University of Nebraska Foundation

Consolidated Financial Statements and Independent Auditor’s Report

June 30, 2024 and 2023

Contents

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Independent Auditors' Report

Board of Directors
University of Nebraska Foundation
Lincoln, Nebraska

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, 2024 and 2023, 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 consolidated financial position of the Foundation as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

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

In preparing the 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 within one year after the date that these consolidated financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

Forvis Mazars, LLP

Lincoln, Nebraska
September 19, 2024

University of Nebraska Foundation
Consolidated Statements of Financial Position
June 30, 2024 and 2023
(Dollars in thousands)

	2024	2023
ASSETS		
Cash and cash equivalents	$ 61,404	$ 24,999
Temporary investments	683,571	622,488
Pledges receivable, net	213,395	240,622
Other receivables	12,025	6,447
Investments	2,611,224	2,332,050
Operating lease right of use assets	10,361	16,527
Property and equipment, net of depreciation	4,705	3,851
Total assets	$ 3,596,685	$ 3,246,984
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	$ 9,235	$ 7,154
University of Nebraska payable	24,556	13,181
Deferred annuities payable	17,824	17,153
Operating lease liabilities	10,532	16,582
Deposits held in custody for others	431,583	402,300
Total liabilities	493,730	456,370
Net assets:		
Without donor restrictions	121,606	119,149
With donor restrictions	2,981,349	2,671,465
Total net assets	3,102,955	2,790,614
Total liabilities and net assets	$ 3,596,685	$ 3,246,984

University of Nebraska Foundation
Consolidated Statements of Activities
June 30, 2024
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and gains			
Gifts, bequests, and life insurance proceeds	$ 10,042	$ 270,906	$ 280,948
Investment income (loss), net of expenses	49,002	(16,277)	32,725
Change in value of split-interest agreements	-	376	376
Realized and unrealized gains, net	2,510	331,899	334,409
Total revenue and gains	61,554	586,904	648,458
Expenses:			
Payments to benefit the University:			
Academic support	95,039	-	95,039
Student assistance	37,989	-	37,989
Faculty assistance	9,062	-	9,062
Research	10,725	-	10,725
Museum, library, and fine arts	6,194	-	6,194
Campus and building improvements	132,657	-	132,657
Alumni associations	598	-	598
Total payments to benefit the University	292,264	-	292,264
Operating expenses:			
Salaries and benefits	31,132	-	31,132
Office expense	1,296	-	1,296
Office rent and utilities	2,130	-	2,130
Professional services	1,584	-	1,584
Dues and subscriptions	814	-	814
Travel and conferences	1,267	-	1,267
Cultivation expense	2,233	-	2,233
Miscellaneous expense	318	-	318
Contributions to other charities	194	-	194
Paid to beneficiaries	2,409	-	2,409
Depreciation	476	-	476
Total operating expenses	43,853	-	43,853
Total expenses	336,117	-	336,117
Other changes in net assets:			
Net assets released from restrictions	277,020	(277,020)	-
Total other changes in net assets	277,020	(277,020)	-
Change in net assets	2,457	309,884	312,341
Net assets at beginning of year	119,149	2,671,465	2,790,614
Net assets at end of year	$ 121,606	$ 2,981,349	$ 3,102,955

