Financial Report 2021

JUNE 30, 2021

Creighton
UNIVERSITY

CREIGHTON UNIVERSITY

Consolidated Financial Statements

June 30, 2021 and 2020

(With Independent Auditors’ Report Thereon)

CREIGHTON UNIVERSITY

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Independent Auditors' Report

The Board of Trustees
Creighton University:

Report on the 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, 2021 and 2020, 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 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 audit 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

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, 2021, 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 27, 2021, 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 27, 2021

CREIGHTON UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2021 and 2020

(All amounts in thousands)

Assets		**2021**	**2020**
Cash and cash equivalents	$	54,306	52,368
Restricted cash and cash equivalents		12,869	42,870
Accounts receivable, net		36,050	21,217
Contributions receivable, net		14,914	3,982
Student loans receivable, net of reserve for doubtful accounts of $1,103 and $1,086 in 2021 and 2020, respectively		24,036	25,315
Notes receivable, net		13,957	14,415
Prepaid expenses, inventories, and other assets		15,967	17,692
Investments		1,010,827	741,873
Land, buildings, and equipment, net		574,071	533,769
Total assets	$	1,756,997	1,453,501
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	58,740	54,660
Deferred and unearned income		31,118	23,352
Other liabilities		34,559	28,723
Interest rate swap liability		24,606	32,449
Refundable government student loan funds		18,833	21,506
Bonds and notes payable		260,375	266,007
Total liabilities		428,231	426,697
Commitments and contingencies			
Net assets:			
Without donor restrictions		793,517	648,817
With donor restrictions:			
Time or purpose		260,878	120,915
Perpetual		274,371	257,072
Total net assets		1,328,766	1,026,804
Total liabilities and net assets	$	1,756,997	1,453,501

See accompanying notes to consolidated financial statements.

CREIGHTON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2021

(All amounts in thousands)

		Without donor restrictions	With donor restrictions	Total
Net operating revenue:				
Tuition and fees	$	263,592	—	263,592
Educational support contract revenue		40,432	—	40,432
Healthcare services revenue		12,820	—	12,820
Grants and contracts		26,171	—	26,171
Contributions		16,394	—	16,394
Investment income appropriated for operations		20,076	—	20,076
Auxiliary enterprises		33,512	—	33,512
Other revenue		11,517	—	11,517
Capital gifts appropriated for operations		6,128	—	6,128
Net assets released from restrictions		2,476	—	2,476
Total net operating revenue		433,118	—	433,118
Operating expenses:				
Salaries, wages, and benefits		255,604	—	255,604
Contracted services		37,847	—	37,847
Supplies and materials		22,004	—	22,004
Depreciation		39,719	—	39,719
Interest		9,097	—	9,097
Utilities and communications		10,307	—	10,307
Other operating		30,488	—	30,488
Total operating expenses		405,066	—	405,066
Increase in net assets from operating activities		28,052	—	28,052
Nonoperating changes in net assets:				
Investment return over amounts appropriated for operations		94,171	97,286	191,457
Equity earnings in minority-owned affiliates		1	—	1
Change in fair value of interest rate swaps		7,843	—	7,843
Contributions for nonoperating purposes		634	83,841	84,475
Other changes in net assets		22	(1,284)	(1,262)
Capital gifts appropriated to operations		(6,128)	—	(6,128)
Net assets released from restrictions		20,105	(22,581)	(2,476)
Net nonoperating changes in net assets		116,648	157,262	273,910
Increase in net assets		144,700	157,262	301,962
Net assets, beginning of year		648,817	377,987	1,026,804
Net assets, end of year	$	793,517	535,249	1,328,766

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	$ 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 Statements of Cash Flows

Years ended June 30, 2021 and 2020

(All amounts in thousands)

