

The Citizen's Financial Report

Introduction

It is my pleasure to present the Nevada System of Higher Education (NSHE), Citizen's Financial Report (CFR).

The CFR is a condensed presentation of the Comprehensive Annual Financial Report (AFR). The AFR is prepared following Generally Accepted Accounting Principles (GAAP) and was audited by the firm Grant Thornton, LLC, receiving an "unmodified" opinion. An unmodified opinion is given when the auditor can attest that the financial statements are accurately stated. Our report provides high-level financial information and selected statistical information cited in our AFR. The CFR is intended to provide transparency and simplicity, but not to replace the AFR. To view the AFR, go to nshe.nevada.edu.

On behalf of the Nevada System of Higher Education, I would like to thank you for reading our CFR. We hope this report will provide you with information about our statement of activities, financial position, and our services.



NSHE Strategic Plan

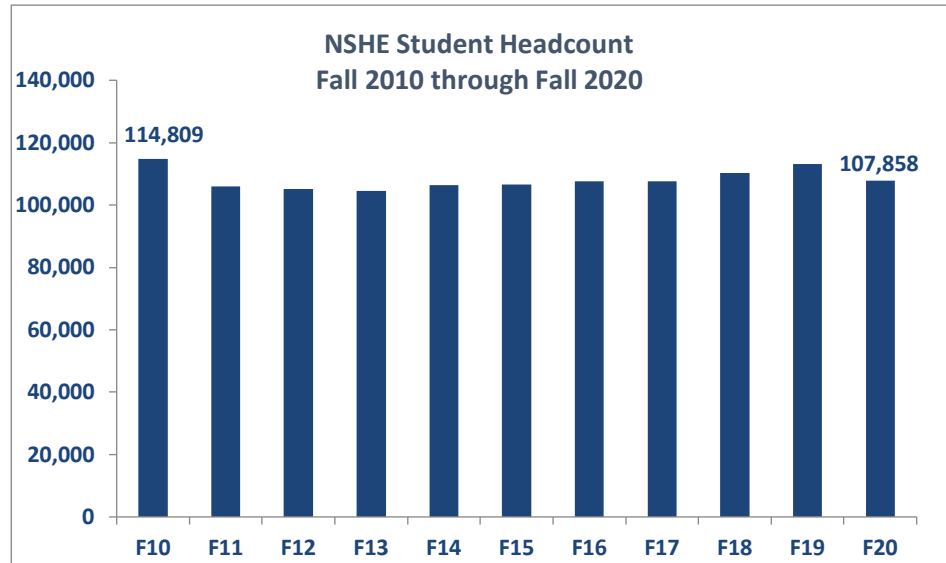
In the fall of 2016, the Board of Regents released The State and the System: NSHE Plan for Nevada's Colleges and Universities. That plan, commonly referred to as the Board's "Strategic Plan," outlined specific goals for combining excellence and austerity to achieve student success. Since that time, the State and the Nevada System of Higher Education have been laser-focused on a broad completion agenda grounded in an expectation of increased performance at every level. We've come a long way since then. But despite the successes of the last several years, there is much work to do. It is clear that increasing college attainment remains one of our most significant challenges. Nevada continues to face a skills gap as a growing percent of projected jobs will require a college degree or credential in the years to come.

Nevada's skills gap must be closed if we are to build the diversified and more robust economy that we desire. Public higher education is central to this statewide effort. Not only is a college certificate or degree the ticket to a better job, better pay, and long-term stability, it is the foundation for a stable, healthier, and more diversified economy. If we are to build a New Nevada by expanding and diversifying our economy, it must be by degrees – more certificates, associate, baccalaureate, and advanced degrees closely aligned with our state's economic development plan. This is the challenge the Nevada System of Higher Education faces. This is the challenge we embrace. As we reflect in this report on what we have recently accomplished and note the considerable work that remains to be done, it is clear that we must expand access, success, workforce, research, and alignment. Only through a concerted effort in all these areas will we be successful in expanding capacity and meeting our role in building a New Nevada.