University of Nebraska Foundation
Consolidated Statements of Activities
June 30, 2023
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and gains			
Gifts, bequests, and life insurance proceeds	$ 3,413	$ 277,243	$ 280,656
Investment income (loss), net of expenses	47,077	(5,082)	41,995
Change in value of split-interest agreements	-	666	666
Realized and unrealized gains (losses), net	(48)	166,061	166,013
Total revenue and gains	50,442	438,888	489,330
Expenses:			
Payments to benefit the University:			
Academic support	100,400	-	100,400
Student assistance	35,287	-	35,287
Faculty assistance	8,371	-	8,371
Research	10,573	-	10,573
Museum, library, and fine arts	3,309	-	3,309
Campus and building improvements	129,289	-	129,289
Alumni associations	598	-	598
Total payments to benefit the University	287,827	-	287,827
Operating expenses:			
Salaries and benefits	27,030	-	27,030
Office expense	1,463	-	1,463
Office rent and utilities	2,009	-	2,009
Professional services	1,416	-	1,416
Dues and subscriptions	971	-	971
Travel and conferences	1,106	-	1,106
Cultivation expense	2,793	-	2,793
Miscellaneous expense	434	-	434
Contributions to other charities	131	-	131
Paid to beneficiaries	2,419	-	2,419
Depreciation	489	-	489
Total operating expenses	40,261	-	40,261
Total expenses	328,088	-	328,088
Other changes in net assets:			
Net assets released from restrictions	287,032	(287,032)	-
Total other changes in net assets	287,032	(287,032)	-
Increase in net assets	9,386	151,856	161,242
Net assets at beginning of year	109,763	2,519,609	2,629,372
Net assets at end of year	$ 119,149	$ 2,671,465	$ 2,790,614

University of Nebraska Foundation
Consolidated Statements of Cash Flows
June 30, 2024 and 2023
(Dollars in thousands)

	2024	2023
Cash flows from operating activities		
Increase in net assets	$ 312,341	$ 161,242
Adjustments to reconcile increase in net assets to net cash used in operating activities		
Depreciation	476	489
Realized and unrealized (gains) on investments, net	(334,409)	(166,013)
Contribution to endowment funds	(63,922)	(79,410)
Real and personal property contributions received	(264)	(1,342)
Non-cash operating lease expenses	389	1,519
(Increase) decrease in		
Pledges receivable	24,780	41,987
Other receivables	(5,734)	(53)
(Decrease) increase in		
Accounts payable and accrued liabilities	2,081	675
University of Nebraska payable	11,375	(2,060)
Deferred annuities payable	671	(46)
Deposits held in custody for others	29,283	42,649
Operating lease liabilities	(273)	(1,464)
Net cash used in operating activities	(23,206)	(1,827)
Cash flows from investing activities		
Purchase of temporary investments	(737,276)	(366,375)
Proceeds from sale and maturity of temporary investments	719,384	380,077
Net decrease (increase) in student loans	156	(5)
Purchase of investments	(318,775)	(130,199)
Proceeds from sale and maturity of investments	331,083	52,667
Purchase of property and equipment	(1,349)	(395)
Proceeds from sale of propery and equipment	19	-
Net cash used in investing activities	(6,758)	(64,230)
Cash flows from financing activity		
Contribution to endowment funds	66,369	65,938
Net cash provided by financing activities	66,369	65,938
Net increase (decrease) in cash and cash equivalents	36,405	(119)
Cash and cash equivalents, beginning of year	24,999	25,118
Cash and cash equivalents, end of year	$ 61,404	$ 24,999
Supplemental Cash Flows Information		
ROU assets obtained in exchange for new operating lease liabilities	$ 3,761	$ 17,074
Changes to lease balances from lease reassessment events	9,538	-

Note 1. Summary of Significant Accounting Policies

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.

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. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

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.

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.

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 statements of activities. The discount rate utilized for 2024 and 2023 ranged from 0.37% - 4.33% and 0.37% - 4.49%, 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. During the years ended June 30, 2024 and 2023, the fee was $1,941 and $1,703, 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.

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. At June 30, 2024, the Foundation's cash accounts exceeded federally insured limits by approximately $10,804.

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 (Loss)

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, 2024 and 2023, $22,404 and $22,889, 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, 2024 and 2023, is $4,432 and $5,623, 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.

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 $432 million and $402 million at June 30, 2024 and 2023, 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.

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.

