
Nevada System of Higher Education

Financial Statements

For the Year Ended June 30, 2019



College of Southern Nevada · Desert Research Institute · Great Basin College · Nevada State
College · System Administration · Truckee Meadows Community College · University of Nevada,
Las Vegas · University of Nevada, Reno · Western Nevada College

NEVADA SYSTEM OF HIGHER EDUCATION

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**Nevada System of Higher Education
 Financial Statements and Report of Independent Certified Public
 Accountants
 As of and for the Year Ended June 30, 2019**

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Nevada System of Higher Education Financial Statements



June 30, 2019

University of Nevada, Reno
College of Southern Nevada
Western Nevada College

University of Nevada, Las Vegas
Great Basin College
Desert Research Institute

Nevada State College
Truckee Meadows Community College
System Administration

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Regents
Nevada System of Higher Education

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Nevada System of Higher Education (the "System") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of: Desert Research Institute Foundation; Desert Research Institute Research Parks LTD; Truckee Meadows Community College Foundation; University of Nevada, Las Vegas Research Foundation; College of Southern Nevada Foundation; University of Nevada, Las Vegas Foundation; University of Nevada, Reno Foundation; Athletic Association University of Nevada; University of Nevada, Las Vegas Rebel Football Foundation; University of Nevada, Las Vegas Rebel Soccer Foundation; and Nevada State College Foundation, which statements collectively reflect total assets constituting 92% of the aggregate discretely presented component units total assets as of June 30, 2019 and total operating revenues of 42% of the aggregate discretely presented component units total operating revenues for the year then ended as described in note 23 "System Related Organizations." Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for these organizations, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of: Truckee Meadows Community

College Foundation; University of Nevada, Las Vegas Research Foundation; University of Nevada, Las Vegas Rebel Football Foundation; College of Southern Nevada Foundation; and Nevada State College Foundation were not audited in accordance with *Government Auditing Standards* for the year ended June 30, 2019.

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

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

Opinions

In our opinion, based on our audit and reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the System as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of system contributions for the net pension liability, the schedule of proportionate share of the net OPEB liability, the schedule of system contributions for the net OPEB liability, and the notes to the required schedules for the net OPEB liability be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the

limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 18, 2019, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Grant Thornton LLP

San Jose, California
November 18, 2019

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Nevada System of Higher Education

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Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nevada System of Higher Education's (the System) annual financial information presents management's discussion and analysis of the financial standing as of June 30, 2019. This section provides a brief overview of noteworthy financial activity, identifies changes in financial position, and assists the reader in focusing on significant financial issues that occurred during the year ended June 30, 2019 with comparative information as of June 30, 2018.

Since this discussion provides summary level financial information, it should be read in conjunction with the System's financial statements and accompanying footnotes that follow this section. Responsibility for the financial statements, footnotes and this discussion rests with System management.

SYSTEM AND SYSTEM RELATED ORGANIZATIONS

The System is a consolidation of the following 8 institutions of public higher education in Nevada and the Nevada System of Higher Education Administration (the System or NSHE) entity:

- University of Nevada, Reno (UNR)
- Desert Research Institute (DRI)
- Truckee Meadows Community College (TMCC)
- Western Nevada College (WNC)
- Great Basin College (GBC)
- University of Nevada, Las Vegas (UNLV)
- College of Southern Nevada (CSN)
- Nevada State College (NSC)

This annual financial report and statements include the above institutions of the System as well as certain other organizations, also called component units, that have a significant relationship with the institutions. These component units are related tax-exempt organizations primarily founded to foster and promote the growth, progress, and general welfare of the institutions. They exist to solicit, receive and administer gifts and donations for the institutions or, in the case of the Integrated Clinical Services, Inc., and UNLV Medicine, to facilitate patient care activities. The System component units are as follows:

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University of Nevada, Reno Foundation
Athletic Association University of Nevada
University of Nevada School of Medicine Practice Plans (Integrated Clinical Services, Inc.)
Desert Research Institute Foundation
Desert Research Institute Research Parks LTD
Truckee Meadows Community College Foundation
Western Nevada College Foundation
Great Basin College Foundation
University of Nevada, Las Vegas Foundation
University of Nevada, Las Vegas Research Foundation
University of Nevada, Las Vegas School of Medicine (SOM)
Rebel Golf Foundation
University of Nevada, Las Vegas Alumni Association
University of Nevada, Las Vegas Rebel Football Foundation
University of Nevada, Las Vegas Rebel Soccer Foundation
University of Nevada, Las Vegas Singapore Unlimited
College of Southern Nevada Foundation
Nevada State College Foundation

Component units issue separately audited or reviewed financial statements from the System.

SYSTEM FINANCIAL HIGHLIGHTS FROM 2018 TO 2019 (in \$1,000's)

- Total net position decreased by less than 1% from \$1,799,145 to \$1,792,709;
- Capital assets increased by 6% from \$2,265,683 to \$2,401,582;
- Operating revenues increased by 3% from \$953,763 to \$982,426;
- Nonoperating revenues increased by 4% from \$828,907 to \$860,346; and
- Operating expenses increased by 5% from \$1,797,310 to \$1,881,243.

USING THIS REPORT

This report consists of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These statements focus on the financial condition of the System, the results of operations, and the cash flows of the System as a whole.

One of the most important questions asked about System finances is whether the System as a whole is better off as a result of the year's activities. There are three key components to answering this question. They are the Combined Statements of Net Position; the Combined Statements of Revenues, Expenses and Changes in Net Position; and the Combined Statements of Cash Flows. These statements present financial information in a form similar to that used by corporations. The System's net position (the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources) is an important gauge of the System's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

Unaudited

The Combined Statements of Net Position include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. It is prepared under the accrual basis of accounting whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when a third party provides the services, regardless of when cash is exchanged.

The Combined Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. All things being equal, a public higher education system's dependency on state appropriations will usually result in operating deficits. This is because the financial reporting model classifies state appropriations as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the System's ability to meet financial obligations as they mature and come due. The Combined Statements of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital financing, noncapital financing, and investing activities.

CONDENSED FINANCIAL INFORMATION

ASSETS AND LIABILITIES

The Combined Statements of Net Position is a point-in-time financial statement presenting the financial position of the System as of June 30, 2019, with a comparison made to June 30, 2018. This Statement presents end-of-year data for Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows of Resources, and Net Position (assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources).

System Net Position (in \$1,000's)

	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Assets				
Current assets	\$915,866	\$958,020	(\$42,154)	-4%
Capital assets, net	2,401,582	2,265,683	135,899	6%
Other assets	458,203	526,385	(68,182)	-13%
Total Assets	<u>3,775,651</u>	<u>3,750,088</u>	<u>25,563</u>	<u>0.7%</u>
Deferred Outflows of Resources	<u>99,780</u>	<u>94,719</u>	<u>5,061</u>	<u>5%</u>
Liabilities				
Current liabilities	317,840	306,878	10,962	4%
Noncurrent liabilities	1,706,897	1,678,879	28,018	2%
Total Liabilities	<u>2,024,737</u>	<u>1,985,757</u>	<u>38,980</u>	<u>2%</u>
Deferred Inflows of Resources	<u>57,985</u>	<u>59,905</u>	<u>(1,920)</u>	<u>-3%</u>
Net Position				
Net investment in capital assets	1,651,202	1,581,719	69,483	4%
Restricted - Nonexpendable	90,694	87,830	2,864	3%
Restricted - Expendable	376,679	396,878	(20,199)	-5%
Unrestricted	(325,866)	(267,282)	(58,584)	22%
Total Net Position	<u>\$1,792,709</u>	<u>\$1,799,145</u>	<u>(\$6,436)</u>	<u>-0.4%</u>

Assets

Total assets of the System are currently showing an increase of \$25.6 million, or 0.7%. The increase that occurred in current assets, capital assets and other assets was primarily driven by a decrease in short-term investments of \$21 million, an increase in capital assets of \$136 million and a decrease in other assets primarily due to a decrease in restricted cash and cash equivalents of \$64.5 million. The increase in capital assets is reflective of the purchase and construction of capital assets less normal depreciation for the year.

Liabilities

Total liabilities for the year increased by \$39 million: a \$11 million increase in current liabilities and \$28 million increase in non-current liabilities. The increase in current liabilities was due to an increase in accounts payable of \$16.5 million and a decrease in accrued payroll liability of \$7 million. The increase in non-current liabilities was primarily driven by a decrease in long-term debt of \$19.1 million, an increase in pension liability of \$15.7 million and Other Post-Employment Benefits (OPEB) liability of \$29.1 million.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a future consumption of net position, increased by \$5.1 million. This increase relates to the pension related deferred outflows of resources being presented. Similarly, deferred inflows of resources, a future acquisition of net position, decreased by \$1.9 million.

Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, provides the equity in property, plant, and equipment owned by the System. The next category is restricted net position, which is presented as two subcategories: nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the System but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position that is net assets available to the System for any lawful purpose.

Net Investment in Capital Assets

The net investment in capital assets classification of net position represents the System's capital assets net of accumulated depreciation and outstanding principal balances of debt attributed to the acquisition, construction, or improvement of those assets. The \$69.5 million increase reflects the System's expenditures for development and renewal of its capital assets, offset by depreciation expense on capital assets and increased debt associated with capital assets.

Restricted, Nonexpendable/Expendable

The System's endowment funds consist of both permanent endowments and funds functioning as endowments or quasi-endowments.

Unaudited

Permanent endowments are those funds received from donors with the stipulation that the principal remain inviolate and be invested in perpetuity to produce income that is to be expended for the purposes stipulated by the donor.

Unrestricted Net Position

Unrestricted net position decreased by \$58.6 million in 2019 primarily driven by the net investment into capital assets. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the System’s unrestricted net position has been designated for various academic and research programs and initiatives, as well as capital projects. Funds functioning as an endowment consist of unrestricted funds that have been allocated by the System for long-term investment purposes, although amounts are not subject to donor restrictions requiring the System to preserve the principal in perpetuity. Programs supported by the endowment include scholarships, fellowships, professorships, research efforts and other important programs and activities.

System Related Organizations

Net Position (in \$1,000’s)

	<u>2019</u>	<u>2018</u>	Increase (Decrease)	Percent Change
<i>Assets</i>				
Current assets	\$ 388,908	\$ 446,910	\$ (58,002)	-13.0%
Capital assets, net	8,686	9,982	(1,296)	-13.0%
Other assets	405,046	345,257	59,789	17.3%
Total Assets	<u>802,640</u>	<u>802,149</u>	<u>491</u>	<u>0.1%</u>
<i>Deferred Outflows of Resources</i>	<u>274</u>	<u>363</u>	<u>(89)</u>	<u>-24.5%</u>
<i>Liabilities</i>				
Current liabilities	21,285	36,557	(15,272)	-41.8%
Noncurrent liabilities	22,348	20,696	1,652	8.0%
Total Liabilities	<u>43,633</u>	<u>57,253</u>	<u>(13,620)</u>	<u>-23.8%</u>
<i>Deferred Inflows of Resources</i>	<u>9,482</u>	<u>12,041</u>	<u>(2,559)</u>	<u>-21.3%</u>
<i>Net Position</i>				
Net investment in capital assets	8,015	8,083	(68)	-0.8%
Restricted - Nonexpendable	340,443	314,447	25,996	8.3%
Restricted - Expendable	367,646	372,895	(5,249)	-1.4%
Unrestricted	33,695	37,793	(4,098)	-10.8%
Total Net Position	<u>\$ 749,799</u>	<u>\$ 733,218</u>	<u>\$ 16,581</u>	<u>2.3%</u>

The eighteen campuses, athletic foundations and medical practice plans, as System Related Organizations, continue to support the campuses in their long-range plans and provide support for construction of facilities as well as scholarships and other operating costs. Changes in the above schedule primarily reflect the foundations’ increase in investments and other current assets offset by decreased unearned revenue and other current liabilities.

Unaudited

REVENUES, EXPENSES AND CHANGES IN NET POSITION

Changes in total net position as presented on the Combined Statements of Net Position are based on the activity presented in the Combined Statements of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the System, both operating and nonoperating, and the expenses paid by the System, operating and nonoperating, as well as any other revenues, expenses, gains and losses received or spent by the System.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the System. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the System. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are considered nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

The total Change in Net Position for fiscal year ended June 30, 2019 was a decrease of \$6.4 million compared with \$116.4 million for fiscal year ended June 30, 2018, a decrease of \$122.8 million.

System Revenues, Expenses and Changes in Net Position (in \$1,000's)

	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
<i>Operating Revenues</i>				
Student tuition and fees	\$ 445,472	\$ 431,319	\$ 14,153	3%
Federal grants and contracts	179,475	186,371	(6,896)	-4%
Grants and contracts, other	87,892	79,690	8,202	10%
Sales and services	257,656	235,209	22,447	10%
Other	11,931	21,174	(9,243)	-44%
Total Operating Revenues	<u>982,426</u>	<u>953,763</u>	<u>28,663</u>	<u>3%</u>
<i>Operating Expenses</i>				
Employee compensation and benefits	(1,250,890)	(1,165,247)	(85,643)	7%
Utilities	(28,621)	(31,825)	3,204	-10%
Supplies and services	(392,947)	(391,243)	(1,704)	0%
Scholarships and fellowships	(100,356)	(102,220)	1,864	-2%
Depreciation	(108,429)	(106,757)	(1,672)	2%
Other operating expenses	-	(18)	18	-100%
Total Operating Expenses	<u>(1,881,243)</u>	<u>(1,797,310)</u>	<u>(83,933)</u>	<u>5%</u>
Operating Income (Loss)	<u>(898,817)</u>	<u>(843,547)</u>	<u>(55,270)</u>	<u>7%</u>

Unaudited

	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
<i>Nonoperating Revenues (Expenses)</i>				
State appropriations	645,649	617,180	28,469	5%
Gifts	58,965	54,814	4,151	8%
Investment income (loss), net	50,825	58,393	(7,568)	-13%
Gain (loss) on disposal of capital assets	7,594	(140)	7,734	-5524%
Interest expense	(29,581)	(23,985)	(5,596)	23%
Other nonoperating revenues	899	(1,409)	2,308	-164%
Federal grants and contracts	125,995	124,054	1,941	2%
Total Nonoperating Revenues	<u>860,346</u>	<u>828,907</u>	<u>31,439</u>	<u>4%</u>
Total Other Revenues	<u>32,035</u>	<u>131,086</u>	<u>(99,051)</u>	<u>-76%</u>
Increase (Decrease) in Net Position	<u>(6,436)</u>	<u>116,446</u>	<u>(122,882)</u>	<u>-106%</u>
Net position - beginning of year	1,799,145	1,682,699	116,446	7%
Net position - end of year	<u><u>\$ 1,792,709</u></u>	<u><u>\$ 1,799,145</u></u>	<u><u>\$ (6,436)</u></u>	<u><u>-0.4%</u></u>

Operating revenues increased by \$28.6 million, or 3%, and operating expenses increased by \$83.9 million, or 5%, resulting in an increase in the operating loss of \$55.3 million, or 7%.

Operating Revenue - Student Tuition and Fees increased to \$445.5 million, or 3%, primarily as a result of a 4% increase in tuition. Federal grants and contracts experienced a decrease to \$179.5 million, or 4%, while State, local and other grants and contracts increased to \$87.9 million, or 10%.

The increase in operating expenses was driven by an increase in Employee Compensation and Benefits. This increase primarily relates to an increase in the number of employees and a 3% cost of living adjustment for all System employees.

Nonoperating net revenues increased by \$31.5 million, or 4%. This was led by increases in State appropriations of \$28.5 million.

Unaudited

System Related Organizations (in \$1,000s)

Component entities' ending net position decreased from 2018 to 2019, as shown in the following schedule. The TMCC Foundation had a change in accounting policy which resulted in a prior period adjustment. See Note 23 for additional disclosure on TMCC Foundations' change in accounting policy.

	<u>2019</u>	<u>2018</u>	Increase (decrease)	Percent Change
<i>Operating Revenues</i>				
Patient revenue	\$ 40,976	\$ 48,680	\$ (7,704)	-15.8%
Contract revenue	23,443	20,825	2,618	12.6%
Contributions	58,646	82,963	(24,317)	-29.3%
Campus support	7,695	10,809	(3,114)	-28.8%
Other operating revenues	15,316	17,404	(2,088)	-12.0%
Total Operating Revenues	<u>146,076</u>	<u>180,681</u>	<u>(34,605)</u>	<u>-19.2%</u>
<i>Operating Expenses</i>				
Program expenses, System Related Organizations	(18,575)	(34,953)	16,378	-46.9%
Depreciation	(1,729)	(56,216)	54,487	-96.9%
Other operating expenses	(45,002)	(938)	(44,064)	4697.7%
Total Operating Expenses	<u>(65,306)</u>	<u>(92,107)</u>	<u>26,801</u>	<u>-29.1%</u>
Operating Income (Loss)	<u>80,770</u>	<u>88,574</u>	<u>(7,804)</u>	<u>-8.8%</u>
<i>Nonoperating Revenues (Expenses)</i>				
Investment income (loss), net	33,255	35,828	(2,573)	-7.2%
Payments to System campuses and divisions	(126,941)	(123,893)	(3,048)	2.5%
Other nonoperating revenues (expenses)	4,910	3,728	1,182	31.7%
Total Nonoperating Revenues (Expenses)	<u>(88,776)</u>	<u>(84,337)</u>	<u>(4,439)</u>	<u>5.3%</u>
Income (Loss) before other revenue (expenses)	<u>(8,006)</u>	<u>4,237</u>	<u>(12,243)</u>	<u>-289.0%</u>
<i>Other Revenues (Expenses)</i>				
Additions to permanent endowments	20,660	14,664	5,996	40.9%
Other Foundation expenses	41	-	41	-
Total Other Revenues (Expenses)	<u>20,701</u>	<u>14,664</u>	<u>6,037</u>	<u>41.2%</u>
Increase (Decrease) in Net Position	<u>12,695</u>	<u>18,901</u>	<u>(6,206)</u>	<u>-32.8%</u>
<i>NET POSITION</i>				
Net position - beginning of year	733,218	714,317	18,901	2.6%
Change in Accounting Policy	3,886	-	3,886	-0.3%
Net position - end of year	<u>\$ 749,799</u>	<u>\$ 733,218</u>	<u>\$ 16,581</u>	<u>2.3%</u>

The accompanying notes are an integral part of these financial statements.

