



Financial Report 2023

JUNE 30, 2023

Creighton
UNIVERSITY



CREIGHTON UNIVERSITY

Consolidated Financial Statements

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

CREIGHTON UNIVERSITY

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Independent Auditors' Report

The Board of Trustees
Creighton University:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Creighton University (the University), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Omaha, Nebraska
October 27, 2023

CREIGHTON UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2023 and 2022

(All amounts in thousands)

Assets	2023	2022
Cash and cash equivalents	\$ 46,230	61,752
Restricted cash and cash equivalents	9,418	40,292
Accounts receivable, net	27,056	30,811
Contributions receivable, net	38,858	17,171
Student loans receivable, net of reserve for doubtful accounts of \$707 and \$665 in 2023 and 2022, respectively	22,488	22,922
Notes receivable	96	13,633
Prepaid expenses, inventories, and other assets	23,593	20,458
Investments	1,034,371	958,038
Land, buildings, and equipment, net	665,154	594,533
Total assets	<u>\$ 1,867,264</u>	<u>1,759,610</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 75,078	65,467
Deferred and unearned income	32,797	22,050
Other liabilities	36,921	35,846
Interest rate swap liability	7,449	12,642
Refundable government student loan funds	15,474	18,196
Bonds and notes payable	271,312	298,561
Total liabilities	<u>439,031</u>	<u>452,762</u>
Commitments and contingencies		
Net assets:		
Without donor restrictions	837,025	786,101
With donor restrictions:		
Time or purpose	273,944	219,802
Perpetual	317,264	300,945
Total net assets	<u>1,428,233</u>	<u>1,306,848</u>
Total liabilities and net assets	<u>\$ 1,867,264</u>	<u>1,759,610</u>

See accompanying notes to consolidated financial statements.

CREIGHTON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2023

(All amounts in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net operating revenue:			
Tuition and fees	\$ 259,584	—	259,584
Educational support contract revenue	40,373	—	40,373
Healthcare services revenue	16,006	—	16,006
Grants and contracts	28,222	—	28,222
Contributions	10,966	—	10,966
Investment income appropriated for operations	38,105	—	38,105
Auxiliary enterprises	52,424	—	52,424
Other revenue	18,870	—	18,870
Capital gifts appropriated for operations	7,169	—	7,169
Net assets released from restrictions	8,816	—	8,816
Total net operating revenue	<u>480,535</u>	<u>—</u>	<u>480,535</u>
Operating expenses:			
Salaries, wages, and benefits	288,785	—	288,785
Contracted services	50,007	—	50,007
Supplies and materials	23,413	—	23,413
Depreciation	40,929	—	40,929
Interest	8,459	—	8,459
Utilities and communications	13,656	—	13,656
Other operating	46,551	—	46,551
Total operating expenses	<u>471,800</u>	<u>—</u>	<u>471,800</u>
Increase in net assets from operating activities	<u>8,735</u>	<u>—</u>	<u>8,735</u>
Nonoperating changes in net assets:			
Investment return over amounts appropriated for operations	12,187	45,971	58,158
Equity losses in minority-owned affiliates	(27)	—	(27)
Gain on extinguishment of debt	5,338	—	5,338
Change in fair value of interest rate swaps	5,193	—	5,193
Contributions for nonoperating purposes	1,872	60,042	61,914
Other changes in net assets	—	(1,941)	(1,941)
Capital gifts appropriated to operations	(7,169)	—	(7,169)
Net assets released from restrictions	24,795	(33,611)	(8,816)
Net nonoperating changes in net assets	<u>42,189</u>	<u>70,461</u>	<u>112,650</u>
Increase in net assets	50,924	70,461	121,385
Net assets, beginning of year	<u>786,101</u>	<u>520,747</u>	<u>1,306,848</u>
Net assets, end of year	\$ <u>837,025</u>	<u>591,208</u>	<u>1,428,233</u>

See accompanying notes to consolidated financial statements.

