

Nevada System of Higher Education Financial Statements



June 30, 2020

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, 2020

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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, 2020, 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 ("U.S. GAAP"); 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: University of Nevada, Reno Foundation; Athletic Association University of Nevada; 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 Association; College of Southern Nevada Foundation; and Nevada State College Foundation, which statements collectively reflect total assets constituting 95% of the aggregate discretely presented component units' total assets as of June 30, 2020 and total operating revenues of 56% 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 U.S. GAAP 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; Western Nevada College Foundation; Great Basin College Foundation; Rebel Golf Foundation; University of Nevada, Las Vegas Alumni Association; and Nevada State College Foundation were not audited in accordance with *Government Auditing Standards* for the year ended June 30, 2020.

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 the 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. GAAP.

Other matters

Required supplementary information

U.S. GAAP require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of System's contributions for the total net pension liability, the schedule of proportionate share of the net OPEB liability, the schedule of System's 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAP. 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 opinions 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 U.S. GAAP. 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 23, 2020, 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 23, 2020

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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, 2020. 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, 2020 with comparative information as of June 30, 2019.

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 2019 TO 2020 (in \$1,000's)

- Total net position increased by less than 4.5% from \$1,792,709 to \$1,873,007;
- Capital assets increased by 4.3% from \$2,401,582 to \$2,505,136;
- Operating revenues increased by 3.4% from \$982,426 to \$1,016,138;
- Nonoperating revenues increased by 3.9% from \$860,346 to \$893,570; and
- Operating expenses increased by 6.7% from \$1,881,243 to \$2,007,652.

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.

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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, 2020, with a comparison made to June 30, 2019. 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)

	2020	2019	Increase/ (Decrease)	Percent Change
Assets				
Current assets	\$ 944,768	\$ 915,866	\$ 28,902	3.2%
Capital assets, net	2,505,136	2,401,582	103,554	4.3%
Other assets	487,373	458,203	29,170	6.4%
Total Assets	3,937,277	3,775,651	161,626	4.3%
Deferred Outflows of Resources	123,112	99,780	23,332	23.4%
Liabilities				
Current liabilities	337,572	317,840	19,732	6.2%
Noncurrent liabilities	1,781,326	1,706,897	74,429	4.4%
Total Liabilities	2,118,898	2,024,737	94,161	4.7%
Deferred Inflows of Resources	68,484	57,985	10,499	18.1%
Net Position				
Net investment in capital assets	1,753,177	1,651,202	101,975	6.2%
Restricted - Nonexpendable	90,897	90,694	203	0.2%
Restricted - Expendable	392,097	376,679	15,418	4.1%
Unrestricted	(363,164)	(325,866)	(37,298)	11.4%
Total Net Position	\$ 1,873,007	\$ 1,792,709	\$ 80,298	4.5%

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Assets

Total assets of the System are currently showing an increase of \$161.6 million, or 4.3%. The increase that occurred in current assets, capital assets and other assets was primarily driven by an increase in receivables of \$15 million and deposits and prepaid expenditures of \$9 million, an increase in capital assets of \$104 million and an increase in noncurrent receivable from the State of Nevada of \$72 million. The increase in capital assets is reflective of the purchase and construction of capital assets less normal depreciation for the year. There were decreases of \$32 million in cash held by State Treasurer and \$15 million in Endowment investments.

Liabilities

Total liabilities for the year increased by \$94.1 million: a \$19.7 million increase in current liabilities and \$74.4 million increase in non-current liabilities. The increase in current liabilities was due to a decrease in accounts payable of \$24 million and an increase due to system-related organizations of \$18 million and an increase in the current portion of long-term debt of \$25 million. The increase in non-current liabilities was primarily driven by an increase in long-term debt of \$7 million, net pension liability of \$15 million and Other Post-Employment Benefits (OPEB) liability of \$51 million. The current portion of long-term debt increased \$25 million from the 2010A defeased debt as explained in note 10.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a future consumption of net position, increased by \$23.3 million. This increase relates to the pension-related deferred outflows of resources. Similarly, deferred inflows of resources, a future acquisition of net position, increased by \$10.5 million. This increase relates to the pension-related deferred inflows of resources.

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 (deficit) which represents net assets available to the System for any lawful purpose. Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding the System's assets available to pay such obligations. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the System's reserves are allocated for academic and research initiatives or programs, for capital projects or for other purposes.

Net Investment in Capital Assets

The net investment in capital assets 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 \$102 million increase reflects the System's expenditures for

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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.

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 (deficit)

Unrestricted net position (deficit) increased by \$37.3 million in 2020 primarily driven by operating losses. 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>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<i>Assets</i>				
Current assets	\$ 415,735	\$ 388,908	\$ 26,827	6.9%
Capital assets, net	7,541	8,686	(1,145)	-13.2%
Other assets	401,929	405,046	(3,117)	-0.8%
Total Assets	<u>825,205</u>	<u>802,640</u>	<u>22,565</u>	<u>2.8%</u>
<i>Deferred Outflows of Resources</i>	<u>185</u>	<u>274</u>	<u>(89)</u>	<u>-32.5%</u>
<i>Liabilities</i>				
Current liabilities	39,236	21,285	17,951	84.3%
Noncurrent liabilities	21,774	22,348	(574)	-2.6%
Total Liabilities	<u>61,010</u>	<u>43,633</u>	<u>17,377</u>	<u>39.8%</u>
<i>Deferred Inflows of Resources</i>	<u>8,991</u>	<u>9,482</u>	<u>(491)</u>	<u>-5.2%</u>
<i>Net Position</i>				
Net investment in capital assets	6,917	8,015	(1,098)	-13.7%
Restricted - Nonexpendable	354,280	340,443	13,837	4.1%
Restricted - Expendable	355,909	367,646	(11,737)	-3.2%
Unrestricted	38,283	33,695	4,588	13.6%
Total Net Position	<u>\$ 755,389</u>	<u>\$ 749,799</u>	<u>\$ 5,590</u>	<u>0.7%</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

Unaudited

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.

