KPMG

CREIGHTON UNIVERSITY

Consolidated Financial Statements

June 30, 2019 and 2018

and

Schedule of Expenditures of Federal Awards

June 30, 2019

(With Independent Auditors' Reports Thereon)

CREIGHTON UNIVERSITY

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Independent Auditors' Report

The Board of Trustees
Creighton University:

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of Matters

As discussed in note 1(q) to the consolidated financial statements, Creighton University adopted new accounting guidance for Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*; ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*; and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019 on our consideration of Creighton University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Creighton University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Creighton University's internal control over financial reporting and compliance.

KPMG LLP

Omaha, Nebraska
October 24, 2019

CREIGHTON UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2019 and 2018

(All amounts in thousands)

Assets		**2019**	**2018**
Cash and cash equivalents	$	17,143	12,397
Accounts receivable, net		23,561	21,653
Contributions receivable, net		5,395	1,509
Student loans receivable, net of reserve for doubtful accounts of $1,055 and $1,019 in 2019 and 2018, respectively		27,091	28,693
Notes receivable, net		15,424	13,876
Prepaid expenses, inventories, and other assets		16,845	15,846
Investments		759,982	748,783
Land, buildings, and equipment, net		492,692	475,476
Total assets	$	1,358,133	1,318,233
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	43,009	46,081
Short-term borrowings		—	5,000
Deferred income		21,092	20,171
Other liabilities		27,098	32,276
Interest rate swap liability		24,221	18,225
Refundable government student loan funds		29,390	29,074
Bonds and notes payable		198,419	203,502
Total liabilities		343,229	354,329
Commitments and contingencies			
Net assets:			
Without donor restrictions		647,680	587,714
With donor restrictions:			
Time or purpose		117,915	139,008
Perpetual		249,309	237,182
Total net assets		1,014,904	963,904
Total liabilities and net assets	$	1,358,133	1,318,233

See accompanying notes to consolidated financial statements.

CREIGHTON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2019

(All amounts in thousands)

	Without donor restrictions	With donor restrictions	Total
Net operating revenue:			
Tuition and fees, net of tuition discount and scholarship allowances of $96,370	$ 242,971	—	242,971
Educational support contract revenue	46,458	—	46,458
Healthcare services revenue	12,208	—	12,208
Grants and contracts	20,964	—	20,964
Contributions	10,580	—	10,580
Investment income appropriated for operations	20,139	—	20,139
Auxiliary enterprises	46,313	—	46,313
Other revenue	16,512	—	16,512
Capital gifts appropriated for operations	5,881	—	5,881
Net assets released from restrictions	3,355	—	3,355
Total net operating revenue	425,381	—	425,381
Operating expenses:			
Salaries, wages, and benefits	245,418	—	245,418
Contracted services	43,643	—	43,643
Supplies and materials	21,785	—	21,785
Depreciation and amortization	30,560	—	30,560
Interest	8,404	—	8,404
Utilities and communications	10,720	—	10,720
Other operating	44,549	—	44,549
Total operating expenses	405,079	—	405,079
Increase in net assets from operating activities	20,302	—	20,302
Nonoperating changes in net assets:			
Investment return over (under) amounts appropriated for operations	(4,143)	16,064	11,921
Equity losses in minority-owned affiliates	(690)	—	(690)
Change in fair value of interest rate swaps	(5,996)	—	(5,996)
Contributions for nonoperating purposes	—	32,965	32,965
Other changes in net assets	(174)	(719)	(893)
Capital gifts appropriated to operations	(5,881)	—	(5,881)
Net assets released from restrictions	53,921	(57,276)	(3,355)
Net nonoperating changes in net assets	37,037	(8,966)	28,071
Increase (decrease) in net assets	57,339	(8,966)	48,373
Net assets, beginning of year, as previously reported	587,714	376,190	963,904
ASU 2014-09 and 2018-08 implementation	2,627	—	2,627
Net assets, beginning of year, as restated	590,341	376,190	966,531
Net assets, end of year	$ 647,680	367,224	1,014,904

See accompanying notes to consolidated financial statements.

CREIGHTON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2018

(All amounts in thousands)

		Without donor restrictions	With donor restrictions	Total
Net operating revenue:				
Tuition and fees, net of tuition discount and scholarship allowances of $91,059	$	227,899	—	227,899
Educational support contract revenue		38,461	—	38,461
Healthcare services revenue		11,746	—	11,746
Grants and contracts		17,766	—	17,766
Contributions		12,699	—	12,699
Investment income appropriated for operations		17,992	—	17,992
Auxiliary enterprises		41,139	—	41,139
Other revenue		13,288	—	13,288
Capital gifts appropriated for operations		4,759	—	4,759
Net assets released from restrictions		1,495	—	1,495
Total net operating revenue		387,244	—	387,244
Operating expenses:				
Salaries, wages, and benefits		233,227	—	233,227
Contracted services		42,025	—	42,025
Supplies and materials		19,781	—	19,781
Depreciation and amortization		25,446	—	25,446
Interest		7,437	—	7,437
Utilities and communications		10,002	—	10,002
Other operating		35,896	—	35,896
Total operating expenses		373,814	—	373,814
Increase in net assets from operating activities		13,430	—	13,430
Nonoperating changes in net assets:				
Investment return over amounts appropriated for operations		8,322	22,361	30,683
Equity losses in minority-owned affiliates		(329)	—	(329)
Loss on extinguishment of debt		(2,852)	—	(2,852)
Change in fair value of interest rate swaps		6,168	—	6,168
Contributions for nonoperating purposes		579	27,375	27,954
Other changes in net assets		(488)	584	96
Capital gifts appropriated to operations		(4,759)	—	(4,759)
Net assets released from restrictions		13,765	(15,260)	(1,495)
Net nonoperating changes in net assets		20,406	35,060	55,466
Increase in net assets		33,836	35,060	68,896
Net assets, beginning of year, as previously reported		440,915	454,093	895,008
ASU 2016-14 implementation		112,963	(112,963)	—
Net assets, beginning of year, as restated		553,878	341,130	895,008
Net assets, end of year	$	587,714	376,190	963,904

See accompanying notes to consolidated financial statements.

CREIGHTON UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(All amounts in thousands)

		2019	2018
Cash flows from operating activities:			
Increase in net assets	$	48,373	68,896
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Equity losses in minority-owned affiliates		690	329
Receipt of contributed securities		(3,688)	(4,388)
Proceeds from sale of contributed securities without donor restrictions		2,681	1,006
Depreciation, amortization, and accretion		30,509	25,404
Net loss from sale of land, buildings, and equipment, net		6,099	1,440
Actuarial loss on annuities payable		997	528
Actuarial adjustment on contributions receivable		2	(489)
Cash contributions for nonoperating purposes		(29,104)	(23,566)
Change in fair value of interest rate swap agreements		5,996	(6,168)
Net realized and unrealized gains on investments		(28,174)	(42,814)
Loss on extinguishment of debt		—	2,852
Changes in operating assets and liabilities:			
Accounts receivable		221	(4,005)
Notes receivable		142	(34)
Contributions receivable		(3,888)	—
Prepaid expenses, inventories, and other assets		(3,670)	(3,960)
Accounts payable and accrued expenses		2,676	2,402
Deferred income		4,020	(2,157)
Other liabilities		(5,441)	(1,134)
Net cash provided by operating activities		28,441	14,142
Cash flows from investing activities:			
Repayments on student loans		4,865	5,387
Student loans issued		(3,263)	(4,342)
Proceeds from the sales of investments		157,154	169,753
Purchases of investments		(141,237)	(184,483)
Purchases of land, buildings, and equipment, net		(61,243)	(89,727)
Net cash used in investing activities		(43,724)	(103,412)
Cash flows from financing activities:			
Cash contributions for nonoperating purposes		29,104	23,566
Proceeds from sale of contributed securities with donor restrictions		1,007	3,382
Proceeds from the issuance of long-term debt		—	76,574
Payments on long-term debt		(4,980)	(30,835)
Proceeds from short-term debt		—	5,000
Payments on short-term debt		(5,000)	—
Increase (decrease) in federal student loan funds		316	(592)
Net payments on annuity agreements		(418)	(815)
Net cash provided by financing activities		20,029	76,280
Net increase (decrease) in cash and cash equivalents		4,746	(12,990)
Cash and cash equivalents, beginning of year		12,397	25,387
Cash and cash equivalents, end of year	$	17,143	12,397
Supplemental cash flow data:			
Cash paid for interest	$	8,384	6,487
Capital assets acquired through accounts payable		421	6,099
Contributed securities		3,688	4,388
Capital assets sold recorded as notes receivable		1,689	—

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

Creighton University (Creighton or the University) is a private, Catholic, Jesuit, comprehensive university located in Omaha, Nebraska. Creighton offers degree programs through four colleges, four professional schools, and a graduate school. Creighton's students come from nearly every state in the country, as well as from numerous foreign countries, with the majority of students coming from the Midwestern region of the United States.

