FINANCIAL REPORT 2020

JUNE 30, 2020

Creighton
UNIVERSITY

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, 2020 and 2019, 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 audit. 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 consolidated financial position of Creighton University as of June 30, 2020 and 2019, 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(r) to the consolidated financial statements, Creighton University adopted new accounting guidance for Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* and ASU 2016-18, *Statement of Cash Flows (Topic 230).* Our opinion is not modified with respect to these matters.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying financial responsibility schedule as of and for the year ended June 30, 2020 is presented for purposes of additional analysis, as required by the US Department of Education, 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 financial responsibility schedule is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020 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 28, 2020

CREIGHTON UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2020 and 2019

(All amounts in thousands)

Assets		2020	2019
Cash and cash equivalents	$	52,368	17,143
Restricted cash equivalents		42,870	1,300
Accounts receivable, net		21,217	23,561
Contributions receivable, net		3,982	5,395
Student loans receivable, net of reserve for doubtful accounts of $1,086 and $1,055 in 2020 and 2019, respectively		25,315	27,091
Notes receivable, net		14,415	15,424
Prepaid expenses, inventories, and other assets		16,013	16,845
Operating lease ROU assets		1,679	—
Investments		741,873	758,682
Land, buildings, and equipment, net		533,769	492,692
Total assets	$	1,453,501	1,358,133
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	54,660	43,009
Deferred income		23,352	21,092
Other liabilities		27,034	27,098
Interest rate swap liability		32,449	24,221
Operating lease liabilities		1,689	—
Refundable government student loan funds		21,506	29,390
Bonds and notes payable		266,007	198,419
Total liabilities		426,697	343,229
Commitments and contingencies			
Net assets:			
Without donor restrictions		648,817	647,680
With donor restrictions:			
Time or purpose		120,915	117,915
Perpetual		257,072	249,309
Total net assets		1,026,804	1,014,904
Total liabilities and net assets	$	1,453,501	1,358,133

See accompanying notes to consolidated financial statements.

CREIGHTON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2020

(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 $101,611	$ 250,510	—	250,510
Educational support contract revenue	45,097	—	45,097
Healthcare services revenue	10,203	—	10,203
Grants and contracts	18,917	—	18,917
Contributions	10,397	—	10,397
Investment income appropriated for operations	22,842	—	22,842
Auxiliary enterprises	39,531	—	39,531
Other revenue	12,263	—	12,263
Capital gifts appropriated for operations	6,095	—	6,095
Net assets released from restrictions	2,275	—	2,275
Total net operating revenue	418,130	—	418,130
Operating expenses:			
Salaries, wages, and benefits	249,709	—	249,709
Contracted services	44,880	—	44,880
Supplies and materials	18,067	—	18,067
Depreciation	32,296	—	32,296
Interest	7,803	—	7,803
Utilities and communications	9,562	—	9,562
Other operating	35,041	—	35,041
Total operating expenses	397,358	—	397,358
Increase in net assets from operating activities	20,772	—	20,772
Nonoperating changes in net assets:			
Investment return over (under) amounts appropriated for operations	(22,202)	3,863	(18,339)
Equity losses in minority-owned affiliates	(2,386)	—	(2,386)
Change in fair value of interest rate swaps	(8,228)	—	(8,228)
Contributions for nonoperating purposes	621	27,517	28,138
Other changes in net assets	—	313	313
Capital gifts appropriated to operations	(6,095)	—	(6,095)
Net assets released from restrictions	18,655	(20,930)	(2,275)
Net nonoperating changes in net assets	(19,635)	10,763	(8,872)
Increase in net assets	1,137	10,763	11,900
Net assets, beginning of year	647,680	367,224	1,014,904
Net assets, end of year	$ 648,817	377,987	1,026,804

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		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		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 Statements of Cash Flows

Years ended June 30, 2020 and 2019

(All amounts in thousands)