	2021	2020
Cash flows from operating activities:		
Increase in net assets	$ 301,962	11,900
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Equity (earnings) losses in minority-owned affiliates	(1)	2,386
Receipt of contributed securities	(30,198)	(3,918)
Proceeds from sale of contributed securities without donor restrictions	2,749	1,448
Depreciation, amortization, and accretion	39,370	31,898
Loss from sale of land, buildings, and equipment, net	248	311
Actuarial loss (gain) on annuities payable	912	(180)
Actuarial adjustment on contributions receivable	135	112
Cash contributions for nonoperating purposes	(43,209)	(24,220)
Change in fair value of interest rate swap agreements	(7,843)	8,228
Net realized and unrealized (gains) losses on investments	(208,106)	428
Changes in operating assets and liabilities:		
Accounts receivable	(14,833)	2,344
Notes receivable	458	1,009
Contributions receivable	(11,067)	1,301
Prepaid expenses, inventories, and other assets	1,725	(847)
Accounts payable and accrued expenses	6,939	7,634
Deferred and unearned income	7,766	2,260
Other liabilities	6,098	2,301
Net cash provided by operating activities	53,105	44,395
Cash flows from investing activities:		
Repayments on student loans	5,312	5,475
Student loans issued	(4,033)	(3,699)
Proceeds from the sales of investments	214,909	325,912
Purchases of investments	(276,067)	(311,544)
Purchases of land, buildings, and equipment, net	(83,183)	(69,667)
Net cash used in investing activities	(143,062)	(53,523)
Cash flows from financing activities:		
Cash contributions for nonoperating purposes	43,209	24,220
Proceeds from sale of contributed securities with donor restrictions	27,449	2,469
Proceeds from the issuance of long-term debt	—	73,116
Payments on long-term debt	(5,180)	(5,075)
Decrease in federal student loan funds	(2,673)	(7,884)
Net payments on annuity agreements	(911)	(923)
Net cash provided by financing activities	61,894	85,923
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	(28,063)	76,795
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	95,238	18,443
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	$ 67,175	95,238
Supplemental cash flow data:		
Cash paid for interest	$ 10,508	7,720
Capital assets acquired through accounts payable	1,580	4,438
Contributed securities	30,198	3,918

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 primarily in Omaha, Nebraska and Phoenix, Arizona. 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.

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.

A promise to give is conditional based on whether the agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. Conditional promises to give are not recorded until one or more barriers are overcome for the recipient to be entitled to the assets transferred. 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 with 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 earnings/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 other changes in net assets that are nonrecurring. 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 $6,128 and $6,095 as of June 30, 2021 and 2020, 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 $8,865 and $11,217 as of June 30, 2021 and 2020, respectively, and is recognized in deferred income in the consolidated statements of financial position.

The University bills tuition and fees in advance 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, 2021 and 2020:

		2021	2020
Undergraduate	$	184,031	172,779
Graduate/professional		161,071	154,403
Other tuition and fees		30,835	24,939
Tuition and fees at standard rates		375,937	352,121
Less:			
Tuition discount and scholarship allowances		(112,345)	(101,611)
Tuition and fees	$	263,592	250,510

(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 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 and programs, 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 and 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 $12,263 and $3,030 as of June 30, 2021 and 2020, respectively.

On March 27, 2020, U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security Act (CARES) in response to the economic fallout of the COVID-19 pandemic. The CARES Act established the Higher Education Emergency Relief Fund (HEERF), Coronavirus Relief Fund (CRF), and the Provider Relief Fund (PRF). The University recognized revenue as a result of these funds totaling $7,633 and $1,596 as of June 30, 2021 and 2020, 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.

(All amounts in thousands)

The composition of auxiliary enterprises revenue was as follows for the years ended June 30, 2021 and 2020:

		2021	2020
Room and board	$	26,528	28,521
Athletic ticket sales		812	8,474
Other		6,172	2,536
Auxiliary enterprises	$	33,512	39,531

(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. 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 and Cash Equivalents

Restricted cash and cash equivalents represent funds maintained in accounts for: 1) reserve and debt service payment obligations under the Douglas County Educational Facilities Loan Notes 2010B; 2) unspent bond proceeds from the Maricopa IDA Educational Facilities Revenue Bonds Series 2020; 3) payment of employer's portion of social security tax deferred pursuant to the CARES Act; and 4) government or University loan funds. Such funds are held in bank or short-term interest-bearing accounts.