Sources of operating revenue to Creighton predominantly consist of student tuition and fees, and also include charges for healthcare services, grants and contracts, contributions, investment earnings, auxiliary services, and others.

(b) Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and include the accounts of Creighton University, Creighton Soccer Stadium, Inc. (CSSI), a wholly owned for-profit subsidiary, and Creighton Dental QALICB, Inc. (Creighton Dental), a nonprofit subsidiary. Creighton University, CSSI, and Creighton Dental are together referred to as the University. All material transactions between the parent, CSSI, and Creighton Dental have been eliminated.

Resources are reported in two separate categories of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into categories as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.
- Net assets with donor restrictions – Net assets whose use by the University is subject to donor-imposed stipulations as follows:
    - Net assets with donor restrictions (time or purpose) – Net assets whose use by the University is subject to donor-imposed stipulations that will be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.
    - Net assets with donor restrictions (perpetual) – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on these assets for purposes consistent with the donor's intent. Such assets primarily include the University's permanent endowment funds and irrevocable trusts held by others.

Expenses are generally reported as decreases in net assets without donor restrictions. Expirations of donor-imposed stipulations that simultaneously increase one category of net assets and decrease another are reported as releases between the applicable categories.

Net assets with donor restrictions (time or purpose) for which donor-imposed restrictions are met in subsequent reporting periods are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Net assets released from restrictions also include net assets without donor restrictions or net assets with donor restrictions for which donors have added, changed, or removed restrictions on contributions. Net assets without donor-imposed restrictions, as well as contributions for which donors have stipulated restrictions that are met within the same reporting period, are reported as support without donor restrictions.

Conditional promises to give are not recorded until one or more barriers are overcome for the recipient to be entitled to the assets transferred and there is either a right of return for the transferred assets or a right of release of the promisor’s obligation to transfer assets. Unconditional promises to give are recorded as receivables and revenue at fair value in the period the promise is made. Unconditional promises to give with payments due in future periods are reported as support without donor restrictions. Amounts due more than one year from the consolidated statement of financial position date are recorded at the net realizable discounted cash flow, while amounts due in one year or less are recorded at undiscounted net realizable value.

Gifts of land, building, equipment, or other assets are reported as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as support without donor restrictions. The University reports expirations of donor restrictions on long-lived assets as the assets are placed in service. Gifts of land, building, equipment, or other assets are recorded at estimated fair value.

(c) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make certain 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, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

(d) Measure of Operations

The increase or decrease in net assets without donor restrictions from operating activities reflected on the accompanying consolidated financial statements includes primarily activities closely related to the educational, healthcare, research, auxiliary, and administrative functions of the University. Amounts not included in the measure of operations consist of contributions for nonoperating or long-term purposes, equity losses in minority-owned affiliates, losses on extinguishment of debt, investment income on endowments in excess of the established spending policy, certain amounts released from restrictions, the change in the fair value of interest rate swaps, and significant items of an unusual or nonrecurring nature. Operating results also include a reclassification associated with the amortization of capital gifts placed in service, as described below.

(e) Capital Gifts to Acquire or Construct Long-Lived Assets

Capital gifts to acquire or construct a long-lived asset are recorded as a donor restricted gift until the related asset is placed in service, at which time the capital gift is released from net assets with donor restrictions to net assets without donor restrictions within the nonoperating section and subsequently amortized into operations over the estimated useful life of the acquired or constructed asset. This amortization, which amounted to $5,881 in fiscal year 2019 and $4,759 in fiscal year 2018, is recorded as a reclassification between the nonoperating and operating sections of the change in net assets without donor restrictions in the consolidated statements of activities under capital gifts appropriated to and for operations.

(f) Tuition and Fees

Tuition and fees represent charges for educational programs and services. Tuition discounts and scholarship allowances represent a reduction of the tuition transaction price. Advance payments for tuition, room, and board related to the next semester have been deferred and will be reported as revenue in the year in which the services are rendered.

The following table depicts activities for deferred tuition revenue:

Balance at June 30, 2018	Revenue recognized	Payments received for future performance obligations	Balance at June 30, 2019
$ 5,421	(5,421)	9,707	9,707

Balance at June 30, 2017	Revenue recognized	Payments received for future performance obligations	Balance at June 30, 2018
$ 5,429	(5,429)	5,421	5,421

The University bills tuition and fees in advanced for each academic term. Tuition and fees revenue is recognized ratably over time as the services are provided over the academic year, which generally aligns with our fiscal year.

The composition of student tuition and fees revenue was as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Undergraduate	$ 165,068	152,241
Graduate/Professional	149,269	143,905
Other tuition and fees	25,004	22,812
Tuition and fees at standard rates	339,341	318,958
Less:		
Tuition discount and scholarship allowances	(96,370)	(91,059)
Tuition and fees	$ 242,971	227,899

(g) Healthcare Services

Healthcare services revenue represents patient charges for services provided through the University's health sciences clinical operations, including the schools of Medicine, Dentistry, and Pharmacy and Health Professions. Payments for patient charges are generally received through medical insurance arrangements (including Medicare and Medicaid) and payments from patients. Clinical operations revenue reflects the consideration the University expects to be entitled in exchange for providing services. Generally, revenue is recognized over time as patients receive services. The University measures the performance obligation from the commencement of the services to the point when it is no longer required to provide services to the patient. The University bills the patients and third-party payers several days after the services are performed.

Revenue for healthcare services provided to the affiliated regional medical organizations is based upon the corresponding operating agreements and the amount the University expects to be entitled in exchange for services provided.

(h) Educational Support

Educational support contract revenue represents contract payments received for services, which support the University's educational mission, and is recorded at the amount the University expects to be entitled in exchange for services provided. These primarily include payments from affiliated health systems for the services of medical residents, physicians, and other medical staff from the University's Health Sciences schools. Educational support is billed on a monthly basis under terms of the specific contract. Educational support is recognized over time based on costs incurred for services provided.

(i) Grants and Contracts

Grants and contracts consist primarily of contractual agreements with governmental and private entities for the conduct of research and other sponsored programs. These agreements generally are considered nonexchange transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The University has elected the simultaneous release policy available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Payments received from sponsors in advance of conditions being met are reported as deferred revenue, which totaled $4,984 and $8,562 as of June 30, 2019 and 2018, respectively.

(j) Auxiliary Enterprises

Auxiliary enterprises include student housing and dining services, intercollegiate athletics, campus recreation, the student center, and a child care center. Generally, auxiliary enterprises revenue is recognized ratably over time as the services are provided over the academic year, which generally aligns with the University's fiscal year.

The composition of auxiliary enterprises revenue was as follows for the years ended June 30, 2019 and 2018:

		2019	2018
Room and board	$	33,661	30,983
Athletic ticket sales		9,348	7,089
Other		3,304	3,067
Auxiliary enterprises	$	46,313	41,139

(k) Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and highly liquid investments with original maturities of less than three months from the date of purchase. Cash and cash equivalents representing assets of endowment and similar funds are included in investments. Financial instruments that potentially subject the University to a concentration of credit risk consist of cash and cash equivalents. Cash and cash equivalents are deposited in demand and money market accounts and deposits held with banks may exceed the amount of insurance provided on such deposits. The University has not experienced any losses on its deposits of cash and cash equivalents.