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, 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, 2020 was an increase of \$80.3 million compared with a decrease of \$6.4 million for fiscal year ended June 30, 2019, an increase of \$86.7 million.

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

	2020	2019	Increase/ (Decrease)	Percent Change
<i>Operating Revenues</i>				
Student tuition and fees	\$ 475,552	\$ 445,472	\$ 30,080	6.8%
Federal grants and contracts	182,354	179,475	2,879	1.6%
Grants and contracts, other	92,125	87,892	4,233	4.8%
Sales and services	239,975	257,656	(17,681)	-6.9%
Other	18,360	11,931	6,429	53.9%
Total Operating Revenues	1,008,366	982,426	25,940	2.6%
<i>Operating Expenses</i>				
Employee compensation and benefits	(1,350,549)	(1,250,890)	99,659	8.0%
Utilities	(27,993)	(28,621)	(628)	-2.2%
Supplies and services	(372,594)	(392,947)	(20,353)	-5.2%
Scholarships and fellowships	(131,527)	(100,356)	31,171	31.1%
Program expenses, System Related Organizations	(2,228)	-	2,228	100.0%
Depreciation	(114,989)	(108,429)	6,560	6.1%
Total Operating Expenses	(1,999,880)	(1,881,243)	118,637	6.3%
Operating Income (Loss)	(991,514)	(898,817)	92,697	10.3%
<i>Nonoperating Revenues (Expenses)</i>				
State appropriations	668,289	645,649	22,640	3.5%
Gifts	51,915	58,965	(7,050)	-12.0%
Investment income (loss), net	22,240	50,825	(28,585)	-56.2%
Gain (loss) on disposal of capital assets	18,651	7,594	11,057	145.6%
Interest expense	(29,155)	(29,581)	426	-1.4%
Payments to System campuses and divisions	(1,537)	-	(1,537)	100.0%
Other nonoperating revenues	(1,292)	899	(2,191)	-243.7%
Federal grants and contracts	164,459	125,995	38,464	30.5%
Total Nonoperating Revenues	893,570	860,346	33,224	3.9%
Total Other Revenues	178,242	32,035	146,207	456.4%
Increase (Decrease) in Net Position	80,298	(6,436)	86,734	1347.7%
Net position - beginning of year	1,792,709	1,799,145	(6,436)	-0.4%
Net position - end of year	\$ 1,873,007	\$ 1,792,709	\$ 80,298	4.5%

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Operating Revenue - Student Tuition and Fees increased to \$475.5 million, or 7%, primarily from a small increase in enrollment combined with a 4% increase in tuition and fees rates. Federal grants and contracts increase to \$182.3 million, or 2%, while state, local and other grants and contracts increased to \$92.1 million, or 5%.

The increase in operating expenses was driven by an increase in employee compensation and benefits and scholarships and fellowships.

Nonoperating net revenues increased by \$33 million, or 4%. This was led by increases in Federal Grants and Contracts of \$38.5 million.

Other Revenue increased \$146 million primarily from an increase in state appropriations restricted for capital purposes by \$107.5 million and from a gain on impairment of an asset (Argenta and Nye Halls at UNR) of \$41.5 million. In addition, Capital grants and gifts increased by \$10.5 million; however, there was a return of capital gifts of \$15 million resulting in a net decrease of \$4.5 million.

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

Component entities' ending net position increased from 2019 to 2020, as shown in the following schedule.

	<u>2020</u>	<u>2019</u>	<u>Increase (decrease)</u>	<u>Percent Change</u>
<i>Operating Revenues</i>				
Patient revenue	\$ 45,957	\$ 40,976	\$ 4,981	12.2%
Contract revenue	20,913	23,443	(2,530)	-10.8%
Contributions	79,234	58,646	20,588	35.1%
Campus Support	9,523	7,695	1,828	23.8%
Special events and fundraising	10,494	3,264	7,230	221.5%
Other operating revenues	15,910	12,052	3,858	32.0%
Total Operating Revenues	<u>182,031</u>	<u>146,076</u>	<u>35,955</u>	<u>24.6%</u>
<i>Operating Expenses</i>				
Employee compensation and benefits	(37,983)	(35,033)	2,950	8.4%
Supplies and services	(9,076)	(8,309)	767	9.2%
Program expenses, System Related Organizations	(40,260)	(18,575)	21,685	116.7%
Depreciation	(1,709)	(1,729)	(20)	-1.2%
Other operating expenses	(1,224)	(1,660)	(436)	-26.3%
Total Operating Expenses	<u>(90,252)</u>	<u>(65,306)</u>	<u>24,946</u>	<u>38.2%</u>
Operating Income (Loss)	<u>91,779</u>	<u>80,770</u>	<u>11,009</u>	<u>13.6%</u>

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Nonoperating Revenues (Expenses)

Investment income (loss), net	18,658	33,255	(14,597)	-43.9%
Payments to System campuses and divisions	(121,039)	(126,941)	5,902	-4.6%
Other nonoperating revenues (expenses)	2,732	4,910	(2,178)	-44.4%
Total Nonoperating Revenues (Expenses)	(99,649)	(88,776)	(10,873)	12.2%

Income (Loss) before other revenue (expenses)	(7,870)	(8,006)	136	-1.7%
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Other Revenues (Expenses)

Additions to permanent endowments	13,510	20,660	(7,150)	-34.6%
Other Foundation expenses	(50)	41	(91)	-222.0%
Total Other Revenues (Expenses)	13,460	20,701	(7,241)	-35.0%

Increase (Decrease) in Net Position	5,590	12,695	(7,105)	-56.0%
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NET POSITION

Net position - beginning of year	749,799	733,218	16,581	2.3%
Change in Accounting Policy	-	3,886	(3,886)	-100.0%
Net position - end of year	\$ 755,389	\$ 749,799	\$ 5,590	0.7%

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

Net cash flows decreased when compared to 2019 as discussed further below. Net operating cash flows (amount of cash from operating activities) decreased 10%.