Unaudited

CASH FLOWS (in \$1,000's)

Net cash flows decreased when compared to 2018 as discussed further below. Cash flows from operating activities decreased due to payments to employees for compensation and benefits and payments to suppliers, offset by increased revenues from tuition and fees, grants and contracts and sales and services of educational departments and auxiliary services. Net operating cash flows (amount of cash from operating activities) decreased 4%.

	<u>2019</u>	<u>2018</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating activities	\$ (746,378)	\$ (716,474)	\$ (29,904)	4%
Noncapital financing	843,060	755,334	87,726	12%
Capital financing activities	(257,984)	17,513	(275,497)	-1573%
Investing activities	65,166	61,099	4,067	7%
Net increase (decrease) in cash	(96,136)	117,472	(213,608)	-182%
Cash – beginning of year	413,595	267,963	145,632	54%
Cash – end of year	<u>\$ 317,459</u>	<u>\$ 385,435</u>	<u>\$ (67,976)</u>	<u>-18%</u>

Cash flows from noncapital financing increased by \$87.7 million. This increase was primarily related to the increase in cash received from State appropriations and gifts and grants for other than capital purposes. Cash flows from capital financing activities decreased by \$275.5 million, due to decreases in proceeds from capital debt offset by decreases in purchases of capital assets and principal payments. Cash flows from investing activities increased by \$4.1 million as a result of investment activity.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2019, the System had invested \$2,401.6 million in a broad range of capital assets, including buildings, machinery and equipment, library books and media, art and other valuable collections, intangible assets and land. This represents a net increase (including additions and deletions) of \$135.9 million over June 30, 2018.

During fiscal year 2019, the System did not issue long-term bonds and obligations to finance projects. As of June 30, 2019, the coverage on the University Revenue Bonds (pledged revenues to maximum annual debt service) was 7.19 times, above minimum required coverage of 1.50. For statutory purposes, the coverage was 1.86 times, above minimum required coverage of 1.10. As of June 30, 2019, the coverage on the Community College Revenue Bonds (pledged revenues to maximum annual debt service) was 19.59 times, above the minimum required coverage of 1.50. For statutory purposes, the coverage was 2.39 times, above the minimum required coverage of 1.10. Coverage for the System’s Revenue Bonds is based upon two formulas. The statutory coverage ratio is based upon pledged revenues described in Nevada Revised Statutes authorizing the issuance of revenue bonds. The second, comprehensive coverage ratio, is based upon all revenues pledged to the bonds (including the statutory revenues) in the bond resolutions adopted by the Board of Regents. The statutory and comprehensive coverage ratios feature different minimum coverage thresholds that govern the issuance of additional revenue bond debt.

FUTURE FINANCIAL EFFECTS

In recent years the demand for higher education services in Nevada has generally remained flat. In fiscal year 2019, the System realized a net gain of student full time equivalent (FTE) enrollment of 0.8% or 580 FTE Students system-wide compared to fiscal year 2018. Student FTE enrollments increased slightly at one university and two community colleges. Student FTE enrollments decreased slightly at the other university and two community colleges. The State College had increased enrollments. These trends are generally consistent with those seen in other public higher education institutions nationally, and the System anticipates enrollments system-wide in fiscal year 2020 will exceed enrollments in fiscal year 2019 with roughly the same trends.

The Legislatively approved System operating budget includes state appropriation and authorized expenditures (State Supported Operating Budget). The Operating Budget totals \$1,063.5 million for fiscal year 2020. This compares to the fiscal year 2019 Operating Budget of \$998.8 million and represents a 6.5% increase. General Fund revenues of \$697.4 million in fiscal year 2020 will exceed General Fund revenues of \$655.3 million in fiscal year 2019 by \$42.1 million or by 6.4% due mainly to legislative actions funding an increase in career technical education student credit hour weights, an increase in caseload based on completed credit hours, continued growth for the new medical school at University of Nevada, Las Vegas, and a 3% cost of living adjustment. The fiscal year 2020 General Fund appropriation includes \$19.5 million for System employee cost of living adjustment appropriated to the State Board of Examiners. The System expects to draw all the General Funds appropriated without reduction or offsets.

Other authorized revenue sources, consisting mainly of student fee revenues, total \$362.5 million in fiscal year 2020, approximately \$19 million more than in fiscal year 2019, due mostly to an increase in enrollments and student registration fees. Student fees remain a consistent at 34% of the State Supported Operating Budget and are expected to do so for the foreseeable future.

Student enrollment system-wide is anticipated to exceed projected and budgeted enrollment in fiscal year 2020, as it did in 2019, and therefore pursuant to Senate Bill 545 of the 2017 legislative session, the System may budget and expend, in the State Supported Operating Budget, any additional collections of student fee revenues over budgeted revenues due to increased enrollments or Board of Regent authorized increases in registration or non-resident tuition fees. As before, it is expected that these funds will be expended in direct support of the increased student enrollments through instruction and related support services.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by the System, including statements written in this discussion and analysis or made orally by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Other than statements of historical facts, all statements that address activities, events or developments that the System expects or anticipates will or may occur in the future contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The System does not update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions, or changes in other factors affecting such forward-looking information.

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF NET POSITION (in \$1,000's)
AS OF JUNE 30, 2019

	<u>System</u>	<u>System Related Organization</u>
<u>ASSETS</u>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 175,587	\$ 64,229
Restricted cash and cash equivalents	9,377	7,287
Short-term investments	564,236	268,507
Accounts receivable, net	34,018	2,034
Receivable from U.S. Government	70,255	-
Receivable from State of Nevada	33,454	-
Pledges receivable, net	-	32,374
Patient accounts receivable, net	-	10,206
Current portion of loans receivable, net	1,370	-
Due from related institutions	1,032	1
Due from System Related Organizations	8,397	319
Inventories	7,021	438
Deposits and prepaid expenditures, current	9,738	153
Other current assets	1,381	3,360
Total Current Assets	915,866	388,908
<i>Noncurrent Assets</i>		
Cash held by State Treasurer	57,423	-
Restricted cash and cash equivalents	75,072	-
Investments	-	79,422
Restricted investments	-	11,943
Due from System Related Organizations	17,499	-
Receivable from State of Nevada	44,225	-
Endowment investments	256,077	256,117
Deposits and prepaid expenditures	285	-
Loans receivable, net	6,346	27
Capital assets, net	2,401,582	8,686
Pledges receivable, net	-	35,473
Other noncurrent assets	1,276	22,064
Total Noncurrent Assets	2,859,785	413,732
TOTAL ASSETS	3,775,651	802,640
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension related	71,170	-
OPEB related	16,656	-
Loss on bond refunding	11,954	-
Intra-entity sales of future revenues	-	274
TOTAL DEFERRED OUTFLOWS OF RESOURCES	99,780	274

The accompanying notes are an integral part of these financial statements.

NEVADA SYSTEM OF HIGHER EDUCATION
 COMBINED STATEMENTS OF NET POSITION (in \$1,000's)
 (CONTINUED)
 AS OF JUNE 30, 2019

	<u>System</u>	<u>System Related Organization</u>
<u>LIABILITIES</u>		
<i>Current Liabilities</i>		
Accounts payable	65,656	2,673
Accrued payroll and related liabilities	81,026	1,542
Unemployment insurance and workers' compensation	4,341	-
Due to System Related Organizations	683	-
Current portion of compensated absences	38,211	-
Current portion of long-term debt	44,366	-
Current portion of obligations under capital leases	2,228	240
Accrued interest payable	14,748	-
Unearned revenue	59,954	117
Funds held in trust for others	6,246	30
Due to affiliates	-	8,257
Other current liabilities	381	8,426
Total Current Liabilities	317,840	21,285
<i>Noncurrent Liabilities</i>		
Refundable advances under federal loan programs	7,303	-
Compensated absences	16,837	370
Long-term debt	714,554	-
Obligations under capital leases	49,876	453
Unearned revenue	544	2,820
Net pension liability	398,883	-
Net OPEB Liability	518,254	-
Due to affiliates	-	17,849
Other noncurrent liabilities	646	856
Total Noncurrent Liabilities	1,706,897	22,348
TOTAL LIABILITIES	2,024,737	43,633
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension related	20,414	-
OPEB Related	34,750	-
Service Concession Arrangements	2,645	-
Gain on bond refunding	176	-
Split-interest agreements	-	2,861
Unearned lease revenue	-	6,621
TOTAL DEFERRED INFLOWS OF RESOURCES	57,985	9,482
<u>NET POSITION</u>		
Net investment in capital assets	1,651,202	8,015
Restricted - Nonexpendable	90,694	340,443
Restricted - Expendable - Scholarships, research and instruction	182,321	349,025
Restricted - Expendable - Loans	6,985	-
Restricted - Expendable - Capital projects	155,307	7,051
Restricted - Expendable - Debt service	32,066	-
Restricted - Expendable - Other	-	11,570
Unrestricted	(325,866)	33,695
TOTAL NET POSITION	\$ 1,792,709	\$ 749,799

The accompanying notes are an integral part of these financial statements.

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in \$1,000's)
AS OF JUNE 30, 2019

	<u>System</u>	<u>System Related Organization</u>
Operating Revenues		
Student tuition and fees (net of scholarship allowance of \$183,381)	\$ 445,472	\$ -
Federal grants and contracts	179,475	-
State grants and contracts	53,813	-
Local grants and contracts	4,189	10
Other grants and contracts	29,890	-
Campus support	-	7,695
Sales and services of educational departments (including \$42,485 from System Related Organizations)	153,232	-
Sales and services of auxiliary enterprises (net of scholarship allowance of \$7,454)	104,424	-
Contributions	-	58,646
Patient revenue	-	40,976
Contract revenue	-	23,443
Special events and fundraising	-	3,264
Interest earned on loans receivable	207	-
Other operating revenues	11,724	12,042
Total Operating Revenues	<u>982,426</u>	<u>146,076</u>
Operating Expenses		
Employee compensation and benefits	(1,250,890)	(35,033)
Utilities	(28,621)	-
Supplies and services	(392,947)	(8,309)
Scholarships and fellowships	(100,356)	-
Program expenses, System Related Organizations	-	(18,575)
Depreciation	(108,429)	(1,729)
Other operating expenses	-	(1,660)
Total Operating Expenses	<u>(1,881,243)</u>	<u>(65,306)</u>
Operating Income (Loss)	<u>(898,817)</u>	<u>80,770</u>
Nonoperating Revenues (Expenses)		
State appropriations	645,649	-
Gifts (including \$55,830 from System Related Organizations)	58,965	-
Investment income (loss), net	50,825	33,255
Gain (loss) on disposal of capital assets	7,594	375
Interest expense	(29,581)	(50)
Payments to System campuses and divisions	-	(126,941)
Other nonoperating revenues	899	4,585
Federal grants and contracts	125,995	-
Total Nonoperating Revenues	<u>860,346</u>	<u>(88,776)</u>
Loss Before Other Revenue (Expenses)	<u>(38,471)</u>	<u>(8,006)</u>
Other Revenues (Expenses)		
Capital grants and gifts (including \$28,186 from System Related Organizations)	31,897	-
Additions (Deductions) to permanent endowments (including \$135 to System Related Organizations)	138	20,660
Other Foundation revenues (expenses)	-	41
Total Other Revenues	<u>32,035</u>	<u>20,701</u>
Increase (Decrease) in Net Position	<u>(6,436)</u>	<u>12,695</u>
NET POSITION		
Net position - beginning of year	1,799,145	733,218
Change in Accounting Policy	-	3,886
Net position - end of year	<u>\$ 1,792,709</u>	<u>\$ 749,799</u>

The accompanying notes are an integral part of these financial statements.

NEVADA SYSTEM OF HIGHER EDUCATION
 COMBINED STATEMENT OF CASH FLOWS (in \$1,000's)
 AS OF JUNE 30, 2019

	<u>System</u>
<i>Cash flows from operating activities</i>	
Tuition and fees	\$ 450,927
Grants and contracts	278,970
Payments to suppliers	(405,189)
Payments for utilities	(28,622)
Payments for compensation and benefits	(1,222,756)
Payments for scholarships and fellowships	(100,170)
Loans issued to students and employees	(1,685)
Collection of loans to students and employees	2,856
Sales and services of educational departments	163,174
Sales and services of auxiliary enterprises	103,672
Other receipts	12,445
<i>Cash flows from operating activities</i>	<u>(746,378)</u>
<i>Cash flows from noncapital financing activities</i>	
State appropriations	634,841
State appropriations refunded	(93)
Gifts and grants for other than capital purposes	74,318
Gift for endowment purposes	205
Receipts under federal student loan programs	161,335
Disbursements under federal student loan programs	(160,059)
Other	2,180
Principal payments received from loan to other institutions	3,094
Interest received from loan to NSHE	114
Agency transactions	1,277
Federal grants and contracts	125,848
<i>Cash flows from noncapital financing activities</i>	<u>843,060</u>
<i>Cash flows from capital and related financing activities</i>	
Proceeds from capital debt	1,200
Capital appropriations	9,740
Capital grants and gifts received	31,534
Bond issuance and refunding	15
Purchases of capital assets	(230,483)
Proceeds from sale of property and equipment	9,591
Principal paid on capital debt and leases	(49,370)
Interest paid on capital debt and leases	(30,160)
Deposits for the acquisition of property and equipment	(51)
<i>Cash flows from capital and related financing activities</i>	<u>(257,984)</u>
<i>Cash flows from investing activities</i>	
Proceeds from sales and maturities of investments	218,808
Purchase of investments	(170,330)
Interest and dividends received on investments	18,354
Net decrease in noncurrent investments	(1,666)
<i>Cash flows from investing activities</i>	<u>65,166</u>
<i>Net decrease in cash</i>	(96,136)
<i>Cash and cash equivalents, beginning of year</i>	413,595
<i>Cash and cash equivalents, end of year</i>	<u>\$ 317,459</u>

The accompanying notes are an integral part of these financial statements.

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENT OF CASH FLOWS (in \$1,000's)
(CONTINUED)
AS OF JUNE 30, 2019

	System
Reconciliation of operating loss to cash flows from operating activities	
Operating loss	\$ (898,817)
Adjustments to reconcile operating loss to cash used in operating activities:	
Supplies expense related to noncash gifts	377
Depreciation and amortization expense	108,429
Change in pension related deferred outflows of resources	(6,350)
Change in pension related deferred inflows of resources	(8,749)
Change in OPEB related deferred outflows of resources	(1,097)
Change in OPEB related deferred inflows of resources	4,303
Change in service concession arrangements deferred inflows of resources	2,645
Changes in assets and liabilities:	
Accounts receivable, net	4,898
Receivable from U.S. Government	8,181
Receivable from State of Nevada	359
Loans receivable, net	1,222
Inventories	402
Due from other institutions	(867)
Due from system related institutions	(142)
Deposits and prepaid expenditures	1,766
Other assets	(2,577)
Accounts payable	4,806
Accrued payroll and related liabilities	(5,803)
Due to other institutions	816
Due to/from related entities	(6,365)
Unemployment and workers' compensation insurance liability	(4,232)
Unearned revenue	1,640
Refundable advances under federal loan program	93
Compensated absences	3,989
Net pension liability	15,658
Net OPEB liability	29,055
Other	(18)
Cash flows from operating activities	<u>\$ (746,378)</u>
Supplemental noncash activities information:	
Loss on disposal of capital assets	<u>\$ (678)</u>
Capital assets acquired by gifts	<u>\$ 229</u>
Capital assets acquired by incurring capital lease obligations and accounts payable	<u>\$ 30,172</u>
Unrealized loss on investments	<u>\$ (2,032)</u>
Intercompany debt forgiveness	<u>\$ (1,445)</u>

The accompanying notes are an integral part of these financial statements.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)

FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 – Organization:

The financial statements represent the combined financial statements of the various divisions and campuses of the Nevada System of Higher Education (the System or NSHE) which include:

- University of Nevada, Reno (UNR)
- Desert Research Institute (DRI)
- Truckee Meadows Community College (TMCC)
- Western Nevada College (WNC)
- Great Basin College (GBC)
- University of Nevada, Las Vegas (UNLV)
- College of Southern Nevada (CSN)
- Nevada State College (NSC)
- Nevada System of Higher Education Administration (System Admin)

The System is an entity of the State of Nevada (the State) and receives significant support from, and has significant assets held by the State as set forth in the accompanying combined financial statements. The System is a component unit of the State of Nevada in accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. The System Related Organizations' columns in these combined financial statements are comprised of data from the System's discretely presented campus, athletic foundations and medical school practice plans, which include: University of Nevada, Reno Foundation, Athletic Association University of Nevada, Integrated Clinical Services, Inc., Desert Research Institute Foundation, Desert Research Institute Research Parks LTD, Truckee Meadows Community College Foundation, Western Nevada College Foundation, Great Basin College Foundation, University of Nevada, Las Vegas Foundation, University of Nevada, Las Vegas Research Foundation, Rebel Golf Foundation, University of Nevada, Las Vegas Alumni Foundation, University of Nevada, Las Vegas Rebel Football Foundation, University of Nevada, Las Vegas Rebel Soccer Foundation, University of Nevada, Las Vegas Singapore Unlimited, College of Southern Nevada Foundation, and Nevada State College Foundation. These System Related Organizations are included as part of the System's combined financial statements because of the nature and the significance of their financial relationship with the System.