(l) Investments

Investments are stated at fair value, except for investments in minority-owned subsidiaries. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in values will occur in the near term and that such changes could materially affect the University's consolidated financial statements.

In accordance with the accounting policy of stating investments at fair value, the change in unrealized appreciation or depreciation of those securities is reflected in investment income within the accompanying consolidated financial statements. The cost of investments sold is determined by use of the specific-identification method for all investments except those in the endowment. The cost of the endowment investments (notes 5 and 6) is determined using individual unit values.

Funds held in trust by others represent amounts held by third-party trustees for the beneficial interest of the University under perpetual trust agreements created by donors. The University's interests in the trusts are recorded at estimated fair value, with increases or decreases in fair value being reported as investment gains or losses during the year.

The University owns minority interests in two affiliated entities: Children's Physicians and the Creighton University Arizona Health Education Alliance. The University's ownership of Children's Physicians and Creighton University Arizona Health Education Alliance is recorded using the equity method.

(m) Student Loans Receivable

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying consolidated financial statements. These receivables are not saleable and contain federally mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. The University reviews receivables on an ongoing basis to assess collectability and records an allowance for potential uncollectible balances based on historical experience and aging of the account balances. Provision for bad debt and write-off activity related to the allowance for potential uncollectible balances for student loans is not material to the consolidated financial statements. At June 30, 2019 and 2018, the amount of loans past due under the student loan programs was $2,852 and $2,423, respectively.

(n) Refundable Government Student Loan Funds

Refundable government student loan funds consist of amounts advanced by the federal government on the condition that the University administers various campus-based student loan programs subject to federal regulations. Under certain conditions, the funds must be returned to the federal government. The amounts are not saleable and can only be assigned to the U.S. government or its designees.

(o) Land, Buildings, and Equipment

Land, buildings, and equipment are primarily stated at cost of acquisition, less accumulated depreciation. Generally, equipment purchases and renovations equal to or greater than $5 and $25, respectively, are capitalized. The library collection is stated at cost or, if acquired by donation, at the appraised value at the date of acquisition. Land, buildings, and equipment are removed from the records at the time of disposal. Depreciation is computed on a straight-line basis over the estimated useful life of buildings (10–40 years), library books and periodicals (25 years), and equipment (3–15 years). Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Gifts of land, building, equipment, or other assets are recorded at estimated fair value when received.

(p) Income Taxes

The University has been recognized by the Internal Revenue Service as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. U.S. GAAP requires management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. After evaluating the tax positions for the University and Creighton Dental, none are considered to be uncertain. CSSI, a taxable subsidiary, had no taxable income for 2019 and 2018. Accordingly, no federal or state income taxes have been provided. As of June 30, 2019 and 2018, the University, CSSI, and Creighton Dental had no liability for unrecognized tax benefits.

 (Continued)

(q) Accounting Standards Implemented in Current Year

During 2019, the University adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This standard is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this standard include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived assets is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions instead of without donor restrictions as previously presented. The standard also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The University adopted ASU 2016-14 retrospectively.

As a result of the adoption of ASU 2016-14, certain accounts on the consolidated statement of activities were reclassified. In addition, net assets as of July 1, 2017 were reclassified as follows:

		ASU 2016-14 Classifications		
Net assets classifications		**Without donor restrictions**	**With donor restrictions**	**Total net assets**
As previously presented:				
Unrestricted	$	440,915	—	440,915
Temporarily restricted		—	228,906	228,906
Permanently restricted		—	225,187	225,187
Net assets as previously reported		440,915	454,093	895,008
Reclassifications to implement ASU 2016-14:				
Capital gifts for construction		111,761	(111,761)	—
Underwater endowments		1,202	(1,202)	—
Net assets, as restated	$	553,878	341,130	895,008

During 2019, the University adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606),* which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU replaced most existing revenue recognition guidance in U.S. GAAP. The University's adoption of the ASU did not have a material impact on the timing or amount of revenue recognized by the University. The University elected to use the cumulative-effect transition method.

During 2019, the University adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance provided a more robust framework for determining whether a grant (or similar transaction) should be accounted for as a contribution or an exchange transaction. The ASU also helped determine whether a contribution is conditional and better distinguished a donor-imposed condition from a donor-imposed restriction. The ASU clarifies that a contribution is conditional if the agreement includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The University's adoption of the ASU on a modified prospective basis did not have a material impact on its consolidated financial statements.

As a result of the adoption of ASU 2014-09 and ASU 2018-08, an adjustment was made to the opening net assets balance on the University's consolidated statement of financial position as of July 1, 2018 as follows:

(In thousands)		Balance as of July 1, 2018, as previously reported	Adjustments from Revenue standards	Balance as of July 1, 2018, as restated
Assets:				
Accounts receivable, net	$	21,653	2,129	23,782
Prepaid expenses, inventories, and other assets		15,846	(2,671)	13,175
Liabilities:				
Accounts payable and accrued expenses		46,081	(70)	46,011
Deferred income		20,171	(3,099)	17,072
Net Assets:				
Without donor restrictions		587,714	2,627	590,341

As a result of the adoption of ASU 2014-09, the impact to the consolidated statement of financial position and consolidated statement of activities as of June 30, 2019 was as follows:

		For the fiscal year ended June 30, 2019		
(In thousands)		**As reported**	**Adjustments**	**Without new revenue standards**
Tuition and fees, net of tuition discount and scholarship allowances of $96,370	$	242,971	674	243,645
Grants and contracts		20,964	(82)	20,882
Other revenue		16,512	2	16,514
Net operating revenue		425,381	594	425,975
Salaries, wages, and benefits		245,418	(49)	245,369
Other operating expenses		44,549	56	44,605
Changes in net assets		20,302	587	20,889
Assets:				
Accounts receivable, net	$	23,561	(2,596)	20,965
Prepaid expenses, inventories, and other assets		16,845	(192)	16,653
Liabilities:				
Accounts payable and accrued expenses	$	43,009	(261)	42,748
Deferred income		21,092	(3,114)	17,978
Net Assets:				
Without donor restrictions	$	647,680	587	648,267

(r) Accounting Standards Issued but not yet Implemented

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the consolidated financial statements to assess the amount, timing, and uncertainty of cash flows from leases. This guidance is effective for annual reporting periods beginning after December 15, 2018. The University is currently evaluating the impact on the consolidated financial statements and related disclosures and has not yet determined the impact of the new standard.

(s) Reclassification

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation.

(2) Net Assets

Net assets without donor restrictions consist of the following:

		2019	2018
Board-designated endowment funds (note 6)	$	252,761	245,851
Other net assets without donor restrictions		394,919	341,863
Total net assets without donor restrictions	$	647,680	587,714

Net assets with donor restrictions (time or purpose) consist of the following:

		2019	2018
Contributions for buildings yet to be placed in service	$	4,175	32,186
Contributions receivable		5,395	1,509
Annuity and life income funds		4,122	3,941
Unexpended income and contributions for restricted purposes		12,079	10,373
Unappropriated donor-restricted endowment earnings (note 6)		92,144	90,999
Total net assets with donor restrictions (time or purpose)	$	117,915	139,008

Net assets with donor restrictions (perpetual) consist of the following:

		2019	2018
Endowment funds (note 6)	$	216,743	207,456
Endowment funds held in trust by others (note 6)		25,376	24,507
Student loan funds		442	435
Annuity and life income funds		6,748	4,784
Total net assets with donor restrictions (perpetual)	$	249,309	237,182

(Continued)

(3) Accounts Receivable, Net

Accounts receivable, net consist of the following:

		2019	2018
Student accounts receivable, net	$	7,967	5,586
Grant funds receivable		6,055	2,533
Medical affiliate receivables		4,257	5,921
Miscellaneous receivables		5,282	7,613
Total accounts receivable, net	$	23,561	21,653

Student accounts receivable is recorded net of estimated reserves for uncollectible amounts of $3,296 and $3,054 at June 30, 2019 and 2018, respectively.