	2020	2019	Increase/ (Decrease)	Percent Change
Operating activities	\$ (819,639)	\$ (746,378)	\$ (73,261)	10%
Noncapital financing	902,783	843,060	59,723	7%
Capital financing activities	(136,647)	(257,984)	121,337	-47%
Investing activities	(31,485)	65,166	(96,651)	-148%
Net increase (decrease) in cash	(84,988)	(96,136)	11,148	-12%
Cash – beginning of year	317,459	413,595	(96,136)	-23%
Cash – end of year	<u>\$ 232,471</u>	<u>\$ 317,459</u>	<u>\$ (84,988)</u>	<u>-27%</u>

Cash flows from operating activities decreased by \$73.3 million. The largest increases in expenditures were payments to employees for compensation and benefits of \$63 million, payments to suppliers of \$47.5 million and scholarships and fellowships of \$31.6 million. Expenditures were offset by increased revenues from tuition and fees of \$24.3 million and gain on impairment of an asset of \$45 million. The gain was from insurance recoveries resulting from the temporary closing of Argenta and Nye Halls at UNR.

Cash flows from noncapital financing increased by \$59.7 million. This increase was primarily related to the increase in cash received from State appropriations of \$53.3 million, Federal grants and contracts of \$32 million, and decrease in gifts and grants for other than capital purposes of \$22 million.

Cash flows from capital and related financing activities increased by \$121.3 million, due to increases in proceeds from capital debt of \$19.3 million, state appropriations of \$19.4 million, bond proceeds of \$58.5 million, proceeds from sale of property and equipment of \$10.8, and insurance recoveries for capital assets of \$14.8 million.

Unaudited

Cash flows from investing activities decreased by \$96.6 million as the result of investment activity.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2020, the System had invested \$2,505.1 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 \$103.5 million over June 30, 2019.

During fiscal year 2020, the System issued \$76 million of long-term bonds, capital leases, and obligations to finance capital projects. As of June 30, 2020, 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 1.63 times, above minimum required coverage of 1.10. As of June 30, 2020, the coverage on the Community College Revenue Bonds (pledged revenues to maximum annual debt service) was 20.28 times, above the minimum required coverage of 1.50. For statutory purposes, the coverage was 2.52 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. A 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 2020, the System realized a net gain of student full time equivalent (FTE) enrollment of 1.6% or 1,129 average annual FTE students system-wide compared to fiscal year 2019. Student FTE enrollments increased slightly at one university and all the community colleges. Student FTE enrollments decreased slightly at the other university. 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 2020 with roughly the same trends.

The Legislatively approved System operating budget includes state appropriations and authorized expenditures (State Supported Operating Budget). The Operating Budget totals \$956 million for fiscal year 2021. This compares to the fiscal year 2020 Operating Budget of \$1,063.5 million and represents a 10% decrease. General Fund revenues of \$576 million in fiscal year 2021 decreased when compared to the General Fund revenues of \$701 million in fiscal year 2020 by \$125 million or by 17.8% due mainly to legislative actions reducing funding state wide in response to the pandemic that has led to reductions in state tax revenue. The System is not aware of further reductions in state funding and expects to draw all the General Funds appropriated without further reduction or offsets.

Other authorized revenue sources, consisting mainly of student fee revenues, total \$370 million in fiscal year 2021, approximately \$11.6 million more than in fiscal year 2020, due mostly to an increase in enrollments and student registration fees. Student fees remain stable at 35% of the State Supported Operating Budget and are expected to do so for the foreseeable future.

Unaudited

Student enrollment system-wide is anticipated to exceed projected and budgeted enrollment in fiscal year 2022, as it did in 2021, and therefore pursuant to Senate Bill 553 of the 2019 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.

Since March 17, 2020, the spread of COVID-19 has severely impacted many state and local economies around the country. In many states, colleges and universities are being forced to cease or restructure operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to operations nationally, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As of June 30, 2020, the date of these financial statements, the fair value of our investments have substantially returned to pre-pandemic levels; however, some non-state revenues have experienced declines this fiscal year. We anticipate state and non-state revenues will decline further during the next fiscal year. The System has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended June 30, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the System for future periods.

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, 2020

	<u>System</u>	<u>System Related Organization</u>
<u>ASSETS</u>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 123,575	\$ 73,847
Restricted cash and cash equivalents	141	14,160
Short-term investments	632,517	266,496
Accounts receivable, net	85,599	1,770
Receivable from U.S. Government	58,657	-
Receivable from State of Nevada	7,984	-
Pledges receivable, net	-	27,691
Patient accounts receivable, net	-	8,416
Current portion of loans receivable, net	1,251	1
Due from affiliates	9,474	18,436
Inventories	5,220	295
Deposits and prepaid expenditures, current	18,782	168
Other current assets	1,568	4,455
Total Current Assets	944,768	415,735
<i>Noncurrent Assets</i>		
Due from affiliates	15,516	-
Cash held by State Treasurer	25,517	-
Restricted cash and cash equivalents	83,238	-
Receivable from State of Nevada	116,426	-
Investments	-	77,635
Restricted investments	-	14,924
Endowment investments	241,098	255,534
Deposits and prepaid expenditures	155	-
Loans receivable, net	5,423	27
Capital assets, net	2,505,136	7,541
Pledges receivable, net	-	33,227
Other noncurrent assets	-	20,582
Total Noncurrent Assets	2,992,509	409,470
TOTAL ASSETS	3,937,277	825,205
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
OPEB related	29,981	-
Loss on bond refunding	11,104	-
Pension related	82,027	-
Intra-entity sales of future revenues	-	185
TOTAL DEFERRED OUTFLOWS OF RESOURCES	123,112	185