The following table provides a reconciliation of cash and cash equivalents, and restricted cash and cash equivalents reported within the consolidated statements of financial position as of June 30, 2021 and 2020 that sum to the total of the same such amounts shown in the accompanying consolidated statements of cash flows:

		2021	2020
Cash and cash equivalents	$	54,306	52,368
Restricted cash and cash equivalents		12,869	42,870
Cash, cash equivalents, and restricted cash and cash equivalents, as shown in consolidated statements of cash flows	$	67,175	95,238

(Continued)

(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, changes in values may occur in the near term and such changes could materially affect the University's financial position. 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, 2021 and 2020, the amount of loans past due under the student loan programs was $1,859 and $1,972, 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 2021 and 2020. Accordingly, no federal or state income taxes have been provided. As of June 30, 2021, and 2020, the University, CSSI, and Creighton Dental had no liability for unrecognized tax benefits.

(r) Accounting Standards Implemented in Current Year

During 2021, the University adopted ASU 2018-13, *Fair Value Measurement (Topic 820)*, which modifies existing requirements to disclosures on Fair Value Measurement. The standard removes some requirements such as the policy for timing of transfers between levels and 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. See note 5. There was no material impact to the consolidated financial statements as a result of the adoption.

(s) Accounting Standards Issued but Not Yet Implemented

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* which will increase transparency of contributed nonfinancial assets for the University through enhancing presentation and disclosure. The standard requires contributed nonfinancial assets be presented as a separate line item on the consolidated statement of activities. Further, the contributed nonfinancial assets must be disaggregated by category depicting the type of contributed nonfinancial asset. The guidance is effective for fiscal years beginning after June 15, 2021. The University is currently evaluating the

(Continued)

(All amounts in thousands)

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 2020 consolidated financial statements have been reclassified to conform to the 2021 presentation.

(2) Net Assets

Net assets without donor restrictions consist of the following:

		2021	2020
Board-designated endowment funds (note 6)	$	301,813	231,830
Other net assets without donor restrictions		491,704	416,987
Total net assets without donor restrictions	$	793,517	648,817

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

		2021	2020
Contributions for buildings yet to be placed in service	$	58,410	13,472
Contributions receivable		14,914	3,982
Annuity funds		5,307	4,091
Unexpended income and contributions for restricted purposes		18,913	15,849
Endowment funds and unappropriated donor-restricted endowment earnings (note 6)		163,334	83,521
Total net assets with donor restrictions (time or purpose)	$	260,878	120,915

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

		2021	2020
Endowment funds (note 6)	$	241,037	224,354
Endowment funds held in trust by others (note 6)		25,803	26,270
Student loan funds		470	470
Annuity funds		7,061	5,978
Total net assets with donor restrictions (perpetual)	$	274,371	257,072

(All amounts in thousands)

(3) Accounts Receivable, Net

Accounts receivable, net consist of the following:

		2021	2020
Student accounts receivable, net	$	9,471	9,073
Grant funds receivable		8,931	2,320
Medical affiliate receivables		5,384	4,353
Miscellaneous receivables		12,264	5,471
Total accounts receivable, net	$	36,050	21,217

Student accounts receivable is recorded net of estimated reserves for uncollectible amounts of $3,763 and $3,609 at June 30, 2021 and 2020, 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, 2021, and 2020, respectively, existing financial assets available within one year were as follows:

		2021	2020
Financial assets:			
Cash and cash equivalents	$	54,306	52,368
Accounts receivable, net		36,050	21,217
Contributions receivable, net, due within one year		4,180	500
Notes receivable, net, due within one year		375	500
Investments not subject to donor restrictions or Board designations, available within one year		143,535	115,903
Fiscal 2022 and 2021 projected endowment payout:			
Donor-restricted endowments		12,260	12,305
Board-designated endowments		15,108	11,436
Other endowments without donor restrictions		485	358
Total financial assets available within one year	$	266,299	214,587

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, 2021, and 2020, respectively, the University had $301,813 and $231,830 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, 2021 and 2020 comprise the following:

		2021	2020
Short-term investments	$	43,627	117
Long-term investments		940,335	714,732
Investment in minority-owned subsidiaries and affiliates		33	32
Funds held in trust by others		26,832	26,992
Total University investments	$	1,010,827	741,873

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.