(4) Financial Assets and Liquidity Resources

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, including capital. Resources available to the University to fund general expenditures, such as operating expenses, scheduled principal and interest payments on debt, and internally funded capital costs, have seasonal variations related to the timing of tuition payments, receipts of gifts and pledge payments, and transfers from the endowment. The University actively manages its resources, utilizing a combination of short and long-term operating investment strategies to align cash inflows with anticipated outflows. As of June 30, 2019, existing financial assets available within one year were as follows:

Financial assets:		
Cash and cash equivalents	$	17,143
Accounts receivable, net		23,561
Contributions receivable, net, due within one year		76
Notes receivable, net, due within one year		625
Investments not subject to donor restrictions or Board designations, available within one year		96,150
Fiscal 2020 endowment payout:		
Payout on donor-restricted endowments		12,023
Payout on board-designated endowments		9,227
Payout on other endowments without donor restrictions		462
Total financial assets available within one year	$	159,267

Student loans receivable are not considered to be available to meet general expenditures since principal and interest collected on these loans are used to make new loans.

The University included in this analysis, the amount of funds authorized by the Board of Trustees to be distributed from the endowment. The University's Board of Trustees has designated a portion of its resources without donor restrictions for endowment and other purposes. These funds are invested for long-term appreciation and current income but remain available, as needed. As of June 30, 2019, the University had $252,761 in funds functioning as endowment, which are available for general expenditure with Board of Trustees approval.

The University maintains two lines of credit which can be drawn upon as needed to meet short-term needs (see note 10).

(5) Investments

University investments as of June 30, 2019 and 2018 comprise the following:

		2019	2018
Short-term investments	$	132	218
Long-term investments		731,249	720,143
Investment in minority-owned subsidiaries and affiliates		2,418	3,108
Funds held in trust by others		26,183	25,314
Total University investments	$	759,982	748,783

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The University discloses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest-level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. Fair value measurements are categorized as Level 3 when a significant amount of price or other inputs that are considered to be unobservable are used in their valuations.

The three levels of inputs that may be used to measure fair value are as follows:

Level 1 – Observable inputs such as quoted prices in active markets that the University has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices in active markets such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs where there is little or no market data and which require the University to develop its own assumptions about the inputs that market participants would use to price an instrument based on the best available information.

The table below summarizes the University's classification of fair value measurements utilized for assets recorded at fair value on a recurring basis and provides a reconciliation to the total investments on the consolidated statements of financial position as of June 30, 2019:

		Total	Level 1	Level 2	Level 3
Investments:					
Investment money markets	$	4,470	4,470	—	—
Domestic funds		121,241	121,241	—	—
International funds		107,143	107,143	—	—
Global funds		127,315	127,315	—	—
Real assets funds		45,855	45,855	—	—
Corporate bonds		2,500	—	2,500	—
Fixed-income funds		124,187	124,187	—	—
Notes and mortgages		573	—	—	573
Real estate		3,771	—	—	3,771
Commercial paper		1,274	—	1,274	—
Funds held in trust by others		26,183	—	—	26,183
Other		24	24	—	—
Subtotal		564,536	530,235	3,774	30,527
Alternative investments recorded at NAV (*)		193,028			
Investments in minority affiliates recorded using equity method		2,418			
Total University investments	$	759,982			

(*) Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a 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 table below summarizes the University's classification of fair value measurements utilized for assets recorded at fair value on a recurring basis and provides a reconciliation to the total investments on the consolidated statements of financial position as of June 30, 2018:

	Total	Level 1	Level 2	Level 3
Investments:				
Investment money markets	$ 10,905	10,905	—	—
Domestic funds	119,816	119,816	—	—
International funds	127,620	127,620	—	—
Global funds	107,167	107,167	—	—
Real assets funds	45,352	45,352	—	—
Corporate bonds	2,500	—	2,500	—
Fixed-income funds	112,612	112,612	—	—
Notes and mortgages	717	—	—	717
Real estate	4,546	—	—	4,546
Commercial paper	12,749	—	12,749	—
Funds held in trust by others	25,314	—	—	25,314
Other	172	172	—	—
Subtotal	569,470	523,644	15,249	30,577
Alternative investments recorded at NAV (*)	176,205			
Investments in minority affiliates recorded using equity method	3,108			
Total University investments	$ 748,783			

(*) Certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a 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.

Fair value of the University's financial instruments is determined using the methods and assumptions as set forth below. While the University believes that its valuation methods are appropriate and consistent with those of other market participants, use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value at the reporting date. There were no changes in valuation methodology from 2018 to 2019.

Investment money market funds and cash and cash equivalents – Money market funds included with cash and cash equivalents and investment 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.

Equities and mutual funds – Investments in publicly traded equity securities and mutual funds are measured at fair value using quoted market prices. These are classified as Level 1 if they are traded in an active market for which closing market prices are readily available.

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

Alternative investments – Alternative investments include investments in private equity funds, private credit funds, private real assets funds, hedge funds, and energy and real estate limited partnerships. These investments are valued based on the funds' net asset value, or its equivalent, as supplied by the fund administrator or trust and these valuations are reviewed and used by University management as a practical expedient to fair value.

Real estate, notes, and mortgages – Investments in real property represent various real properties donated to the University and initially valued at appraised value on the date of receipt. Valuations for real properties are classified as Level 3 and the properties are valued based upon market comparisons. The fair value of notes and mortgages is based upon the principal outstanding that approximates estimated net present value of estimated future cash flows.

Commercial paper – Investments in commercial paper are primarily commercial paper, certificates of deposit, and other short-term investments, which are reported at face value plus accrued interest at the reporting date. These investments are classified as Level 2.

Funds held in trust by others – Funds held in trust by others represent the University's beneficial interest in certain assets held by third parties. The valuation of these funds is based on fair value information received from external trustees and is calculated based upon information received from the trustee times the University's percentage of ownership. These interests are classified as Level 3.

Real assets funds – Investments in natural resources, infrastructure, commodities and real estate publicly traded equity securities, and mutual funds are measured at fair value using quoted market prices. These are classified as Level 1 if they are traded in an active market for which closing market prices are readily available.

Other – Items included in this category include primarily accrued interest that is reported at fair value at the reporting date and futures contracts, which are recorded at fair value based on quoted market prices.

Investment in minority-owned affiliates – The University holds minority interests in certain affiliates, which are recorded using the equity method and are carried at the value of the original investment and adjusted for entity earnings and losses.

The University's policy is to reflect transfers between levels at the beginning of the year in which a change in circumstances resulted in the transfer. There were no transfers between Level 1, 2, or 3 investments for the years ended June 30, 2019 and 2018.

The estimated fair value of certain alternative investments, such as partnerships, hedge funds, and private equity funds, was provided by the respective companies. For these alternative investments, the University used the net asset value (or its equivalent) reported by the underlying fund to estimate the fair value of the investment as a practical expedient to fair value. Below is a summary of investments accounted for at net asset value as of June 30, 2019 and 2018:

Fiscal year ended June 30, 2019		Fair value	Unfunded commitment	Redemption frequency (if currently eligible)	Redemption notice period	Investment strategy
Private equity funds (a)	$	91,492	63,722	Illiquid	—	Multiple strategies
Real assets (b)		38,084	21,437	Illiquid	—	Multiple strategies
Hedge fund		63,452	—	1–180 days	1–95 days	Multiple strategies
Total	$	193,028	85,159			

(a) These funds are expected to liquidate within 1 to 12 years.
(b) These funds are expected to liquidate within 1 to 12 years.

Fiscal year ended June 30, 2018		Fair value	Unfunded commitment	Redemption frequency (if currently eligible)	Redemption notice period	Investment strategy
Private equity funds (a)	$	73,726	56,629	Illiquid	—	Multiple strategies
Real assets (b)		54,924	26,226	Illiquid	—	Multiple strategies
Hedge fund		47,555	—	1–180 days	1–95 days	Multiple strategies
Total	$	176,205	82,855			

(a) These funds are expected to liquidate within 1 to 12 years.
(b) These funds are expected to liquidate within 2 to 12 years.