Enrollment

Much has been accomplished, but there is much work left to do, and NSHE launched several initiatives to help create diverse and inclusive policies, practices, and institutions. Nevada is now a state with no ethnic majority. We must ensure that our institutions reflect the state's population and serve and graduate all Nevadans regardless of race or ethnicity.

NSHE recognizes that diversity is essential to the education of each student, and it emphasizes inclusion as we strive to help students overcome challenges, celebrate differences, and prepare to be engaged citizens. Between 2010 and 2020, NSHE enrollment has almost returned to prerecession numbers. Minority students are earning an increasingly larger proportion of the awards conferred by NSHE institutions.



Financial Highlights

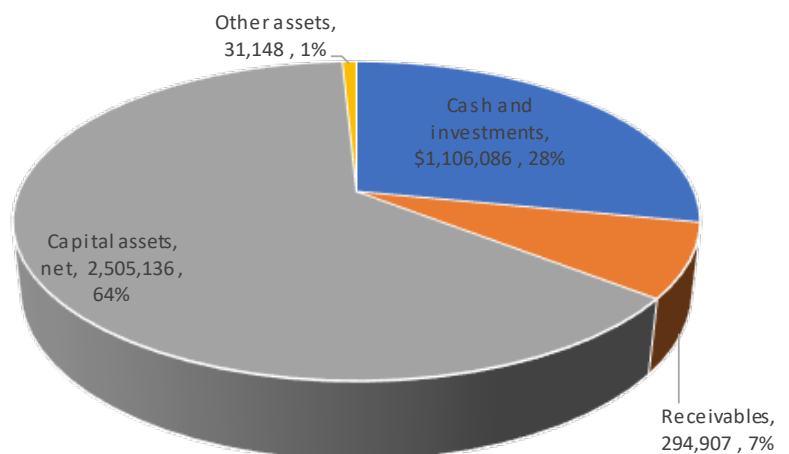
Total Assets

Assets are what NSHE owns and are measured in current or fair value, except for capital assets, which are recorded at historical cost less the applicable accumulated depreciation. When compared to fiscal year 2019, NSHE's total assets increased \$161.6 million. The following table and chart present total assets, in thousands of dollars and percent:

Most of that increase was from an infusion of \$107.5 million of state appropriations restricted for capital purposes. The increase in receivables is related to this infusion. The capital is supporting the construction of academic buildings as CSN and NSC.

There was a decrease in cash and investments of \$31.7 million. This change is primarily attributable to a decrease in cash of \$85 million and an increase in investments of \$53 million. Cash decreased in order to meet operating needs for the fiscal year. Cash and investments appear sizable, however, only a small a small portion of the balance is unrestricted.

	2020	2021	Variance
Cash and investments	\$ 1,106,086	\$ 1,137,772	\$ (31,686)
Receivables	294,907	210,250	84,657
Capital assets, net	2,505,136	2,401,582	103,554
Other assets	31,148	26,047	5,100
Total Assets	\$ 3,937,277	\$ 3,775,651	\$ 161,625



Total Liabilities

Liabilities are what NSHE owes to others or resources it has collected from others before it has provided services. The following table and chart present total liabilities, in thousands of dollars and percent:

Total liabilities increased by \$99 million compared to fiscal year 2019 primarily from the increase in net pension and OPEB liability of \$65m and the new debt issuances of the 2019A and 2020A Certificates of Participation.