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

<u>LIABILITIES</u>		
<i>Current Liabilities</i>		
Accounts payable	41,992	2,232
Accrued payroll and related liabilities	84,273	1,515
Unemployment insurance and workers' compensation	4,615	-
Due to State of Nevada	45	-
Due to affiliates	18,436	9,474
Current portion of compensated absences	42,762	-
Current portion of long-term debt	69,321	340
Current portion of obligations under capital leases	2,600	254
Accrued interest payable	15,278	-
Unearned revenue	54,399	130
Funds held in trust for others	3,110	88
Other current liabilities	741	25,203
Total Current Liabilities	337,572	39,236
<i>Noncurrent Liabilities</i>		
Refundable advances under federal loan programs	5,370	-
Compensated absences	21,117	435
Long-term debt	721,640	1,262
Obligations under capital leases	48,809	199
Unearned revenue	462	1,202
Net pension liability	414,036	-
Net OPEB Liability	569,268	-
Due to affiliates	-	15,516
Other noncurrent liabilities	624	3,160
Total Noncurrent Liabilities	1,781,326	21,774
TOTAL LIABILITIES	2,118,898	61,010
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Service Concession Arrangements	1,265	-
OPEB Related	34,584	-
Gain on bond refunding	96	-
Pension related	32,539	-
Split-interest agreements	-	2,465
Unearned lease revenue	-	6,526
TOTAL DEFERRED INFLOWS OF RESOURCES	68,484	8,991
<u>NET POSITION</u>		
Net investment in capital assets	1,753,177	6,917
Restricted - Nonexpendable	90,897	354,280
Restricted - Expendable - Scholarships, research and instruction	168,016	343,211
Restricted - Expendable - Loans	6,564	-
Restricted - Expendable - Capital projects	185,338	6,821
Restricted - Expendable - Debt service	32,179	-
Restricted - Expendable - Other	-	5,877
Unrestricted	(363,164)	38,283
TOTAL NET POSITION	\$ 1,873,007	\$ 755,389

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, 2020

	<u>System</u>	<u>System Related Organization</u>
Operating Revenues		
Student tuition and fees (net of scholarship allowance of \$193,121)	\$ 475,552	\$ -
Federal grants and contracts	182,354	-
State grants and contracts	55,274	-
Local grants and contracts	4,312	-
Other grants and contracts	32,539	-
Campus support	-	9,523
Sales and services of educational departments (including \$41,544 from System Related Organizations)	155,539	-
Sales and services of auxiliary enterprises (net of scholarship allowance of \$6,222)	84,436	-
Contributions	-	79,234
Patient revenue	-	45,957
Contract revenue	-	20,913
Special events and fundraising	-	10,494
Interest earned on loans receivable	179	-
Other operating revenues	18,181	15,910
Total Operating Revenues	1,008,366	182,031
Operating Expenses		
Employee compensation and benefits	(1,350,549)	(37,983)
Utilities	(27,993)	-
Supplies and services	(372,594)	(9,076)
Scholarships and fellowships	(131,527)	-
Program expenses, System Related Organizations	(2,228)	(40,260)
Depreciation	(114,989)	(1,709)
Other operating expenses	-	(1,224)
Total Operating Expenses	(1,999,880)	(90,252)
Operating Income (Loss)	(991,514)	91,779
Nonoperating Revenues (Expenses)		
State appropriations	668,289	-
Gifts (including \$47,870 from System Related Organizations)	51,915	-
Investment income (loss), net	22,240	18,658
Gain (loss) on disposal of capital assets	18,651	-
Interest expense	(29,155)	(32)
Payments to System campuses and divisions	(1,537)	(121,039)
Other nonoperating revenues	(1,292)	2,764
Federal grants and contracts	164,459	-
Total Nonoperating Revenues	893,570	(99,649)
Loss Before Other Revenue (Expenses)	(97,944)	(7,870)
Other Revenues (Expenses)		
State appropriations restricted for capital purposes	107,508	-
Capital grants and gifts (including \$40,802 from System Related Organizations)	42,353	-
Return of Capital Gifts	(15,000)	-
Additions (Deductions) to permanent endowments (including \$93 to System Related Organizations)	87	13,510
Other Foundation revenues (expenses)	-	(50)
Extraordinary Item - Insurance Recoveries	1,744	-
Extraordinary Item - Gain on Impairment of Capital Assets	41,550	-
Total Other Revenues	178,242	13,460
Increase (Decrease) in Net Position	80,298	5,590
NET POSITION		
Net position - beginning of year	1,792,709	749,799
Net position - end of year	\$ 1,873,007	\$ 755,389

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, 2020

	System
<i>Cash flows from operating activities</i>	
Tuition and fees	\$ 475,285
Grants and contracts	287,538
Payments to suppliers	(440,732)
Payments for utilities	(28,128)
Payments for compensation and benefits	(1,285,648)
Payments for scholarships and fellowships	(131,659)
Loans issued to students and employees	(1,450)
Collection of loans to students and employees	2,791
Sales and services of educational departments	154,170
Sales and services of auxiliary enterprises	83,904
Insurance recoveries	44,997
Other receipts	19,293
<i>Cash flows from operating activities</i>	<u>(819,639)</u>
<i>Cash flows from noncapital financing activities</i>	
State appropriations	688,149
Transfers from System Administration	(902)
Gifts and grants for other than capital purposes	52,324
Gift for endowment purposes	87
Receipts under federal student loan programs	155,631
Disbursements under federal student loan programs	(145,424)
Other	(124)
Insurance recoveries	1,744
Principal paid on noncapital debt	(2,800)
Interest paid on capital debt	(365)
Agency transactions	(3,368)
Federal grants and contracts	157,831
<i>Cash flows from noncapital financing activities</i>	<u>902,783</u>
<i>Cash flows from capital and related financing activities</i>	
Proceeds from capital debt	20,452
Other	249
Capital appropriations	29,175
Capital grants and gifts received	35,624
Bond issuance and refunding	58,517
Purchases of capital assets	(241,440)
Proceeds from sale of property and equipment	20,361
Principal paid on capital debt and leases	(44,977)
Interest paid on capital debt and leases	(29,418)
Insurance recoveries for capital assets	14,759
Deposits for the acquisition of property and equipment	51
<i>Cash flows from capital and related financing activities</i>	<u>(136,647)</u>
<i>Cash flows from investing activities</i>	
Proceeds from sales and maturities of investments	59,840
Purchase of investments	(109,963)
Interest and dividends received on investments	16,877
Net decrease in cash equivalents	1,379
Net decrease in noncurrent investments	382
<i>Cash flows from investing activities</i>	<u>(31,485)</u>
<i>Net decrease in cash</i>	<u>(84,988)</u>
<i>Cash and cash equivalents, beginning of year</i>	<u>317,459</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 232,471</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, 2020