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 University'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 University 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.

(6) Endowment Fund

The University's endowment consists primarily of funds invested in an externally managed pooled endowment fund. The composition of the total endowment fund as of June 30, 2019 and 2018 is as follows:

		2019	2018
University share of pooled endowment fund	$	708,940	687,533
Operational and other funds invested in the pooled fund		(148,859)	(148,138)
Endowment funds held in trust by others		25,376	24,507
Nonpooled assets, including cash and cash equivalents, notes receivable, real estate, and other		1,567	4,911
Total endowment	$	587,024	568,813

Certain assets of the endowment fund are pooled on a market value basis. Each individual pooled endowment fund subscribes to or disposes of units on the basis of the per-unit market value at the beginning of the calendar month within which the transaction takes place. The following table illustrates the relative percentage composition of the investments at June 30, 2019 and 2018 by security type, based upon the function that the investment serves in the portfolio:

	2019	2018
Equities – domestic	16 %	16 %
Equities – international	14	18
Equities – global	18	15
Fixed-income securities	18	17
Hedge funds	9	7
Private capital and real assets funds	24	25
Cash and cash equivalents	1	2
	100 %	100 %

The total rate of return on the pooled endowment fund was 4.5% for the year ended June 30, 2019 and 7.0% for the year ended June 30, 2018.

(a) UPMIFA

The University applies the provisions of the Nebraska Uniform Prudent Management of Institutional Funds Act (the Act) and the related provisions of Accounting Standards Codification (ASC) 958-205-05, *Reporting Endowment Funds*, in managing its endowment. ASC 958-205-05 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Act and also requires certain disclosures about both donor-restricted and board-designated endowment funds.

The University's endowment consists of in excess of 1,100 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the University's Board of Trustees to function as endowments. Net assets associated with the endowment, including the board-designated funds, are classified and reported based upon the presence or absence of donor-imposed restrictions.

(b) Interpretation of Relevant Law

The University's Board of Trustees has interpreted the Act as allowing the University to appropriate for expenditure or accumulate as much of an endowment fund as the University determines is prudent for the uses, benefits, purposes, and direction for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, the University classifies as net assets with donor restrictions (perpetual) (a) the original value of the gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions (perpetual) is classified as net assets with donor restrictions (time or purpose) until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Act.

(c) Endowment Net Asset Composition by Fund Type

The endowment composition by type of fund is illustrated in the following tables:

		Without donor restrictions	With donor restrictions (time or purpose)	With donor restrictions (perpetual)	Total
June 30, 2019:					
Donor-restricted endowments	$	—	92,144	242,119	334,263
Board-designated endowments		252,761	—	—	252,761
Endowment totals	$	252,761	92,144	242,119	587,024

		Without donor restrictions	With donor restrictions (time or purpose)	With donor restrictions (perpetual)	Total
June 30, 2018:					
Donor-restricted endowments	$	—	90,999	231,963	322,962
Board-designated endowments		245,851	—	—	245,851
Endowment totals	$	245,851	90,999	231,963	568,813

(d) Endowment Net Asset Reconciliation

		Without donor restrictions	With donor restrictions	Total
Beginning balance, July 1, 2018	$	245,851	322,962	568,813
Investment income, net		11,480	12,778	24,258
Contributions		—	9,030	9,030
Amounts appropriated for expenditure		(8,128)	(10,897)	(19,025)
Other changes		3,558	390	3,948
Ending balance, June 30, 2019	$	252,761	334,263	587,024

		Without donor restrictions	With donor restrictions	Total
Beginning balance, July 1, 2017	$	226,925	298,657	525,582
Investment income, net		18,123	18,439	36,562
Contributions		579	12,365	12,944
Amounts appropriated for expenditure		(6,348)	(10,194)	(16,542)
Other changes		6,572	3,695	10,267
Ending balance, June 30, 2018	$	245,851	322,962	568,813

(e) 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 the Act requires the University to retain as a fund of perpetual duration. The University 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, 2019 and 2018, funds with an original gift value of $10,138 and $17,112 were “underwater” by $(1,002) and $($1,110), 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.

In accordance with the Act, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds in cases where the endowment funds are underwater: 1) the duration and preservation of the fund; 2) the purposes of the University and the donor-restricted endowment fund; 3) general economic conditions; 4) the possible effect of inflation and deflation; 5) the expected total return from income and appreciation of the investments; 6) other resources of the University; and 7) the investment policies of the University.

(Continued)

(f) Return Objectives and Risk Parameters

The University has adopted investment and spending policies that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the spending rate and long-term inflation rate while assuming a prudent level of investment risk. The University expects its endowment funds, over three to five years, to provide an average nominal rate of return, net of investment fees, of approximately 7.00% annualized. Actual returns in any given year may vary from this amount.

(g) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places emphasis on investments in equities, fixed income, hedge funds, private markets, and other strategies to achieve its long-term return objectives within prudent risk constraints.

(h) Endowment Spending Policy

The University endowment spending formula represents a 50/50 weighting between market value and prior year’s spending. It is designed to provide a measure of stability for budgeting purposes and help preserve the purchasing power of the endowment over the long term. There is also a spending cap of 5% and a floor of 2% to further ensure that significant fluctuations and “overspending” are avoided.

Specifically, the calculated distribution is the sum of:

- Prior year distribution multiplied by inflation multiplied by 50%
- Market value (one year prior to start of year being budgeted) multiplied by 4.90% multiplied by 50%

The amounts calculated for distribution are further reviewed for any funds that are underwater. Based on the review and assessment of the specific factors described above, the distribution may be reduced or suspended for the applicable year.

In establishing the spending policy, the University considered the expected return on its endowment and, accordingly, expects the current spending policy to allow the endowment to maintain its purchasing power by growing at a rate equal to planned distributions over the long term. Additional real growth will be provided through new gifts and any excess investment return.

(7) Land, Buildings, and Equipment, Net

Land, buildings, and equipment consist of the following:

		2019	2018
Land	$	45,120	45,193
Land improvements		32,167	39,826
Buildings		590,477	487,896
Equipment		98,015	89,715
Library collection		72,840	71,677
Construction in progress		24,941	93,190
		863,560	827,497
Accumulated depreciation		(370,868)	(352,021)
	$	492,692	475,476

(8) Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and revenue within the appropriate net asset category. Values expected to be received are discounted to net present value using a risk-adjusted discount rates, ranging from 3.00% to 5.57%. Unconditional promises to give are expected to be realized in the following periods:

		2019	2018
One year or less	$	76	891
Between one and five years		3,455	—
More than five years		2,989	773
Less discount		(1,125)	(155)
	$	5,395	1,509

In addition, donors to the University have indicated intentions to contribute in future periods approximately $54,851 and $50,936 at June 30, 2019 and 2018, respectively. These amounts are not included in contributions receivable because 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.