		2020	2019
Cash flows from operating activities:			
Increase in net assets	$	11,900	48,373
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Equity losses in minority-owned affiliates		2,386	690
Receipt of contributed securities		(3,918)	(3,688)
Proceeds from sale of contributed securities without donor restrictions		1,448	2,681
Depreciation, amortization, and accretion		31,898	30,509
Net loss from sale of land, buildings, and equipment, net		311	6,099
Actuarial (gain) loss on annuities payable		(180)	997
Actuarial adjustment on contributions receivable		112	2
Cash contributions for nonoperating purposes		(24,220)	(29,104)
Change in fair value of interest rate swap agreements		8,228	5,996
Net realized and unrealized losses (gains) on investments		428	(28,174)
Changes in operating assets and liabilities:			
Accounts receivable		2,344	221
Notes receivable		1,009	142
Contributions receivable		1,301	(3,888)
Prepaid expenses, inventories, and other assets		832	(3,670)
Operating ROU assets		(1,679)	—
Accounts payable and accrued expenses		7,634	2,676
Deferred income		2,260	4,020
Operating lease liabilities		1,689	—
Other liabilities		612	(5,441)
Net cash provided by operating activities		44,395	28,441
Cash flows from investing activities:			
Repayments on student loans		5,475	4,865
Student loans issued		(3,699)	(3,263)
Proceeds from the sales of investments		325,912	145,625
Purchases of investments		(311,544)	(141,156)
Purchases of land, buildings, and equipment, net		(69,667)	(61,243)
Net cash used in investing activities		(53,523)	(55,172)
Cash flows from financing activities:			
Cash contributions for nonoperating purposes		24,220	29,104
Proceeds from sale of contributed securities with donor restrictions		2,469	1,007
Proceeds from the issuance of long-term debt		73,116	—
Payments on long-term debt		(5,075)	(4,980)
Payments on short-term debt		—	(5,000)
Increase (decrease) in federal student loan funds		(7,884)	316
Net payments on annuity agreements		(923)	(418)
Net cash provided by financing activities		85,923	20,029
Net increase (decrease) in cash, cash equivalents, and restricted cash equivalents		76,795	(6,702)
Cash, cash equivalents, and restricted cash equivalents, beginning of year		18,443	25,145
Cash, cash equivalents, and restricted cash equivalents, end of year	$	95,238	18,443
Supplemental cash flow data:			
Cash paid for interest	$	7,720	8,384
Capital assets acquired through accounts payable		4,438	421
Contributed securities		3,918	3,688
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 educational support, 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 in consolidation.

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.

(Continued)

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 with 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 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, 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.

(All amounts in thousands)

(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 $6,095 and $5,881 as of June 30, 2020 and 2019, respectively, 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.

Deferred tuition revenue is fully recognized in the following fiscal year and amounted to $11,217 and $9,707 as of June 30, 2020 and 2019, respectively, and is recognized in deferred income in the consolidated statements of financial position.

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 the University's fiscal year.

The composition of student tuition and fees revenue was as follows for the years ended June 30, 2020 and 2019:

		2020	2019
Undergraduate	$	172,779	165,068
Graduate/professional		154,403	149,269
Other tuition and fees		24,939	25,004
Tuition and fees at standard rates		352,121	339,341
Less:			
Tuition discount and scholarship allowances		(101,611)	(96,370)
Tuition and fees	$	250,510	242,971

(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.

(All amounts in thousands)

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. Payments received from sponsors in advance of conditions being met are reported as deferred revenue, which totaled $3,030 and $4,984 as of June 30, 2020 and 2019, respectively.

(j) Auxiliary Enterprises

Auxiliary enterprises include student housing and dining services, intercollegiate athletics, campus recreation, the student center, and a childcare 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, 2020 and 2019:

		2020	2019
Room and board	$	28,521	33,661
Athletic ticket sales		8,474	9,348
Other		2,536	3,304
Auxiliary enterprises	$	39,531	46,313

(All amounts in thousands)

(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) Restricted Cash Equivalents

Restricted cash equivalents represent funds maintained in accounts to 1) fulfill reserve and debt service payment obligations under the Douglas County Educational Facilities Loan Notes 2010B and 2) to hold unspent bond proceeds from the Maricopa IDA Educational Facilities Revenue Bonds Series 2020. Such funds are held in short-term interest-bearing instruments or money market funds.