(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, 2021:

	Total	Level 1	Level 2	Level 3
Investments:				
Investment money markets	$ 45,440	45,440	—	—
Domestic funds	179,490	179,490	—	—
International funds	130,842	130,842	—	—
Global funds	232,864	232,864	—	—
Real assets funds	1,020	1,020	—	—
Corporate bonds	3,300	—	3,300	—
Fixed-income funds	131,267	131,267	—	—
Notes and mortgages	262	—	—	262
Real estate	1,711	—	—	1,711
Funds held in trust by others	26,832	—	—	26,832
Other	275	275	—	—
Subtotal	753,303	$ 721,198	3,300	28,805
Alternative investments recorded at NAV (*)	257,491			
Investments in minority affiliates recorded using equity method	33			
Total University investments	$ 1,010,827			

(*) 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, 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.

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 2020 to 2021.

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.

(Continued)

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.

(All amounts in thousands)

The following tables summarize the changes in fair value of Level 3 investments for the years ended June 30, 2021 and 2020:

		Notes and mortgages	Real estate investments	Funds held in trust by others	Total Level 3
Balance at June 30, 2020	$	423	1,711	26,992	29,126
Investment income		—	—	—	—
Unrealized gains and losses, net		—	—	(160)	(160)
Purchases		—	—	—	—
Sales		—	—	—	—
Mortgage payments		(161)	—	—	(161)
Balance at June 30, 2021	$	262	1,711	26,832	28,805
Total losses included in changes in net assets attributable to the change in unrealized gains and losses on assets still held at the reporting date	$	—	—	(160)	(160)

		Notes and mortgages	Real estate investments	Funds held in trust by others	Total Level 3
Balance at June 30, 2019	$	573	3,771	26,183	30,527
Investment income		—	(219)	—	(219)
Unrealized gains and losses, net		—	—	809	809
Purchases		—	—	—	—
Sales		—	(1,841)	—	(1,841)
Mortgage payments		(150)	—	—	(150)
Balance at June 30, 2020	$	423	1,711	26,992	29,126
Total gains included in changes in net assets attributable to the change in unrealized gains and losses on assets still held at the reporting date	$	—	—	809	809

The estimated fair value of certain alternative investments, such as private equity funds, private credit funds, private real assets funds and hedge funds 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, 2021 and 2020:

(All amounts in thousands)

Fiscal year ended June 30, 2021		Fair value	Unfunded commitment	Redemption frequency (if currently eligible)	Redemption notice period	Investment strategy
Private equity funds (a)	$	143,450	83,421	Illiquid	—	Multiple strategies
Real assets (b)		42,211	24,688	Illiquid	—	Multiple strategies
Hedge fund		71,830	—	Monthly	60-90 days	Multiple strategies
Total	$	257,491	108,109			

(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, 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.

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.

(Continued)

(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, 2021 and 2020 is as follows:

		2021	2020
University share of pooled endowment fund	$	921,265	697,406
Operational and other funds invested in the pooled fund		(218,838)	(155,510)
Endowment funds held in trust by others		25,803	26,270
Nonpooled assets, including cash and cash equivalents, notes receivable, real estate, and other		3,757	(2,191)
Total endowment	$	731,987	565,975

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, 2021 and 2020 by security type, based upon the function that the investment serves in the portfolio:

	2021	2020
Equities – domestic	18 %	16 %
Equities – international	14	14
Equities – global	25	23
Fixed-income securities	10	15
Hedge funds	8	11
Private capital and real assets funds	20	18
Cash and cash equivalents	5	3
	100 %	100 %

The total rate of return on the pooled endowment fund was 29.3% for the year ended June 30, 2021 and 0.9% for the year ended June 30, 2020.

(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 more than 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, 2021:					
Donor-restricted endowments	$	—	163,334	266,840	430,174
Board-designated endowments		301,813	—	—	301,813
Endowment totals	$	301,813	163,334	266,840	731,987

(All amounts in thousands)

	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

(d) Endowment Net Asset Reconciliation

	Without donor restrictions	With donor restrictions	Total
Beginning balance, July 1, 2020	$ 231,830	334,145	565,975
Investment income, net	70,509	89,867	160,376
Contributions	181	17,543	17,724
Amounts appropriated for expenditure	(6,597)	(12,485)	(19,082)
Other changes	5,890	1,104	6,994
Ending balance, June 30, 2021	$ 301,813	430,174	731,987

	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

(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, 2021, and 2020, funds with an original gift value of $4,957 and $24,858 were “underwater” by $(897) and $(2,267), 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.