(9) Bonds and Notes Payable

Bonds and notes payable, net of premium, discount and issuance costs at June 30, 2019 and 2018 consist of the following:

		2019	2018
$99,675 issuance of bonds (Douglas County Educational Facilities Revenue Refunding Bonds 2014); annual principal and interest payments through 2036; interest rates variable, 2.16% to 2.52% for 2019 (collateralized by unrestricted receipts, revenue, and income of the University)	$	95,826	96,532
$72,250 issuance of loan notes (Douglas County Educational Facilities Loan Notes 2017); annual principal and interest payments through 2047; interest rates 3.00% to 5.00%; (collateralized by unrestricted receipts, revenue, and income of the University)		75,260	79,122
$13,180 issuance of loan notes (Douglas County Educational Facilities Loan Notes 2010B); annual principal and interest payments through 2029; interest rates 6.03% to 7.34%; (collateralized by unrestricted receipts, revenue, and income of the University)		9,025	9,630
$5,457 issuance of notes payable (URP Subsidiary CDE XXIX, LLC CDE Loan A); quarterly interest payments through 2023; interest rate 0.763%; (collateralized by certain University property)		5,351	5,325
$1,943 issuance of notes payable (URP Subsidiary CDE XXIX, LLC CDE Loan B); quarterly interest payments through 2023; interest rate 0.763%; (collateralized by certain University property)		1,905	1,896
$4,452 issuance of notes payable (UACD Sub CDE 27 LLC CDE Loan A); quarterly interest payments through 2023; interest rate 1.269%; (collateralized by certain University property)		4,366	4,345
$1,918 issuance of notes payable (UACD Sub CDE 27 LLC CDE Loan B); quarterly interest payments through 2023; interest rate 1.269%; (collateralized by certain University property)		1,881	1,871
$3,423 issuance of notes payable (UACD Sub CDE 26 LLC CDE Loan A); quarterly interest payments through 2023; interest rate 1.239%; (collateralized by certain University property)		3,357	3,340

		2019	2018
$1,477 issuance of notes payable (UACD Sub CDE 26 LLC CDE Loan B); quarterly interest payments through 2023; interest rate 1.239%; (collateralized by certain University property)	$	1,448	1,441
Total bonds and notes payable		198,419	203,502
Less current portion of bonds and notes payable		(5,178)	(5,083)
Noncurrent portion of bonds and notes payable	$	193,241	198,419

On December 4, 2017, the University issued $72,250 tax-exempt Series 2017 bonds through the County of Douglas, Nebraska. The proceeds from the Series 2017 bonds were used to fund construction of and equipment for a new dental school facility and to refinance $29,610 outstanding of the Series 2010A bonds. The Series 2010A debt service reserve fund was redeemed as part of this transaction and the amount applied against the outstanding Series 2010A amount. The bonds were issued on a serial basis with various maturities and will bear interest at a fixed rate paid on a semi-annual basis.

On May 16, 2014, the University issued $99,675 tax-exempt Series 2014 bonds through the County of Douglas, Nebraska. The proceeds from the Series 2014 bonds were used to refinance $99,675 outstanding of the Series 2008 bonds. The Series 2014 bonds were purchased by one investor in a direct placement transaction, but the investor may sell all or a portion of the bonds at any time. Amounts outstanding under the Series 2014 bonds initially bear interest at a variable rate, but the University has the option to convert to a fixed rate upon written notice to the trustee. On May 1, 2017, the Series 2014 bond documents were amended to provide for i) an extension of the direct placement period for three years to May 15, 2020; ii) a revision to the financial covenants; and iii) a revision to the floating rate index and applicable spread. Effective January 1, 2018, the floating rate index and applicable spread were increased in accordance with the Indenture due to a decrease in the corporate tax rate. Effective November 1, 2018, the bond documents were amended to adjust the applicable spread.

On December 15, 2010, the University issued $13,180 taxable Series 2010B bonds through the County of Douglas, Nebraska. The proceeds from the Series 2010B bonds were used to refinance $11,800 outstanding of the Nonrevolving Credit Note dated June 11, 2010. Proceeds from the Series 2010B bonds were used also to fund various debt service reserve accounts and to pay issuance costs. Amounts outstanding were issued on a serial basis with various maturity dates and will bear interest at a fixed rate paid on a semiannual basis. The final maturity date is July 1, 2028.

On October 18, 2016, certain entities provided $18,670 in debt financing to Creighton Dental through the New Markets Tax Credit Financing (note 15). Creighton Dental is required to make interest-only payments on the six notes payable for a period of seven years. As described more fully below, the notes payable have put and call options that can be exercised at the end of the new markets tax credit seven-year compliance period.

Repayments of bond and note principal, including amortization of premium, discount, and debt issuance costs in each of the five fiscal years subsequent to June 30, 2019 are scheduled as follows:

Year ending June 30:		
2020	$	5,178
2021		5,283
2022		4,183
2023		4,368
2024		4,663
Thereafter		174,744
Total payments	$	198,419

Interest expense on long-term debt was $8,187 in 2019 and $7,285 in 2018. Bond discounts, premiums, and issuance costs are deferred and amortized over the life of the related indebtedness utilizing the straight-line method.

Debt Covenant Ratios

Covenants of the bonds restrict the University from incurring additional indebtedness if, after giving effect to the incurrence of the additional debt, the University's: 1) maximum annual amount payable for debt service on all funded debt after incurring the additional debt exceeds 15% of "total revenue" (as defined in the Bond Documents), and 2) the ratio of "ready current assets" to "pro forma funded debt service" (as defined in the Bond Documents) is less than 1.5 to 1. As of June 30, 2019, the University's maximum annual amount payable for funded debt service is 5.0% of total revenue and the ratio of "ready current assets" to "pro forma funded debt service" is 7.5 to 1. The University is subject to two additional covenants under the Series 2014 Bond Documents. One covenant specifies that the ratio of the University's maximum annual debt service to income available for debt service cannot be less than 1 to 1. As of June 30, 2019, this ratio was 2.8 to 1. The other specifies that the ratio of the University's unrestricted cash and investments to funded debt cannot be less than 0.75 to 1. As of June 30, 2019, this ratio was 2.1 to 1. The University was in compliance with applicable debt covenants as of June 30, 2019 and 2018.

Interest Rate Swap Agreements

The University uses derivative financial instruments to offset interest rate risk or to otherwise modify the characteristics of its debt portfolio. The interest rate swap agreements were not entered into for trading or speculative purposes. All such financial instruments and derivatives are marked to market and recorded at estimated fair value. These financial instruments necessarily involve counterparty credit exposure. The counterparties for these swap transactions are major financial institutions that meet the University's criteria for financial stability and creditworthiness.

The swap agreements are considered derivative financial instruments and the estimated fair values have been reported in other liabilities in the consolidated statements of financial position at June 30, 2019 and 2018. The swap agreements do not qualify for hedge accounting. Accordingly, the net changes in the estimated fair value of the agreements have been reported as a component of nonoperating changes in net assets in the consolidated statements of activities for the years ended June 30, 2019 and 2018.

(Continued)

The swap agreements involve the exchange of floating and fixed-rate interest payments over the life of the agreements without an exchange of the underlying principal amount. The differential to be paid or received is recognized as an adjustment to interest expense related to the debt.

The University's interest rate swaps outstanding had the following changes in fair value for the years ended at June 30, 2019 and 2018:

Purchase date	Creighton pays	Creighton receives		2019 Change in fair value	2018 Change in fair value
August 2001	4.455 %	68% of 1-month LIBOR	$	(1,592)	1,824
March 2003	3.520	70% of 1-month LIBOR		(1,156)	1,394
August 2004	3.600	68% of 1-month LIBOR		(1,070)	1,129
February 2005	3.642	Greater of 67% of 1-month LIBOR or 63% of 1-month LIBOR plus 0.20%		(737)	437
February 2005	3.642	Greater of 67% of 1-month LIBOR or 63% of 1-month LIBOR plus 0.20%		(438)	472
April 2005	3.769	67% of 1-month LIBOR		(1,003)	912
Total change in fair value for the years ended June 30, 2019 and 2018			$	(5,996)	6,168

The following schedule presents the notional principal amounts and estimated fair values of the University's interest rate swaps at June 30, 2019 and 2018:

	Notional amounts		Expiration		Estimated fair value of swaps at June 30	
	2019	2018	dates		2019	2018
$	25,000	25,000	August 1, 2030	$	(8,115)	(6,523)
	23,300	24,050	March 1, 2033		(4,407)	(3,251)
	17,575	17,575	August 1, 2031		(4,195)	(3,125)
	8,500	8,500	September 18, 2031		(1,723)	(986)
	8,500	8,500	September 18, 2031		(1,762)	(1,324)
	13,000	13,000	August 23, 2035		(4,019)	(3,016)
$	95,875	96,625		$	(24,221)	(18,225)

The University's interest rate swaps are valued at fair value using Level 2 inputs of the fair value hierarchy by the swap managers using a discounted cash flow analysis.