The following table provides a reconciliation of cash and cash equivalents, and restricted cash equivalents reported within the consolidated statements of financial position as of June 30, 2020 and 2019 that sum to the total of the same such amounts shown in the accompanying consolidated statements of cash flows:

		2020	2019
Cash and cash equivalents	$	52,368	17,143
Restricted cash equivalents		42,870	1,300
Cash, cash equivalents, and restricted cash equivalents, as shown in consolidated statements of cash flows	$	95,238	18,443

(m) Investments

Investments are stated at fair value. 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. For alternative investments in funds that do not have readily determinable fair values, including certain hedge funds and limited partnerships, the University records these investments using net asset value per share or its equivalent as a practical expedient to fair value.

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 investment pool. The cost of the investments in the investment pool (note 5) 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 fair value, with increases or decreases in fair value being reported as investment gains or losses during the year.

The University owns a minority interest in an affiliated entity, Creighton University Arizona Health Education Alliance. The University's ownership of Creighton University Arizona Health Education Alliance is recorded using the equity method, which is carried at the value of the original investment and adjusted for entity earnings and losses.

(n) 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, 2020 and 2019, the amount of loans past due under the student loan programs was $1,972 and $2,852, respectively.

(o) 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.

(p) 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.

(q) 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 2020 and 2019. Accordingly, no federal or state income taxes have been provided. As of June 30, 2020, and 2019, the University, CSSI, and Creighton Dental had no liability for unrecognized tax benefits.

(r) Accounting Standards Implemented in Current Year

During 2020, the University adopted ASU 2016-18, *Statement of Cash Flows: Restricted cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The University adopted the standard on July 1, 2019 using the retrospective transition method to each period presented. The adoption resulted in reclassification of cash and cash equivalents of $17,143 as of June 30, 2019, for purposes of the 2019 consolidated statement of cash flows. Adjustments were made to 2019 proceeds from the sales of investments and purchases of investments to accurately reflect the cash flows of these funds.

During 2020, the University early adopted ASU 2016-02, *Leases (Topic 842)* (see note 16). Under this guidance, an entity is required to recognize right-of-use assets (ROU assets) and lease liabilities on its consolidated statements of financial position 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. The resulting calculated operating ROU assets and operating lease liabilities at adoption were not material to the consolidated statements of financial position. There was no impact to the consolidated statement of activities.

(s) Accounting Standards Issued but Not Yet Implemented

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*, which will modify existing requirements to disclosures on Fair Value Measurement. The standard removes some requirements such as the need to disclose transfers between Level 1 and Level 2 of the fair value hierarchy. The standard modifies other disclosure requirements regarding transfers into and out of Level 3 of the fair value hierarchy and investments in entities that calculate net asset value. The standard adds requirements for disclosures for information surrounding the unobservable inputs used to develop Level 3 fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019. 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.

(t) Reclassification

Certain amounts in the 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation.

(All amounts in thousands)

(2) Net Assets

Net assets without donor restrictions consist of the following:

		2020	2019
Board-designated endowment funds (note 6)	$	231,830	252,761
Other net assets without donor restrictions		416,987	394,919
Total net assets without donor restrictions	$	648,817	647,680

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

		2020	2019
Contributions for buildings yet to be placed in service	$	13,472	4,175
Contributions receivable		3,982	5,395
Annuity funds		4,091	4,122
Unexpended income and contributions for restricted purposes		15,849	12,079
Unappropriated donor-restricted endowment earnings (note 6)		83,521	92,144
Total net assets with donor restrictions (time or purpose)	$	120,915	117,915

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

		2020	2019
Endowment funds (note 6)	$	224,354	216,743
Endowment funds held in trust by others (note 6)		26,270	25,376
Student loan funds		470	442
Annuity funds		5,978	6,748
Total net assets with donor restrictions (perpetual)	$	257,072	249,309

(All amounts in thousands)

(3) Accounts Receivable, Net

Accounts receivable, net consist of the following:

		2020	2019
Student accounts receivable, net	$	9,073	7,967
Grant funds receivable		2,320	6,055
Medical affiliate receivables		4,353	4,257
Miscellaneous receivables		5,471	5,282
Total accounts receivable, net	$	21,217	23,561