CREIGHTON UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2022

(All amounts in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Net operating revenue:			
Tuition and fees	\$ 267,243	—	267,243
Educational support contract revenue	38,528	—	38,528
Healthcare services revenue	14,008	—	14,008
Grants and contracts	36,323	—	36,323
Contributions	11,768	—	11,768
Investment income appropriated for operations	21,262	—	21,262
Auxiliary enterprises	48,804	—	48,804
Other revenue	13,091	—	13,091
Capital gifts appropriated for operations	7,007	—	7,007
Net assets released from restrictions	5,809	—	5,809
Total net operating revenue	<u>463,843</u>	<u>—</u>	<u>463,843</u>
Operating expenses:			
Salaries, wages, and benefits	272,516	—	272,516
Contracted services	43,922	—	43,922
Supplies and materials	22,389	—	22,389
Depreciation	40,593	—	40,593
Interest	9,326	—	9,326
Utilities and communications	11,507	—	11,507
Other operating	46,463	—	46,463
Total operating expenses	<u>446,716</u>	<u>—</u>	<u>446,716</u>
Increase in net assets from operating activities	<u>17,127</u>	<u>—</u>	<u>17,127</u>
Nonoperating changes in net assets:			
Investment return under amounts appropriated for operations	(67,275)	(34,365)	(101,640)
Equity losses in minority-owned affiliates	(5)	—	(5)
Loss on extinguishment of debt	(1,531)	—	(1,531)
Change in fair value of interest rate swaps	11,964	—	11,964
Contributions for nonoperating purposes	45	65,292	65,337
Other changes in net assets	—	(354)	(354)
Capital gifts appropriated to operations	(7,007)	—	(7,007)
Net assets released from restrictions	39,266	(45,075)	(5,809)
Net nonoperating changes in net assets	<u>(24,543)</u>	<u>(14,502)</u>	<u>(39,045)</u>
Decrease in net assets	<u>(7,416)</u>	<u>(14,502)</u>	<u>(21,918)</u>
Net assets, beginning of year	<u>793,517</u>	<u>535,249</u>	<u>1,328,766</u>
Net assets, end of year	\$ <u>786,101</u>	<u>520,747</u>	<u>1,306,848</u>

See accompanying notes to consolidated financial statements.

CREIGHTON UNIVERSITY
Consolidated Statements of Cash Flows
Years ended June 30, 2023 and 2022
(All amounts in thousands)

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 121,385	(21,918)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Equity losses in minority-owned affiliates	27	5
Receipt of contributed securities	(2,688)	(4,731)
Proceeds from sale of contributed securities without donor restrictions	1,711	3,110
Depreciation, amortization, and accretion	40,286	40,476
(Gain) loss from sale of land, buildings, and equipment, net	(4,601)	194
Actuarial loss on annuities payable	104	594
Actuarial adjustment on contributions receivable	374	(124)
Cash contributions for nonoperating purposes	(37,165)	(58,472)
Change in fair value of interest rate swap agreements	(5,193)	(11,964)
Net realized and unrealized (gains) losses on investments	(82,246)	88,879
(Gain) loss on extinguishment of debt	(5,338)	1,531
Changes in operating assets and liabilities:		
Accounts receivable	3,755	5,239
Notes receivable	205	324
Contributions receivable	(22,061)	(2,133)
Prepaid expenses, inventories, and other assets	(3,135)	(4,491)
Accounts payable and accrued expenses	(1,499)	8,086
Deferred and unearned income	10,747	(9,068)
Other liabilities	1,757	1,706
Net cash provided by operating activities	16,425	37,243
Cash flows from investing activities:		
Repayments on student loans	3,936	5,182
Student loans issued	(3,502)	(4,068)
Proceeds from the sales of investments	209,981	351,123
Purchases of investments	(204,085)	(387,535)
Proceeds from the sale of land, buildings, and equipment	8,994	390
Purchases of land, buildings, and equipment	(104,827)	(62,999)
Net cash used in investing activities	(89,503)	(97,907)
Cash flows from financing activities:		
Cash contributions for nonoperating purposes	37,165	58,472
Proceeds from sale of contributed securities with donor restrictions	977	1,621
Proceeds from the issuance of long-term debt	3,517	141,940
Payments on long-term debt	(11,420)	(105,120)
Decrease in federal student loan funds	(2,722)	(637)
Net payments on annuity agreements	(835)	(743)
Net cash provided by financing activities	26,682	95,533
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	(46,396)	34,869
Cash, cash equivalents, and restricted cash and cash equivalents, beginning of year	102,044	67,175
Cash, cash equivalents, and restricted cash and cash equivalents, end of year	\$ 55,648	102,044
Supplemental cash flow data:		
Cash paid for interest	\$ 10,062	10,080
Capital assets acquired through accounts payable	21,134	10,023
Contributed securities	2,688	4,731

See accompanying notes to consolidated financial statements.

CREIGHTON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(All amounts in thousands)

(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. CSSI and Creighton Dental were both dissolved during the fiscal year ended, June 30, 2023.

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.

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

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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(All amounts in thousands)

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 statements 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. The fair value of the pledge is estimated based on anticipated future cash payments discounted using a risk-adjusted rate commensurate with the duration of the planned payments. Pledges receivable are net of an allowance for uncollectible amounts. Allowance for uncollectible pledges is calculated based on the University's past collection experience. Intentions to give that clearly and explicitly allow resource providers to rescind their indications are not considered promises to give and therefore are not recorded in the consolidated financial statements.