(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. Over a three- to five-year market cycle, the University expects its endowment funds 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:

		2021	2020
Land	$	54,995	45,120
Land improvements		38,598	32,691
Buildings		701,549	593,893
Equipment		129,813	111,834
Library collection		74,074	74,055
Construction in progress		11,578	75,695
		1,010,607	933,288
Accumulated depreciation		(436,536)	(399,519)
	$	574,071	533,769

(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 5.54%. Unconditional promises to give are expected to be realized in the following periods:

		2021	2020
One year or less	$	4,180	500
Between one and five years		10,100	1,155
More than five years		2,761	3,088
Less discount		(2,127)	(761)
	$	14,914	3,982

In addition, donors to the University have indicated intentions to contribute in future periods of approximately $88,900 and $59,361 at June 30, 2021 and 2020, 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, 2021 and 2020 consist of the following:

		2021	2020
$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)	$	72,418	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)		67,361	71,343
$99,675 issuance of bonds (Douglas County Educational Facilities Revenue Refunding Bonds 2014); annual principal and interest payments through 2036; interest rates variable, 1.07% to 1.14% for 2021 (collateralized by unrestricted receipts, revenue, and income of the University)		94,412	95,119
$13,180 issuance of loan notes (Douglas County Educational Facilities Loan Notes 2010B); annual principal and interest payments through 2029; interest rate 7.34%; (collateralized by unrestricted receipts, revenue, and income of the University)		7,695	8,380
$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)		5,404	5,378
$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)		1,924	1,915
$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)		4,409	4,388
$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)		1,899	1,890

(All amounts in thousands)

		2021	2020
$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)	$	3,390	3,373
$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)		1,463	1,455
Total bonds and notes payable		260,375	266,007
Less current portion of bonds and notes payable		(4,532)	(5,632)
Noncurrent portion of bonds and notes payable	$	255,843	260,375

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 are being 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 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.

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

(Continued)

(All amounts in thousands)

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, 2021 are scheduled as follows:

Year ending June 30:		
2022	$	4,532
2023		4,717
2024		5,103
2025		5,307
2026		5,823
Thereafter		234,893
Total payments	$	260,375

Interest expense on long-term debt was $8,939 in 2021 and $7,607 in 2020. 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, 2021, the University's maximum annual amount payable for funded debt service is 4.8% of total revenue and the ratio of "ready current assets" to "pro forma funded debt service" is 12.7 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, 2021, this ratio was 3.7 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, 2021, this ratio was 2.0 to 1. The University was in compliance with applicable debt covenants as of June 30, 2021 and 2020.

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.

(Continued)

(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, 2021 and 2020. 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, 2021 and 2020.

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, 2021 and 2020:

Purchase date	University pays	University receives		2021 Change in fair value	2020 Change in fair value
July 2001	4.455 %	68% of 1-month LIBOR	$	2,286	(2,177)
March 2003	3.520	70% of 1-month LIBOR		1,615	(1,639)
August 2004	3.600	68% of 1-month LIBOR		1,413	(1,534)
February 2005	3.642	Greater of 67% of 1-month LIBOR or 63% of 1-month LIBOR plus 0.20%		574	(590)
February 2005	3.642	Greater of 67% of 1-month LIBOR or 63% of 1-month LIBOR plus 0.20%		606	(605)
April 2005	3.769	67% of 1-month LIBOR		1,349	(1,683)
Total change in fair value for the years ended June 30, 2021 and 2020			$	7,843	(8,228)

(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, 2021 and 2020:

Notional amounts 2021	Notional amounts 2020	Expiration dates	Estimated fair value of swaps at June 30 2021	Estimated fair value of swaps at June 30 2020
$ 25,000	25,000	August 1, 2030	$ (8,006)	(10,292)
21,800	22,550	March 1, 2033	(4,431)	(6,046)
17,575	17,575	August 1, 2031	(4,316)	(5,729)
8,500	8,500	September 18, 2031	(1,739)	(2,313)
8,500	8,500	September 18, 2031	(1,761)	(2,367)
13,000	13,000	August 23, 2035	(4,353)	(5,702)
$ 94,375	95,125		$ (24,606)	(32,449)

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, 2021. 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 one-month LIBOR plus a 1.55% margin, or 1.65% at June 30, 2021. 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, 2021 and 2020.