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENT OF CASH FLOWS (in \$1,000's)
(CONTINUED)
AS OF JUNE 30, 2020

	System
Reconciliation of operating loss to cash flows from operating activities	
Operating loss	\$ (991,514)
Adjustments to reconcile operating loss to cash used in operating activities:	
Supplies expense related to noncash gifts	153
Depreciation and amortization expense	117,215
Change in pension related deferred outflows of resources	(9,912)
Change in pension related deferred inflows of resources	11,504
Change in OPEB related deferred outflows of resources	(12,338)
Change in OPEB related deferred inflows of resources	(163)
Change in service concession arrangements deferred inflows of resources	(1,380)
Changes in assets and liabilities:	
Accounts receivable, net	(6,663)
Receivable from U.S. Government	9,123
Receivable from State of Nevada	5,981
Loans receivable, net	1,043
Inventories	1,801
Due from other institutions	(4,450)
Due from system related organizations	(503)
Deposits and prepaid expenditures	(8,972)
Other assets	1,135
Accounts payable	(9,818)
Accrued payroll and related liabilities	5,759
Due to other institutions	4,326
Due to System Related Organizations	1,537
Unemployment and workers' compensation insurance liability	244
Unearned revenue	(5,540)
Refundable advances under federal loan program	(363)
Compensated absences	8,665
Other liabilities	153
Net pension liability	14,374
Net OPEB liability	48,860
Other	104
Cash flows from operating activities	<u>\$ (819,639)</u>
Supplemental noncash activities information:	
Loss on disposal of capital assets	<u>\$ (18,792)</u>
Capital assets acquired by gifts	<u>\$ 3,342</u>
Capital assets acquired by incurring capital lease obligations and accounts payable	<u>\$ 10,514</u>
Unrealized loss on investments	<u>\$ (7,663)</u>
Intercompany debt forgiveness	<u>\$ (1,633)</u>
Capital assets transferred from other campuses	<u>\$ 635</u>
WICHE Student loans receivables moved to state, included in state appropriation	

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, 2020

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 and 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, 2020, the foundations distributed \$121,039 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 Campus Pharmacy, Inc., 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, 2020, ICS distributed \$9,998 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.

During the year ended June 30, 2020, UNLV Med distributed \$29,556 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, 2020

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 2017A bonds until such time as the 2010A bonds can be defeased in fiscal 2021. 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, 2020

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 Fiscal year 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 \$339 was capitalized during the year ended June 30, 2020. 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, 2020

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 \$82,027, \$29,981 and \$11,104, respectively, at June 30, 2020. 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 \$185 at June 30, 2020.

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 \$32,539, \$34,584, \$1,265 and \$96, respectively, at June 30, 2020, while the System Related Organizations have split-interest agreements and unearned lease revenue of \$2,465 and \$6,526, respectively, at June 30, 2020.

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. Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding the System's assets available to pay such obligations. Although unrestricted net position is not subject to externally imposed restrictions, substantially all the System's reserves are allocated for academic and research initiatives or programs, for capital projects or for other purposes.

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. Fair value is "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."

A fair value hierarchy for disclosure that classifies inputs for valuation techniques into levels as follows:

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NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
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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 and excluded from the three defined levels above.

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

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

FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 were \$13,208.

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 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 was postponed June 2020 and will now be effective for fiscal years beginning after December 15, 2019. 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 was postponed August 2019 and will now be effective for fiscal years beginning after June 15, 2021. The anticipated impact of this pronouncement is uncertain at this time.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations (GASB 91)*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The anticipated impact of this pronouncement is uncertain at this time.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020 (GASB 92)*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about numerous GASB pronouncements. The requirements of this Statement are effective at various times depending on the topic but are generally effective for fiscal years beginning after June 15, 2021. The anticipated impact of this pronouncement is uncertain at this time.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (GASB 93)*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. The anticipated impact of this pronouncement is uncertain at this time.

NEVADA SYSTEM OF HIGHER EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2020

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

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB 94)*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The anticipated impact of this pronouncement is uncertain at this time.

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance (GASB 95)*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (GASB 96)*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The anticipated impact of this pronouncement is uncertain at this time.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 (GASB 97)*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. 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, 2020, the System's deposits in money market funds totaled \$92,252 and cash in bank was \$47,200. 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 defeased in fiscal 2021.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4 – Disclosures About Fair Value of Financial Instruments:

Investments at Fair Value

The System's investment holdings as of June 30, 2020 categorized in accordance with the fair value hierarchy are summarized in the following table:

	Level 1 fair value	Level 2 fair value	Level 3 fair value	NAV	Total
Cash and cash equivalents	\$ 140,752	\$ -	\$ -	\$ -	\$ 140,752
Charitable trusts	4,033	-	-	-	4,033
Domestic equity	227,301	-	-	20,319	247,620
Emerging market equity	361	-	-	9,740	10,101
Fixed income	170,632	563	-	109,046	280,241
International equity	138,664	-	-	24,716	163,380
Marketable alternatives	-	-	-	32,596	32,596
Multi-strategy	19,850	-	-	69,711	89,561
Private growth	-	-	-	38,642	38,642
Real assets	2,960	-	-	10,285	13,245
	<u>704,553</u>	<u>563</u>	<u>-</u>	<u>315,055</u>	<u>1,020,171</u>
Less: GBC Foundation Endowments	<u>(7,601)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,601)</u>
	<u>\$ 696,952</u>	<u>\$ 563</u>	<u>\$ -</u>	<u>\$ 315,055</u>	<u>\$ 1,012,570</u>