Student accounts receivable is recorded net of estimated reserves for uncollectible amounts of $3,609 and $3,296 at June 30, 2020 and 2019, 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 investment strategies to align operating cash inflows with anticipated outflows. As of June 30, 2020, and 2019, respectively, existing financial assets available within one year were as follows:

		2020	2019
Financial assets:			
Cash and cash equivalents	$	52,368	17,143
Accounts receivable, net		21,217	23,561
Contributions receivable, net, due within one year		500	76
Notes receivable, net, due within one year		500	625
Investments not subject to donor restrictions or Board designations, available within one year		115,903	96,150
Fiscal 2021 and 2020 endowment payout:			
Payout on donor-restricted endowments		12,305	12,023
Payout on board-designated endowments		11,436	9,227
Payout on other endowments without donor restrictions		358	462
Total financial assets available within one year	$	214,587	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.

(All amounts in thousands)

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, 2020, and 2019, respectively, the University had $231,830 and $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 working capital requirements (see note 10).

(5) Investments

University investments as of June 30, 2020 and 2019 comprise the following:

		2020	2019
Short-term investments	$	117	132
Long-term investments		714,732	729,949
Investment in minority-owned subsidiaries and affiliates		32	2,418
Funds held in trust by others		26,992	26,183
Total University investments	$	741,873	758,682

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.

(Continued)

(All amounts in thousands)

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, 2020:

	Total	Level 1	Level 2	Level 3
Investments:				
Investment money markets	$ 21,084	21,084	—	—
Domestic funds	115,740	115,740	—	—
International funds	105,837	105,837	—	—
Global funds	164,304	164,304	—	—
Real assets funds	952	952	—	—
Corporate bonds	2,500	—	2,500	—
Fixed-income funds	97,713	97,713	—	—
Notes and mortgages	423	—	—	423
Real estate	1,711	—	—	1,711
Funds held in trust by others	26,992	—	—	26,992
Other	55	55	—	—
Subtotal	537,311	$ 505,685	2,500	29,126
Alternative investments recorded at NAV (*)	204,530			
Investments in minority affiliates recorded using equity method	32			
Total University investments	$ 741,873			

(*) 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.

(All amounts in thousands)

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	121,215	121,215	—	—
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
Funds held in trust by others	26,183	—	—	26,183
Other	24	24	—	—
Subtotal	563,236	$ 530,209	2,500	30,527
Alternative investments recorded at NAV (*)	193,028			
Investments in minority affiliates recorded using equity method	2,418			
Total University investments	$ 758,682			

(*) 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 2019 to 2020.

Investment money market funds – 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.

Domestic, international, global funds – These securities are mainly measured using quoted market prices at the reporting date multiplied by the quantity held. These are classified as Level 1 if they are traded in an active market for which closing market prices are readily available.

Real assets funds – Investments in natural resources, infrastructure, commodities and real estate actively 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.

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

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.

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.

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.

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, 2020 and 2019.

The estimated fair value of certain alternative investments, such as private equity funds, private credit funds, private real assets funds, hedge funds, and energy and real estate limited partnerships, was supplied by the respective fund administrator or trust. 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, 2020 and 2019:

(All amounts in thousands)

Fiscal year ended June 30, 2020		Fair value	Unfunded commitment	Redemption frequency (if currently eligible)	Redemption notice period	Investment strategy
Private equity funds (a)	$	91,852	65,824	Illiquid	—	Multiple strategies
Real assets (b)		35,126	23,309	Illiquid	—	Multiple strategies
Hedge fund		77,552	—	1–180 days	1–95 days	Multiple strategies
Total	$	204,530	89,133			

(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, 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.

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.

(All amounts in thousands)

(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, 2020 and 2019 is as follows:

		2020	2019
University share of pooled endowment fund	$	697,406	708,940
Operational and other funds invested in the pooled fund		(155,510)	(148,859)
Endowment funds held in trust by others		26,270	25,376
Nonpooled assets, including cash and cash equivalents, notes receivable, real estate, and other		(2,191)	1,567
Total endowment	$	565,975	587,024

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, 2020 and 2019 by security type, based upon the function that the investment serves in the portfolio:

	2020	2019
Equities – domestic	16 %	16 %
Equities – international	14	14
Equities – global	23	18
Fixed-income securities	15	18
Hedge funds	11	9
Private capital and real assets funds	18	24
Cash and cash equivalents	3	1
	100 %	100 %

The total rate of return on the pooled endowment fund was 0.9% for the year ended June 30, 2020 and 4.5% for the year ended June 30, 2019.