The System Related Organizations include campus foundations which are related tax-exempt organizations founded to foster and promote the growth, progress, and general welfare of the System, and are reported in separate columns to emphasize that they are Nevada not-for-profit organizations legally separate from the System. During the year ended June 30, 2019, the foundations distributed \$126,941 to the System for both restricted and unrestricted purposes. Complete financial statements for the foundations can be obtained from Rhett Vertrees, Assistant Chief Financial Officer at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

The System Related Organizations also include three legally separate non-profit organizations, together known as Integrated Clinical Services, Inc. (ICS). ICS includes the University of Nevada School of Medicine Multispecialty Group Practice North, Inc., University of Nevada School of Medicine Group Practice South, Inc., and Nevada Family Practice Residency Program, Inc. ICS was established for the benefit of the University of Nevada School of Medicine and its faculty physicians who are engaged in patient care activities. During the year ended June 30, 2019, ICS distributed \$8,750 to the System for restricted purposes for salaries and Dean's support. Complete financial statements for ICS can be obtained from Rhett Vertrees, Assistant Chief Financial Officer at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

In addition to ICS, UNLV Medicine (UNLV Med) is a legally separate non-profit organization that is included as a System Related Organization. UNLV Medicine was incorporated as a not-for-profit corporation on April 14, 2017, under the name UNLV Medicine, Inc. The mission and goals of the corporation are to do and perform every act or acts necessary as an "affiliated group" with the School of Medicine to implement an academic medical center with all the legal rights and authority granted to such a center under state and federal law, develop an effective clinical practice environment to support the teaching, education, training and clinical research missions of the School of Medicine and its physicians. During the year ended June 30, 2019, UNLV Med distributed \$29,926 to the System for restricted purposes for salaries and Dean's support. Complete financial statements for UNLV Med can be obtained from Rhett Vertrees, Assistant Chief Financial Officer at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – Summary of Significant Accounting Policies:

The significant accounting policies followed by the System are described below to enhance the usefulness of the financial statements to the reader.

BASIS OF PRESENTATION

For financial statement reporting purposes, the System is considered a special purpose government engaged only in business-type activities. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB, including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*.

The financial statements required by Statement No. 35 are the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. Financial reporting requirements also include Management's Discussion and Analysis of the System's financial position and results of operations.

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when incurred. All significant transactions between various divisions and campuses of the System have been eliminated. The financial statements are presented using the economic resources measurement focus.

CASH AND CASH EQUIVALENTS

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Cash held by State Treasurer represents the funds from certain state appropriations, which were enacted to provide the System with the funds necessary for the construction of major assets. Such amounts are controlled by the Nevada Public Works Board. Restricted cash and cash equivalents represents the unexpended bond proceeds held for construction of major assets and the net proceeds deposited into a restricted trust with an escrow agent to provide funds for current interest payments on the new 2017A bonds until such time as the 2010A bonds can be called in 2020. These amounts are included in cash and cash equivalents in the Statements of Cash Flows.

INVESTMENTS

Investments are stated at fair value. Fair value of investments is determined from quoted market prices, quotes obtained from brokers or reference to other publicly available market information. Interests in private equity partnerships and commingled funds are based upon the latest valuations provided by the general partners or fund managers of the respective partnerships and funds adjusted for cash receipts, cash disbursements and securities distributions through June 30. The System believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because the private equity partnerships and private commingled funds are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a ready market for such investments existed. Investment transactions are recorded on the date the securities are purchased or sold (trade-date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned.

INVENTORIES

Inventories consist primarily of bookstore and agricultural inventories, and other items held for sale and are stated at lower of estimated cost or market. Cost is calculated primarily on the first-in, first-out method.

PLEDGES

In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-Exchange Transactions*, private donations are recognized when all eligibility requirements are met, provided that the pledge is verifiable, the resources are measurable, and collection is probable. Pledges receivable are recorded at net present value using the appropriate discount rate. An allowance for uncollectible pledges is estimated based on collection history and is netted against the gross pledges' receivable.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – Summary of Significant Accounting Policies (continued):

CAPITAL ASSETS

Capital assets are defined as assets with an initial unit cost of \$5 in the year ended June 30, 2019 and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition or fair market value at date of donation in the case of gifts. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are capitalized and depreciated. Interest in the amount of \$1,963 was capitalized during the year ended June 30, 2019. Depreciation is computed on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Year</u>
Buildings and improvements	40
Land improvements	10 to 15
Machinery and equipment	3 to 11
Library books	5
Leasehold improvements	shorter of useful life or lease term
Intangible assets	10

Collections are capitalized at the acquisition value at the date of donation. The System's collections are protected, preserved and held for public exhibition, education or research and include art and rare book collections which are considered inexhaustible and are therefore not depreciated.

UNEARNED REVENUE

Unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees and fees for housing and dining services, and advanced ticket sales for athletic and other events.

COMPENSATED ABSENCES

The System accrues annual leave for employees at rates based upon length of service and job classification and compensatory time based upon job classification and hours worked. Such accrued expenses have been classified as a component of employee compensation and benefits in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

FEDERAL REFUNDABLE LOANS

Certain loans to students are administered by the System campuses, with funding primarily supported by the federal government. The System's Statements of Net Position include both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from the PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflow of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of NSHE's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Plan assets are measured at fair value.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – Summary of Significant Accounting Policies (continued):

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statements of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. The System has pension related, other post-employment benefits related and loss on bond refunding balances of \$71,170, \$16,656 and \$11,954, respectively, at June 30, 2019. Pension related deferred outflows of resources are discussed in depth in Note 17 and other post-employment benefits related deferred outflows of resources are discussed in depth in Note 18. A loss on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. System Related Organizations have Intra-equity sales of future revenues of \$274 at June 30, 2019.

In addition to liabilities, the Statements of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. The System has pension related, other post-employment benefits related, service concession related and gain on bond refunding balances of \$20,414, \$34,750, \$2,645 and \$176, respectively, at June 30, 2019, while the System Related Organizations have split-interest agreements and unearned lease revenue of \$2,861 and \$6,621, respectively, at June 30, 2019.

Pension related deferred inflows of resources are discussed in depth in Note 17. Other post-employment benefits and related deferred inflows of resources are discussed in Note 18. A gain on bond refunding results from the difference in the reacquisition price and the carrying value of refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Endowment pledge donations, net, consist of future commitments to donate funds to support an endowment. Unearned lease revenue represents lease revenue that will be recognized in future periods.

NET POSITION

Net position is classified as follows:

Net investment in capital assets: This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net position – nonexpendable: Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purposes of producing present and future income, which may either be expended or added to principal.

Restricted net position – expendable: Restricted expendable net position includes resources which must be expended in accordance with restrictions imposed by external third parties.

Unrestricted net position: Unrestricted net position represents resources that are not subject to externally imposed restrictions. These resources are used for transactions relating to educational and general operations and may be used to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, restricted resources are applied first.

FAIR VALUE

The System follows the provisions of the fair value measurement standard which defines the fair value of assets, establishes a framework for measuring the fair value of assets, and outlines the required disclosures related to fair market value measurements. The standard defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

The standard established a fair value hierarchy for disclosure that classifies inputs for valuation techniques into three levels as follow:

**NEVADA SYSTEM OF HIGHER EDUCATION
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NOTE 2 – Summary of Significant Accounting Policies (continued):

Level 1 – Observable inputs are readily available quoted prices (unadjusted) for *identical* assets or liabilities in active markets that a government can access at the measurement date. In the table below, the System's Level 1 assets consist of cash and cash equivalents, bonds, mutual funds and commingled funds with observable market prices. The System does not adjust quoted prices for these investments.

Level 2 – Inputs for the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 – Inputs are unobservable inputs for an asset or liability in which there is little or no market data. Assets in this category generally include investments where independent pricing information was not obtainable for a significant portion of the underlying assets.

Net Asset Value (NAV) – The amount of net assets attributable to each share of capital stock or partnership interest (other than senior equity securities, that is, preferred stock) outstanding at the close of the period.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

OPERATING AND NONOPERATING REVENUES AND EXPENSES

SYSTEM

Revenues and expenses are classified as operating if they result from providing services and producing and delivering goods. They also include other events that are not defined as capital and related financing, noncapital financing, or investing activities. Grants and contracts representing an exchange transaction are considered operating revenues.

Revenues and expenses are classified as nonoperating if they result from capital and related financing, noncapital financing, or investing activities. Appropriations received to finance operating deficits are classified as noncapital financing activities; therefore, they are reported as nonoperating revenues. Grants and contracts representing nonexchange receipts are treated as nonoperating revenues.

Functional classification of expenses is determined when an account is established and is assigned based on the functional definitions by the National Association of College and University Business Officers' Financial Accounting and Reporting Manual.

INTEGRATED CLINICAL SERVICES, INC. AND UNLV MEDICINE, INC.

Net patient service revenue is reported when services are provided to patients at the estimated net realizable amounts from patients, third-party payors including Medicare and Medicaid, and others for services rendered, including estimated retroactive audit adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Contractual adjustments are recorded as deductions from professional fee revenue to arrive at net professional revenues. Contractual adjustments include differences between established billing rates and amounts reimbursable under various contractual agreements. Normal differences between final reimbursements and estimated amounts accrued in previous year are recorded as adjustments of the current year's contractual and bad debt adjustments. Substantially all of the operating expenses are directly or indirectly related to patient care.

FOUNDATIONS

Donations, gifts and pledges are recognized as income when all eligibility requirements are met, provided that the promise to give is verifiable, the resources are measurable, and collection is probable.

SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the institutions and the amount that is paid by students and/or third parties making payments on the students' behalf. Payments of financial aid made directly to students are classified as scholarships and fellowships expenses.

**NEVADA SYSTEM OF HIGHER EDUCATION
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FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 2 – Summary of Significant Accounting Policies (continued):

GRANTS-IN-AID

Student tuition and fees revenue include grants-in-aid charged to scholarships and fellowships and grants-in-aid for faculty and staff benefits charged to the appropriate expenditure programs to which the applicable personnel relate. Grants-in-aid for the year ended June 30, 2019 were \$11,580.

TAX EXEMPTION

The System is an affiliate of a government unit in accordance with the Internal Revenue Service's Revenue Procedure 95-48 and is exempt from federal taxes. The discretely presented System Related Organizations are qualified tax-exempt organizations under the provisions of Section 501(c) (3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations (AROs) (GASB 83)*, which will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. GASB 83 is effective for fiscal years beginning after June 15, 2018. Management performed an analysis and determined adoption of this standard had an immaterial impact on the financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities (GASB 84)*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 is effective for fiscal years beginning after December 15, 2018. The anticipated impact of this pronouncement is uncertain at this time.

In June 2017, the GASB issued Statement No. 87, *Leases (GASB 87)*, which addresses information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 is effective for fiscal years beginning after December 15, 2019. The anticipated impact of this pronouncement is uncertain at this time.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (GASB 88)*. The primary objective of this Statement is to improve the information that is disclosed in government financial statements related to debt, including direct borrowings and direct placements. It will also clarify which liabilities government entities should include when disclosing information related to debt. See Note 10 for additional disclosure on NSHE's implementation and adoption of GASB Statement No. 88.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period (GASB 89)*. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify account for interest cost incurred before the end of a construction period. The Statement is effective for reporting periods beginning after December 15, 2019. The anticipated impact of this pronouncement is uncertain at this time.

NOTE 3 – System Cash and Cash Equivalents:

Cash and cash equivalents of the System are stated at cost, which approximates market, and consists of deposits in money market funds, which are not federally insured, and cash in the bank. At June 30, 2019, the System's deposits in money market funds totaled \$153,782 and cash in bank was \$53,782. Of these balances, \$250 each year are covered by the Federal Depository Insurance Corporation (FDIC), the remaining deposits are uncollateralized and uninsured. Restricted cash represents the unexpended bond proceeds held for construction of major assets and the net proceeds deposited into a restricted trust with an escrow agent to provide funds for current interest payments on the new 2017A bonds until such time as the 2010A bonds can be called in 2020.

NEVADA SYSTEM OF HIGHER EDUCATION
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NOTE 4 – Disclosures About Fair Value of Financial Instruments:

Investments at Fair Value

The System's investment holdings as of June 30, 2019 categorized in accordance with the fair value hierarchy are summarized in the following table:

	<u>Level 1 fair value</u>	<u>Level 2 fair value</u>	<u>Level 3 fair value</u>	<u>NAV</u>	<u>Total</u>
Endowment cash and cash equivalents	\$2,601	\$ -	\$ -	\$ -	\$ 2,601
Charitable trusts	4,302	-	-	-	4,302
Domestic equity	188,875	-	-	19,556	208,431
Emerging market equity	1,038	-	-	10,219	11,257
Fixed income	136,097	526	-	134,975	271,598
International equity	123,106	-	-	24,575	147,681
Marketable alternatives	-	-	-	33,013	33,013
Multi-strategy	21,387	-	-	75,942	97,329
Private growth	-	-	-	37,902	37,902
Real assets	<u>5,050</u>	<u>-</u>	<u>-</u>	<u>9,145</u>	<u>14,195</u>
	482,456	526	-	345,327	828,309
Less: GBC Foundation Endowments	<u>(7,996)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,996)</u>
	<u>\$474,460</u>	<u>\$ 526</u>	<u>\$ -</u>	<u>\$345,327</u>	<u>\$820,313</u>

Disclosure of investments valued at NAV:

Assets included in the net asset value column in the above table represent assets held in the System's Operating and Endowment Fund and are classified as either private partnerships or marketable alternatives. Investment strategies within these classifications can be broken down into eight major investment categories:

- *Private Growth* – Strategies consist of private equity, private venture capital and private natural resources. Assets in this category are either illiquid or have significant redemption restrictions. Unfunded commitments of \$26,983 to private equity/venture capital funds are outstanding as of June 30, 2019.
- *Marketable Alternatives* – Assets in the marketable alternative category have a broad mandate and/or incorporate hedging strategies and have significant redemptions restrictions.
- *Real Assets* – The System's holding in the real assets valued at NAV consists of funds which primarily invests in securities of publicly traded C-corporations, Master Limited Partnerships and certain private placement transactions.
- *Fixed Income* – The System's fixed income holdings valued at NAV consist of private and commingled funds with core fixed and short duration strategies.
- *Domestic Equity* – The System's holdings valued at NAV within the domestic equity category consists of one commingled fund with a broad mandate which seeks to outperform the S&P 500 index.
- *Multi-Strategy* – Assets in the multi-strategy valued at NAV consist of one fund which seeks to provide long-term capital growth by investing in domestic and foreign stocks, real assets, and bonds.
- *International Equity* – The System's holdings at NAV within the International equity category consist of private commingled funds primarily focused on value.
- *Emerging Market Equity* – The System's holdings at NAV within Emerging Market category consist of private commingled funds which look to achieve long-term capital appreciation while investing in equity securities or equity-linked instruments of companies located in emerging market countries.

**NEVADA SYSTEM OF HIGHER EDUCATION
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NOTE 4 – Disclosures About Fair Value of Financial Instruments (continued):

The table below summarizes redemption restrictions for investments valued at NAV:

SUMMARY OF REDEMPTION RESTRICTIONS FOR INVESTMENTS VALUED AT NAV			
	<u>Redemption Frequency</u>	<u>Days' Notice (if applicable)</u>	<u>Remaining Life for Partnership</u>
Marketable Alternatives	Daily, Monthly, Quarterly, Semi-Annually, Annually	90	N/A
Private equity/venture capital	Illiquid	N/A	7 to 12 years
Domestic Equity	Daily, Monthly, Quarterly	0-3	N/A
Fixed income	Daily, Monthly	Same Day	N/A
Emerging Market Equity	Daily, Weekly, Monthly	N/A	N/A
International Equity	Daily, Monthly	N/A	N/A
Real Assets	Daily, Monthly, Quarterly	0-110 days	N/A
Multi-Strategy	Daily	N/A	N/A

NOTE 5 – System Investments:

The Board of Regents policies include the Statement of Investment Objectives and Policies for the Endowment and Operating Funds of the System. This policy governs the investment management of both funds. The Board of Regents is responsible for establishing the investment policies; accordingly, the Board of Regents has promulgated these guidelines in which they have established permitted asset classes and ranges. The asset allocation categories may change from year to year.

Investments are stated at fair value. The historical cost and market value (fair value) of System investments at June 30, 2019 is as follows:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds publicly traded	\$384,090	\$472,309
Partnerships	40,700	55,186
Endowment cash and cash equivalents	2,601	2,601
Trusts	3,170	4,302
Private commingled funds	<u>273,216</u>	<u>293,911</u>
	703,777	828,309
Less: GBC Foundation Endowments	<u>(7,996)</u>	<u>(7,996)</u>
	<u>\$ 695,781</u>	<u>\$820,313</u>

As of June 30, 2019, the System had entered into various investment agreements with private equity partnerships and private commingled funds. Under the terms of certain of these investment agreements, the System is obligated to make additional investments as requested by these partnerships. Generally, partnership investments do not have a ready market and ownership interests in some of these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risks generally associated with equities with additional risks due to leverage and the lack of a ready market for acquisition or disposition of ownership interests.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Combined Statements of Net Position.

Credit risk and interest rate risk

Certain securities with fixed income are subject to credit risk which is the risk that an issuer of an investment will not fulfill its obligations. Other securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. Credit quality is an assessment of the issuer's ability to pay interest on the investment, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent rating agencies, for example Moody's Investors Service or Standard and Poor's. For the types of investments that are subject to rating, the System's policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating

**NEVADA SYSTEM OF HIGHER EDUCATION
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NOTE 5 – System Investments (continued):

investment pools. With regard to the trusts included in endowment investments, the System is not the trustee of these investments and; therefore, it currently has no policies with regard to credit risk for these investments.

The credit risk profile for the System's operating and endowment investments at June 30, 2019 is as follows:

	<u>Fair Value</u>	<u>Not Rated</u>
Mutual funds publicly traded	\$ 472,309	\$ 472,309
Partnerships	55,186	55,186
Endowment cash and cash equivalents	2,601	2,601
Trusts	4,302	4,302
Private commingled funds	293,911	293,911
	<u>828,309</u>	<u>828,309</u>
Less GBC Foundation Endowments	(7,996)	(7,996)
	<u>\$ 820,313</u>	<u>\$ 820,313</u>

Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a shorter duration to maturity tend to be more sensitive to changes in interest rates, and, therefore, more volatile than those with longer investment lives. The System's policy for reducing its exposure to interest rate risk is to have an average investment life of at least two years for fixed income securities within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, the System is not the trustee of these investments and; therefore, it currently has no policies with regard to interest rate risk for these investments.

