds	254,822	260,908
Common stock	—	61,467
Exchange traded funds – equity	190,748	143,886
	$ 617,949	666,407

(Dollars in thousands)

The estimated value of hedge funds and limited partnerships was provided by the respective fund managers. For these alternative investments, the Foundation uses the net asset value (or its equivalent) reported by the underlying fund to estimate the fair value of the investment. Below is a summary of investments accounted for at net asset value at June 30, 2022 and 2021:

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

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

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

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

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

(Dollars in thousands)

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

(4) Pledges Receivable

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

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

The discount will be recognized as contribution income in years 2023 through 2044.

In addition, the Foundation has been informed of intentions to give in the form of possible future bequests and conditional pledges, in the amount of $65,575 and $122,040 at June 30, 2022 and 2021, respectively. These amounts are not included in pledges receivable as they do not constitute unconditional promises to give. It is not practicable to estimate the net realizable value of these intentions to contribute or the period over which they will be collected.

(5) Net Assets with Donor Restrictions

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

(Dollars in thousands)

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

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

The Foundation had net assets without donor restrictions of $109,763 and $91,115 at the end of 2022 and 2021, respectively, of which $53,941 and $61,613 was board designated. Net assets of $208,132 and $213,173 were released from donor restrictions during 2022 and 2021 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

(6) Financial Assets and Liquidity Resources

As of June 30, 2022, the Foundation's average month's operating cash and cash equivalents on hand is approximately 12 months, based on normal expenditures.

The following table reflects the Foundation's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general expenditure because of contractual or donor-imposed restrictions within one year of the financial position date. Financial assets are considered unavailable when subject to donor-imposed restrictions.

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

(Continued)

(Dollars in thousands)

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

(7) Functional Expenses

The Foundation solicits and distributes funds for the benefit of the University. Expenses related to those activities providing these services for the years ended June 30, 2022 and 2021 are as follows:

	2022			
	Program support	Management and general	Fundraising	Total
Payments to benefit the University	$ 216,402	—	—	216,402
Contributions to other charities	194	—	—	194
Salaries and benefits	—	8,090	14,087	22,177
Office expense	—	497	749	1,246
Office rent and utilities	—	741	1,118	1,859
Professional services	—	480	1,369	1,849
Dues and subscriptions	—	305	461	766
Travel and conferences	—	309	466	775
Cultivation expense	—	—	1,767	1,767
Miscellaneous expense	—	94	332	426
Paid to beneficiaries	—	2,614	—	2,614
Depreciation	—	200	302	502
Total expense	$ 216,596	13,330	20,651	250,577

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

(Continued)

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.

(8) Endowments

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

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

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

(1) the duration and preservation of the endowment fund

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

(3) general economic conditions

(4) the possible effect of inflation or deflation

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

(6) other resources of the Foundation

(7) the investment policy of the Foundation

(Dollars in thousands)

Endowment net asset composition by type of fund as of June 30, 2022 and 2021 is as follows:

		2022		
		Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$	—	1,668,931	1,668,931
Board-designated endowment funds		53,941	—	53,941
Endowment totals	$	53,941	1,668,931	1,722,872

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

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

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

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

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

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

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

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

(c) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NUPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation considers funds for which the fair value of the assets is less than the value of all contributions to the fund to be deficient and such funds are referred to as “underwater” funds. As of June 30, 2022, and 2021, funds with an original gift value of $655,534 and $36,918 were “underwater” by $43,081 and $1,573, respectively. Deficiencies of this nature were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions with donor restrictions and continued appropriation for certain programs as deemed prudent.

(9) Contingencies and Commitments

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

(10) Subsequent Events

In preparing the consolidated financial statements, the Foundation has evaluated subsequent events for potential recognition or disclosure through September 29, 2022 the date the consolidated financial statements were available to be issued and determined there are no other items to disclose.