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, gains/losses on extinguishment of debt, investment income on endowments in excess of or (under) the established spending policy, certain amounts released from restrictions, the change in the fair value of interest rate swaps, and other changes in net

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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(All amounts in thousands)

assets that are nonrecurring. Operating results also include a reclassification associated with the amortization of capital gifts placed in service, as described in note 1(e).

(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 \$7,169 and \$7,007 for the years ended June 30, 2023 and 2022, 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 \$7,723 and \$7,102 as of June 30, 2023 and 2022, respectively, and is recognized in deferred and unearned 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Undergraduate	\$ 185,731	189,844
Graduate/professional	169,141	167,803
Other tuition and fees	<u>32,166</u>	<u>32,980</u>
Tuition and fees at standard rates	387,038	390,627
Less:		
Tuition discount and scholarship allowances	<u>(127,454)</u>	<u>(123,384)</u>
Tuition and fees	<u>\$ 259,584</u>	<u>267,243</u>

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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(All amounts in thousands)

(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.

(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 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.

Creighton health sciences programs, located in both Omaha, NE and Phoenix, AZ, require access to patients in order to complete required clinical components of the program.

For the Omaha based students, the University entered into an agreement with Catholic Health Initiatives (CHI), designed to expand access to patients for its medical and other health sciences educational programs.

Annual income received related to CHI educational support is \$36,400 and \$34,959, for the fiscal years ended June 30, 2023 and 2022, respectively. In addition, Creighton reimburses CHI for the time their employed physicians allocate to teaching undergraduate medical education and performing research activities reflected in salaries totaling \$11,692 and \$10,382 for the fiscal years ended June 30, 2023 and 2022, respectively.

For the Phoenix based students, the University entered into an agreement with Dignity Health d/b/a Dignity Health Medical Group and St. Joseph's Hospital and Medical Center, District Medical Group and Maricopa County Special Health Care District d/b/a Maricopa Integrated Health System. The agreement establishes the framework for collaboration to enable the parties to leverage their own expertise and resources to facilitate their shared interests in collaboration across multiple disciplines of health science, clinical learning environment, research, and teaching medical students, residents, fellows, nurses, allied health, and related health professionals.

The Phoenix parties formed a 501(c)(3) organization, "Creighton University Arizona Health Education Alliance" ("Arizona Alliance") to run the operations of the Arizona Alliance. The Arizona Alliance reimburses Creighton for employees, primarily medical residents, and other related support which is recorded net against the related expenses (mainly salaries, wages and benefits) in the consolidated

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June 30, 2023 and 2022

(All amounts in thousands)

statements of activities totaling \$29,954 and \$28,379 for the fiscal years ended June 30, 2023 and 2022, respectively. Creighton records these reimbursements net against the expense incurred as Creighton has determined they are the agent in the transaction based on the level of control the members of the Arizona Alliance exert. Creighton, in return shares in a portion of the Arizona Alliance's costs reflected in expenses totaling \$623 and \$170 for the fiscal years ended June 30, 2023 and 2022, respectively. Creighton reimburses other parties of the Arizona Alliance for the time their employed physicians allocate to teaching undergraduate medical education and performing research activities reflected in salaries, wages, and benefits totaling \$6,219 and \$4,200 for the fiscal years ended June 30, 2023 and 2022, respectively.

In both clinical arrangements, the parties intend that all members continue to be autonomous parties that remain independently governed by their respective governing bodies and management.

(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 and unearned income, which totaled \$16,410 and \$7,042 as of June 30, 2023 and 2022, 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 \$14 and \$8,948 during the years ended June 30, 2023 and 2022, 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Room and board	\$ 29,151	29,101
Athletic ticket sales	13,117	10,897
Other	<u>10,156</u>	<u>8,806</u>
Auxiliary enterprises	<u>\$ 52,424</u>	<u>48,804</u>

CREIGHTON UNIVERSITY

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(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. 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) unspent bond proceeds from the Series 2021A bonds issued through the County of Douglas, Nebraska; 2) scheduled debt service payments; and 3) 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, 2023 and 2022 that sum to the total of the same such amounts shown in the accompanying consolidated statements of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 46,230	61,752
Restricted cash and cash equivalents	<u>9,418</u>	<u>40,292</u>
Cash, cash equivalents, and restricted cash and cash equivalents, as shown in consolidated statements of cash flows	\$ <u>55,648</u>	<u>102,044</u>

(m) Student Loans Receivable

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying consolidated financial statements. These receivables are not saleable and contain federally mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. The University reviews receivables on an ongoing basis to assess collectability and records an allowance for potential uncollectible balances based on historical experience and aging of the account balances. Provision for bad debt and write-off activity related to the allowance for potential uncollectible balances for student loans is not material to the consolidated financial statements. At June 30, 2023 and 2022, the amount of loans past due under the student loan programs was \$1,096 and \$1,400, respectively.