Investments included in the above table have been identified as having interest rate risk and are principally invested in mutual funds and private commingled funds. The segmented time distribution for these investments at June 30, 2019 is as follows:

Less than 1 year	\$165,573
1 to 5 year	152,419
5 to 10 year	<u>128,775</u>
	<u>\$446,767</u>

Custodial credit risk

Custodial credit risk is the risk that in the event of a failure of the custodian, the System may not be able to recover the value of the investments held by the custodian as these investments are uninsured. This risk typically occurs in repurchase agreements where one transfers cash to a broker-dealer in exchange for securities, but the securities are held by a separate trustee in the name of the broker-dealer. The System does not have a specific policy with regard to custodial credit risk.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investments within any one issuer. For the fixed income portion of the endowment pool, the System's policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the fixed income portfolio, provided that issues of the U.S. Government or agencies of the U.S. Government may be held without limitation and provided further that issues of agencies of the U.S. Government shall be limited to the extent set forth in the manager-specific guidelines. The System does not have a specific policy with regard to the operating pool or the remainder of the endowment pool. At June 30, 2019, there were no investments within any one issuer in an amount that would constitute a concentration of credit risk to the System.

Foreign currency risk

Foreign currency risk is the risk of investments losing value due to fluctuations in foreign exchange rates. The System does not directly invest in foreign currency investments and is, therefore, not subject to foreign currency risk. However, the System has \$158,938 in mutual funds and commingled funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2019.

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NOTE 6 – System Endowment Pool:

At June 30, 2019, \$256,077 of endowment fund investments were pooled on a unit market value basis. As of June 30, 2019, the endowment pool was comprised of investments in cash and cash equivalents (1.0%), mutual funds (11.4%), partnerships (20.2%), and private commingled (67.4%). Each individual endowment fund acquires or disposes of units on the basis of the market value per unit on the preceding quarterly valuation date. The unit market value at June 30, 2019 was \$866.79. The System follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) with respect to prudent investing and spending of donor-restricted endowments.

The System utilizes a spending rule for its pooled endowments, which determines the endowment income to be distributed currently for spending. For the year ended June 30, 2019, the endowment spending policy, as approved by the Board of Regents, authorized a distribution maximum of 4.5% of the average unit market value for the previous twenty (20) calendar quarters. Under the provisions of these spending rules, during 2019, \$23.28 was distributed to each time-weighted eligible unit for a total spending rule distribution of \$9,224. The 2019 distributions were made from investment income of \$946 and from cumulative gains of pooled investments of \$10,170.

The System's policy is to retain the endowments' realized and unrealized appreciation with the endowment after the annual income distribution has been made. Such realized and unrealized appreciation retained in endowment investments was \$163,023 at June 30, 2019 is reflected within the restricted expendable for scholarships, research and instruction net position category and is available to meet future spending needs subject to the approval of the Board of Regents.

Effective July 1, 2009 the Board of Regents has suspended distribution on all underwater accounts. At June 30, 2019, there were no accounts underwater.

NOTE 7 – System Accounts Receivable:

System accounts receivable consist primarily of amounts due from students for tuition and fees and from local and private sources for grant and contract agreements. System accounts receivable are presented on the accompanying Statements of Net Position net of allowances for uncollectible amounts of \$52,144 as of June 30, 2019.

Accounts receivable:	
Student tuition and fees	\$62,788
Sales and services	15,496
Local and private grants and contracts	7,634
Other	<u>244</u>
	86,162
Less: Allowance for doubtful accounts	<u>(52,144)</u>
Net accounts receivable	<u>\$34,018</u>

NOTE 8 – System Loans Receivable:

Loans receivable from students bear interest primarily between 3% and 15% per annum and are generally repayable in installments to the various campuses over a five to ten year period commencing nine months from the date of separation from the institution. Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable at June 30, 2019. A provision for possible uncollectible amounts is recorded on the basis of the various institutions' estimated future losses for such items. The loans receivable and corresponding allowance for uncollectible loan balances as of June 30, 2019 are as follows:

Loans receivable	\$9,090
Less: Allowance for doubtful loans	<u>(1,374)</u>
Net loans receivable	7,716
Less current portion	<u>(1,370)</u>
Noncurrent loans receivable	<u>\$ 6,346</u>

NEVADA SYSTEM OF HIGHER EDUCATION
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FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 – System Capital Assets:

System capital asset activity for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 115,892	\$193,118	\$(109,822)	\$ 199,188
Land	163,162	2,836	(92)	165,906
Land improvements	288	-	-	288
Intangibles	642	-	-	642
Collections	11,897	84	-	11,981
Total capital assets not being depreciated	<u>291,881</u>	<u>196,038</u>	<u>(109,914)</u>	<u>378,005</u>
Capital assets being depreciated:				
Buildings	2,827,273	126,177	(1,866)	2,951,584
Land improvements	162,093	2,080	-	164,173
Machinery and equipment	386,062	30,937	(12,997)	404,002
Intangibles	46,509	1,013	-	47,522
Library books and media	122,739	1,767	(808)	123,698
Total	<u>3,544,676</u>	<u>161,974</u>	<u>(15,671)</u>	<u>3,690,979</u>
Less accumulated depreciation for:				
Buildings	(1,010,746)	(72,502)	585	(1,082,663)
Land improvements	(113,495)	(5,414)	-	(118,909)
Machinery and equipment	(294,079)	(23,980)	10,511	(307,548)
Intangibles	(34,506)	(4,445)	42	(38,909)
Library books and media	(118,048)	(2,086)	761	(119,373)
Total accumulated depreciation	<u>(1,570,874)</u>	<u>(108,427)</u>	<u>11,899</u>	<u>(1,667,402)</u>
Total capital assets being depreciated, net	<u>1,973,802</u>	<u>53,547</u>	<u>(3,772)</u>	<u>2,023,577</u>
Capital assets, net	<u>\$2,265,683</u>	<u>\$249,585</u>	<u>\$(113,686)</u>	<u>\$2,401,582</u>

In 2019, the total amount recognized as a loss on disposal of assets was immaterial.

NOTE 10 – System Long-Term Debt:

The long-term debt of the System consists of revenue bonds payable, certificates of participation, capital lease obligations, notes payable and other minor obligations.

The Board of Regents issues revenue bonds to provide funds for the construction and renovation of major capital facilities. In addition, revenue bonds have been issued to refund other revenue bonds. In general, the long-term debt is issued to fund projects that would not be funded through State appropriations, such as dormitories, dining halls and parking garages.

In November 2017, the University of Nevada, Reno issued Series 2017A University revenue refunding bonds with a face value of \$25.9 million, and will be used to defease the 2010A bonds, however, the 2010A bonds will not be called until 2020 (the 10-year call date). Therefore, the net proceeds have been deposited into a restricted trust with an escrow agent to provide funds for current interest payments on the new 2017A bonds until such time as the 2010A bonds can be called. Since the 2017A bonds are considered a crossover advance refunding, the University of Nevada, Reno still reports a long-term obligation for the 2010A bonds, and also reports cash with an escrow agent in restricted cash made up of unspent net proceeds of the 2017A bonds.

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NOTE 10 – System Long-Term Debt (continued):

System long-term debt activity for the year ended June 30, 2019 is as follows:

	Annual Interest Rate	Fiscal Year Final Payment Date	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Universities Revenue Bonds, Series 2008A	4.00% to 5.00%	2039	\$ 60,135	\$ 2,890	\$ -	\$ (1,415)	\$ 1,475	\$ 1,475
Universities Revenue Bonds, Series 2009A	3.00% to 5.25%	2039	18,140	2,110	-	(680)	1,430	700
Universities Revenue Bonds, Series 2010A	2.00% to 7.90%	2041	29,455	2,285	-	(735)	1,550	760
Universities Revenue Bonds, Series 2010A	2.00% to 7.90%	2021	26,575	26,575	-	-	26,575	-
Universities Revenue Bonds, Series 2010B	4.00%	2018	3,275	-	-	-	-	-
Universities Revenue Bonds, Series 2011A	2.25% to 5.00%	2025	50,470	21,680	-	(5,685)	15,995	5,960
Universities Revenue Bonds, Series 2012A	2.00% to 5.00%	2033	27,375	25,965	-	-	25,965	-
Universities Revenue Bonds, Series 2012B	2.00% to 2.75%	2023	5,010	2,170	-	(605)	1,565	615
Universities Revenue Bonds, Series 2013A	2.00% to 5.00%	2034	40,035	32,765	-	(1,325)	31,440	1,365
Universities Revenue Bonds, Series 2013B	3.00% to 5.00%	2036	105,300	99,125	-	(5,380)	93,745	5,640
Universities Revenue Bonds, Series 2014A	4.00% to 5.00%	2044	49,995	46,570	-	(1,390)	45,180	1,460
Universities Revenue Bonds, Series 2015A	3.00% to 5.00%	2036	61,455	61,455	-	-	61,455	170
Universities Revenue Bonds, Series 2015B	2.00% to 3.00%	2027	7,480	6,800	-	(695)	6,105	710
Universities Revenue Bonds, Series 2016A	2.00% to 5.00%	2039	57,750	57,650	-	(100)	57,550	100
Universities Revenue Bonds, Series 2016B	2.50% to 5.00%	2037	13,580	13,580	-	(480)	13,100	505
Universities Revenue Bonds, Series 2017A	3.25% to 5.00%	2041	25,905	25,905	-	-	25,905	-
Community College Revenue Bonds, Series 2017A	3.00% to 5.00%	2048	70,915	70,915	-	(2,200)	68,715	1,235
Certificates of Participation, Series 2014A	2.00% to 5.00%	2045	34,220	32,075	-	(700)	31,375	735
Certificates of Participation, Series 2016A	2.00% to 5.00%	2047	63,095	61,560	-	(2,540)	59,020	2,620
Certificates of Participation, Series 2016B	1.65% to 4.72%	2047	50,405	49,415	-	(1,010)	48,405	1,025
Certificates of Participation, Series 2017A	3.00% to 5.00%	2048	28,890	28,890	-	(860)	28,030	505
Certificates of Participation, Series 2018A	3.00% to 5.00%	2049	12,475	12,475	-	-	12,475	110
SNSC Phase II Lease Revenue Bonds	7.58%	2023	\$ 8,460	3,411	-	(587)	2,824	630
Discounts				(6)	-	2	(4)	(1)
Premiums				44,683	-	(3,321)	41,362	3,304
Total Bonds Payable				730,943	-	(29,706)	701,237	29,623
Notes Payable				73,867	-	(16,184)	57,683	14,743
Total				\$ 804,810	\$ -	\$ (45,890)	\$ 758,920	\$ 44,366

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 – System Long-Term Debt (continued):

System notes payable activity for the year ended June 30, 2019 is as follows:

	Interest Rate	Date Issued	Final Payment Date	Original Amount	Outstanding Balance
Bank of America, CSN Promissory Note	1.88%	1/3/2013	6/1/2023	\$10,000	\$4,226
JP Morgan Chase, UNR Achievement Center	2.59% - VAR	2/26/2014	7/1/2019	Maximum 12,000	399
JP Morgan Chase, UNR Fitness Center	Variable**	8/14/2014	1/1/2020	Maximum 16,000	2,466
Wells Fargo Bank, UNLV Hotel College Academic Bldg	Variable***	12/15/2015	1/3/2023	Maximum 19,900	9,275
Wells Fargo Bank, UNR MEBD Refunding	1.80%	4/21/2016	1/2/2026	7,570	5,930
Wells Fargo Bank, UNR Scoreboard	2.01%	5/5/2016	3/1/2021	3,305	675
Key Government Finance, Inc., UNR Fine Arts Building	2.02%	4/20/2017	7/1/2022	11,326	7,586
US Bank, UNLV SOM funding	Variable****	6/28/2017	6/28/2024	Maximum 19,000	13,333
ZionsBankcorp, UNLV Football facility	1.98%	11/9/2017	7/1/2023	\$15,297	12,690
Other notes payable	1.74% - 5.16%	Various	Various	Various	1,103
					<u>\$57,683</u>

* The variable interest rate is calculated based on 67% of one-month LIBOR plus a spread of 0.96%. The rate is reset daily, and interest only accrues based on the outstanding principal.

** The variable interest rate is calculated based on 72% of one month LIBOR plus a spread of 1.23%. The rate is reset daily, and interest only accrues based on the outstanding principal. Excludes other fees paid to JP Morgan Chase associated with this financing.

***The variable interest rate is calculated based on 70% of one-month LIBOR plus a spread of 0.75%. The rate is reset monthly, and interest only accrues based on the outstanding principal.

**** The variable interest rate is equal to the one-month LIBOR rate plus a spread of 0.54%. The rate is reset monthly, and interest only accrues based on the outstanding principal.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 – System Long-Term Debt (continued):

The revenue bonds are collateralized by tuition and fees, auxiliary enterprises revenues and certain other revenues as defined in the bond indentures. The Certificates of Participation are secured by any and all available revenues as defined in the bond indentures. There are numbers of limitations and restrictions contained in the various bond indentures. The most restrictive covenants of the various bond indentures require the various divisions and campuses of the System to maintain minimum levels of revenues, as defined in the indentures. The System is in compliance with all covenants.

Scheduled maturities of long-term debt for the years ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$41,063	\$32,170	\$73,233
2021	65,830	29,371	95,201
2022	39,745	26,500	66,245
2023	37,702	24,967	62,669
2024	31,874	23,492	55,366
2025-2029	137,999	95,088	233,087
2030-2034	145,600	62,955	208,555
2035-2039	106,140	34,053	140,193
2040-2044	70,465	16,213	86,678
2045-2049	41,145	2,943	44,088
	<u>717,563</u>	<u>347,752</u>	<u>1,065,315</u>
Discounts	(4)	-	(4)
Premiums	41,361	-	41,361
	<u>\$758,920</u>	<u>\$347,752</u>	<u>\$1,106,672</u>

In April 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in government financial statements related to debt, including direct borrowings and direct placements. It will also clarify which liabilities government entities should include when disclosing information related to debt.

Various outstanding notes from direct borrowings and direct placements of the System in the combined amount of \$4,450 contain provisions that in an event of default, the outstanding amounts become immediately due. An outstanding note from direct borrowings and direct placements of the System in the amount of \$914 is secured with collateral of an office building. Various outstanding notes from direct borrowings and direct placements of the System in the combined amount of \$3,735 are secured with collateral consisting of computers and network equipment. Various outstanding notes from direct borrowings and direct placements of the System in the combined amount of \$45,475 contain provisions that in an event of default, the respective interest rates are reset to a higher default rate. An outstanding note from direct borrowings and direct placements of the System in the amount of \$89 contains a subjective acceleration clause that allows the lender to terminate the agreement and accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurred.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 10 – System Long-Term Debt (continued):

Obligation	Maturity	Outstanding (in \$1000s)	Unused Line of Credit (\$)	Pledged Assets?	Finance-Related EOD Consequences?		Finance- Related Termination Events?	Subjective Acceleration Clause(s)?
					Interest Rate/Other	Acceleration		
UNR – Student Achievement Center Note	07/01/19	\$399	n/a	No	No	No	No	No
DRI – Dell Quest Lease	07/01/19	23	n/a	Yes	No	No	No	No
DRI – Six Degrees Capital Lease	09/10/19	89	n/a	Yes	Yes	Yes	Yes	Yes
UNR – Fitness Center Note	01/01/20	2,466	n/a	No	No	No	No	No
DRI – Dell PowerVault Lease	11/01/20	62	n/a	Yes	No	No	No	No
UNR – Scoreboard Note	03/01/21	675	n/a	No	Yes	No	No	No
DRI – Dell Supercomputer Lease	05/01/21	120	n/a	Yes	No	No	No	No
DRI – Citrix Lease	08/01/21	183	n/a	Yes	No	No	No	No
GBC – Apartment Complex Note	11/01/21	406	n/a	No	Yes	Yes	No	No
DRI – Southern Nevada Science Park Note	12/01/21	377	n/a	No	Yes	Yes	No	No
UNR – Fine Arts Bldg. Note	07/01/22	7,586	n/a	No	Yes	No	No	No
UNLV – HAB Note	07/01/22	9,275	n/a	No	Yes	No	No	No
DRI – CRVB	07/01/22	320	n/a	No	Yes	Yes	No	No
CSN – Cisco Equipment Lease	10/14/22	3,258	n/a	Yes	Yes	Yes	No	No
CSN – Las Vegas “A” & “B” Note	06/01/23	4,226	n/a	No	Yes	No	No	No
UNLV – UNLV Medicine Note	07/01/23	13,333	n/a	No	Yes	No	No	No
UNLV – Football Complex Note	07/01/23	12,690	n/a	No	No	No	No	No
UNR – MEB Refunding Note	01/02/26	5,930	n/a	No	Yes	No	No	No
UNR – 450 Sinclair Lease	01/01/27	\$914	n/a	Yes	No	No	No	No

NOTE 11 – System Obligations Under Capital Leases:

The System has entered into various non-cancellable lease agreements of land, buildings and improvements, and machinery and equipment expiring at various dates from fiscal year 2019 to 2043.

System obligations under capital leases were as follows for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Current
Capital lease obligations	<u>\$49,968</u>	<u>\$4,453</u>	<u>\$(2,317)</u>	<u>\$52,104</u>	<u>\$2,228</u>

The following System property included in the accompanying combined financial statements was leased under capital leases as of June 30, 2019:

Construction in progress	\$4,141
Buildings and improvements	51,796
Machinery and equipment	<u>1,007</u>
Total	56,944
Less accumulated depreciation	<u>(3,848)</u>
Total	<u>\$53,096</u>

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 11 – System Obligations Under Capital Leases (continued):

Future net minimum rental payments, which are required under the System leases for the years ending June 30, are as follows:

2020	\$ 4,733
2021	4,610
2022	4,513
2023	4,438
2024	3,539
2025-2029	17,174
Thereafter	<u>47,352</u>
Total minimum lease payments	86,359
Less amount representing interest	<u>(34,255)</u>
Obligations under capital leases	<u>\$52,104</u>

Total interest expense under the System capital leases and included in the accompanying combined financial statements was \$2,393 during the year ended June 30, 2019. Depreciation of the capital lease assets is included in depreciation expense of the Statement of Revenues, Expenses and Changes in Net Position. Included in the capital lease obligations is a building lease for NSC with the State of Nevada.

NOTE 12 – Operating Leases:

The System has entered into various noncancellable operating lease agreements covering certain buildings and equipment. The lease terms range from one to ten years. The expense for operating leases was \$8,158 for year ended June 30, 2019.