Assets included in the net asset value (NAV) 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 \$21,464 to private equity/venture capital funds are outstanding as of June 30, 2020.
- *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
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

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

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

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, 2020 is as follows:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds publicly traded	\$463,835	\$556,444
Partnerships	47,950	60,786
Cash and cash equivalents	140,752	140,752
Trusts	3,434	4,033
Private commingled funds	<u>242,469</u>	<u>258,156</u>
	898,440	1,020,171
Less: GBC Foundation Endowments	<u>(7,601)</u>	<u>(7,601)</u>
	<u>\$ 890,839</u>	<u>\$1,012,570</u>

As of June 30, 2020, 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 investment pools.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 5 – System Investments (continued):

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, 2020 is as follows:

	<u>Fair Value</u>	<u>Not Rated</u>
Mutual funds publicly traded	\$556,444	\$556,444
Partnerships	60,786	60,786
Cash and cash equivalents	140,752	140,752
Trusts	4,033	4,033
Private commingled funds	<u>258,156</u>	<u>258,156</u>
	1,020,171	1,020,171
Less: GBC Foundation Endowments	<u>(7,601)</u>	<u>(7,601)</u>
	<u>\$ 1,012,570</u>	<u>\$1,012,570</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, 2020 is as follows:

Less than 1 year	\$100,237
1 to 5 year	68,375
5 to 10 year	<u>203,881</u>
	<u>\$372,493</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, 2020, 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 \$170,480 in mutual funds and commingled funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2020.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
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NOTE 6 – System Endowment Pool:

At June 30, 2020, \$244,666 of endowment fund investments were pooled on a unit market value basis. As of June 30, 2020, the endowment pool was comprised of investments in cash and cash equivalents (0.7%), mutual funds (8.5%), partnerships (23.9%), and private commingled (66.9%). Each individual endowment fund acquires or disposes of units based on the market value per unit on the preceding quarterly valuation date. The unit market value at June 30, 2020 was \$847.14. 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, 2020, 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 2020, \$25.89 was distributed to each time-weighted eligible unit for a total spending rule distribution of \$9,744. The 2020 distributions were made from investment income of \$1,000 and from cumulative gains of pooled investments of \$10,744.

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 \$155,609 at June 30, 2020 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, 2020, 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.

Accounts receivable:	
Student tuition and fees	\$68,043
Sales and services	67,619
Local and private grants and contracts	8,100
Other	<u>233</u>
	143,995
Less: Allowance for doubtful accounts	<u>(58,396)</u>
Net accounts receivable	<u>\$85,599</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 loan receivables at June 30, 2020. A provision for possible uncollectible amounts is recorded on the basis of the various institution's estimated future losses for such items. The loans receivable and corresponding allowance for uncollectible loan balances as of June 30, 2020 are as follows:

Loans receivable	\$7,803
Less: Allowance for doubtful loans	<u>(1,129)</u>
Net loans receivable	6,674
Less current portion	<u>(1,251)</u>
Noncurrent loans receivable	<u>\$ 5,423</u>

NEVADA SYSTEM OF HIGHER EDUCATION
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NOTE 9 – System Capital Assets:

System capital asset activity for the year ended June 30, 2020 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 199,188	\$ 141,630	\$ (157,913)	\$ 182,905
Land	165,906	1,710	(191)	167,425
Land improvements	288	-	(61)	227
Intangibles	642	61	-	703
Collections	11,981	122	(45)	12,058
Total	378,005	143,523	(158,210)	363,318
Capital assets being depreciated:				
Buildings	2,951,584	213,343	(3,019)	3,161,908
Land improvements	164,173	10,231	(179)	174,225
Machinery and equipment	404,002	32,509	(17,045)	419,466
Intangibles	47,522	1,797	(18)	49,301
Library books and media	123,698	1,870	(1,629)	123,939
Total	3,690,979	259,750	(21,890)	3,928,839
Less accumulated depreciation for:				
Buildings	(1,082,663)	(78,415)	(17,545)	(1,178,623)
Land improvements	(118,909)	(5,288)	115	(124,082)
Machinery and equipment	(307,548)	(27,099)	14,121	(320,526)
Intangibles	(38,909)	(5,019)	-	(43,928)
Library books and media	(119,373)	(2,115)	1,626	(119,862)
Total	(1,667,402)	(117,936)	(1,683)	(1,787,021)
Total assets being depreciated, net	2,023,577	141,814	(23,573)	2,141,818
Capital assets, net	\$2,401,582	\$285,337	(\$181,783)	\$2,505,136

In 2020, the total amount recognized as a loss on disposal of assets was immaterial.

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.

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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2020

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, 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, with the proceeds used to defease the 2010A bonds which has an outstanding balance of \$26.6 at the time of the issuance of the 2017A bonds. The 2010A bonds will not be called until fiscal 2021 (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 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.