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Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(All amounts in thousands)

(n) 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 6) is determined using individual unit values.

Funds held in trust by others represent amounts held by third-party trustees for the beneficial interest of the University under perpetual trust agreements created by donors. The University's interests in the trusts are recorded at 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, Arizona Alliance. The University's ownership of Arizona Alliance is recorded using the equity method, which is carried at the value of the original investment and adjusted for entity earnings and losses.

(o) Land, Buildings, and Equipment

Land, buildings, and equipment are primarily stated at cost of acquisition, less accumulated depreciation. Generally, equipment purchases and renovations equal to or greater than \$5 and \$25, respectively, are capitalized. The library collection is stated at cost or, if acquired by donation, at the appraised value at the date of donation. 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 collection (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. There were no impairment charges recorded during fiscal year 2023 or 2022. Gifts of land, building, equipment, or other assets are recorded at estimated fair value when received.

(p) 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.

(q) Bonds and Notes Payable

Bond discounts, premiums, and issuance costs are deferred and amortized over the life of the related indebtedness utilizing the straight-line method which approximates the effective interest rate method.

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(All amounts in thousands)

(r) 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, Creighton Dental, and CSSI, none are considered to be uncertain. As of June 30, 2023, and 2022, the University, CSSI, and Creighton Dental had no liability for unrecognized tax benefits.

(s) Reclassification

Certain amounts in the 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation.

(2) Net Assets

Net assets without donor restrictions consist of the following:

	2023	2022
Board-designated endowment funds (note 6)	\$ 295,179	277,097
Other net assets without donor restrictions	541,846	509,004
Total net assets without donor restrictions	\$ 837,025	786,101

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

	2023	2022
Contributions for buildings yet to be placed in service	\$ 58,233	48,200
Contributions receivable	36,916	17,171
Annuity funds	1,164	4,068
Unexpended income and contributions for restricted purposes	38,835	33,248
Endowment funds and unappropriated donor-restricted endowment earnings (note 6)	138,796	117,115
Total net assets with donor restrictions (time or purpose)	\$ 273,944	219,802

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

	<u>2023</u>	<u>2022</u>
Endowment funds (note 6)	\$ 286,417	271,548
Endowment funds held in trust by others (note 6)	25,007	25,037
Student loan funds	494	461
Contributions receivable	1,942	—
Annuity funds	3,404	3,899
Total net assets with donor restrictions (perpetual)	\$ <u>317,264</u>	<u>300,945</u>

(3) Accounts Receivable, Net

Accounts receivable, net consist of the following:

	<u>2023</u>	<u>2022</u>
Student accounts receivable, net	\$ 12,146	11,680
Grant funds receivable	4,652	5,404
Medical affiliate receivables	5,078	8,031
Miscellaneous receivables	5,180	5,696
Total accounts receivable, net	\$ <u>27,056</u>	<u>30,811</u>

Student accounts receivable is recorded net of estimated reserves for uncollectible amounts of \$4,081 and \$3,984 at June 30, 2023 and 2022, 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

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outflows. As of June 30, 2023, and 2022, respectively, existing financial assets available within one year were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 46,230	61,752
Accounts receivable, net	27,056	30,811
Contributions receivable, net, due within one year	5,626	4,046
Notes receivable, net, due within one year	96	250
Investments not subject to donor restrictions or Board designations, available within one year	147,524	92,788
Fiscal 2024 and 2023 projected endowment payout:		
Donor-restricted endowments	17,281	16,485
Board-designated endowments	17,396	13,002
Other endowments without donor restrictions	<u>1,000</u>	<u>889</u>
Total financial assets available within one year	\$ <u>262,209</u>	<u>220,023</u>

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

The University included in this analysis the amount of funds authorized by the Board of Trustees to be distributed from the endowment. The University's Board of Trustees has designated a portion of its resources without donor restrictions for endowment and other purposes. These funds are invested for long-term appreciation and current income but remain available, as needed. As of June 30, 2023, and 2022, respectively, the University had \$295,179 and \$277,097 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, 2023 and 2022 comprise the following:

	<u>2023</u>	<u>2022</u>
Short-term investments	\$ 37,095	44,113
Long-term investments	971,698	888,301
Investment in minority-owned subsidiaries and affiliates	—	27
Funds held in trust by others	<u>25,578</u>	<u>25,597</u>
Total University investments	\$ <u>1,034,371</u>	<u>958,038</u>

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

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

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

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

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

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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, 2023:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Investment money markets	\$ 21,009	21,009	—	—
Domestic funds	193,841	193,841	—	—
International funds	109,102	109,102	—	—
Global funds	213,848	213,848	—	—
Real assets funds	358	358	—	—
Fixed-income funds	139,437	109,842	29,595	—
Notes and mortgages	2	—	—	2
Real estate	338	—	—	338
Funds held in trust by others	25,578	—	—	25,578
Other	153	153	—	—
Subtotal	703,666	\$ <u>648,153</u>	<u>29,595</u>	<u>25,918</u>
Alternative investments recorded at NAV (*)	<u>330,705</u>			
Total University investments	\$ <u>1,034,371</u>			

(*) 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.