Future minimum lease payments on noncancellable operating leases for the years ending June 30 are as follows:

2020	\$ 7,384
2021	7,007
2022	5,905
2023	4,131
2024	1,190
2025-2029	<u>865</u>
Total future minimum obligation	<u>\$26,482</u>

NOTE 13 – Unemployment Insurance and Workers Compensation:

The System is self-insured for unemployment insurance and workers compensation. These risks are subject to various claim and aggregate limits, with excess workman's comp coverage provided by an independent insurer. Liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The change to workers' compensation liability is based upon an independent actuarial determination of the present value of the anticipated future payments.

Changes in unemployment and workers compensation for the year ended June 30, 2019 are as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Unemployment insurance	\$4,062	\$1,759	\$(4,537)	\$1,284
Workers compensation	<u>3,300</u>	<u>3,057</u>	<u>(3,300)</u>	<u>3,057</u>
Total	<u>\$7,362</u>	<u>\$4,816</u>	<u>\$(7,837)</u>	<u>\$4,341</u>

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 14 – System Other Noncurrent Liability Activity:

The activity with respect to System other noncurrent liabilities for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current
Refundable advances under federal loan program	\$ 7,236	\$ 354	\$ (287)	\$ 7,303	\$ -
Compensated Absences	50,553	31,612	(27,117)	55,048	38,211
Unearned Revenue	58,827	53,422	(51,751)	60,498	59,954
Other noncurrent liabilities	775	23	(152)	646	-
Total	\$ 117,391	\$ 85,411	\$ (79,307)	\$ 123,495	\$ 98,165

NOTE 15 – Extinguishment of Debt:

In prior years, the System defeased outstanding bonds and obligations by placing the proceeds of new bonds into an irrevocable escrow account to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the System's financial statements. At June 30, 2019 \$1,515 of bonds outstanding were considered defeased.

In prior years, the System refinanced or defeased existing bonds for net cash flow savings or economic gain (present value of cash flow savings). There were no new refinancing activities for the year ended June 30, 2019.

NOTE 16 – Irrevocable Letter of Credit:

In connection with its workers' compensation liability coverage, the System is required to maintain a \$120 standby letter of credit. An additional letter of credit was established in April 2004 in connection with the System's self-insured workers' compensation liability; the amount as of June 30, 2019 was \$1,800. A letter of credit was established in July 2003 in connection with the SNSC Phase II Lease Revenue Bonds in the amount of \$2,100. No advances were made under the letters of credit during the year ended June 30, 2019.

NOTE 17 – System Pension Plans:

Substantially all permanent employees of the System are covered by retirement plans. Classified employees are covered by the PERS, a cost-sharing multiple-employer public employee retirement system. Professional employees are covered under PERS or the System Retirement Plan Alternative, a defined contribution retirement plan qualified under Internal Revenue Code Section 401(a).

Under the System Retirement Plan Alternative, the System and participants have the option to make annual contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or to participate in a variety of mutual funds.

System employees may elect to participate in the System Supplemental Retirement Plan, a defined contribution plan qualified under Section 403(b) of the Internal Revenue Code, subject to maximum contribution limits established annually by the Internal Revenue Service. The employee contributions are not matched by the System.

The System's contribution to all retirement plans for the year ended June 30, 2019 was approximately \$116,213, equal to the required contribution for the year.

General Information about the PERS Cost Sharing Pension Plan

PERS is a cost-sharing, multiple-employer, defined benefit public employees' retirement system, and was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or Statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 17 – System Pension Plans (continued):

Monthly benefit allowances for members are computed as 2.50% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this factor is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.50% service time factor and for regular members entering the System on or after July 1, 2015, there is a

2.25% factor. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579.

Vesting

Members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service. Regular members who entered the System on or after July 1, 2015, are eligible for retirement at age 65 with 5 years of service, or at age 62 with 10 years of service or at age 55 with 30 years of service or any age with 33 1/3 years of service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Members become fully vested as to benefits upon completion of five years of service.

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. Contributions are shared equally by employer and employee. Employees can take a reduced salary and have contributions made by the employer (EPC) or can make contributions by a payroll deduction matched by the employer.

PERS basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2019 the Statutory Employer/employee matching rate was 14.5%. The Employer-pay contribution (EPC) rate was 28%.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019 the System reported a liability of \$398,883 for its proportionate share of the net pension liability. The System's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2019. The System's proportionate share is approximately 2.92%.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 17 – System Pension Plans (continued):

For the year ended June 30, 2019 the System recognized pension expense of \$416. At June 30, 2019 the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$12,496	\$13,909
Net difference between projected and actual investment earnings on pension plan investments	-	1,426
Changes in assumptions	21,019	-
Changes in proportion and differences between actual contributions and proportionate share of contributions*	9,107	5,079
System contributions subsequent to the measurement date	<u>28,548</u>	<u>-</u>
	<u>\$71,170</u>	<u>\$20,414</u>

*In 2018 there was a change in reporting of payroll because of the consolidation of reporting, as a result, the inflows and outflows of changes in proportion have been netted for reporting purposes.

In 2019 \$28,548 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred inflows and outflows of resources will be recognized in pension expense as follows for the years ended June 30:

2020	(\$15,478)
2021	(4,122)
2022	10,611
2023	(5,743)
2024	(6,584)
2025	(893)
Thereafter	-
	<u>\$ (22,209)</u>

Actuarial Assumptions

The PERS net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.75%
Payroll Growth	5.00%, including inflation
Investment Rate of Return	7.50%
Productivity pay increase	0.50%
Projected salary increases	4.25% to 9.15%, depending on service
	Rates include inflation and productivity increases
Consumer Price Index	2.75%
Other assumptions	Same as those used in the June 30, 2018 funding Actuarial valuation

Mortality rates for healthy participants were based on the Headcount-Weighted RP-2014 Healthy Annuitant Table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries. For disabled participants, mortality rates were based on the Headcount – Weighted RP-2014 Disabled Retiree Table, set forward four years.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of the experience review completed in 2018.

The PERS policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the PERS.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
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NOTE 17 – System Pension Plans (continued):

The following was the PERS Board adopted policy target asset allocation as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Expected Real Rate of Return*</u>
Domestic Equity	42%	5.50%
International Equity	18%	5.75%
Domestic Fixed Income	30%	0.25%
Private Markets	10%	6.80%

*As of June 30, 2018, PERS' long-term inflation assumption was 2.75%

Discount Rate

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2018, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

Pension Liability Discount Rate Sensitivity

The following represents the System's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
NSHE's proportional share of the net pension liability	\$607,273	\$398,883	\$224,513

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS comprehensive annual financial report that includes financial statements and required supplementary information. The report is available online at www.nvpers.org or may be obtained by writing to PERS at 693 W. Nye Lane, Carson City, NV 89703-1599.

NOTE 18 – System Postemployment Benefits Other than Pensions:

Officers and employees of NSHE are provided with OPEB through the Nevada Public Employees' Benefits Program (PEBP) - a cost-sharing multiple-employer defined benefit OPEB plan. The program is administered by the PEBP Board, whose ten members are appointed by the governor. NRS 287.023 provides officers and employees eligible to be covered by any group insurance, plan of benefits or medical and hospital service established pursuant to NRS 287 the option upon retirement to cancel or continue any such coverage. The cost to administer the program is financed through the contributions and investment earnings of the plan. The PEBP Board is granted the authority to establish and amend the benefit terms of the program. (NRS 287.043) PEBP issues a publicly available financial report that includes financial statements and the required supplementary information for the plan. That report may be obtained from Public Employees' Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701.

Benefits provided

Benefits other than pensions are provided to eligible retirees and their dependents through the payment of subsidies by the PEBP. Benefits include health, prescription drug, dental, and life insurance coverage. The "base" subsidy rates are set by PEBP and approved by the Legislature and vary depending on the number of dependents and the medical plan selected. These subsidy rates are subtracted from the premium to arrive at the "participant premium". The "years of service" subsidy rates are then used to adjust the "participant premium" based on years of service. The current subsidy rates can be found at pebp.state.nv.us. As required by statute, benefits are determined by the number of years of service at the time of retirement and the individual's initial date of hire. Officers and employees hired after December 31, 2011 are not eligible to receive subsidies to reduce premiums. The following individuals and their dependents are eligible to receive benefits from the Retirees' Fund:

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 18 – System Postemployment Benefits Other than Pensions (continued):

Any PEBP covered retiree with state service whose last employer was the state or a participating local government entity and who:

- Was initially hired by the state prior to January 1, 2010 and has at least five years of public service, or
- Was initially hired by the state on or after January 1, 2010, but before January 1, 2012 and has at least fifteen years of public service, or
- Was initially hired by the state on or after January 1, 2010, but before January 1, 2012 and has at least five years of public service and has a disability, or
- Any PEBP covered retiree with state service whose last employer was not the state or a participating local government entity and who has been continuously covered under PEBP as a retiree since November 30, 2008.

State service is defined as employment with any Nevada State agency, the Nevada System of Higher Education and any State Board or Commission. Participating local government agency is defined as a county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency that has an agreement in effect with PEBP to obtain group insurance.

Contributions

The State Retirees' Health and Welfare Benefits Fund (Retirees' Fund) was established in 2007 by the Nevada Legislature as an irrevocable trust fund to account for the financial assets designated to offset the portion of current and future costs of health and welfare benefits paid on behalf of state retirees (NRS 287.0436). The money in the Retirees' Fund belongs to the officers, employees and retirees of the State of Nevada in aggregate; neither the State nor the governing body of any county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency of the State, nor any single officer, employee or retiree of any such entity has any right to the money in the Retirees' Fund.

The authority for establishing an assessment to pay for a portion of the cost of premiums or contributions for the program is in statute. The Office of Finance shall establish an assessment that is to be used to pay for a portion of the cost of premiums or contributions for the Program for persons who were initially hired before January 1, 2012 and have retired with state service. The money assessed must be deposited into the Retirees' Fund and must be based upon a base amount approved by the Legislature each session to pay for a portion of the current and future health and welfare benefits for persons who retired before January 1, 1994, or for persons who retire on or after January 1, 1994, as adjusted by the years of service subsidy rates. (NRS 287.046) The required contribution rate for employers (the retired employees group insurance rate), as a percentage of covered payroll, for the fiscal year ended June 30, 2019 was 2.35%. NSHE contributions recognized as part of OPEB expense for the current fiscal year ended June 30, 2019 were \$16,656.

OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB. At June 30, 2019, NSHE reported a liability of \$518,254 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of January 1, 2018. NSHE's proportion of the collective net OPEB liability was based on the NSHE's share of contributions in the OPEB plan relative to the total contributions of all participating OPEB employers and members. At June 30, 2019, the NSHE's proportion was 39.1317%.

For the year ended June 30, 2019, NSHE recognized OPEB expense of \$32,401. At June 30, 2019, NSHE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes in assumption	-	34,686
Net difference between projected and actual earnings in OPEB plan investments	-	64
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-
System contributions subsequent to the measurement date	16,656	-
Total	\$ 16,656	\$ 34,750

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 18 – System Postemployment Benefits Other than Pensions (continued):

Of the total amount reported as deferred outflows of resources related to OPEB, \$16,656 results from NSHE contributions subsequent to the measurement date and before the end of the fiscal year which are included as a reduction of the collective net OPEB liability in the year at June 30, 2019. This deferred outflow will be recognized as expense in fiscal 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (11,410)
2021	(11,410)
2022	(9,568)
2023	(2,362)
Thereafter	-
Total	<u><u>\$ (34,750)</u></u>

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation (CPI)	2.50%
Salary increases	Dependent upon pension system ranging from 1.00% to 10.65%, including inflation
Investment rate of return	3.87%, based on a 20-Year Municipal Bond Index
Healthcare cost trend rates	For medical and prescription drug benefits, this amount initially is at 7.0% and decreases to a 4.75% long-term trend rate after six years. For dental benefits and Part B Premiums, the trend rate is 4.00% and 4.5%, respectively.

Regular mortality rates were based on the RP-2000 Combined Healthy Mortality projected to 2014 with Scale AA, set back one year for females. Police/Fire mortality rates were based on the RP-2000 Combined Healthy Mortality projected to 2014 with Scale AA, set forward one year. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality projected to 2014 with Scale AA, set forward three years.

The actuarial assumptions used in the January 1, 2018 valuation were based upon certain demographic and other actuarial assumptions as recommended by Aon, in conjunction with the State and guidance from the GASB statement.

The Nevada Legislature established the Retirement Benefits Investment Fund (RBIF), effective July 1, 2007 with the purpose to invest contributions made by participating public entities, as defined by NRS 355.220 to enable such entities to support financing of OPEB at some time in the future. NRS 355.220(2) requires that any money in the RBIF must be invested in the same manner as money in the Public Employees' Retirement System of Nevada Investment Fund is invested. See Note 17 for a description of the PERS Board Investment policy. As of June 30, 2019, the balance of the investments held by the Fund was \$1,728,842 and the net position restricted for other postemployment benefits was \$231,397.

Discount rate

The discount rate used to measure the total OPEB liability was 3.87%, which is consistent with a 20-Year Municipal Bond Index. The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate. The assets in the trust as of June 30, 2018 are less than the expected benefit payments in the first year; therefore, the crossover period is assumed to be in the first year, which provides additional support for using the discount rate at the 20-Year Municipal Bond Index rate. The Retiree Plan's fiduciary net position as of June 30, 2019, was projected to be available to make all projected future benefit payments of current active and inactive employees. The OPEB plan is funded on a pay-as-you-go basis, and therefore the discounted rate is equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index rate of 3.87%.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 18 – System Postemployment Benefits Other than Pensions (continued):

Sensitivity of the NSHE's proportionate share of the collective net OPEB liability to changes in the discount rate

The following presents the NSHE's proportionate share of the collective net OPEB liability, as well as what the NSHE's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 2.87% or 1-percentage-point higher 4.87% than the current discount rate:

	<u>1% Decrease 2.87%</u>	<u>Discount Rate 3.87%</u>	<u>1% Increase 4.87%</u>
NSHE's proportionate share of the collective net OPEB liability	\$ 571,024	\$ 518,254	\$ 472,392

Sensitivity of NSHE's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

The following presents NSHE's proportionate share of the collective net OPEB liability, as well as what NSHE's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Trend Rates</u>	<u>1% Increase</u>
NSHE's proportionate share of the collective net OPEB liability	\$ 483,410	\$ 518,254	\$ 559,388

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PEBP financial report.

Payables to the OPEB plan

At June 30, 2019, NSHE reported payables to the defined benefit OPEB plan of \$1,532 for statutorily required employer contributions which had been assessed on employee salaries but not yet remitted to the Retirees' Fund.

NOTE 19 – System Commitments and Contingent Liabilities:

The System is a defendant or co-defendant in legal actions. Based on present knowledge and advice of legal counsel, System management believes that, except as provided below, any liability in those legal actions, in excess of insurance coverage, will not materially adversely affect the System's net financial position, changes in net position or cash flows of the System. The System and the State of Nevada are defendants in various lawsuits, collectively referred to as the Little Valley Fire Cases. The cases relate to a prescribed burn conducted by the Nevada Division of Forestry in October 2017 on land partially owned by UNR. Embers from the fire escaped and burned 23 structures. The System and the State of Nevada share an excess liability policy. At this point it is difficult to estimate the likelihood of an unfavorable outcome and the likely exposure, but the excess liability carrier has been placed on notice of these cases.

The System has an actuarial study of its workers' compensation losses completed every other year. The study addresses the reserves necessary to pay open claims from prior year and projects the rates needed for the coming year. The System uses a third-party administrator to adjust its workers' compensation claims.

The System is self-insured for its unemployment insurance liability. The System is billed by the State each quarter based on the actual unemployment benefits paid by the State. Each year the System budgets resources to pay for the projected expenditures. The amount of future benefits payments to claimants and the resulting liability to the System cannot be reasonably determined as of June 30, 2019 but no significant reduction in force or staffing cuts are anticipated.

The System receives Federal grants and awards, and amounts are subject to change based on outcomes of Federal audits. Management believes any changes made will not materially affect the net position, changes in net position or cash flows of the System.

The estimated cost to complete property authorized or under construction at June 30, 2019 is \$91,241. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 20 – Risk Management:

The System is an entity created by the Constitution of the State of Nevada. The System transfers its tort liabilities to the Tort Claims Fund of the State of Nevada (State). The State purchases an excess liability policy in the amount of \$10,000 excess of a \$3,000 self-insured retention (SIR).

The System purchases the following commercial insurance:

- Coverage for direct physical loss or damage to the System's property with limits of \$500,000 per occurrence and a \$500 per occurrence deductible with an aggregate deductible of \$1,000.
- Worker's compensation (foreign and domestic) with statutory limits excess of a \$750 SIR.
- Crime & Fidelity (employee dishonesty) with limits of \$1,250 and a deductible of \$100.
- Cyber Liability with limits of \$20,000 and a deductible of \$100
- Medical malpractice with limits of \$1,000 per occurrence and \$3,000 aggregate.
- Allied health malpractice with limits of \$1,000 per occurrence and \$3,000 aggregate.

The System purchases other commercial insurance for incidental exposures where prudent. The System is charged an assessment to cover its portion of the State's cost of the Tort Claims fund.

NOTE 21 – Subsequent Events:

The System evaluated subsequent events through November 18, 2019, the date of issuance, and has determined the following subsequent events to report.

On July 5, 2019, two explosions occurred on the UNR campus that damaged Argenta and Nye Halls, two of UNR's residence halls, as well as the primary residence hall dining facility located in Argenta Hall. The net book value of Argenta and Nye Halls was \$23,197 at June 30, 2019. The explosions originated in the boiler room of Argenta Hall. No one was seriously injured in the explosions and, while significantly damaged, both Argenta and Nye Halls have been evaluated by outside engineers and the structures have been preliminarily determined to be repairable. UNR has secured temporary housing facilities nearby in the newly renovated, non-gaming West Tower of Circus Circus Reno in order to accommodate the approximately 1,300 students displaced by the temporary closing of Argenta and Nye Halls. The term of the lease for the temporary housing is from July 31, 2019 through May 16, 2020 and monthly rent was due beginning on August 15, 2019 in nine monthly payments of \$2,408,340. In addition, there is an option to extend the lease for one additional period from July 31, 2020 through May 15, 2021. Interim dining facilities have also been adapted to accommodate all UNR residence hall occupants during the repair timeframe.