The second operating line of credit has a maximum borrowing capacity of $25,000 and expires December 1, 2023. The interest rate payable on this line of credit is established at prime rate minus 1.55%. The interest rate was 1.70% at June 30, 2021. 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, 2021 and June 30, 2020.

(All amounts in thousands)

(11) Functional Expenses

Natural expenses allocated by functional category are as follows for the years ended June 30, 2021 and 2020:

		Academic, instructional, and research	Healthcare services	Student services and auxiliary	Institutional support	Total
Salaries, wages, and benefits	$	185,232	16,830	30,391	23,151	255,604
Contracted services		9,951	968	17,853	9,075	37,847
Supplies and materials		11,990	5,573	3,235	1,206	22,004
Depreciation and amortization		17,367	824	20,247	1,281	39,719
Interest		3,555	204	5,002	336	9,097
Utilities and communications		3,936	241	5,135	995	10,307
Other operating		10,880	640	16,940	2,028	30,488
2021 Total	$	242,911	25,280	98,803	38,072	405,066

		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

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 $7,415 and $6,525 for the fiscal years ended June 30, 2021 and 2020, 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. On July 1, 2020, the University suspended all contributions to the retirement plan. On January 1, 2021, the University restored its 2% Qualified Non-Elective Contribution (QNEC). On April 1, 2021, the University restored its 5% dollar-for-dollar match – above and beyond the 2% QNEC. University contributions during the years ended June 30, 2021 and 2020 were $3,310 and $9,911, 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 2021 and 2020 were $20,106 and $18,934, 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 $2,105 and $1,755 at June 30, 2021 and 2020, 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.

The University executed a 25-year energy services contract in May 2019. Payments by the University are based upon volume levels and energy prices.

The University has contractual obligations of $33,455 related to the construction of a new residence hall with a mixture of study and living spaces for incoming freshman students. Construction began on the new building in Summer 2021 and is expected to be completed in Fall 2023. The University expects to fund the project with a combination of reserves and debt.

The University intends to expend up to $90,000 related to the construction of the CL Werner Center for Health Sciences Education and renovations in its existing health sciences facility. The new facility, which will serve as the new home of the School of Medicine, will feature a centralized interdisciplinary simulation center and active group classrooms, bringing together medical, nursing, physician assistant, pharmacy, occupational therapy, physical therapy, behavioral health and other students to train and learn with—and from—each other. Approximately 5,900 students, faculty and staff will use the building each year. Construction began on the new building in Summer 2021 and is expected to be completed in Summer 2023. The University expects to fund the project with a combination of donations, reserves, and debt.

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 2025.

(Continued)

(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.

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, 2021 and 2020 was $133. It is included in investment income in the combined statements of activities.

(All amounts in thousands)

(16) 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 consolidated financial statements or other notes to the consolidated 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	$ 260,878
Net assets with donor restrictions (perpetual)	Primary Reserve	274,371
Total net assets with donor restrictions	Primary Reserve	$ 535,249
Annuity funds: net assets with donor restrictions (time or purpose)	Primary Reserve	$ 5,307
Other net assets with donor restrictions (time or purpose)	Primary Reserve	255,571
Total net assets with donor restrictions (time or purpose)	Primary Reserve	$ 260,878
Bonds and notes payable – pre-implementation	Primary Reserve	$ 187,957
Bonds and notes payable – post-implementation, debt used to fund capitalized assets	Primary Reserve	72,418
Total bonds and notes payable	Primary Reserve	$ 260,375
Operating lease ROU assets - post-implementation	Primary Reserve	$ 642
Other prepaid expenses, inventories, and other assets	Primary Reserve	15,325
Total prepaid expenses, inventories, and other assets	Primary Reserve	$ 15,967
Operating lease liabilities - post-implementation	Primary Reserve	$ 646
Other liabilities	Primary Reserve	33,913
Total other liabilities	Primary Reserve	$ 34,559