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 2.8% for the years 2024 and 2023. In connection with certain agreements, the Foundation has committed to the payment of an annual annuity to the donor. Assets held are recorded at fair value of $40,155 and $39,247 as of June 30, 2024 and 2023, respectively, and are included in the investments in the consolidated statements of financial position. Liabilities associated with these agreements as of June 30, 2024 and 2023, are $17,824 and $17,153, 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.

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.

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 2019. During 2024 and 2023, management determined that there are no income tax positions requiring recognition in the consolidated financial statements.

Revisions

Certain immaterial revisions have been made to the 2023 financial statements for changes related to the contributions for endowment on the consolidated statements of cash flows, the financial assets available within one year in the financial assets and liquidity resources disclosure in Note 7, and investment type classifications in the fair value investments and investments disclosures in Notes 2 and 3, respectively. These revisions did not have a significant impact on the financial statement line items impacted.

Note 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 measured at June 30, 2024 and 2023 at estimated fair value on a recurring basis and the level within the fair value hierarchy in which the measurements fall:

	2024			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments				
Certificates of deposit and money market funds	$ 10,127	$ 10,102	$ 25	$ -
U.S. government securities and sovereign debt	7,895	-	7,895	-
International Bonds	3	-	3	-
Corporate bonds	3,720	-	3,720	-
Common stock	255,158	180,811	-	74,347
Mutual funds - equity	190,929	190,929	-	-
Mutual funds - fixed income	11,178	11,178	-	-
Preferred stock	81	-	81	-
Commingled funds - public equity	491,865	-	491,865	-
Index funds - public equity	1,119,836	1,119,836	-	-
Temporary investments				
U.S. treasuries	35,577	-	35,577	-
Certificates of deposit and money funds	114,630	104,594	10,036	-
State government securities	40,748	-	40,748	-
Local government securities	23,557	-	23,557	-
Corporate bonds	237,971	-	237,971	-
Exchange traded funds - equity	199,190	199,190	-	-
Investments measured at net asset value (1)				
Hedge funds	1,165	-	-	-
Limited partnerships	497,362	-	-	-
Temporary investments measured at net asset value (1)				
Limited partnerships	31,898	-	-	-
	$ 3,272,890	$ 1,816,640	$ 851,478	$ 74,347

(Dollars in thousands)

	2023			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets				
Investments				
Certificates of deposit and money market funds	$ 9,012	$ 9,012	$ -	$ -
U.S. government securities and sovereign debt	6,540	-	6,540	-
Corporate bonds	3,453	-	3,453	-
Common stock	244,576	190,671	-	53,905
Mutual funds - equity	236,850	236,850	-	-
Mutual funds - fixed income	11,065	11,065	-	-
Preferred stock	81	-	81	-
Commingled funds - public equity	433,161	-	433,161	-
Index funds - public equity	956,256	956,256	-	-
Temporary investments				
U.S. treasuries	39,665	-	39,665	-
Certificates of deposit and money funds	54,956	47,423	7,533	-
State government securities	22,629	-	22,629	-
Local government securities	32,383	-	32,383	-
Corporate bonds	243,044	-	243,044	-
Exchange traded funds - equity	227,468	227,468	-	-
Investments measured at net asset value (1)				
Hedge funds	1,006	-	-	-
Limited partnerships	409,657	-	-	-
Temporary investments measured at net asset value (1)				
Limited partnerships	2,343	-	-	-
	$ 2,934,145	$ 1,678,745	$ 788,489	$ 53,905

(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 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 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. 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:

Certificates of deposit 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, U.S. government securities and sovereign debt obligations, and International bonds: Investments include fixed-income securities comprised of U.S. government securities, sovereign debt, international bonds, 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 $74,347 and $53,905, respectively, as of June 30, 2024 and 2023. 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 based on independent audit reports and third party valuations. There were no purchases or sales of closely held stock during 2024 or 2023.