UNR is covered by both casualty and business interruption insurance. Based on assurances from UNR's insurers with respect to casualty and business interruption coverages, the System does not expect the July 5th incident to have materially adverse consequences to UNR's overall financial position or operations. However, while the System would characterize the current status of negotiations with UNR's insurers as generally positive and the payments of claims as timely, it is not possible for the System to predict with certainty at this time whether issues might arise in the future that could negatively impact UNR's liquidity of financial resources.

In September 2019, UNR sold a parcel of land with a net book value at June 30, 2019 of \$1,035 for consideration of \$18,000.

On October 30, 2019, NSHE closed on university revenue bonds series 2019A with a principal amount of \$18,925. Proceeds of the 2019A Bonds will be used to: (i) finance construction of improvements on the campus of UNLV; and (ii) pay the costs of issuing the 2019A Bonds. The 2019A Bonds are issued solely as fully registered bond certificates in the denomination of \$5,000, or any integral multiple thereof. The 2019A Bonds bear interest (calculated based on a 360-day year consisting of twelve 30-day months) from 3.00% to 5.00% and is payable semi-annually on January 1 and July 1 of each year, commencing July 1, 2020 and maturing July 1, 2049. The payment of principal is payable annually on July 1 of each year, commencing July 1, 2020.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 22– Functional Classification of System Expenses:

The following is the functional classifications of expenses as reported on the Statement of Combined Revenues, Expenses and Changes in Net Position for the year ended June 30, 2019.

Instruction	\$678,533
Research	145,601
Public service	72,090
Academic support	188,698
Institutional support	184,450
Student services	167,785
Operation and maintenance of plant	140,466
Scholarships and fellowships	96,758
Auxiliary enterprises	98,433
Depreciation	108,429
Total	<u><u>\$1,881,243</u></u>

NOTE 23 – System Related Organizations:

As described in Note 1, the System Related Organizations columns in the financial statements include the financial data of the System's discretely presented campus foundations and ICS. Due to the condensed nature of this information, the individual line items may not necessarily agree with the financial statements of the System Related Organization, although the totals agree with the financial statements. Condensed combining financial data of the System Related Organizations is as follows:

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**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 23 - System Related Organizations (continued):

**NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET POSITION AS OF JUNE 30, 2019**

	<u>UNR Foundation</u>	<u>UNR AAUN</u>	<u>Integrated Clinical Services, Inc.</u>	<u>DRI Foundation</u>	<u>DRI Research Park</u>	<u>TMCC Foundation</u>	<u>WNC Foundation</u>	<u>GBC Foundation</u>	<u>CSN Foundation</u>	<u>NSC Foundation</u>
<u>ASSETS</u>										
<i>Current Assets</i>										
Cash and cash equivalents	\$ 42,731	\$ 64	\$ 6,273	\$ 362	\$ 1	\$ 3,713	\$ 1,775	\$ 2,052	\$ 311	\$ 369
Short-term investments	188,270	8,240	1,505	-	-	259	-	989	3,676	2,069
Other current assets	7,556	230	2,200	-	-	221	17	2,581	137	6,147
Total Current Assets	238,557	8,534	9,978	362	1	4,193	1,792	5,622	4,124	8,585
<i>Noncurrent Assets</i>										
Investments	-	-	-	-	-	-	-	-	-	-
Restricted investments	-	-	-	-	-	-	3,409	7,282	-	1,252
Endowment investments	59,786	-	-	-	-	548	-	-	2,631	-
Capital assets, net	5	46	171	486	-	-	-	-	-	-
Other noncurrent assets	12,412	93	-	-	-	80	-	4,215	172	3,108
Total Noncurrent Assets	72,203	139	171	486	-	628	3,409	11,497	2,803	4,360
TOTAL ASSETS	310,760	8,673	10,149	848	1	4,821	5,201	17,119	6,927	12,945
<u>DEFERRED OUTFLOWS OF RESOURCES</u>										
Intra-entity sales of future revenues	-	-	-	-	-	-	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-	-
<u>LIABILITIES</u>										
<i>Current Liabilities</i>										
Due to affiliates	1,436	86	2,235	65	-	-	-	-	-	-
Other current liabilities	84	5	1,812	33	3	30	5,051	61	8	-
Total Current Liabilities	1,520	91	4,047	98	3	30	5,051	61	8	-
<i>Noncurrent Liabilities</i>										
Other noncurrent liabilities	3,089	-	3,149	-	101	-	-	-	-	-
Total Noncurrent Liabilities	3,089	-	3,149	-	101	-	-	-	-	-
TOTAL LIABILITIES	4,609	91	7,196	98	104	30	5,051	61	8	-
<u>DEFERRED INFLOWS OF RESOURCES</u>										
Split-interest agreements	2,004	-	-	-	-	-	-	-	-	-
Deferred lease revenue	-	-	-	-	-	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,004	-	-	-	-	-	-	-	-	-
<u>NET POSITION</u>										
Net investment in capital assets	5	46	171	486	-	-	-	-	-	-
Restricted - Nonexpendable	169,746	2,698	-	-	-	4,259	-	4,640	2,659	1,259
Restricted - Expendable	117,118	4,934	-	-	-	-	-	11,138	3,121	11,570
Unrestricted	17,278	904	2,782	264	(103)	532	150	1,280	1,139	116
TOTAL NET POSITION	\$ 304,147	\$ 8,582	\$ 2,953	\$ 750	\$ (103)	\$ 4,791	\$ 150	\$ 17,058	\$ 6,919	\$ 12,945

The accompanying notes are an integral part of these financial statements.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 23 - System Related Organizations (continued):

**NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET POSITION AS OF JUNE 30, 2019 (continued)**

	<u>UNLV Foundation</u>	<u>UNLV Research Foundation</u>	<u>Rebel Golf Foundation</u>	<u>UNLV Alumni Association</u>	<u>UNLV Rebel Football Foundation</u>	<u>UNLV Rebel Soccer Foundation</u>	<u>UNLV Singapore Limited</u>	<u>UNLV MED</u>	<u>Total System Related Organizations</u>
<u>ASSETS</u>									
<i>Current Assets</i>									
Cash and cash equivalents	\$ 10,486	\$ 205	\$ 385	\$ 318	\$ 150	\$ 236	\$ 394	\$ 1,691	\$ 71,516
Short-term investments	46,411	1,954	5,732	2,030	1,504	326	5,542	-	268,507
Other current assets	18,167	130	-	58	-	-	63	11,378	48,885
Total Current Assets	75,064	2,289	6,117	2,406	1,654	562	5,999	13,069	388,908
<i>Noncurrent Assets</i>									
Investments	79,422	-	-	-	-	-	-	-	79,422
Restricted investments	-	-	-	-	-	-	-	-	11,943
Endowment investments	192,344	-	-	-	-	808	-	-	256,117
Capital assets, net	362	3,999	-	36	1	-	-	3,580	8,686
Other noncurrent assets	34,718	2,728	-	38	-	-	-	-	57,564
Total Noncurrent Assets	306,846	6,727	-	74	1	808	-	3,580	413,732
TOTAL ASSETS	381,910	9,016	6,117	2,480	1,655	1,370	5,999	16,649	802,640
<u>DEFERRED OUTFLOWS OF RESOURCES</u>									
Intra-entity sales of future revenues	-	-	-	-	-	-	-	274	274
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-	274	274
<u>LIABILITIES</u>									
<i>Current Liabilities</i>									
Due to affiliates	592	-	-	-	-	-	-	3,843	8,257
Other current liabilities	341	140	336	10	-	-	18	5,096	13,028
Total Current Liabilities	933	140	336	10	-	-	18	8,939	21,285
<i>Noncurrent Liabilities</i>									
Other noncurrent liabilities	856	-	-	-	-	-	-	15,153	22,348
Total Noncurrent Liabilities	856	-	-	-	-	-	-	15,153	22,348
TOTAL LIABILITIES	1,789	140	336	10	-	-	18	24,092	43,633
<u>DEFERRED INFLOWS OF RESOURCES</u>									
Split-interest agreements	857	-	-	-	-	-	-	-	2,861
Deferred lease revenue	-	6,621	-	-	-	-	-	-	6,621
TOTAL DEFERRED INFLOWS OF RESOURCES	857	6,621	-	-	-	-	-	-	9,482
<u>NET POSITION</u>									
Net investment in capital assets	362	3,999	-	36	1	-	-	2,909	8,015
Restricted - Nonexpendable	154,403	-	-	-	47	732	-	-	340,443
Restricted - Expendable	219,428	-	-	14	80	76	-	167	367,646
Unrestricted	5,071	(1,744)	5,781	2,420	1,527	562	5,981	(10,245)	33,695
TOTAL NET POSITION	\$ 379,264	\$ 2,255	\$ 5,781	\$ 2,470	\$ 1,655	\$ 1,370	\$ 5,981	\$ (7,169)	\$ 749,799

The accompanying notes are an integral part of these financial statements.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 23 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	UNR Foundation	UNR AAUN	Integrated Clinical Services, Inc.	DRI Foundation	DRI Research Park	TMCC Foundation	WNC Foundation	GBC Foundation	CSN Foundation	NSC Foundation
Operating Revenues										
Patient revenue	\$ -	\$ -	7,322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract revenue	-	-	7,133	-	-	-	-	-	-	-
Contributions	7,757	20	-	975	-	1,697	1,113	7,742	1,191	7,370
Campus support	4,141	-	-	175	27	234	-	54	-	-
Other operating revenues	3,058	-	(103)	46	3	112	98	16	163	110
Total Operating Revenues	14,956	20	14,352	1,196	30	2,043	1,211	7,812	1,354	7,480
Operating Expenses										
Program expenses, System Related Organizations	(315)	(411)	(1,995)	-	-	-	(468)	(53)	(587)	(296)
Depreciation	(7)	(2)	(14)	-	-	-	-	-	-	-
Other operating expenses	(5,116)	(28)	(3,606)	(442)	(26)	(336)	(752)	(205)	-	(271)
Total Operating Expenses	(5,438)	(441)	(5,615)	(442)	(26)	(336)	(1,220)	(258)	(587)	(567)
Operating Income (Loss)	9,518	(421)	8,737	754	4	1,707	(9)	7,554	767	6,913
Nonoperating Revenues (Expenses)										
Investment income, net	16,254	629	113	-	-	112	-	-	323	-
Payments to System campuses and divisions	(48,804)	-	(8,750)	(939)	-	(1,829)	-	(758)	(643)	(1,447)
Other nonoperating revenues (expenses)	-	-	352	-	-	-	43	367	-	-
Total Nonoperating Revenues (Expenses)	(32,550)	629	(8,285)	(939)	-	(1,717)	43	(391)	(320)	(1,447)
Income (Loss) before other revenue (expenses)	(23,032)	208	452	(185)	4	(10)	34	7,163	447	5,466
Other Revenues (Expenses)										
Additions to permanent endowments	10,795	88	-	-	-	-	-	136	8	6
Other Foundation expenses	-	-	-	-	-	-	-	-	-	-
Total Other Revenues (Expenses)	10,795	88	-	-	-	-	-	136	8	6
Increase (Decrease) in Net Position	(12,237)	296	452	(185)	4	(10)	34	7,299	455	5,472
NET POSITION										
Net position - beginning of year	316,384	8,286	2,501	935	(107)	915	116	9,759	6,464	7,473
Change in Accounting Policy	-	-	-	-	-	3,886	-	-	-	-
Net position - end of year	\$ 304,147	\$ 8,582	\$ 2,953	\$ 750	\$ (103)	\$ 4,791	\$ 150	\$ 17,058	\$ 6,919	\$ 12,945

The accompanying notes are an integral part of these financial statements.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 23 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	UNLV Foundation	UNLV Research Foundation	Rebel Golf Foundation	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Rebel Soccer Foundation	UNLV Singapore Limited	UNLV MED	Total System Related Organizations
Operating Revenues									
Patient revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,654	\$ 40,976
Contract revenue	-	-	-	-	-	-	-	16,310	23,443
Contributions	28,926	158	359	1,189	22	127	-	-	58,646
Campus support	3,064	-	-	-	-	-	-	-	7,695
Other operating revenues	956	531	63	254	96	12	-	9,901	15,316
Total Operating Revenues	32,946	689	422	1,443	118	139	-	59,865	146,076
Operating Expenses									
Program expenses, System Related Organizations	(5)	-	(221)	(279)	(56)	(77)	-	(13,812)	(18,575)
Depreciation	(67)	(126)	-	(17)	(3)	-	-	(1,493)	(1,729)
Other operating expenses	(8,194)	(589)	(187)	(1,412)	(23)	(22)	(96)	(23,697)	(45,002)
Total Operating Expenses	(8,266)	(715)	(408)	(1,708)	(82)	(99)	(96)	(39,002)	(65,306)
Operating Income (Loss)	24,680	(26)	14	(265)	36	40	(96)	20,863	80,770
Nonoperating Revenues (Expenses)									
Investment income, net	15,118	117	219	90	111	69	100	-	33,255
Payments to System campuses and divisions	(33,492)	-	(336)	(17)	-	-	-	(29,926)	(126,941)
Other nonoperating revenues (expenses)	2,752	(5)	-	-	-	(7)	-	1,408	4,910
Total Nonoperating Revenues (Expenses)	(15,622)	112	(117)	73	111	62	100	(28,518)	(88,776)
Income (Loss) before other revenue (expenses)	9,058	86	(103)	(192)	147	102	4	(7,655)	(8,006)
Other Revenues (Expenses)									
Additions to permanent endowments	9,627	-	-	-	-	-	-	-	20,660
Other Foundation expenses	-	-	-	-	-	-	41	-	41
Total Other Revenues (Expenses)	9,627	-	-	-	-	-	41	-	20,701
Increase (Decrease) in Net Position	18,685	86	(103)	(192)	147	102	45	(7,655)	12,695
NET POSITION									
Net position - beginning of year	360,579	2,169	5,884	2,662	1,508	1,268	5,936	486	733,218
Change in Accounting Policy	-	-	-	-	-	-	-	-	3,886
Net position - end of year	\$ 379,264	\$ 2,255	\$ 5,781	\$ 2,470	\$ 1,655	\$ 1,370	\$ 5,981	\$ (7,169)	\$ 749,799

The accompanying notes are an integral part of these financial statements.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 23 - System Related Organizations (continued):

TMCC Foundation:

Prior Period Adjustment

The TMCC Foundation has re-evaluated its position that contributions received for endowments, scholarships and College programs were liabilities until transferred to the College or used for their intended purpose. Absent specific conditions that create barriers to the Foundation's access to the contributions, TMCC Foundation believes that these contributions are more accurately reflected as restricted contributions and net position based upon current accounting standards and the Foundation's ability to utilize the contributions in accordance with the donors' intent. Accordingly, the accompanying financial statements have been retroactively restated to reflect these changes. Following is a summary of the effects of the changes on the Foundation's financial statements:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Unexpended contributions	\$ 3,886	\$ (3,886)	\$ -
Total liabilities	<u>\$ 3,918</u>	<u>\$ (3,886)</u>	<u>\$ 32</u>
Total operating support and revenues	<u>\$ 1,298</u>	<u>\$ 1,928</u>	<u>\$ 3,226</u>
2018 change in net position	<u>\$ (4)</u>	<u>\$ 1,945</u>	<u>\$ 1,941</u>
Net position, July 1, 2017	<u>\$ 918</u>	<u>\$ 1,942</u>	<u>\$ 2,860</u>
Net position, June 30, 2018	<u>\$ 915</u>	<u>\$ 3,886</u>	<u>\$ 4,801</u>

UNR Foundation:

Cash and cash equivalents at June 30, 2019, consists of:

Cash	\$ 1,478
Money market funds	<u>41,253</u>
	<u>\$42,731</u>

The fair value of investments at June 30, 2019, are as follows:

Equity Investments	\$ 1,134
Commingled funds	225,918
Certificates of deposit	5,367
Corporate bonds	7,501
U.S. Government Securities	<u>8,136</u>
	<u>\$248,056</u>

At June 30, 2019, the Foundation investments had the following maturities:

	<u>Fair Value</u>	<u>Investment Maturities (in Year)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 21</u>
Certificates of deposit	\$ 5,367	\$ 4,255	\$ 1,112	\$ -
Corporate bonds	7,501	2,380	5,121	-
U.S. Government securities	<u>8,136</u>	<u>8,126</u>	<u>10</u>	-
	<u>\$ 21,004</u>	<u>\$ 14,761</u>	<u>\$ 6,243</u>	<u>\$ -</u>

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 23 - System Related Organizations (continued):

The Foundation's investment policy for cash and cash equivalents is to exercise sufficient due diligence to minimize investing cash and cash equivalents in instruments that will lack liquidity. The Foundation, through its Investment Managers considers the operating funds to be two discrete pools of funds: a short-term pool and an intermediate-term pool. The short-term pool shall be funded in an amount sufficient to meet the expected daily cash requirements of the Foundation. The goals of the investments are to maintain the principal in the account while maximizing the return on the investments. The short-term pool is staggered in 30, 60, and 90-day investments. Appropriate types of investments are money market funds, certificates of deposit, commercial paper, U.S. Treasury bills and notes, mortgage backed securities (U.S. Government) and internal loans to the University of Nevada, Reno secured by a promissory note with an appropriate interest rate. The intermediate-term pool is invested in fixed income securities generally having an average maturity of three year or less in order to take advantage of higher yields.

It is the policy of the investment program to invest according to an asset allocation strategy that is designed to meet the goals of the Endowment Investment Objective. The strategy will be based on a number of factors, including:

- The projected spending needs;
- The maintenance of sufficient liquidity to meet spending payments;
- Historical and expected long-term capital market risk and return behaviors;
- The relationship between current and projected assets of the Endowment and its spending requirements.

This policy provides for diversification of assets in an effort to maximize the investment return and manage the risk of the Endowment consistent with market conditions. Asset allocation modeling identifies asset classes the Endowment will use and the percentage each class represents in the total fund. Due to the fluctuation of market values, positioning within a specified range is acceptable and constitutes compliance with the policy. It is anticipated that an extended period of time may be required to fully implement the asset allocation policy, and that periodic revisions will occur.