(Continued)

(All amounts in thousands)

	Ratios used		Input amount
Inputs directly from the consolidated statement of activities:			
Total net operating revenue	Net Income	$	433,118
Plus investment return over amount appropriated for operations	Net Income		94,171
Plus equity earnings in minority-owned affiliates	Net Income		1
Plus change in fair value of interest rate swaps	Net Income		7,843
Plus other changes in net assets	Net Income		22
Less capital gifts appropriated to operations	Net Income		(6,128)
Plus net assets released from restrictions	Net Income		20,105
Total revenue and gains without donor restrictions	Net Income	$	549,132

(17) Subsequent Events

The University has evaluated subsequent events through October 27, 2021, the date the consolidated financial statements were issued, and noted no additional items to disclose, except the following:

On August 5, 2021, the University issued $43,155 tax-exempt Series 2021A bonds through the County of Douglas, Nebraska. The proceeds from the Series 2021A bonds are being used to fund construction of and equipment for the CL Werner Center for Health Sciences and the new freshmen residence hall. 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 September 1, 2021, the University issued $94,075 tax-exempt Series 2021B bonds through the County of Douglas, Nebraska. The proceeds from the Series 2021B bonds were used to refinance the $94,075 outstanding of the Series 2014 bonds. The Series 2021B 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. The initial direct purchase period is five years from issuance. Amounts outstanding under the Series 2021B 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 September 10, 2021, the University executed an early redemption of the $6,965 outstanding of the Series 2010B bonds. In addition to the principal amount, the University paid a $1,531 make-whole premium calculated in accordance with terms of the Series 2010B indenture.

Upon execution of the Series 2021B and Series 2010B transactions, the financial covenants in those loan documents were extinguished. The loan documents for the University’s Series 2017, Series 2020, Series 2021A and Series 2021B debt issues outstanding after these transactions contain no financial covenants.

CREIGHTON UNIVERSITY

Financial Responsibility Supplementary Schedule

As of and for the year ended June 30, 2021

(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	$ 793,517	793,517
Note 16, financial responsibility standards	Net assets with donor restrictions	535,249	535,249
N/A	Secured and unsecured related party receivable	—	—
Consolidated statement of financial position	Land, buildings, and equipment, net	574,071	—
N/A	Land, buildings, and equipment, net-pre-implementation	—	426,211
N/A	Land, buildings, and equipment, net-post-implementation with outstanding debt for original purchase	—	75,241
N/A	Land, buildings, and equipment, net-post-implementation without outstanding debt for original purchase	—	61,041
Note 7, land, buildings, and equipment, net	Construction in progress		11,578
Note 16, financial responsibility standards	Operating lease ROU assets-post-implementation	642	642
N/A	Intangible assets	—	—
N/A	Post-employment and pension liabilities	—	—
Consolidated statement of financial position	Bonds and notes payable	260,375	—
Note 16, financial responsibility standards	Bonds and notes payable-pre-implementation	—	187,957
Note 16, financial responsibility standards	Bonds and notes payable-post implementation	—	72,418
Note 16, financial responsibility standards	Operating lease liabilities-post-implementation	646	646
Note 2, net assets	Annuity Funds: Net assets with donor restrictions (time or purpose)	5,307	5,307
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	274,371	274,371

CREIGHTON UNIVERSITY

Financial Responsibility Supplementary Schedule

As of and for the year ended June 30, 2021

(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	$ 405,066	405,066
N/A	Nonoperating loss	—	—
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	793,517	793,517
Note 16, financial responsibility standards	Net assets with donor restrictions	535,249	535,249
N/A	Intangible assets	—	—
N/A	Secured and unsecured related party receivable	—	—
Equity ratio modified assets:			
Consolidated statement of financial position	Total assets	1,756,997	1,756,997
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)	144,700	144,700
Note 16, financial responsibility standards	Total revenues and gains without donor restrictions	—	549,132

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

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