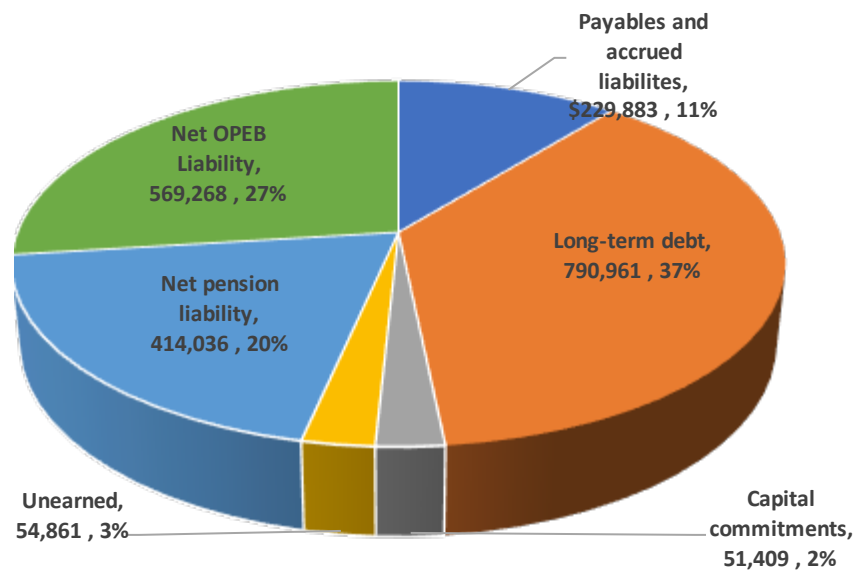
The OPEB liability is due to actuarial adjustments provided by the State of Nevada Department of Administration.

The bonds were issued to support UNLV's new engineering building and UNR's parking infrastructure.

After the issue of the bonds, the funding from the State of Nevada to support UNLV's engineering building was cut from the budget. UNLV has subsequently decided to use the bond proceeds for a new parking infrastructure.

Total Liabilities

	2020	2019	Variance
Payables and accrued liabilities	\$ 229,883	\$ 222,529	\$ 7,354
Long-term debt	790,961	758,920	32,041
Capital commitments	51,409	52,104	(695)
Unearned	54,861	60,498	(5,637)
Net pension liability	414,036	398,883	15,153
Net OPEB Liability	569,268	518,254	51,014
Total Liabilities	\$ 2,110,418	\$ 2,011,188	\$ 99,230



Total Net Position

Net position is divided into three categories. Net investment in capital assets represents the historical cost of capital assets reduced by the balance of replated debt and the accumulated depreciation. Restricted net position includes amounts that have been restricted for use by an external party. Unrestricted net position includes amounts institutionally designated or committed to supporting specific academic and research programs and working capital requirements. Total net position increased this year primarily attributed to investment in capital assets at CSN and NSC.

Total Net Position

	2020		2019		% Change
Net investment in capital assets	\$ 1,753,177	94%	\$ 1,651,202	92%	6.2%
Restricted	482,994	26%	467,373	26%	3.3%
Unrestricted	(363,164)	-19%	(325,866)	-18%	11.4%
	<u>\$ 1,873,007</u>	<u>100%</u>	<u>\$ 1,792,709</u>	<u>100%</u>	<u>4.5%</u>