(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.

(All amounts in thousands)

The University's endowment consists of roughly 1,200 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.

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.

(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, 2020:					
Donor-restricted endowments	$	—	83,521	250,624	334,145
Board-designated endowments		231,830	—	—	231,830
Endowment totals	$	231,830	83,521	250,624	565,975

(All amounts in thousands)

		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

(d) Endowment Net Asset Reconciliation

		Without donor restrictions	With donor restrictions	Total
Beginning balance, July 1, 2019	$	252,761	334,263	587,024
Investment income, net		1,822	1,758	3,580
Contributions		219	6,815	7,034
Amounts appropriated for expenditure		(9,044)	(12,242)	(21,286)
Other changes		(13,928)	3,551	(10,377)
Ending balance, June 30, 2020	$	231,830	334,145	565,975

		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

(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, 2020, and 2019, funds with an original gift value of $24,858 and $10,138 were “underwater” by $(2,267) and $(1,002), 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.

(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.

(All amounts in thousands)

(7) Land, Buildings, and Equipment, Net

Land, buildings, and equipment, net consist of the following:

		2020	2019
Land	$	45,120	45,120
Land improvements		32,691	32,167
Buildings		593,893	590,477
Equipment		111,834	98,015
Library collection		74,055	72,840
Construction in progress		75,695	24,941
		933,288	863,560
Accumulated depreciation		(399,519)	(370,868)
	$	533,769	492,692

(8) Contributions Receivable, Net

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 risk-adjusted discount rates, ranging from 3.00% to 5.47%. Unconditional promises to give are expected to be realized in the following periods:

		2020	2019
One year or less	$	500	76
Between one and five years		1,155	3,455
More than five years		3,088	2,989
Less discount		(761)	(1,125)
	$	3,982	5,395

In addition, donors to the University have indicated intentions to contribute in future periods approximately $59,361 and $54,851 at June 30, 2020 and 2019, 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.

(Continued)

(All amounts in thousands)

(9) Bonds and Notes Payable

Bonds and notes payable, net of premium, discount and issuance costs at June 30, 2020 and 2019 consist of the following:

	2020	2019
$62,645 issuance of bonds (Maricopa IDA Educational Facilities Revenue Bonds Series 2020); interest only payments through 2036; annual principal and interest payments through 2051; interest rates 4.00% to 5.00%; (collateralized by unrestricted receipts, revenue, and income of the University)	$ 72,766	—
$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)	71,343	75,260
$99,675 issuance of bonds (Douglas County Educational Facilities Revenue Refunding Bonds 2014); annual principal and interest payments through 2036; interest rates variable, 1.29% to 2.45% for 2020 (collateralized by unrestricted receipts, revenue, and income of the University)	95,119	95,826
$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)	8,380	9,025
$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)	5,378	5,351
$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)	1,915	1,905
$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)	4,388	4,366
$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)	1,890	1,881

(Continued)

(All amounts in thousands)

		2020	2019
$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)	$	3,373	3,357
$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)		1,455	1,448
Total bonds and notes payable		266,007	198,419
Less current portion of bonds and notes payable		(5,632)	(5,178)
Noncurrent portion of bonds and notes payable	$	260,375	193,241

On December 12, 2019, the University issued $62,645 tax-exempt Series 2020 bonds through the Industrial Development Authority of the County of Maricopa, Arizona. The proceeds from the Series 2020 bonds will be used to fund construction of and equipment for a new health sciences facility in Phoenix. 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 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 April 30, 2020, the Series 2014 bond documents were amended to provide for: i) an extension of the direct placement period for five years to April 30, 2025; ii) a revision to the applicable spread; and iii) an adjustment to the amortization schedule.

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.