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(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, 2022:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Investment money markets	\$ 24,632	24,632	—	—
Domestic funds	151,218	151,218	—	—
International funds	99,371	99,371	—	—
Global funds	180,574	180,574	—	—
Real assets funds	832	832	—	—
Corporate bonds	3,300	—	3,300	—
Fixed-income funds	169,557	137,824	31,733	—
Notes and mortgages	2	—	—	2
Real estate	1,711	—	—	1,711
Funds held in trust by others	25,597	—	—	25,597
Other	194	194	—	—
Subtotal	656,988	\$ 594,645	35,033	27,310
Alternative investments recorded at NAV (*)	301,023			
Investments in minority affiliates recorded using equity method	27			
Total University investments	\$ 958,038			

(*) 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 2022 to 2023.

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.

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Domestic, international, global, real asset, fixed-income 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.

Fixed-income funds and corporate bonds – Investments in fixed-income securities are comprised of government and agency obligations, and corporate bonds. 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.

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(All amounts in thousands)

The following tables summarize the changes in fair value of Level 3 investments for the years ended June 30, 2023 and 2022:

	<u>Notes and mortgages</u>	<u>Real estate investments</u>	<u>Funds held in trust by others</u>	<u>Total Level 3</u>
Balance at June 30, 2022	\$ 2	1,711	25,597	27,310
Investment income	—	109	—	109
Unrealized gains and losses, net	—	—	(19)	(19)
Purchases	—	—	—	—
Sales	—	(1,482)	—	(1,482)
Mortgage payments	—	—	—	—
Balance at June 30, 2023	\$ <u>2</u>	<u>338</u>	<u>25,578</u>	<u>25,918</u>

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

	\$ —	—	(19)	(19)
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	<u>Notes and mortgages</u>	<u>Real estate investments</u>	<u>Funds held in trust by others</u>	<u>Total Level 3</u>
Balance at June 30, 2021	\$ 262	1,711	26,832	28,805
Investment income	—	—	—	—
Unrealized gains and losses, net	—	—	(1,235)	(1,235)
Purchases	—	—	—	—
Sales	—	—	—	—
Mortgage payments	(260)	—	—	(260)
Balance at June 30, 2022	\$ <u>2</u>	<u>1,711</u>	<u>25,597</u>	<u>27,310</u>

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

	\$ —	—	(1,235)	(1,235)
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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, 2023 and 2022:

<u>Fiscal year ended June 30, 2023</u>	<u>Fair value</u>	<u>Unfunded commitment</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>	<u>Investment strategy</u>
Private equity funds (a)	\$ 207,866	81,679	Illiquid	—	Multiple strategies
Real assets (b)	59,645	16,355	Illiquid	—	Multiple strategies
Hedge fund	63,194	—	Monthly	60–90 days	Multiple strategies
Total	<u>\$ 330,705</u>	<u>98,034</u>			

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

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

<u>Fiscal year ended June 30, 2022</u>	<u>Fair value</u>	<u>Unfunded commitment</u>	<u>Redemption frequency (if currently eligible)</u>	<u>Redemption notice period</u>	<u>Investment strategy</u>
Private equity funds (a)	\$ 185,247	101,357	Illiquid	—	Multiple strategies
Real assets (b)	54,332	27,185	Illiquid	—	Multiple strategies
Hedge fund	61,444	—	Monthly	60–90 days	Multiple strategies
Total	<u>\$ 301,023</u>	<u>128,542</u>			

(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.

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(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, 2023 and 2022 is as follows:

	2023	2022
University share of pooled endowment fund	\$ 947,137	873,790
Operational and other funds invested in the pooled fund	(230,772)	(213,498)
Endowment funds held in trust by others	25,007	25,037
Nonpooled assets, including cash and cash equivalents, notes receivable, real estate, and other	4,027	5,468
Total endowment	\$ 745,399	690,797

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, 2023 and 2022 by security type, based upon the function that the investment serves in the portfolio:

	2023	2022
Equities – domestic	20 %	17 %
Equities – international	11	11
Equities – global	22	21
Fixed-income securities	12	15
Hedge funds	7	7
Private capital and real assets funds	26	26
Cash and cash equivalents	2	3
	100 %	100 %

The total rate of return on the pooled endowment fund was 10.4% for the year ended June 30, 2023 and (8.0)% for the year ended June 30, 2022.