(10) Short-Term Borrowings

The University has two current revolving lines of credit established for daily operating needs as of June 30, 2019. One operating line of credit has a maximum borrowing capacity of $25,000 and expires March 31, 2020. The interest rate payable on this line of credit is established at 1.00% over the one-month LIBOR, or 3.40% at June 30, 2019. The outstanding balances on this line of credit were $0 at June 30, 2019 and 2018.

The second operating line of credit has a maximum borrowing capacity of $25,000 and expires December 1, 2020. The interest rate payable on this line of credit is established at 1.00% over the one-month LIBOR. The interest rate was 3.40% at June 30, 2019. The outstanding balances on this line of credit were $0 at June 30, 2019 and $5,000 at June 30, 2018.

(11) Functional Expenses

Natural expenses allocated by functional category are as follows for the year ended June 30, 2019 with comparative totals for the year ended June 30, 2018:

		Academic, instructional, and research	Healthcare services	Student services and auxiliary	Institutional support	Total
Salaries, wages, and benefits	$	170,290	20,490	29,707	24,931	245,418
Contracted services		19,958	1,203	13,553	8,929	43,643
Supplies and materials		10,620	4,929	4,036	2,200	21,785
Depreciation and amortization		13,794	976	14,684	1,106	30,560
Interest		3,277	286	4,425	416	8,404
Utilities and communications		4,116	753	4,606	1,245	10,720
Other operating		18,768	583	22,370	2,828	44,549
2019 Total	$	240,823	29,220	93,381	41,655	405,079
2018 Total	$	221,357	26,653	85,622	40,182	373,814

Included under Academic, Instructional, and Research are instructional, student aid, sponsored research, libraries, public service, and academic support. Costs related to the operation and maintenance of physical plant, including depreciation of plant assets and interest expense on external debt, are allocated to operating programs and supporting activities based upon square footage. Included under Institutional support in the table above are University fundraising expenses of $7,001 and $4,834 for the fiscal years ended June 30, 2019 and 2018, respectively.

(12) Retirement Plan

A defined-contribution retirement plan is available to employees who have met certain employment requirements. Contributions by employees and the University are used to purchase individual annuities or interests in mutual funds. University contributions during the years ended June 30, 2019 and 2018 were $9,683 and $9,189, respectively.

(13) Self-Insured Benefit Plans

The University has a self-insured health benefit plan covering active employees and their dependents. The plan also covers medical house staff whose cost of participation is paid by the affiliated organizations for whom they provide services. Total claims paid under the plan for the fiscal years 2019 and 2018 were $18,196 and $18,327, respectively. The University carries stop-loss insurance coverage that limits the University's claim liability to $225 per individual. The University has also contracted with an insurance carrier to provide administrative services for the plan. The liability estimated by the University for claims incurred but not reported was $1,682 and $1,662 at June 30, 2019 and 2018, respectively. The University is also partially self-insured for workers' compensation and medical malpractice insurance and accrues an estimated liability for claims incurred but not paid based on studies performed by an outside actuarial firm. The liability amounts are included in accounts payable and accrued expenses.

(14) Commitments and Contingencies

The University is involved in various litigation arising in the normal course of operations. On the basis of information presently available and the advice of legal counsel, management is of the opinion that any liability, to the extent not provided for through reserves or otherwise, for pending litigation is not likely to be material in relation to the University's financial position or activities.

As of June 30, 2019, the University has contractual obligations of approximately $79,278 for completion of certain construction projects in process at that date.

Of that $79,278, contractual obligations of $69,801 related to the construction of a new health sciences campus at Park Central in midtown Phoenix, a significant expansion of the University's current presence in the state. The project encompasses a new building totaling 200,000 square feet that eventually will house nearly 800 Creighton health sciences students in Arizona. The expansion will include a four-year medical school, nursing school, occupational and physical therapy schools, pharmacy school, physician assistant school, and emergency medical services program. Construction began on the new building in spring 2019 and is expected to be completed in spring 2021. The University expects to fund the project with a combination of donations, reserves, and debt.

The University has entered into a Parking Easement Agreement to use 500 spaces in a parking garage which will be adjacent to its new health sciences campus at Park Central in midtown Phoenix. The University will be able to use the spots 24 hours a day, 7 days a week. Up to 30 parking spaces will be reserved. The parking fee will be $25 per month for the first five years and then $30 per month thereafter. The agreement will commence upon completion of construction on the new facilities.

The University executed a 25-year energy services contract. Payments by the University are based upon volume levels and energy prices.

Research grants and contracts normally provide for the recovery of direct and indirect costs. Recovery of indirect costs on U.S. government grants is recorded at fixed or predetermined rates negotiated with the government. Indirect cost recovery rates have been established with the U.S. government through fiscal year 2021.

(15) New Markets Tax Credit Financing

The University and Creighton Dental entered into a financing agreement with various entities for the purpose of receiving financing for the construction of a new dental school. The new markets tax credit structure consists of new markets tax credit investors and other lenders that provide qualified equity investments to community development entities (CDE) who in turn provide debt financing to qualified active low-income community businesses (QALICB).

The University is the leveraged lender in this process and holds notes with the US Bank Investment Fund and Capital One Investment Fund (Investment Funds). The Investment Funds made qualified equity investments to URP Subsidiary CDE XXIX, UACD Sub-CDE 26, and UACD Sub-CDE 27, which qualify as CDEs. These CDEs provided debt financing to Creighton Dental of $18,670 beginning in October 2016 for the qualified purpose of constructing a dental school building, as required by the terms of the agreement.

The University and owners of the Investment Funds have put and call options that can be exercised at the end of the new markets tax credit seven-year compliance period. If either option is exercised, Creighton Dental will purchase the third-party investor interests in the Investment Funds at an amount as defined in the agreements. Once the option is exercised and agreed-upon consideration is paid, notes payable related to the new markets tax credit structure will be considered settled in full, which would result in the forgiveness of the QLICI B notes payable of $5,182.

The University has not exercised these options as of June 30, 2019.

As a result of the new markets tax credit financing structure, the University is the leveraged lender in this process and holder of promissory notes with the Investment Funds effective October 18, 2016, for the face value of $13,332. These notes bear interest at 1.00% per annum and is due in interest-only payments terminating on October 18, 2023, which coincides with the expiration date of the new markets tax credit compliance period. If the put or call options described above are not exercised upon expiration of the new markets tax credit compliance period, the principal balance will amortize over the life of the note maturing on September 30, 2041. Interest income for the years ended June 30, 2019 and 2018 was $133. It is included in investment income in the combined statements of activities.

(16) Subsequent Events

The University has evaluated subsequent events through October 24, 2019, the date the consolidated financial statements were issued, and noted no additional items to disclose.