(All amounts in thousands)

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, 2020 are scheduled as follows:

Year ending June 30:		
2021	$	5,632
2022		4,532
2023		4,717
2024		5,103
2025		5,307
Thereafter		240,716
Total payments	$	266,007

Interest expense on long-term debt was $7,607 in 2020 and $8,187 in 2019. 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, 2020, 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 9.7 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, 2020, this ratio was 2.9 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, 2020, this ratio was 1.6 to 1. The University was in compliance with applicable debt covenants as of June 30, 2020 and 2019.

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.

(All amounts in thousands)

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, 2020 and 2019. 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, 2020 and 2019.

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, 2020 and 2019:

Purchase date	University pays	University receives		2020 Change in fair value	2019 Change in fair value
August 2001	4.455 %	68% of 1-month LIBOR	$	(2,177)	(1,592)
March 2003	3.520	70% of 1-month LIBOR		(1,639)	(1,156)
August 2004	3.600	68% of 1-month LIBOR		(1,534)	(1,070)
February 2005	3.642	Greater of 67% of 1-month LIBOR or 63% of 1-month LIBOR plus 0.20%		(590)	(737)
February 2005	3.642	Greater of 67% of 1-month LIBOR or 63% of 1-month LIBOR plus 0.20%		(605)	(438)
April 2005	3.769	67% of 1-month LIBOR		(1,683)	(1,003)
Total change in fair value for the years ended June 30, 2020 and 2019			$	(8,228)	(5,996)

(Continued)

(All amounts in thousands)

The following schedule presents the notional principal amounts and estimated fair values of the University's interest rate swaps at June 30, 2020 and 2019:

Notional amounts 2020	Notional amounts 2019	Expiration dates	Estimated fair value of swaps at June 30 2020	Estimated fair value of swaps at June 30 2019
$ 25,000	25,000	August 1, 2030	$ (10,292)	(8,115)
22,550	23,300	March 1, 2033	(6,046)	(4,407)
17,575	17,575	August 1, 2031	(5,729)	(4,195)
8,500	8,500	September 18, 2031	(2,313)	(1,723)
8,500	8,500	September 18, 2031	(2,367)	(1,762)
13,000	13,000	August 23, 2035	(5,702)	(4,019)
$ 95,125	95,875		$ (32,449)	(24,221)

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, 2020. One operating line of credit has a maximum borrowing capacity of $25,000 and expires March 31, 2023. The interest rate payable on this line of credit is established at 1.55% over the one-month LIBOR, or 1.71% at June 30, 2020. The University will pay a 0.10% non-use fee on the daily unused portion of the maximum borrowing capacity, payable quarterly in arrears. The outstanding balances on this line of credit were $0 at June 30, 2020 and 2019.

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 1.16% at June 30, 2020. The outstanding balances on this line of credit were $0 at June 30, 2020 and June 30, 2019.

(Continued)

(All amounts in thousands)

(11) Functional Expenses

Natural expenses allocated by functional category are as follows for the years ended June 30, 2020 and 2019:

	Academic, instructional, and research	Healthcare services	Student services and auxiliary	Institutional support	Total
Salaries, wages, and benefits	$ 176,322	19,594	30,177	23,616	249,709
Contracted services	21,004	929	13,580	9,367	44,880
Supplies and materials	9,003	4,472	3,562	1,030	18,067
Depreciation and amortization	14,096	654	16,563	983	32,296
Interest	2,939	173	4,374	317	7,803
Utilities and communications	3,532	235	4,807	988	9,562
Other operating	13,837	640	17,822	2,742	35,041
2020 Total	$ 240,733	26,697	90,885	39,043	397,358

	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

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 $6,525 and $7,001 for the fiscal years ended June 30, 2020 and 2019, 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, 2020 and 2019 were $9,911 and $9,683, 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 2020 and 2019 were $18,934 and $18,196, 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 $1,755 and $1,682 at June 30, 2020 and 2019, 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 in the consolidated statements of financial position.

(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, 2020, the University has contractual obligations of approximately $71,358 for completion of certain construction projects in process at that date.

Of that $71,358, contractual obligations of $53,742 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 can 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 $5,338.