(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.

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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:

	<u>Without donor restrictions</u>	<u>With donor restrictions (time or purpose)</u>	<u>With donor restrictions (perpetual)</u>	<u>Total</u>
June 30, 2023:				
Donor-restricted endowments	\$ —	138,796	311,424	450,220
Board-designated endowments	<u>295,179</u>	<u>—</u>	<u>—</u>	<u>295,179</u>
Endowment totals	<u>\$ 295,179</u>	<u>138,796</u>	<u>311,424</u>	<u>745,399</u>

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(All amounts in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions (time or purpose)</u>	<u>With donor restrictions (perpetual)</u>	<u>Total</u>
June 30, 2022:				
Donor-restricted endowments	\$ —	117,115	296,585	413,700
Board-designated endowments	<u>277,097</u>	<u>—</u>	<u>—</u>	<u>277,097</u>
Endowment totals	<u>\$ 277,097</u>	<u>117,115</u>	<u>296,585</u>	<u>690,797</u>

(d) Endowment Net Asset Reconciliation

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Beginning balance, July 1, 2022	\$ 277,097	413,700	690,797
Investment income, net	29,205	39,139	68,344
Contributions	135	13,905	14,040
Amounts appropriated for expenditure	(16,390)	(16,325)	(32,715)
Other changes	<u>5,132</u>	<u>(199)</u>	<u>4,933</u>
Ending balance, June 30, 2023	<u>\$ 295,179</u>	<u>450,220</u>	<u>745,399</u>

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Beginning balance, July 1, 2021	\$ 301,813	430,174	731,987
Investment income, net	(24,112)	(35,642)	(59,754)
Contributions	45	29,641	29,686
Amounts appropriated for expenditure	(6,177)	(12,354)	(18,531)
Other changes	<u>5,528</u>	<u>1,881</u>	<u>7,409</u>
Ending balance, June 30, 2022	<u>\$ 277,097</u>	<u>413,700</u>	<u>690,797</u>

(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, 2023, and 2022, funds with an original gift value of \$41,280 and \$69,610 were “underwater” by \$(4,471) and \$(6,708), respectively. Deficiencies of this nature were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after

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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. 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 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 3% to mitigate significant fluctuations in spending. The distribution is calculated as:

- The three-year rolling average of market values as of December 31st X 4.9%. Endowments less than three-years old will use the market value determination of one-year or two-year rolling averages as applicable.

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.

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(7) Land, Buildings, and Equipment, Net

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

	<u>2023</u>	<u>2022</u>
Land	\$ 54,976	54,995
Land improvements	44,272	42,418
Buildings	703,872	707,968
Equipment	149,272	139,248
Library collection	75,949	75,174
Construction in progress	<u>135,660</u>	<u>45,286</u>
	1,164,001	1,065,089
Accumulated depreciation	<u>(498,847)</u>	<u>(470,556)</u>
	\$ <u>665,154</u>	\$ <u>594,533</u>

Depreciation expense was \$40,929 and \$40,593 for the fiscal years ended June 30, 2023 and 2022, respectively.

(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:

	<u>2023</u>	<u>2022</u>
One year or less	\$ 5,626	4,046
Between one and five years	32,598	12,729
More than five years	7,885	2,766
Less discount and allowance for uncollectible accounts	<u>(7,251)</u>	<u>(2,370)</u>
	\$ <u>38,858</u>	\$ <u>17,171</u>

In addition, donors to the University have indicated intentions to contribute in future periods of approximately \$69,736 and \$93,473 at June 30, 2023 and 2022, 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.

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(All amounts in thousands)

(9) Bonds and Notes Payable

Bonds and notes payable, net of premium, discount and issuance costs at June 30, 2023 and 2022 consist of the following:

	2023	2022
\$3,517 issuance of note payable (Sodexo); monthly principal and interest payments through 2032; interest rate 2.7%	\$ 3,498	—
\$43,155 issuance of loan notes (Douglas County Educational Facilities Loan Notes 2021A); annual principal and interest payments through 2051; interest rates 3.00% to 4.00%; (collateralized by unrestricted receipts, revenue, and income of the University)	49,458	49,683
\$94,075 issuance of loan notes (Douglas County Educational Facilities Loan Notes 2021B); annual principal and interest payments through 2035; interest rates variable, 1.15% to 4.88% for 2023 (collateralized by unrestricted receipts, revenue, and income of the University)	92,799	93,606
\$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)	71,720	72,069
\$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)	53,837	64,624
\$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)	—	5,431
\$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)	—	1,933
\$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)	—	4,431
\$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)	—	1,908

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	<u>2023</u>	<u>2022</u>
\$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)	\$ —	3,406
\$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)	—	1,470
Total bonds and notes payable	271,312	298,561
Less current portion of bonds and notes payable	<u>(4,868)</u>	<u>(4,152)</u>
Noncurrent portion of bonds and notes payable	<u>\$ 266,444</u>	<u>294,409</u>

On June 20, 2023, the University received \$3,517 pursuant to terms set forth in the University's contract with Sodexo, its campus food services provider. The proceeds are being used to expand and upgrade Sodexo's operations. The note will amortize on a straight-line basis over 10 years and will bear interest at a fixed rate paid on a semi-annual basis.