Investment Program Strategy

As a result of the above process, the Board has adopted the following assets allocation targets and ranges, exclusive of amounts transferred to the Endowment's operating accounts:

Asset Allocation Targets and Ranges

	<i>Min Wt.</i>	<i>Target Wt.</i>	<i>Max Wt.</i>
<i>Equities</i>			
<i>Global Equities</i>	17%	20%	23%
<i>Global Low Volatility Equities</i>	7%	9%	11%
<i>Private Equities</i>	5%	12%	15%
<i>Fixed Income</i>	27%	32%	37
<i>Alternatives</i>			
<i>Real Estate</i>	8%	12%	15%
<i>Real Assets</i>	10%	15%	20%
<i>Cash</i>	0%	0%	5%

Although the Board adopted these ranges, the investment portfolio can't get to these allocations quickly and may be overweight or underweight based on the available investments at any given point in time.

Investment Risk Factors

There are many factors that can affect the value of investments. Some factors, such as credit risk and concentrations of credit risk may affect fixed income securities, which are particularly sensitive to credit risks and changes in interest rates. The Investment Committee of the Foundation has policies regarding acceptable levels of risk. The committee meets quarterly to review the investments and has policies regarding acceptable levels of risk.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 23 - System Related Organizations (continued):

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. The Foundation restricts investment of cash and cash equivalents and investments to financial institutions with high credit standing, and the Foundation currently purchases certificates of deposit of less than \$250 per bank or institution. Commercial paper is limited to a maximum of 10% of the total cash and cash equivalents available. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents and investments.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. None of the investments held by the Foundation are rated by a nationally recognized statistical rating organization. Fixed income securities to obligations of the U.S. Government are not considered to have credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's investment policy limits the maturities of U.S. Treasury instruments and certificates of deposit to no more than 90 days unless the rate justifies the return and the current liquidity requirements are met.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Foreign investments are managed by the Investment Manager, and the Foundation has policies in place to address foreign currency risk.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Foundation's deposits exceed FDIC limits and as a result may not be insured and returned to the Foundation. All cash deposits are primarily on deposit with two financial institutions and several investment companies. The Foundation does not have a deposit policy for custodial credit risk. As of June 30, 2019, the Foundation's bank balances totaled \$42.7 million. Of this balance, \$1.1 million was covered by depository insurance and/or collateralized and \$18.8 million is held by State Street Government Securities, \$22.4 million is held by Charles Schwab in a money market account of U.S. Treasuries and both are subject to their investment policies, and the remaining \$0.5 million was uninsured and uncollateralized and, as a result, was subject to custodial credit risk at June 30, 2019.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments consist primarily of commingled funds. Debt and equity securities other than open-end mutual funds are uncollateralized.

Redemption Notice

Certain commingled investments classified as current have notice requirements before the investment can be redeemed; these requirements range from 1-30 days. Other commingled investments have set dates upon which they can be redeemed; these investments have been classified as long-term based on these dates.

Commitments

As of June 30, 2019, the Foundation has committed to acquire approximately \$35.5 million in commingled funds.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 23 - System Related Organizations (continued):

Fair Value Measurements

The Foundation has valued their investments based on the following levels of inputs:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2 – Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs which are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes agency mortgage-backed debt securities and derivative contracts.

Level 3 – Unobservable inputs that are supported by little or no market activities and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes private equity, real estate and commingled investments where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Net asset value (NAV) – The amount of net assets attributable to each unit outstanding at the close of the period.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value:

- Commingled funds – Valued at NAV or at quoted prices if traded in active markets.
- Residual interest in irrevocable trust – Assets held in commingled funds are valued at NAV. Assets held in trust represents the Foundation's beneficial interest in real estate, where fair value is estimated based on appraised value.
- Equity investments, certificates of deposit and U.S. Government securities – Valued at the closing price reported on the active market on which the security is traded, if available.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Assets measured at fair value on a recurring basis at June 30, 2019 are:

	<u>Level 1</u>	<u>NAV</u>	<u>Total</u>
<u>Investments</u>			
Equity investments	\$ 1,134	\$ -	\$ 1,134
Commingled funds	63,770	162,148	225,918
Certificates of deposit	5,367	-	5,367
Corporate bonds	7,501	-	7,501
U.S. Government Securities	<u>8,136</u>	<u>-</u>	<u>8,136</u>
	<u>\$85,908</u>	<u>\$162,148</u>	<u>\$248,056</u>
<u>Residual interest in trusts</u>			
Commingled funds	\$ -	\$ 806	\$ 806
Real estate	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 806</u>	<u>\$ 806</u>

The Foundation does not hold any investments using Level 2 or 3 inputs.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 23 - System Related Organizations (continued):

UNLV Foundation:

The UNLV Foundation discloses its deposits with financial institutions, investments, and reverse repurchase agreements in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures-an amendment of GASB Statement No. 3*.

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior years. Investment expenses of \$766 for the year ended June 30, 2019 was netted against interest and dividends on the accompanying Statements of Support and Revenues, Expenses and Changes in Net Position. Investments are recorded on the date of the trade.

Investments include the following at June 30, 2019:

Mutual funds	\$ 34,893
Certificates of deposit	2,431
Equities	14,260
Collateralized securities	36,936
U.S. government obligations	54,105
U.S. corporate bonds	27,094
Alternative investments	141,359
Non-U.S. corporate bonds	<u>7,099</u>
Total marketable securities at fair value	<u>\$318,177</u>

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the UNLV Foundation will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2019, the total balance for the UNLV Foundation's cash and money market funds was \$10,486. Of this balance, \$665 was covered by the Federal Deposit Insurance Corporation, and \$9,820 was uninsured. Cash balances in United States banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250 per bank. The custodial credit risk for investments is the risk that, in the event of a failure of the custodian, the UNLV Foundation may not be able to recover the value of the investments held by the custodian as these investments are uninsured. The UNLV Foundation does not have a specific policy with regard to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer will not fulfill its obligations. The UNLV Foundation reduces its exposure to credit risk with policy guidelines that instruct money managers to purchase securities rated investment grade or better. However, up to 25% of the fixed-income portfolios may be allocated to below investment grade. The credit ratings of fixed income investments at June 30, 2019 follows:

	Total	AAA	AA	A	BBB	Below Investment Grade
Collateralized securities	\$36,936	\$32,413	\$4,498	\$ -	\$ -	\$ 25
U.S. corporate bonds	27,094	-	614	5,659	18,155	2,667
Non-U.S. corporate bonds	<u>7,099</u>	<u>-</u>	<u>631</u>	<u>2,614</u>	<u>3,359</u>	<u>494</u>
	<u>\$71,129</u>	<u>\$32,413</u>	<u>\$5,743</u>	<u>\$8,273</u>	<u>\$21,514</u>	<u>\$3,186</u>

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures— an amendment of GASB Statement No. 3*, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality and they are not rated. The UNLV Foundation's mutual funds and certificates of deposit are not rated.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 23 - System Related Organizations (continued):

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investments within any one issuer. For the fixed income portion of the endowment pool, the Foundation's policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the fixed income portfolio, provided that issues of the U.S. Government or agencies of the U.S. Government may be held without limitation and provided further that issues of agencies of the U.S. Government shall be limited to the extent set forth in the manager-specific guidelines. The Foundation does not have a specific policy with regard to the operating pool or the remainder of the endowment pool. At June 30, 2019, there were no investments over 5% within any one issuer in an amount that would constitute a concentration of credit risk to the Foundation.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The UNLV Foundation's policy guidelines on maturity parameters state that the fixed-income portfolio's average weighted duration is to remain within 20% of the benchmark duration.

For investments in donor-restricted endowment funds, the UNLV Foundation uses the Bloomberg Barclays Aggregate U.S. Bond Index average as the benchmark; maturity as of June 30, 2019 was 7.75 years. The fixed-income portfolio's average maturity was 7.75 years. Interest rates range from 2.52% to 3.46%.

For investments in donor-restricted expendable funds, the UNLV Foundation uses the Bloomberg Barclays Aggregate U.S. Bond Index average as the benchmark; maturity as of June 30, 2019 was 7.8 years. The fixed-income portfolio's average maturity was 7.9 years. Interest rates range from 0% to 9.4%.

	Maturity <u>Under 1 Year</u>	Maturity <u>1 – 5 Years</u>	Maturity <u>5 – 10 Years</u>	Maturity <u>Over 10 Years</u>	<u>Total</u>
Mutual funds	\$30,628	\$ 4,265	\$ -	\$ -	\$ 34,893
Certificates of deposit	350	2,081	-	-	2,431
Collateralized securities	510	7,864	4,012	24,549	36,935
U.S. government obligations	10,786	27,111	9,773	6,436	54,106
U.S. corporate bonds	3,045	15,184	3,323	5,542	27,094
Non-U.S. corporate bonds	<u>1,092</u>	<u>3,837</u>	<u>1,171</u>	<u>999</u>	<u>7,099</u>
Investment in securities at fair value	<u>\$46,411</u>	<u>\$60,342</u>	<u>\$18,279</u>	<u>\$37,526</u>	<u>\$162,558</u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. All non-U.S. corporate bonds are traded in U.S. dollars. The UNLV Foundation investment managers have policies that address foreign currency risk.

Fair Value Measurements

The Foundation has valued their investments based on the following level of inputs:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

Level 2 – Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs which are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activities and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes private equity, real estate, assets held in charitable remainder trusts and commingled investments where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2019

NOTE 23 - System Related Organizations (continued):

Net asset value (*NAV*) - The amount of net assets attributable to each share of capital stock (other than senior equity securities; that is, preferred stock) outstanding at the close of the period.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of observable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

- *Alternative investments* – Valued at NAV.
- *Real estate* – Assets held in commingled funds are valued at NAV. Assets held in trust represents the Foundation's beneficial interest in real estate, where fair value is estimated based on appraised value.
- *Mutual funds, U.S. corporate bonds, non-U.S. corporate bonds, equities, certificates of deposit and U.S. Government securities* – Valued at the closing price reported on the active market on which the security is traded, if available.
- *Assets held in charitable remainder trusts* – Assets held in trust represents the Foundation's beneficial interest in equities held in the trusts, fair value of the equities is based on closing prices reported on the active market on which the security is traded. The Foundation's interest in those assets is estimated based on models using various estimates from management, including date assets will be received.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Assets measured at fair value on a recurring basis at June 30, 2019 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
<u>Investments</u>					
Alternative investment	\$ -	\$ -	\$ -	\$141,359	\$141,359
Mutual funds	34,893	-	-	-	34,893
Collateralized securities	-	36,936	-	-	36,936
U.S. corporate bonds	27,094	-	-	-	27,094
Non-U.S. corporate bonds	7,099	-	-	-	7,099
Equities	14,260	-	-	-	14,260
Certificate of deposit	2,431	-	-	-	2,431
U.S. Government obligations	<u>54,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,105</u>
	<u>\$139,882</u>	<u>\$36,936</u>	<u>\$ -</u>	<u>\$141,359</u>	<u>\$318,177</u>
<u>Investment in real estate</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$9,000</u>	<u>\$ -</u>	<u>\$ 9,000</u>
<u>Assets held in charitable remainder trusts</u>					
Equities	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,215</u>	<u>\$ -</u>	<u>\$ 1,215</u>

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA SYSTEM OF HIGHER EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (in \$1,000's)
Public Employees' Retirement System of Nevada Last 10 Fiscal Years
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
System's proportion of the net pension liability	2.92%	2.88%	2.89%	2.83%	2.81%					
System's proportionate share of the net pension liability	\$398,883	\$ 383,226	\$ 389,352	\$ 324,708	\$ 292,841	(Historical information prior to the implementation of GASB 67/68 is not required)				
System's covered-employee payroll	\$187,737	\$ 179,694	\$ 171,007	\$ 165,653	\$ 162,250					
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	212.47%	213.27%	227.68%	196.02%	180.49%					
PERS fiduciary net position as a percentage of the total net pension liability	303.80%	290.88%	260.10%	302.03%	322.16%					

* The amounts reported for each fiscal year were determined as of June 30 of the prior fiscal year.

The accompanying notes are an integral part of these financial statements

NEVADA SYSTEM OF HIGHER EDUCATION
SCHEDULE OF SYSTEMS CONTRIBUTIONS FOR THE NET PENSION LIABILITY (in \$1,000's)
Public Employees' Retirement System of Nevada Last 10 Fiscal Years
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractual required contribution	\$ 28,549	\$ 27,030	\$ 34,456	\$ 33,124	\$ 29,901	(Historical information prior to the implementation of GASB 67/68 is not required)				
Contributions in relation to contractually required contribution	(28,549)	(27,030)	(43,152)	(35,756)	(29,901)					
Contribution deficiency (excess)	\$ -	\$ -	\$ (8,696)	\$ (2,632)	\$ -					
System's covered-employee payroll	\$196,183	\$ 187,737	\$ 179,694	\$171,007	\$ 165,653					
Contributions as a percentage of covered-employee payroll	14.55%	14.40%	19.17%	19.37%	18.05%					

The accompanying notes are an integral part of these financial statements

NEVADA SYSTEM OF HIGHER EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (in \$1,000's)
State of Nevada Retirees' Health Welfare Benefits Plan
Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
System's proportion of the net OPEB liability	39.13%	37.59%	(Historical information prior to the implementation of GASB 74/75 is not required)							
System's proportionate share of the net OPEB liability	518,254	489,754								
System's covered-employee payroll	711,803	625,454								
System's proportion share of the net OPEB liability as a percentage of its covered-employee payroll	72.81%	78.30%								
State of Nevada Retirees' Health and Welfare Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%								

The accompanying notes are an integral part of these financial statements

NEVADA SYSTEM OF HIGHER EDUCATION
 SCHEDULE OF SYSTEMS CONTRIBUTIONS FOR THE NET PENSION LIABILITY (in \$1,000's)
 State of Nevada Retirees' Health Welfare Benefits Plan
 Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractual required contributions	\$ 16,727	\$ 15,689	(Historical information prior to the implementation of GASB 74/75 is not required)							
Contributions in relation to the contractual required contribution	(16,656)	(15,702)								
Contribution deficiency(excess)	<u>\$ 71</u>	<u>\$ (13)</u>								
System's covered-employee payroll	\$711,803	\$ 667,622								
Contributions as a percentage of covered-employee payroll	2.35%	2.35%								

The accompanying notes are an integral part of these financial statements

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE REQUIRED SCHEDULES FOR THE NET OPEB LIABILITY
State of Nevada Retirees' Health Welfare Benefits Plan**

Valuation date	January 1, 2018
Methods used to determine contribution rates:	
Actuarial Cost Method	Entry Age Normal - Level % of Salary
Asset Valuation Method	Market Value of Assets
Retirement Age**	63
Mortality	Regular: RP-2000 Combined Healthy Mortality projected to 2014 with Scale AA, set back one year for females. Police/Fire: RP-2000 Combined Healthy Mortality projected to 2014 with set forward one year

** Weighted average retirement age based on January 1, 2018 census data and retirement rates provided in the "Actuarial Assumptions and Methods" section of the report

The accompanying notes are an integral part of these financial statements

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SUPPLEMENTAL INFORMATION

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING STATEMENTS OF NET POSITION (in \$1,000's)
AS OF JUNE 30, 2019

	<u>UNR</u>	<u>System Admin</u>	<u>DRI</u>	<u>TMCC</u>	<u>WNC</u>	<u>GBG</u>
ASSETS						
<i>Current Assets</i>						
Cash and cash equivalents	\$ 31,909	\$ 80,603	\$ 4,159	\$ 3,212	\$ 1,703	\$ 2,348
Restricted cash and cash equivalents	-	-	139	9,238	-	-
Short-term investments	92,112	25,911	24,386	25,462	4,684	6,149
Accounts receivable, net	14,175	285	2,395	1,551	610	713
Receivable from U.S. Government	25,108	474	2,627	1,721	143	706
Receivable from State of Nevada	10,400	490	526	1,384	722	545
Current portion of loans receivable, net	1,046	-	-	-	2	-
Due from related institutions	-	-	278	670	17	150
Due from System Related Organizations	3,909	-	65	-	-	-
Inventories	4,870	-	-	19	-	-
Deposits and prepaid expenditures, current	1,610	527	149	30	(1)	9
Other current assets	-	-	-	51	-	-
Total Current Assets	185,139	108,290	34,724	43,338	7,880	10,620
<i>Noncurrent Assets</i>						
Cash held by State Treasurer	12,580	300	-	860	-	-
Restricted cash and cash equivalents	30,371	-	-	-	-	-
Due from System Related Organizations	2,799	-	-	-	-	-
Receivable from State of Nevada	41,500	-	-	-	-	-
Endowment investments	137,158	9,660	34,733	11,175	269	686
Deposits and prepaid expenditures	-	-	77	-	-	-
Loans receivable, net	4,329	-	-	-	1	-
Capital assets, net	926,987	13,923	55,974	71,484	25,856	35,865
Other noncurrent assets	-	29	-	-	-	-
Total Noncurrent Assets	1,155,724	23,912	90,784	83,519	26,126	36,551
TOTAL ASSETS	1,340,863	132,202	125,508	126,857	34,006	47,171
DEFERRED OUTFLOWS OF RESOURCES						
Pension related	24,221	1,993	2,129	3,366	1,719	1,501
OPEB related	5,532	357	506	690	256	283
Loss on bond refunding	7,646	-	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	37,399	2,350	2,635	4,056	1,975	1,784
The accompanying notes are an integral part of these financial statements.						
LIABILITIES						
<i>Current Liabilities</i>						
Accounts payable	16,095	3,601	734	2,896	692	438
Accrued payroll and related liabilities	26,194	2,118	2,296	3,164	1,006	1,168
Unemployment insurance and workers' compensation	1,627	22	88	147	92	193
Due to (from) related institutions	-	-	-	-	-	209
Due to State of Nevada	-	-	-	-	-	-
Due to related entities	4,107	(11,422)	-	344	135	-
Due to System Related Organizations	237	-	-	-	-	-
Current portion of compensated absences	12,347	1,066	3,185	1,723	706	443
Current portion of long-term debt	17,912	-	899	334	-	160
Current portion of obligations under capital leases	99	-	262	-	-	-
Accrued interest payable	8,073	-	31	336	-	1
Unearned revenue	19,829	200	2,043	807	15	1,869
Funds held in trust for others	977	-	-	100	135	89
Other current liabilities	380	-	-	-	1	-
Total Current Liabilities	107,877	(4,415)	9,538	9,851	2,782	4,570
<i>Noncurrent Liabilities</i>						
Refundable advances under federal loan programs	4,676	-	-	-	-	-
Compensated absences	5,398	616	722	333	-	198
Long-term debt	380,306	-	2,622	16,768	-	246
Obligations under capital leases	815	-	216	-	-	-
Unearned revenue	-	-	-	-	-	-
Net pension liability	144,382	11,096	12,762	19,397	9,867	8,624
Net OPEB Liability	172,108	11,111	15,766	21,459	7,979	8,813
Due to affiliates	-	-	-	-	-	-
Other noncurrent liabilities	-	-	-	-	-	-
Total Noncurrent Liabilities	707,685	22,823	32,088	57,957	17,846	17,881
TOTAL LIABILITIES	815,562	18,408	41,626	67,808	20,628	22,451
DEFERRED INFLOWS OF RESOURCES						
Pension related	8,901	705	790	1,202	616	527
OPEB Related	11,540	745	1,057	1,439	535	591
Service Concession Arrangements	-	-	-	-	-	-
Gain on bond refunding	176	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	20,617	1,450	1,847	2,641	1,151	1,118
NET POSITION						
Net investment in capital assets	573,407	13,923	52,234	54,382	26,012	37,239
Restricted - Nonexpendable	39,351	7,143	23,444	5,216	257	686
Restricted - Expendable - Scholarships, research and instruction	90,940	3,839	17,748	6,758	(239)	(682)
Restricted - Expendable - Loans	6,145	28	-	53	172	13
Restricted - Expendable - Capital projects	75,841	306	567	6,543	(223)	1,138
Restricted - Expendable - Debt service	14,894	-	-	280	-	310
Unrestricted	(258,495)	89,455	(9,323)	(12,767)	(11,777)	(13,318)
TOTAL NET POSITION	\$ 542,083	\$ 114,694	\$ 84,670	\$ 60,465	\$ 14,202	\$ 25,386
The accompanying notes are an integral part of these financial statements.						