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)

Note 3. Investments

Investments consist of the following at June 30, 2024 and 2023:

	2024	2023
Investments stated at fair value or net asset value:		
Certificates of deposit and money market funds	$ 10,127	$ 9,012
U.S. government securities and sovereign debt	7,895	6,540
International bonds	3	-
Corporate bonds	3,720	3,453
Common stock	255,158	244,576
Mutual funds - equity	190,929	236,850
Mutual funds - fixed income	11,178	11,065
Preferred stock	81	81
Limited partnerships	497,362	409,657
Commingled funds - public equity	491,865	433,161
Index funds - public equity	1,119,836	956,256
Hedge funds	1,165	1,006
Investments stated at other than fair value		
Real estate	15,822	15,008
Real estate mortgage and promissory notes	551	351
Other	2,548	2,057
Cash value of life insurance	2,984	2,977
	$ 2,611,224	$ 2,332,050

	2024	2023
Temporary investments stated at fair value or net asset value:		
U.S. treasuries	$ 35,577	$ 39,665
Certificates of deposit and money market funds	114,630	54,956
State government securities	40,748	22,629
Local government securities	23,557	32,383
Corporate bonds	237,971	243,044
Exchange traded funds - equity	199,190	227,468
Limited partnerships	31,898	2,343
	$ 683,571	$ 622,488

(Dollars in thousands)

Alternative Investments

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, 2024 and 2023:

	2024			
	Net Asset Value	**Unfunded Commitments**	***Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Private equity/venture capital [(A)]	$ 404,788	$ 389,576	N/A	N/A
Natural resources [(B)]	56,776	47,056	N/A	N/A
Real estate funds [(C)]	67,696	112,516	N/A	N/A
Hedge funds				
Credit strategies [(D)]	1,165	3,200	q/sa/a	90-360 days
	$ 530,425	$ 552,348		

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

	2023			
	Net Asset Value	**Unfunded Commitments**	***Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
Private equity/venture capital [(A)]	$ 319,528	$ 248,725	N/A	N/A
Natural resources [(B)]	35,859	27,848	N/A	N/A
Real estate funds [(C)]	54,270	72,519	N/A	N/A
Hedge funds				
Credit strategies [(D)]	3,349	3,200	m/a	90-365 days
	$ 413,006	$ 352,292		

*m - monthly, a - annual

(A) This class includes private equity funds that primarily invest in venture capital, buyout, debt, and other private equity assets. Such funds may invest directly or through secondary investments in funds pursing a similar strategy. The fair value of the funds in this class have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through liquidation of underlying assets of the fund. If these investments were held, it is estimated the underlying assets of the funds would be liquidated over 4 to 12 years.

(Dollars in thousands)

(B) This class includes natural resource funds that invest primarily in interests of energy and agriculture. These investments can never be redeemed with the funds. Instead, distributions will be received from the production and marketing of such resources and upon final sale of the underlying interests. It is estimated that the underlying assets of the funds will be liquidated over 10 to 12 years.

(C) This class includes private real estate related funds that invest across multiple property types. These investments can never be redeemed with the funds. Instead, distributions will be received primarily through liquidation of underlying assets of the fund or secondarily through income generated by the underlying assets. It is estimated that the underlying assets of the funds will be liquidated over 5 to 10 years.

(D) This class includes funds that invests in a mix of securities including credit/debt, equities, real estate, financial services, real assets and special situations. These funds have a multi-strategy approach. The investment can be redeemed within 3 months to a year of June 30, 2024.

Note 4. Pledges Receivable

Pledges receivable with donor restrictions are due to be collected as follows as of June 30, 2024 and 2023:

	2024	2023
Gross amount due in:		
One year or less	$ 74,681	$ 77,405
One to five years	150,605	173,884
More than five years	8,106	14,474
	233,392	265,763
Less discount to present value	(13,398)	(17,699)
	219,994	248,064
Less allowance for doubtful accounts	(6,599)	(7,442)
	$ 213,395	$ 240,622

The discount will be recognized as contribution income in years 2024 through 2035.