System long-term debt activity for the year ended June 30, 2020 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%	2020	\$ 60,135	\$ 1,475	\$ -	\$ (1,475)	\$ -	\$ -
Universities Revenue Bonds, Series 2009A	3.00% to 5.25%	2021	18,140	1,430	-	(700)	730	730
Universities Revenue Bonds, Series 2010A	2.00% to 7.90%	2021	29,455	1,550	-	(760)	790	790
Universities Revenue Bonds, Series 2010A	2.00% to 7.90%	2021	26,575	26,575	-	-	26,575	26,575
Universities Revenue Bonds, Series 2011A	2.25% to 5.00%	2025	50,470	15,995	-	(5,960)	10,035	4,865
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	1,565	-	(615)	950	630
Universities Revenue Bonds, Series 2013A	2.00% to 5.00%	2034	40,035	31,440	-	(1,365)	30,075	1,435
Universities Revenue Bonds, Series 2013B	3.00% to 5.00%	2036	105,300	93,745	-	(5,640)	88,105	5,875
Universities Revenue Bonds, Series 2014A	4.00% to 5.00%	2044	49,995	45,180	-	(1,460)	43,720	1,535
Universities Revenue Bonds, Series 2015A	3.00% to 5.00%	2036	61,455	61,455	-	(170)	61,285	1,045
Universities Revenue Bonds, Series 2015B	2.00% to 3.00%	2027	7,480	6,105	-	(710)	5,395	720
Universities Revenue Bonds, Series 2016A	2.00% to 5.00%	2039	57,750	57,550	-	(100)	57,450	1,630
Universities Revenue Bonds, Series 2016B	2.50% to 5.00%	2037	13,580	13,100	-	(505)	12,595	530
Universities Revenue Bonds, Series 2017A	3.25% to 5.00%	2041	25,905	25,905	-	-	25,905	-
Universities Revenue Bonds, Series 2019A	3.00% to 5.00%	2050	18,640	-	18,640	-	18,640	-
C. College Revenue Bonds, Series 2017A	3.00% to 5.00%	2048	70,915	68,715	-	(1,235)	67,480	1,300
Certificates of Participation, Series 2014A	2.00% to 5.00%	2045	34,220	31,375	-	(735)	30,640	775
Certificates of Participation, Series 2016A	2.00% to 5.00%	2047	63,095	59,020	-	(2,620)	56,400	2,755
Certificates of Participation, Series 2016B	1.65% to 4.72%	2047	50,405	48,405	-	(1,025)	47,380	1,045
Certificates of Participation, Series 2017A	3.00% to 5.00%	2048	28,890	28,030	-	(505)	27,525	530
Certificates of Participation, Series 2018A	3.00% to 5.00%	2049	12,475	12,475	-	(110)	12,365	230
Certificates of Participation, Series 2020A	3.00% to 5.00%	2051	52,620	-	52,620	-	52,620	-
SNSC Phase II Lease Revenue Bonds	7.58%	2023	\$ 8,460	2,824	-	(629)	2,195	680
Discounts				(4)	-	2	(2)	(1)
Premiums				41,362	4,889	(3,497)	42,754	3,342
Total Bonds Payable				701,237	76,149	(29,814)	747,572	57,016
Notes Payable				57,683	3,200	(17,494)	43,389	12,305
Total				\$ 758,920	\$ 79,349	\$ (47,308)	\$ 790,961	\$ 69,321

NEVADA SYSTEM OF HIGHER EDUCATION
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FOR THE YEAR ENDED JUNE 30, 2020

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

System notes payable activity for the year ended June 30, 2020 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	\$3,199
Wells Fargo Bank, UNLV Hotel College Academic Bldg	Variable***	12/15/2015	1/3/2023	Maximum 19,900	3,972
Wells Fargo Bank, UNR MEBD Refunding	1.80%	4/21/2016	1/2/2026	7,570	5,129
Wells Fargo Bank, UNR Scoreboard	2.01%	5/5/2016	3/1/2021	3,305	116
Key Government Finance, Inc., UNR Fine Arts Bldg	2.02%	4/20/2017	7/1/2022	11,326	6,914
US Bank, UNLV SOM funding	Variable****	6/28/2017	6/28/2024	Maximum 19,000	10,533
ZionsBankcorp, UNLV Football facility	1.98%	11/9/2017	7/1/2023	\$15,297	9,653
ZionsBankcorp, UNR Football facility	2.25%	1/9/2020	7/1/2029	\$3,200	3,200
Other notes payable	1.74% - 5.16%	Various	Various	Various	673
					<u>\$43,389</u>

***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.

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>
2021	\$ 65,980	\$ 25,566	\$ 91,546
2022	39,464	23,417	62,881
2023	37,444	22,108	59,552
2024	33,053	20,788	53,841
2025	30,340	19,471	49,811
2026-2030	144,138	79,390	223,528
2031-2035	154,225	50,831	205,056
2036-2040	105,900	27,675	133,575
2041-2045	85,610	13,093	98,703
2046-2050	48,750	2,664	51,414
2051-2055	3,305	50	3,355
Thereafter	-	-	-
	<u>748,209</u>	<u>285,053</u>	<u>1,033,262</u>
Discounts	(2)	-	(2)
Premiums	<u>42,754</u>	<u>-</u>	<u>42,754</u>
	<u>\$ 790,961</u>	<u>\$ 285,053</u>	<u>\$ 1,076,014</u>

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

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

Various outstanding notes from direct borrowings and direct placements of the System in the combined amount of \$3,163 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 by an office building as collateral. Various outstanding notes from direct borrowings and direct placements of the System in the combined amount of \$2,787 are secured by computers and network equipment as collateral. An outstanding note from direct borrowings and direct placements of the System in the amount of \$1,353 is secured by instructional equipment as collateral. Various outstanding notes from direct borrowings and direct placements of the System in the combined amount of \$33,026 contain provisions that in an event of default, the respective interest rates are reset to a higher default rate.

Obligation	Maturity	Outstanding (\$)	Unused Line of Credit (\$)	Pledged Assets?	Finance-Related EOD Consequences?		Finance-Related Termination Events?	Subjective Acceleration Clause(s)?
					Interest Rate/Other	Acceleration		
DRI – Dell PowerVault Lease	11/01/20	32	n/a	Yes-Note IX	No	No	No	No
UNR – Scoreboard Note	03/01/21	116	n/a	No	Yes-Note II	No	No	No
DRI – Dell Supercomputer Lease	05/01/21	58	n/a	Yes-Note IX	No	No	No	No
DRI – Citrix Lease	08/01/21	126	n/a	Yes-Note IX	No	No	No	No
GBC – Apartment Complex Note	11/01/21	245	n/a	No	Yes-Note VIII	Yes-Note VIII	No	No
DRI – Southern Nevada Science Park Note	12/01/21	232	n/a	No	Yes-Note VIII	Yes-Note VIII	No	No
UNR – Fine Arts Bldg. Note	07/01/22	6,914	n/a	No	Yes-Note III	No	No	No
UNLV – HAB Note	07/01/22	3,972	n/a	No	Yes-Note IV	No	No	No
DRI – CRVB	07/01/22	196	n/a	No	Yes-Note VIII	Yes-Note VIII	No	No
CSN – Cisco Equipment Lease	10/14/22	2,490	n/a	Yes-Note VII	Yes-Note VII	Yes-Note VII	No	No
CSN – Las Vegas “A” & “B” Note	06/01/23	3,199	n/a	No	Yes-Note VI	No	No	No
UNLV – UNLV Medicine Note	07/01/23	10,533	n/a	No	Yes-Note V	No	No	No
UNLV – Football Complex Note	07/01/23	9,653	n/a	No	No	No	No	No
DRI – Dell Equipment Lease	01/31/24	81	n/a	Yes-Note X	Yes-Note X	No	No	No
NSC – Laerdal Equipment Lease	02/01/25	1,353	n/a	Yes-Note XI	Yes-Note XI	No	No	No
UNR – MEB Refunding Note	01/02/26	5,129	n/a	No	Yes-Note II	No	No	No
UNR – 450 Sinclair Lease	01/01/27	914	n/a	Yes-Note I	No	No	No	No
UNR – Athletics Note	07/01/29	3,200	n/a	No	No	No	No	No