The University has not exercised these options as of June 30, 2020.

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, 2020 and 2019 was $133. It is included in investment income in the combined statements of activities.

(16) Leases

Information as of and for the year ended June 30, 2020:

The University has several noncancelable operating leases, primarily for office and clinic space and printer/copier equipment that expire over the next five years. Certain of these leases contain renewal options for periods ranging from an additional year to five years. Because the University is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term. The University’s leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus, for most of the University’s space leases, variable payments for the University’s proportionate share of the building’s property taxes, insurance, and common area maintenance.

The University has elected not to recognize ROU assets and lease liabilities for space and equipment leases that have a lease term of 12 months or less.

(All amounts in thousands)

The components of lease cost for the fiscal year ended June 30, 2020 were as follows:

Operating lease cost	$	1,090
Variable lease cost		551
Short-term lease cost		218
Total lease cost	$	1,859

Amounts reported in the consolidated statements of financial position as of June 30, 2020 were as follows:

Operating lease ROU assets	$	1,679
Operating lease liabilities		1,689

Other information related to leases as of June 30, 2020:

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	$	1,080
Operating leases:		
ROU assets obtained in exchange for lease obligations	$	75
Weighted average remaining lease term		2.3 years
Weighted average discount rate		3.5 %

Maturities of operating lease liabilities under noncancelable leases as of June 30, 2020 are as follows:

2021	$	1,088
2022		358
2023		127
2024		107
2025		81
Operating lease liabilities – undiscounted		1,761
Less change from discounting cash flows		(72)
Operating lease liabilities	$	1,689

(Continued)

(All amounts in thousands)

(17) Financial Responsibility Standards

Creighton University (the Institution) participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data of the Institution, which are not otherwise presented in the financial statements or other notes to the financial statements:

	Ratios used	Input amount
Inputs directly from the consolidated statement of financial position:		
Net assets with donor restrictions (time or purpose)	Primary Reserve	$ 120,915
Net assets with donor restrictions (perpetual)	Primary Reserve	257,072
Total net assets with donor restrictions	Primary Reserve	$ 377,987
Bonds and notes payable – pre-implementation	Primary Reserve	$ 193,241
Bonds and notes payable – post-implementation, debt used for CIP	Primary Reserve	72,766
Total bonds and notes payable	Primary Reserve	$ 266,007
Land	Primary Reserve	$ 45,120
Land improvements	Primary Reserve	32,691
Buildings	Primary Reserve	593,893
Equipment	Primary Reserve	111,834
Library collection	Primary Reserve	74,055
Accumulated depreciation	Primary Reserve	(399,519)
Land, buildings, and equipment, pre-implementation	Primary Reserve	458,074
Construction in progress	Primary Reserve	75,695
Total land, buildings, and equipment, net	Primary Reserve	$ 533,769
Inputs directly from the consolidated statement of activities:		
Investment income appropriated for operations	Primary Reserve	$ (22,842)
Investment return under amounts appropriated for operations	Primary Reserve	22,202
Equity losses in minority-owned affiliates	Primary Reserve	2,386
Change in fair value of interest rate swaps	Primary Reserve	8,228
Total nonoperating loss	Primary Reserve	$ 9,974

(Continued)

(All amounts in thousands)

	Ratios used		Input amount
Inputs directly from the consolidated statement of activities:			
Total net operating revenue	Net Income	$	418,130
Plus net assets released from restrictions	Net Income		18,655
Less investment income appropriated for operations	Net Income		(22,842)
Less capital gifts appropriated to operations	Net Income		(6,095)
Total revenue and gains without donor restrictions	Net Income	$	407,848

(18) Subsequent Events

The University has evaluated subsequent events through October 28, 2020, the date the consolidated financial statements were issued, and noted no additional items to disclose, except the following:

In January 2020, the World Health Organization declared the outbreak of COVID-19 as a "public health emergency of international concern," and in March 2020, the President of the United States declared a state of national emergency. As a result of the outbreak, there has been instability in the capital markets. The ultimate impact of the COVID-19 outbreak is highly uncertain. The entity's business and investment values are likely to be impacted by COVID-19. Management does not yet know the full extent of the potential financial impacts on the University.