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 $68,160 and $72,771 at June 30, 2024 and 2023, respectively. These amounts are not included in pledges receivable as they do not constitute unconditional promises to give and are contingent on the Foundation overcoming a donor imposed barrier to be entitled to the funds, such as obtaining matching funds, meeting capital project milestones, fulfillment of positions/staffing, etc. It is not practicable to estimate the net realizable value of these intentions to contribute or the period over which they will be collected.

(Dollars in thousands)

Note 5. Leases

Accounting Policies

The Foundation determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Foundation determines lease classification as operating or finance at the lease commencement date.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Foundation has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or terminate the lease that the Foundation is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Foundation has elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Operating Leases

The Foundation has leases for office space and equipment that expire in various years through 2044. These leases generally contain renewal options for periods ranging from 3 to 10 years and require the Foundation to pay all executory costs (property taxes, maintenance, and insurance). Lease payments have an escalating fee schedule, which range from a 5 to 7 percent increase at varying time throughout the lease. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

The Foundation has no material related-party leases. The Foundation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

The operating lease costs for the years ended June 30, 2024 and 2023 were $688 and $1,076, respectively. The other required information for the years ended June 30, 2024 and 2023, are:

	2024	2023
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 688	$ 1,018
Right-of-use assets obtained in exchange for new operating lease liabilities	3,761	17,074
Weighted-average remaining lease term (years)		
Operating leases	14.84	16.79
Weighted-average discount rate		
Operating leases	4.23%	4.07%

(Dollars in thousands)

Future minimum lease payments and reconciliation to the consolidated statements of financial position at June 30, 2024, are as follows:

	Operating Leases
2025	$ 1,457
2026	1,433
2027	1,433
2028	881
2029	603
Thereafter	8,490
Total future undiscounted lease payments	14,297
Less imputed interest	3,765
Lease liabilities	$ 10,532

Note 6. Net Assets

Net Assets With Donor Restrictions

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

The amounts of net assets with donor restrictions as of June 30, 2024 and 2023 are as follows:

	2024	2023
Charitable trusts and annuities	$ 17,251	$ 18,295
Temporarily restricted for specific purposes	1,196,316	1,092,203
Permanent endowment pool subject to spending policy	1,767,782	1,560,967
	$ 2,981,349	$ 2,671,465

Net Assets Without Donor Restrictions

The Foundation had net assets without donor restrictions of $121,606 and $119,149 at the end of 2024 and 2023, respectively, of which $73,590 and $57,147 was board designated as an endowment to support operations of the Foundation.

Net Assets Released from Restrictions

Net assets of $277,020 and $287,032 were released from donor restrictions during 2024 and 2023, respectively, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

(Dollars in thousands)

Note 7. Financial Assets and Liquidity Resources

The Foundation manages its liquidity and reserves to build and maintain assets to support the day-to-day operations in the event of unforeseen shortfalls. The Foundation has an operative reserve policy to maintain 9-12 months of current annual recurring operating costs, which is set annually during the budget process. As of June 30, 2024 and 2023, the Foundation's average month's operating cash and cash equivalents on hand was approximately 14 months based on normal expenditures, which was in excess of the policy requirements.

The following table reflects the Foundation's financial assets as of June 30, 2024 and 2023, 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.

	2024	2023
Financial assets		
Cash and cash equivalents	$ 61,404	$ 24,999
Temporary investments	683,571	622,488
Pledges	213,395	240,622
Other receivables	12,025	6,447
Investments	2,611,224	2,332,050
Financial assets, at the end of the year	3,581,619	3,226,606
Less those unavailable for general expenditure within one year due to		
Permanent endowment pool subject to spending policy	1,767,782	1,560,967
Other receivables due in more than one year	2,389	2,544
Deposits held in custody for others	431,583	402,300
Donor funds available for specific purpose	1,213,567	1,110,498
Total unavailable for general expenditure within one year	3,415,321	3,076,309
Total financial assets available within one year	$ 166,298	$ 150,297

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 9). While those amounts are not expected to be used for general operations, they are available to the board if needed.