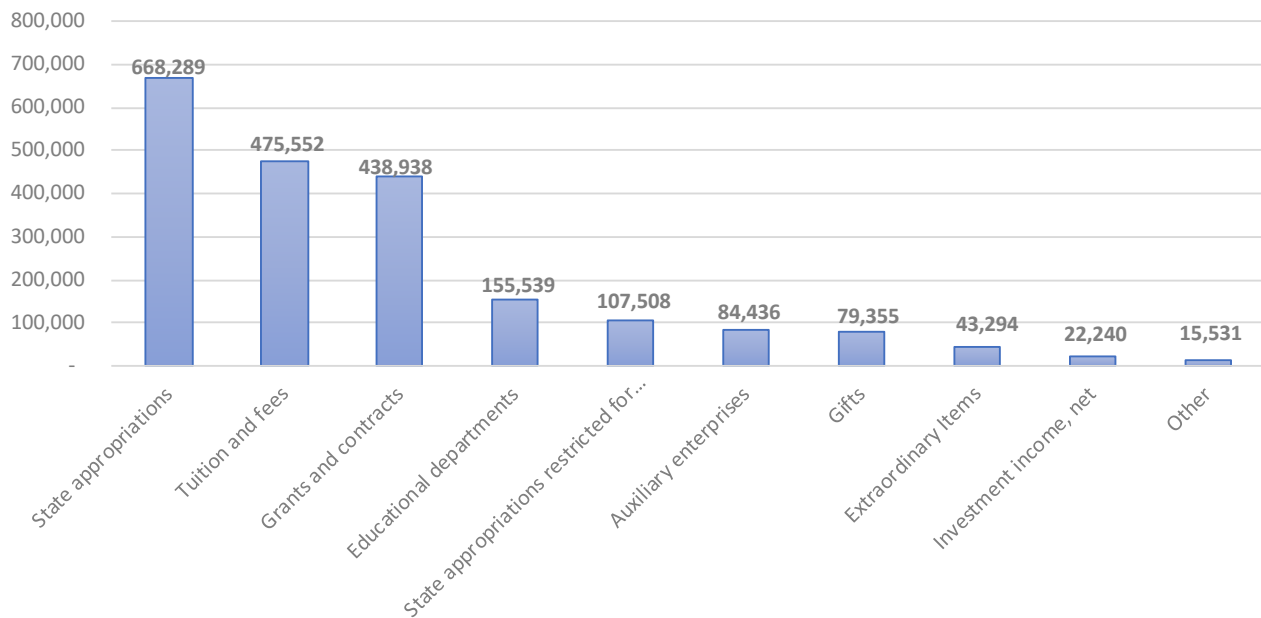
Unrestricted net position deficit continues to increase primarily attributed to the accumulation of the pension liabilities. Unrestricted net position is also used to support operating needs. Available funds to support operating needs have decreased since last fiscal year.

Total Sources of Revenues

Revenues vary from year to year for many reasons. Most of the sources have restrictions. Generally, unrestricted revenues are generated from educational department sales, auxiliary enterprise sales, and investment income. The others are restricted to certain types of uses. State Appropriations increased from the last fiscal year; however, most of the increase was for capital assets that do not occur every year. Grants and contracts and tuition and fees increased for the year.

Sources of Revenues (in millions)

	2020		2019		Variance	Change
State appropriations	\$ 668,289	32%	\$ 645,649	34%	\$ 22,640	4%
State appropriations restricted for capital purposes	107,508	5%	-	0%	107,508	100%
Grants and contracts	438,938	21%	393,362	21%	45,576	12%
Tuition and fees	475,552	23%	445,472	23%	30,080	7%
Educational departments	155,539	7%	153,232	8%	2,307	2%
Auxiliary enterprises	84,436	4%	104,424	5%	(19,988)	-19%
Gifts	79,355	4%	91,000	5%	(11,645)	-13%
Extraordinary Items	43,294	2%	-	0%	43,294	100%
Investment income, net	22,240	1%	50,825	3%	(28,585)	-56%
Other	15,531	1%	12,830	1%	2,701	21%
Total	\$ 2,109,333	100%	\$ 1,904,388	100%	\$ 204,945	11%



Total Expenses

The following chart represents total expenses by functional classification for fiscal year 2020; Total expenses increased by \$118.6 million or .6% compared to fiscal year 2019. The primary functional expense classification driving the change were instruction and scholarships and fellowships.

Total Functional Expenditures (in millions)

	2020		2019		Variance	Change
Instruction	\$ 711,136	36%	\$ 678,533	36%	\$ 32,603	4.8%
Institutional support	204,201	10%	184,450	10%	19,751	10.7%
Academic support	193,179	10%	188,698	10%	\$4,481	2.4%
Student services	179,737	9%	167,785	9%	\$11,952	7.1%
Operation and maintenance of plant	148,058	7%	140,466	7%	\$7,592	5.4%
Research	143,912	7%	145,601	8%	-\$1,689	-1.2%
Scholarships and fellowships	134,304	7%	96,758	5%	\$37,546	38.8%
Depreciation	117,218	6%	108,429	6%	\$8,789	8.1%
Auxiliary enterprises	87,772	4%	98,433	5%	-\$10,661	-10.8%
Public service	80,363	4%	72,090	4%	\$8,273	11.5%
Total	\$ 1,999,880	100%	\$ 1,881,243	100%	\$ 118,637	6.3%