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING STATEMENTS OF NET POSITION (in \$1,000's)
(CONTINUED)
AS OF JUNE 30, 2019

	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>TOTAL</u>
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 39,599	\$ 8,555	\$ 3,499	\$ -	\$ 175,587
Restricted cash and cash equivalents	-	-	-	-	9,377
Short-term investments	323,405	51,157	10,970	-	564,236
Accounts receivable, net	8,315	5,451	523	-	34,018
Receivable from U.S. Government	34,713	4,162	601	-	70,255
Receivable from State of Nevada	14,031	4,708	648	-	33,454
Current portion of loans receivable, net	322	-	-	-	1,370
Due from related institutions	-	6	(89)	-	1,032
Due from System Related Organizations	4,423	-	-	-	8,397
Inventories	1,688	444	-	-	7,021
Deposits and prepaid expenditures, current	6,214	1,199	1	-	9,738
Other current assets	1,330	-	-	-	1,381
Total Current Assets	<u>434,040</u>	<u>75,682</u>	<u>16,153</u>	<u>-</u>	<u>915,866</u>
<i>Noncurrent Assets</i>					
Cash held by State Treasurer	41,349	376	1,958	-	57,423
Restricted cash and cash equivalents	24,169	20,532	-	-	75,072
Due from System Related Organizations	14,700	-	-	-	17,499
Receivable from State of Nevada	1,372	1,353	-	-	44,225
Endowment investments	55,892	6,504	-	-	256,077
Deposits and prepaid expenditures	175	33	-	-	285
Loans receivable, net	2,016	-	-	-	6,346
Capital assets, net	949,696	251,780	70,017	-	2,401,582
Other noncurrent assets	1,247	-	-	-	1,276
Total Noncurrent Assets	<u>1,090,616</u>	<u>280,578</u>	<u>71,975</u>	<u>-</u>	<u>2,859,785</u>
TOTAL ASSETS	<u>1,524,656</u>	<u>356,260</u>	<u>88,128</u>	<u>-</u>	<u>3,775,651</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	24,908	10,198	1,135	-	71,170
OPEB related	6,919	1,789	324	-	16,656
Loss on bond refunding	4,308	-	-	-	11,954
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>36,135</u>	<u>11,987</u>	<u>1,459</u>	<u>-</u>	<u>99,780</u>
The accompanying notes are an integral part of these financial statements.					
LIABILITIES					
<i>Current Liabilities</i>					
Accounts payable	23,792	16,601	807	-	65,656
Accrued payroll and related liabilities	34,305	8,852	1,923	-	81,026
Unemployment insurance and workers' compensation	1,700	428	44	-	4,341
Due to (from) related institutions	5,445	1,150	-	(6,804)	-
Due to State of Nevada	-	-	-	-	-
Due to related entities	-	-	-	6,836	-
Due to System Related Organizations	153	-	325	(32)	683
Current portion of compensated absences	15,504	3,124	113	-	38,211
Current portion of long-term debt	22,652	2,409	-	-	44,366
Current portion of obligations under capital leases	-	767	1,100	-	2,228
Accrued interest payable	4,928	1,379	-	-	14,748
Unearned revenue	27,823	5,252	2,116	-	59,954
Funds held in trust for others	4,704	223	18	-	6,246
Other current liabilities	-	-	-	-	381
Total Current Liabilities	<u>141,006</u>	<u>40,185</u>	<u>6,446</u>	<u>-</u>	<u>317,840</u>
<i>Noncurrent Liabilities</i>					
Refundable advances under federal loan programs	2,627	-	-	-	7,303
Compensated absences	7,194	1,318	1,058	-	16,837
Long-term debt	239,899	74,713	-	-	714,554
Obligations under capital leases	-	2,490	46,355	-	49,876
Unearned revenue	544	-	-	-	544
Net pension liability	132,491	54,155	6,109	-	398,883
Net OPEB Liability	215,294	55,658	10,066	-	518,254
Due to affiliates	-	-	-	-	-
Other noncurrent liabilities	-	-	646	-	646
Total Noncurrent Liabilities	<u>598,049</u>	<u>188,334</u>	<u>64,234</u>	<u>-</u>	<u>1,706,897</u>
TOTAL LIABILITIES	<u>739,055</u>	<u>228,519</u>	<u>70,680</u>	<u>-</u>	<u>2,024,737</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related	5,297	2,144	232	-	20,414
OPEB Related	14,436	3,732	675	-	34,750
Service Concession Arrangements	2,645	-	-	-	2,645
Gain on bond refunding	-	-	-	-	176
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>22,378</u>	<u>5,876</u>	<u>907</u>	<u>-</u>	<u>57,985</u>
NET POSITION					
Net investment in capital assets	704,787	171,400	17,818	-	1,651,202
Restricted - Nonexpendable	12,102	2,495	-	-	90,694
Restricted - Expendable - Scholarships, research and instruction	54,473	8,346	1,138	-	182,321
Restricted - Expendable - Loans	681	-	(107)	-	6,985
Restricted - Expendable - Capital projects	62,685	4,966	3,484	-	155,307
Restricted - Expendable - Debt service	12,142	(112)	4,552	-	32,066
Unrestricted	(47,512)	(53,243)	(8,886)	-	(325,866)
TOTAL NET POSITION	<u>\$ 799,358</u>	<u>\$ 133,852</u>	<u>\$ 17,999</u>	<u>\$ -</u>	<u>\$ 1,792,709</u>
The accompanying notes are an integral part of these financial statements.					

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in \$1,000's)
AS OF JUNE 30, 2019

	<u>UNR</u>	<u>System Admin</u>	<u>DRI</u>	<u>TMCC</u>	<u>WNC</u>	<u>GBC</u>
Operating Revenues						
Student tuition and fees (net of scholarship allowance of \$183,381)	\$ 141,530	\$ -	\$ -	\$ 18,342	\$ 4,682	\$ 6,191
Federal grants and contracts	98,262	500	22,938	4,761	1,759	1,503
State grants and contracts	20,447	204	1,989	2,716	333	1,137
Local grants and contracts	2,480	-	290	-	-	-
Other grants and contracts	19,159	9	7,071	39	27	604
Campus support	-	-	-	-	-	-
Sales and services of educational departments (including \$42,485 from System Related Organizations)	59,249	1,879	212	670	344	226
Sales and services of auxiliary enterprises (net of scholarship allowance of \$7,454)	46,677	-	-	1,487	936	428
Interest earned on loans receivable	149	-	-	-	-	-
Other operating revenues	4,014	3,091	1,397	276	319	375
Total Operating Revenues	<u>391,967</u>	<u>5,683</u>	<u>33,897</u>	<u>28,291</u>	<u>8,400</u>	<u>10,464</u>
Operating Expenses						
Employee compensation and benefits	(413,572)	(19,402)	(36,998)	(52,372)	(20,042)	(21,156)
Utilities	(9,764)	(36)	(838)	(899)	(583)	(706)
Supplies and services	(162,390)	(15,794)	(8,795)	(11,518)	(6,051)	(4,684)
Scholarships and fellowships	(17,135)	(5,338)	-	(8,478)	(2,848)	(2,982)
Depreciation	(36,679)	(4,093)	(4,365)	(3,944)	(2,502)	(1,934)
Other operating expenses	-	-	-	-	-	-
Total Operating Expenses	<u>(639,540)</u>	<u>(44,663)</u>	<u>(50,996)</u>	<u>(77,211)</u>	<u>(32,026)</u>	<u>(31,462)</u>
Operating Income (Loss)	<u>(247,573)</u>	<u>(38,980)</u>	<u>(17,099)</u>	<u>(48,920)</u>	<u>(23,626)</u>	<u>(20,998)</u>
Nonoperating Revenues (Expenses)						
State appropriations	188,366	28,702	8,218	36,700	14,944	15,407
Transfers to/from System Administration	(701)	(5,441)	2,320	103	160	162
Gifts (including \$55,830 from System Related Organizations)	28,619	-	388	1,095	870	403
Investment income (loss), net	14,766	3,092	3,162	2,375	1,071	411
Gain (loss) on disposal of capital assets	8,043	(56)	(70)	20	3	-
Interest expense	(14,804)	(84)	(281)	(550)	-	(5)
Other nonoperating revenues	2,389	15	-	(112)	4	(287)
Federal grants and contracts	21,285	-	-	7,978	3,314	2,523
Total Nonoperating Revenues	<u>247,963</u>	<u>26,228</u>	<u>13,737</u>	<u>47,609</u>	<u>20,366</u>	<u>18,614</u>
Loss Before Other Revenue (Expenses)	<u>390</u>	<u>(12,752)</u>	<u>(3,362)</u>	<u>(1,311)</u>	<u>(3,260)</u>	<u>(2,384)</u>
Other Revenues (Expenses)						
State appropriations restricted for capital purposes	-	(57)	-	-	-	-
Capital grants and gifts (including \$28,186 from System Related Organizations)	22,267	-	-	648	12	-
Additions (Deductions) to permanent endowments (including \$135 to System Related Organizations)	(40)	7	-	83	-	-
Other Foundation revenues (expenses)	-	-	-	-	-	-
Total Other Revenues	<u>22,227</u>	<u>(50)</u>	<u>-</u>	<u>731</u>	<u>12</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>22,617</u>	<u>(12,802)</u>	<u>(3,362)</u>	<u>(580)</u>	<u>(3,248)</u>	<u>(2,384)</u>
NET POSITION						
Net position - beginning of year	519,466	127,496	88,032	61,045	17,450	27,770
Change in Accounting Policy	-	-	-	-	-	-
Net position - end of year	<u>\$542,083</u>	<u>\$ 114,694</u>	<u>\$84,670</u>	<u>\$60,465</u>	<u>\$14,202</u>	<u>\$25,386</u>

The accompanying notes are an integral part of these financial statements.

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in \$1,000's)
AS OF JUNE 30, 2019

	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>TOTAL</u>
Operating Revenues					
Student tuition and fees (net of scholarship allowance of \$183,381)	\$ 207,620	\$ 54,531	\$ 12,468	\$ 108	\$ 445,472
Federal grants and contracts	49,193	5,882	2,287	(7,610)	179,475
State grants and contracts	22,349	4,868	1,156	(1,386)	53,813
Local grants and contracts	1,369	50	-	-	4,189
Other grants and contracts	3,060	69	30	(178)	29,890
Campus support	-	-	-	-	-
Sales and services of educational departments (including \$42,485 from System Related Organizations)	93,414	1,638	5	(4,405)	153,232
Sales and services of auxiliary enterprises (net of scholarship allowance of \$7,454)	53,194	1,587	115	-	104,424
Interest earned on loans receivable	58	-	-	-	207
Other operating revenues	6,783	667	452	(5,650)	11,724
Total Operating Revenues	<u>437,040</u>	<u>69,292</u>	<u>16,513</u>	<u>(19,121)</u>	<u>982,426</u>
Operating Expenses					
Employee compensation and benefits	(528,345)	(131,972)	(26,963)	(68)	(1,250,890)
Utilities	(12,295)	(2,969)	(531)	-	(28,621)
Supplies and services	(151,312)	(43,296)	(8,548)	19,441	(392,947)
Scholarships and fellowships	(34,023)	(30,061)	(4,490)	4,999	(100,356)
Depreciation	(41,277)	(11,074)	(2,561)	-	(108,429)
Other operating expenses	-	-	-	-	-
Total Operating Expenses	<u>(767,252)</u>	<u>(219,372)</u>	<u>(43,093)</u>	<u>24,372</u>	<u>(1,881,243)</u>
Operating Income (Loss)	<u>(330,212)</u>	<u>(150,080)</u>	<u>(26,580)</u>	<u>5,251</u>	<u>(898,817)</u>
Nonoperating Revenues (Expenses)					
State appropriations	237,017	103,537	17,757	(4,999)	645,649
Transfers to/from System Administration	2,532	245	173	447	-
Gifts (including \$55,830 from System Related Organizations)	26,119	623	1,578	(730)	58,965
Investment income (loss), net	20,154	5,169	625	-	50,825
Gain (loss) on disposal of capital assets	(176)	(170)	-	-	7,594
Interest expense	(8,739)	(2,759)	(2,359)	-	(29,581)
Other nonoperating revenues	(1,141)	-	-	31	899
Federal grants and contracts	43,248	40,752	6,895	-	125,995
Total Nonoperating Revenues	<u>319,014</u>	<u>147,397</u>	<u>24,669</u>	<u>(5,251)</u>	<u>860,346</u>
Loss Before Other Revenue (Expenses)	<u>(11,198)</u>	<u>(2,683)</u>	<u>(1,911)</u>	<u>-</u>	<u>(38,471)</u>
Other Revenues (Expenses)					
State appropriations restricted for capital purposes	-	57	-	-	-
Capital grants and gifts (including \$28,186 from System Related Organizations)	5,431	6	3,533	-	31,897
Additions (Deductions) to permanent endowments (including \$135 to System Related Organizations)	43	45	-	-	138
Other Foundation revenues (expenses)	-	-	-	-	-
Total Other Revenues	<u>5,474</u>	<u>108</u>	<u>3,533</u>	<u>-</u>	<u>32,035</u>
Increase (Decrease) in Net Position	<u>(5,724)</u>	<u>(2,575)</u>	<u>1,622</u>	<u>-</u>	<u>(6,436)</u>
NET POSITION					
Net position - beginning of year	805,082	136,427	16,377	-	1,799,145
Change in Accounting Policy	-	-	-	-	-
Net position - end of year	<u>799,358</u>	<u>\$ 133,852</u>	<u>\$ 17,999</u>	<u>\$ -</u>	<u>\$ 1,792,709</u>

The accompanying notes are an integral part of these financial statements.

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT
AUDITING STANDARDS**

Board of Regents
Nevada System of Higher Education

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of the Nevada System of Higher Education (the “System”), as of June 30, 2019, and the related notes to the financial statements, which collectively comprise the System’s basic financial statements, and have issued our report thereon dated November 18, 2019.

Our report includes a reference to other auditors who audited the financial statements of Desert Research Institute Foundation; Desert Research Institute Research Parks LTD; Truckee Meadows Community College Foundation; University of Nevada, Las Vegas Research Foundation; College of Southern Nevada Foundation; University of Nevada, Las Vegas Foundation; University of Nevada, Reno Foundation; Athletic Association University of Nevada; University of Nevada, Las Vegas Rebel Football Foundation; University of Nevada, Las Vegas Rebel Soccer Foundation, and Nevada State College Foundation, as described in our report on the System’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of: Truckee Meadows Community College Foundation; University of Nevada, Las Vegas Research Foundation; College of Southern Nevada Foundation; University of Nevada, Las Vegas Rebel Football Foundation, and Nevada State College Foundation were not audited in accordance with *Government Auditing Standards* for the year ended June 30, 2019.

Internal control over financial reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify a deficiency in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Financial Statement Findings and Questioned Costs as item 2019-001 that we consider to be a significant deficiency in the System's internal control.

Compliance and other matters

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

System's response to findings

The System's response to our findings, which is described in the accompanying Schedule of Financial Statement Findings and Questioned Costs and Management's Corrective Action Plan, was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the System's response.

Intended purpose

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



San Jose, California
November 18, 2019

Nevada System of Higher Education
SCHEDULE OF FINDINGS AND QUESTIONED
COSTS Year ended June 30, 2019

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING 2019-001 - Accounting for certain debt activities

Criteria

Internal control environments which are operating optimally, provide for a timely and complete year-end close, including review of material transactions during fiscal year. Accounting for defeasance of debt as outlined in GASB 7.

Condition:

In fiscal 2018, the Nevada System of Higher Education (“System”), System management misinterpreted a bond refinancing, and concluded a 2011 bond was defeased, and recorded it as such. Upon further review, it was determined the bond will not be technically defeased until July 1, 2020.

Context

The 2011 remaining bond obligation was \$26.5 million.

Cause

There was a misinterpretation of the bond closing document.

Effect

To correct and present the obligation for the 2011 bond liability and the associated cash held to satisfy that obligation, a journal entry was recorded to add each back to the statement of net position.

Recommendation

Management should review, and consult with bond counsel to ensure management’s understanding of accurate such that the appropriate accounting for the transaction can be employed.

Views of Responsible Officials (unaudited)

Management Concur.