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, which is recorded as a loss on extinguishment of debt in the consolidated statements of activities.

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.

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

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bonds were 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 July 1, 2022, the University executed an early redemption of \$7,925 outstanding of the Series 2017 bonds.

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 was required to make interest-only payments on the six notes payable for a period of seven years. As described more fully in note 15, the notes payable had put and call options that were 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, 2023 are scheduled as follows:

Year ending June 30:		
2024	\$	4,868
2025		5,009
2026		5,453
2027		5,324
2028		11,203
Thereafter		<u>239,455</u>
Total payments	\$	<u>271,312</u>

Interest expense on long-term debt was \$8,287 in 2023 and \$9,155 in 2022. Bond discounts, premiums, and issuance costs totaled \$20,639 and \$21,316 for the fiscal years ended June 30, 2023 and 2022, respectively, and are deferred and amortized over the life of the related indebtedness utilizing the straight-line method, resulting in amortization of \$677 and \$(6,076) for the fiscal years ended June 30, 2023 and 2022, respectively.

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Interest Rate Swap Agreements

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

The swap agreements are considered derivative financial instruments and the estimated fair values have been reported in other liabilities in the consolidated statements of financial position at June 30, 2023 and 2022. 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, 2023 and 2022.

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, 2023 and 2022:

<u>Purchase date</u>	<u>University pays</u>	<u>University receives</u>	<u>2023 Change in fair value</u>	<u>2022 Change in fair value</u>
July 2001	4.455 %	68% of 1-month LIBOR	\$ 1,697	3,359
March 2003	3.520	70% of 1-month LIBOR	1,111	2,383
August 2004	3.600	68% of 1-month LIBOR	1,023	2,055
February 2005	3.642	Greater of 67% of 1-month LIBOR or 63% of 1-month LIBOR plus 0.20%	67	1,268
February 2005	3.642	Greater of 67% of 1-month LIBOR or 63% of 1-month LIBOR plus 0.20%	454	890
April 2005	3.769	67% of 1-month LIBOR	841	2,009
Total change in fair value for the years ended June 30, 2023 and 2022			\$ <u>5,193</u>	<u>11,964</u>

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(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, 2023 and 2022:

	2023	2022	Expiration dates	Estimated fair value of swaps at June 30	
				2023	2022
\$	25,000	25,000	August 1, 2030	(2,950)	(4,647)
	20,100	20,950	March 1, 2033	(937)	(2,048)
	17,575	17,575	August 1, 2031	(1,238)	(2,261)
	8,500	8,500	September 18, 2031	(404)	(471)
	8,500	8,500	September 18, 2031	(417)	(871)
	13,000	13,000	August 23, 2035	(1,503)	(2,344)
\$	<u>92,675</u>	<u>93,525</u>		<u>(7,449)</u>	<u>(12,642)</u>

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, 2023. One operating line of credit has a maximum borrowing capacity of \$25,000 and expires May 31, 2026. The interest rate payable on this line of credit is established at Term SOFR Rate plus a 1.55% margin, or 6.69% at June 30, 2023. 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, 2023 and 2022.

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 6.70% at June 30, 2023. 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, 2023 and June 30, 2022.

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(11) Functional Expenses

Natural expenses allocated by functional category are as follows for the years ended June 30, 2023 and 2022:

	Academic, instructional, and research	Healthcare services	Student services and auxiliary	Institutional support	Total
Salaries, wages, and benefits	\$ 209,424	15,942	37,766	25,653	288,785
Contracted services	12,793	828	23,405	12,981	50,007
Supplies and materials	11,649	5,858	4,564	1,342	23,413
Depreciation	17,819	823	21,252	1,035	40,929
Interest	3,288	183	4,732	256	8,459
Utilities and communications	5,169	313	7,131	1,043	13,656
Other operating	17,410	744	26,360	2,037	46,551
2023 Total	\$ <u>277,552</u>	<u>24,691</u>	<u>125,210</u>	<u>44,347</u>	<u>471,800</u>

	Academic, instructional, and research	Healthcare services	Student services and auxiliary	Institutional support	Total
Salaries, wages, and benefits	\$ 196,556	15,274	34,855	25,831	272,516
Contracted services	12,050	879	19,393	11,600	43,922
Supplies and materials	11,286	6,117	4,048	938	22,389
Depreciation	17,888	802	20,722	1,181	40,593
Interest	3,680	199	5,130	317	9,326
Utilities and communications	4,420	270	5,766	1,051	11,507
Other operating	15,436	681	28,413	1,933	46,463
2022 Total	\$ <u>261,316</u>	<u>24,222</u>	<u>118,327</u>	<u>42,851</u>	<u>446,716</u>

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 \$8,390 and \$8,766 for the fiscal years ended June 30, 2023 and 2022, 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, 2023 and 2022 were \$10,965 and \$10,167, respectively.