CREIGHTON UNIVERSITY

Financial Responsibility Supplementary Schedule

As of and for the year ended June 30, 2020

(All amounts in thousands)

Location in financial statements or related notes	Financial element		GAAP financial statement line item or disclosure	Amount used as ratio input
Primary reserve ratio expendable net assets:				
Consolidated statement of financial position	Net assets without donor restrictions	$	648,817	648,817
Note 17, financial responsibility standards	Net assets with donor restrictions		377,987	377,987
N/A	Secured and unsecured related party receivable		—	—
Consolidated statement of financial position	Land, buildings, and equipment, net		533,769	—
Note 17, financial responsibility standards	Land, buildings, and equipment, net-pre-implementation		—	458,074
Note 7, land, buildings, and equipment, net	Construction in progress		—	75,695
Consolidated statement of financial position	Operating lease ROU assets-post-implementation		1,679	1,679
N/A	Intangible assets		—	—
N/A	Post-employment and pension liabilities		—	—
Consolidated statement of financial position	Bonds and notes payable		266,007	—
Note 17, financial responsibility standards	Bonds and notes payable-pre-implementation		—	193,241
Note 17, financial responsibility standards	Bonds and notes payable-post implementation		—	72,766
Consolidated statement of financial position	Operating lease liabilities-post-implementation		1,689	1,689
Note 2, net assets	Annuity Funds: Net assets with donor restrictions (time or purpose)		4,091	4,091
N/A	Term endowments with donor restrictions		—	—
N/A	Life income funds with donor restrictions		—	—
Consolidated statement of financial position	Net assets with donor restrictions: perpetual		257,072	257,072

(Continued)

CREIGHTON UNIVERSITY

Financial Responsibility Supplementary Schedule

As of and for the year ended June 30, 2020

(All amounts in thousands)

Location in financial statements or related notes	Financial element		GAAP financial statement line item or disclosure	Amount used as ratio input
Primary reserve ratio expenses and losses:				
Consolidated statement of activities	Total operating expenses without donor restrictions	$	397,358	397,358
Note 17, financial responsibility standards	Nonoperating loss		—	9,974
N/A	Net investment losses		—	—
N/A	Pension related changes other than net periodic costs		—	—
Equity ratio modified net assets:				
Consolidated statement of financial position	Net assets without donor restrictions		648,817	648,817
Note 17, financial responsibility standards	Net assets with donor restrictions		377,987	377,987
N/A	Intangible assets		—	—
N/A	Secured and unsecured related party receivable		—	—
Equity ratio modified assets:				
Consolidated statement of financial position	Total assets		1,453,501	1,453,501
N/A	Intangible assets		—	—
N/A	Secured and unsecured related party receivable		—	—
Net income ratio:				
Consolidated statement of activities	Increase in net assets (without donor restrictions)		1,137	1,137
Note 17, financial responsibility standards	Total revenues and gains without donor restrictions		—	407,848

See accompanying independent auditors' report.

The Creighton University Mission

Creighton is a Catholic and Jesuit comprehensive university committed to excellence in its selected undergraduate, graduate and professional programs.

As Catholic, Creighton is dedicated to the pursuit of truth in all its forms and is guided by the living tradition of the Catholic Church.

As Jesuit, Creighton participates in the tradition of the Society of Jesus, which provides an integrating vision of the world that arises out of a knowledge and love of Jesus Christ.

As comprehensive, Creighton's education embraces several colleges and professional schools and is directed to the intellectual, social, spiritual, physical and recreational aspects of students' lives and to the promotion of justice.

Creighton exists for students and learning. Members of the Creighton community are challenged to reflect on transcendent values, including their relationship with God, in an atmosphere of freedom of inquiry, belief and religious worship. Service to others, the importance of family life, the inalienable worth of each individual and appreciation of ethnic and cultural diversity are core values of Creighton.

Creighton faculty members conduct research to enhance teaching, to contribute to the betterment of society, and to discover new knowledge. Faculty and staff stimulate critical and creative thinking and provide ethical perspectives for dealing with an increasingly complex world.

Creighton UNIVERSITY