(Dollars in thousands)

Note 8. 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, 2024 and 2023 are as follows:

	2024			
	Program Support	Management and General	Fundraising	Total
Payments to benefit the University	$ 292,264	$ -	$ -	$ 292,264
Contributions to other charities	194	-	-	194
Salaries and benefits	-	11,237	19,895	31,132
Office expense	-	506	790	1,296
Office rent and utilities	-	832	1,298	2,130
Professional services	-	970	614	1,584
Dues and subscriptions	-	318	496	814
Travel and conferences	-	495	772	1,267
Cultivation expenses	-	-	2,233	2,233
Miscellaneous expense	-	61	257	318
Paid to beneficiaries	-	2,409	-	2,409
Depreciation	-	186	290	476
Total expense	$ 292,458	$ 17,014	$ 26,645	$ 336,117

	2023			
	Program Support	Management and General	Fundraising	Total
Payments to benefit the University	$ 287,827	$ -	$ -	$ 287,827
Contributions to other charities	131	-	-	131
Salaries and benefits	-	9,730	17,300	27,030
Office expense	-	595	868	1,463
Office rent and utilities	-	816	1,193	2,009
Professional services	-	921	495	1,416
Dues and subscriptions	-	395	576	971
Travel and conferences	-	449	657	1,106
Cultivation expenses	-	-	2,793	2,793
Miscellaneous expense	-	135	299	434
Paid to beneficiaries	-	2,419	-	2,419
Depreciation	-	199	290	489
Total expense	$ 287,958	$ 15,659	$ 24,471	$ 328,088

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.

(Dollars in thousands)

Note 9. 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 6,000 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/depreciation 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, 2024 and 2023 is as follows:

	2024		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 2,087,826	$ 2,087,826
Board-designated endowment funds	73,590	-	73,590
Endowment funds	$ 73,590	$ 2,087,826	$ 2,161,416

(Dollars in thousands)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 1,841,307	$ 1,841,307
Board-designated endowment funds	57,147	-	57,147
Endowment funds	$ 57,147	$ 1,841,307	$ 1,898,454

Changes in endowment net assets for the years ended June 30, 2024 and 2023 were as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 57,147	$ 1,841,307	$ 1,898,454
Contributions	10,042	76,781	86,823
Investment income, net of expenses	9,097	244,347	253,444
Amounts appropriated for expenditures	(2,696)	(74,609)	(77,305)
Endowment net assets, end of year	$ 73,590	$ 2,087,826	$ 2,161,416

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 53,941	$ 1,668,931	$ 1,722,872
Contributions	3,413	91,914	95,327
Investment income, net of expenses	2,050	153,467	155,517
Amounts appropriated for expenditures	(2,257)	(73,005)	(75,262)
Endowment net assets, end of year	$ 57,147	$ 1,841,307	$ 1,898,454

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.

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 as of June 30 each year, for the following 12-month period beginning October 1. 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.

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. The Foundation has interpreted NUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. As of June 30, 2024, and 2023, funds with an original gift value of $139,359 and $373,517 were “underwater” by $4,202 and $23,323, 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.

Note 10. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

At June 30, 2024 and 2023, approximately 11% and 22% of gross pledge receivables are from one donor and two donors, respectively.

General Litigation

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.

Investments

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

At June 30, 2024 approximately 19% of all investments were in one index fund. No investment concentrations existed as of June 30, 2023.

Note 11. Subsequent Events

In preparing the consolidated financial statements, the Foundation has evaluated subsequent events for potential recognition or disclosure through September 19, 2024, the date the consolidated financial statements were available to be issued and determined there are no other items to disclose.