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(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 organizations for whom they provide services. Total claims paid under the plan for the fiscal years 2023 and 2022 were \$24,262 and \$23,996, 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 \$2,685 at June 30, 2023 and 2022. The University is also partially self-insured for workers' compensation 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 remaining contractual obligations of \$12,219 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.

The University has remaining contractual obligations of \$14,523 related to the construction of the Jerome Nadal, S.J. Jesuit Residence which will house the Jesuits who live, serve and work on campus as instructors, pastors, chaplains and University administrators and staff. Construction began on the new building in Summer 2023 and is expected to be completed in Spring 2024. The University expects to fund the project with donations.

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.

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(All amounts in thousands)

(15) New Markets Tax Credit Financing

In October 2016, 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 consisted of new markets tax credit investors and other lenders that provided qualified equity investments to community development entities (CDE) who in turn provided debt financing to qualified active low-income community businesses (QALICB).

The University was the leveraged lender in this process and held 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 qualified 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 Investment Funds made their initial tax credit equity investments in CDEs on October 21, 2015 (UACD Sub-CDE 26), December 15, 2015 (UACD Sub-CDE 27), and January 28, 2016 (URP Subsidiary CDE XXIX). Under the program provisions, the seven-year new markets tax credit compliance periods commenced on those dates even though the Creighton Dental transactions did not close until October 18, 2016. The University and the Investment Funds exercised their respective put/call options to unwind the new markets financing structure effective October 25, 2022 for UACD Sub-CDE 26 and March 16, 2023, for UACD Sub-CDE 27 and URP Subsidiary CDE XXIX. Specifically, the CDEs assigned Notes A and B to the Investment Funds. In turn, the investors assigned their interests in the Investment Funds to the University. The University canceled Notes A and B, and the leveraged loans receivable, through the dissolution and liquidation of the Investment Funds.

Since all options are exercised and the agreed-upon consideration has been paid, the notes payable related to the new markets tax credit structure are considered paid in full, resulting in the forgiveness of the Notes B payable of \$5,338. With the successful unwinding of all new markets tax credit financing, the University dissolved Creighton Dental QALICB prior to June 30, 2023.

Interest income for the years ended June 30, 2023 and 2022 was \$81 and \$133 and is included in investment income in the consolidated statements of activities.

(16) Related Parties

(a) Wholly Owned Subsidiaries

The University had two wholly owned subsidiaries in CSSI and Creighton Dental (See notes 1b and 15) which were both dissolved during the fiscal year ended June 30, 2023.

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(b) Board of Trustees

The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each Trustee is requested to certify compliance with the conflict-of-interest policy on an annual basis and indicate whether the University does business with an entity in which a trustee has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the University, and in accordance with applicable conflict of interest laws.

Board members contributed \$13,382 and \$7,807 for the years ended June 30, 2023 and 2022, respectively, for the purposes of purchasing and constructing capital assets, granting scholarships, programing, and general operations. These contributions are reflected in both the consolidated statements of financial position and consolidated statements of activities. Additionally, the University receives services from entities where Creighton Board of Trustee members are also trustees or hold key management positions. The University reported \$3,861 and \$3,699 of operating expenses and \$150 and \$88 of building construction related costs for the years ended June 30, 2023 and 2022, respectively from these entities.

(c) Other

Members of the Jesuit Community of Creighton University (Community) serve on the University's faculty and administration under individual employment agreements. Salaries related to these employment agreements are paid in total to the Community. In the opinion of the University's management, such employment agreements are comparable to those of other employees. Members of the Community do not participate in the University's employee benefits programs.

In order to receive grant funds appropriated by the State of Nebraska from the Nebraska Tobacco Settlement Fund, the University formed a tax-exempt organization named Creighton University – Boys Town Healthcare Foundation, along with Father Flanagan's Boys Home d/b/a Boys Town National Research Hospital. The appropriated grant funds are restricted for the purpose of biomedical research.

The University owns a minority interest in an affiliated entity, Arizona Alliance. See note 5.

(17) Subsequent Events

The University has evaluated subsequent events through October 27, 2023, the date the consolidated financial statements were issued.



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.