CREIGHTON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/program or cluster title	CFDA No.	Federal Expenditures	Pass-through Funds Awarding Organization	Program Number	Expenditures to Subrecipients
Student Financial Assistance Cluster:					
Department of Education:					
Federal Supplemental Educational Opportunity Grants	84.007	$ 807,366			$ —
Federal Work-Study Program	84.033	919,995			—
Federal Perkins Loan	84.038	20,425,311			—
Federal Pell Grant Program	84.063	2,755,083			—
Federal Direct Loan Program	84.268	142,086,052			—
Health Professions Student Loans, Including Primary Care Loans and Loans					—
for Disadvantaged Students	93.342	7,813,409			—
Nursing Student Loans	93.364	2,824,303			—
Total Student Financial Assistance Cluster		177,631,519			—
Research and Development Cluster:					
Department of Health and Human Services:					
Food & Drug Administration Research	93.103	63,449	Columbia University	R01 FD005114	—
Environmental Health	93.113	224,641			44,591
Research Related to Deafness and Communication Disorders	93.173	1,378,466			—
Mental Health Research Grants	93.242	272,072			71,514
Mental Health Research Grants	93.242	60,522	University of Nebraska Medical Center	1R01 MH106425	—
Subtotal CFDA 93.242		332,594			71,514
Drug Abuse and Addiction Research Programs	93.279	49,460	University of Florida	R01 DA023924	—
Nursing Research	93.361	81,995	University of Nebraska Medical Center	1R01 NR015029	—
Cancer Cause and Prevention Research	93.393	84	Cornell University	1R01 CA167824	—
Cancer Treatment Research	93.395	45,451			
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	35,055	Nebraska Department of Health and Human Services	NU58DP006548-01-00	—
Aging Research	93.757	155,127	Nebraska Department of Health and Human Services	5 NU58DP004819-05-00	—
Cardiovascular Diseases Research	93.837	1,314,828			—
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1,164,126			118,458
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	51,903	Albert Einstein College of Medicine	R21NS100047	—
Subtotal CFDA 93.853		1,216,029			118,458
Allergy and Infectious Diseases Research	93.855	1,111,853			64,593
Allergy and Infectious Diseases Research	93.855	86,184	Colorado State University	1R01 AI116525	—
Allergy and Infectious Diseases Research	93.855	140,985	University of Texas	2P01 A1077774	—
Allergy and Infectious Diseases Research	93.855	49,690	University of Nebraska Medical Center	5R01A12513702	—
Subtotal CFDA 93.855		1,388,712			64,593
Biomedical Research and Research Training	93.859	57,750			
Biomedical Research and Research Training	93.859	445,854	University of Nebraska Medical Center	5P20 GM103427	—
Biomedical Research and Research Training	93.859	158,361	University of Nebraska Medical Center	1P30 GM110768	—
Subtotal CFDA 93.859		661,965			—
Child Health and Human Development Extramural Research	93.865	51,198	University of Nebraska at Omaha	R01 HD89147	—
Aging Research	93.866	29,969			
National Aeronautics and Space Administration:					
Education	43.008	42,357	University of Nebraska at Omaha	NNX15AI09H	—
Education	43.008	2,741	University of Nebraska at Omaha	NNX15AK50A	—
Subtotal CFDA 43.008		45,098			—
National Science Foundation:					
Geosciences	47.050	7,420	University of Georgia	OCE1237140	—
Geosciences	47.050	6,286	University of Georgia	1832178	—
Subtotal CFDA 47.050		13,706			—

CREIGHTON UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/program or cluster title	CFDA No.	Federal Expenditures	Pass-through Funds Awarding Organization	Program Number	Expenditures to Subrecipients
Biological Sciences	47.074	$ 176,373			$ 3,617
Social, Behavioral, and Economic Sciences	47.075	41,374			—
Office of Integrative Activities	47.083	26,180	University of Nebraska, Lincoln	1557417	—
Department of Energy:					
Office of Science Financial Assistance Program	81.049	235,118			—
Department of Defense:					
Military Medical Research and Development	12.420	287,412			—
Military Medical Research and Development	12.420	121,922	University of Florida	W81XWH 1510464	—
Subtotal CFDA 12.420		409,334			—
Department of Veterans Affairs:					
Intergovernmental Personnel Act (IPA) Mobility Program	27.011	4,524			—
Department of Defense/Office of Naval Research:					
Basic and Applied Scientific Research	12.300	131,145			—
Total Research and Development Cluster		8,111,875			302,773
Trio Cluster:					
Department of Education:					
Student Support Services	84.042	297,217			—
Talent Search	84.044	445,142			—
Upward Bound	84.047	911,024			—
Educational Opportunity Centers	84.066	276,253			—
Total Trio Cluster		1,929,636			—
Other federal assistance:					
Department of Health and Human Services:					
Public Health Emergency Preparedness	93.069	12,225	University of Nebraska Medical Center	NU90TP921891	—
Birth Defects and Developmental Disabilities – Prevention and Surveillance	93.073	6,516	University of Missouri	NU01DD001145	—
Racial and Ethnic Approaches to Community Health	93.304	74,361			24,202
Cancer Detection and Diagnosis Research	93.394	16,948	University of Massachusetts Worchester	1R01 CA194787	—
Health Careers Opportunity Program	93.822	286,394			—
Medical Library Assistance	93.879	101,094	University of Utah	1UG4LM01234	—
Grants for Primary Care Training and Enhancement	93.884	23,039	University of Nebraska Medical Center	2D88HP20110600/6D88HP201110602	—
Department of Agriculture:					
Child and Adult Care Food Program	10.558	15,548			—
Department of Justice:					
Crime Victim Assistance	16.575	34,094	Nebraska Crime Commission	2015 VFGX0041	—
National Science Foundation:					
Office of Integrative Activities	47.083	857	University of Nebraska Lincoln	1557417	—
Total Expenditures of Federal Awards		$ 188,244,106			$ 326,975

See accompanying independent auditors' report and notes to the Schedule of Expenditures of Federal Awards.

(1) Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of federal financial assistance received from federal agencies and pass-through entities by Creighton University (the University).

Expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in 2 C.F.R. § 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards from the Office of Management and Budget* (Uniform Guidance).

Expenses are subject to audit by the U.S. government, and in the opinion of management, disallowed costs, if any, will not have a material effect on the financial position of the University or its federal programs.

(2) Reconciliation of Federal Awards to Basic Financial Statements

The following schedule is a reconciliation of total expenditures as shown on the Schedule to grants and contracts revenue presented in the consolidated statement of activities, which is included as part of the University's basic financial statements.

Total expenditures per the schedule of expenditures of federal awards	$	188,244,106
Student assistance not considered revenue per consolidated financial statements		(173,034,075)
Grants and contracts revenue related to private and nonfederal government grants		5,753,722
Grants and contracts per the consolidated statement of activities	$	20,963,753

(3) Loans Outstanding

Outstanding balances of student loans held by the University at June 30, 2019 and student loans advanced during the year ended June 30, 2019 were as follows:

Federal program	CFDA No.		Amount outstanding	Loans advanced
Federal Perkins Loan Program	84.038	$	17,051,740	—
Health Professions Student Loans	93.342		6,821,542	833,600
Nursing Student Loans	93.364		2,406,224	680,200
		$	26,279,506	1,513,800

The University is a direct lender under the above student loan programs. The University also participated in the U.S. Department of Education Federal Direct Loan Program (CFDA No. 84.268). During the year ended June 30, 2019, the University's students received $142,086,052 in new loans under this program.

(4) Indirect Cost Rate

The University did not elect to use the 10% de minimis indirect cost rate as discussed in the Uniform Guidance Section 200.414. For all sponsored programs where indirect costs are allowed to be claimed, the rates approved by the University's cognizant agency were used.

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Trustees
Creighton University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Creighton University, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 24, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Creighton University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Creighton University's internal control. Accordingly, we do not express an opinion on the effectiveness of Creighton University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Creighton University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Creighton University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Creighton University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Omaha, Nebraska
October 24, 2019

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Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

The Board of Trustees
Creighton University:

Report on Compliance for Each Major Federal Program

We have audited Creighton University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Creighton University's major federal programs for the year ended June 30, 2019. Creighton University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Creighton University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Creighton University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Creighton University's compliance.

Opinion on Each Major Federal Program

In our opinion, Creighton University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Creighton University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Creighton University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Creighton University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of Creighton University as of and for the year ended June 30, 2019, and have issued our report thereon dated October 24, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Omaha, Nebraska
October 24, 2019

CREIGHTON UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

(1) Summary of Auditors' Results

Consolidated Financial Statements

Type of auditors' report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified opinion**

Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:

• Material weaknesses?	_____	**yes**	√	**no**
• Significant deficiencies?	_____	**yes**	√	**none reported**
Noncompliance material to the consolidated financial statements noted?	_____	**yes**	√	**no**

Federal Awards

Internal control deficiencies over major programs disclosed by the audit:

• Material weaknesses?	_____	**yes**	√	**no**
• Significant deficiencies?	_____	**yes**	√	**none reported**

Type of auditors' report issued on compliance for major programs: **Unmodified opinion**

Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	**yes**	√	**no**

Identification of major programs:

CFDA Numbers	Name of federal program or cluster
84.007, 84.033, 84.038, 84.063, 84.268, 93.342, and 93.364	Student Financial Assistance Cluster
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee?	√	**yes**	_____	**no**

(2) Findings Related to the Consolidated Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Related to Federal Awards

None