- I. Property located at 450 Sinclair Street represents additional security for the lease.
- II. Upon the occurrence and continuance of an Event of Default, the Note will bear interest at the Default Rate, which consists of the summation of the following: (A) three percent (3.0%), and (B) the greatest of (i) the Prime Rate (as defined in Exhibit A of the Note) plus one percent (1.0%), (ii) the Federal Funds Rate (as defined in Exhibit A of the Note) plus two percent (2.0%), and (iii) seven percent (7.0%).
- III. Upon the occurrence and continuance of an Event of Default, the Note will bear interest at a rate of 6.02%.
- IV. Upon the occurrence and continuance of an Event of Default, the Note will bear interest at the Default Rate, which is defined Continuing Covenant Agreement as the summation of the following: (A) three percent (3.0%), and (B) the greatest of (i) the Prime Rate (as defined in the Continuing Covenant Agreement) plus one percent (1.0%), (ii) the Federal Funds Rate (as defined in the Continuing Covenant Agreement) plus two percent (2.0%), and (iii) seven percent (7.0%).
- V. Upon the occurrence of an Event of Default, the interest rate shall increase to the Default Rate, which is the summation of the following: (A) four hundred basis point (4.0%), and (B) the greatest of (i) the Prime Rate (as defined in the Credit Agreement) plus two percent (2.0%), the Monthly Reset LIBOR Rate (as defined in the Credit Agreement) plus two percent (2.0%), and (iii) five percent (5.0%).
- VI. Upon occurrence of an Event of Default, the interest rate on the Note may be increased by three hundred basis points (3.0%) per annum.
- VII. Assets pledged include equipment purchased with proceeds of the lease, as described in Exhibit A to the lease agreement. Upon Event of Default, payments due in the current fiscal year are accelerated and immediately due. Interest rate increases to lesser of 12% or maximum allowed by law.
- VIII. If an Event of Default shall have occurred, the owner may declare the unpaid principal balance of the Note, together with interest thereon, to be then fully due and payable.
- IX. Assets pledged include equipment purchased with proceeds of the lease, as described in Exhibit A to the lease agreement.
- X. Assets pledged include equipment purchased with proceeds of the lease. Upon an event of default, the Lessor may declare immediately due and payable as a pre-estimate of liquidated damages for loss of bargain and not as a penalty, the Stipulated Loss Value of the Products in lieu of any further Rent.
- XI. Assets pledged include equipment purchased with proceeds of the lease. Upon an event of default, the Lessor may by notice in writing to Lessee, as liquidated damages for the loss of bargain and not as a penalty, accelerate and declare to be immediately due and payable the Stipulated Loss Value.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

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 2021 to 2043.

System obligations under capital leases were as follows for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current</u>
Capital lease obligations	<u>\$52,104</u>	<u>\$1,588</u>	<u>\$(2,283)</u>	<u>\$51,409</u>	<u>\$2,600</u>

The following System property included in the accompanying combined financial statements was leased under capital leases as of June 30, 2020:

Construction in progress	\$1,483
Buildings and improvements	51,796
Machinery and equipment	<u>5,252</u>
Total	58,531
Less accumulated depreciation	<u>(5,543)</u>
Total	<u>\$52,988</u>

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

2021	\$ 5,057
2022	4,827
2023	3,806
2024	3,863
2025	3,704
2026-2030	17,184
Thereafter	<u>46,135</u>
Total minimum lease payments	<u>84,576</u>
Less amount representing interest	<u>(33,167)</u>
Obligations under capital leases	<u>\$51,409</u>

Total interest expense under the System capital leases and included in the accompanying combined financial statements was \$2,445 during the year ended June 30, 2020. 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. NSC has entered into a ground lease and a lease purchase agreement for certain facilities, and in the event of a default on the lease purchase agreement all leasehold improvements will become property of the leaseholder. Upon termination of the ground lease, which will occur no later than November 2048, the encumbrance upon the leasehold improvements is extinguished and the leasehold improvements revert to the ownership of NSC.

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 \$8,803 for year ended June 30, 2020.

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

2021	\$ 13,099
2022	8,431
2023	7,431
2024	4,654
2025	2,964
2026-2030	10,450
2031-2035	<u>2,442</u>
Total future minimum obligation	<u>\$ 49,471</u>

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Unemployment insurance	\$1,284	\$1,010	\$(1,062)	\$1,232
Workers compensation	<u>3,057</u>	<u>3,383</u>	<u>(3,057)</u>	<u>3,383</u>
Total	<u>\$4,341</u>	<u>\$4,393</u>	<u>\$(4,119)</u>	<u>\$4,615</u>

NOTE 14 – System Other Noncurrent Liability Activity:

The activity with respect to System other noncurrent liabilities for the year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current
Refundable advances under federal loan program	\$ 7,303	\$ 261	\$ (2,194)	\$ 5,370	\$ -
Compensated Absences	55,048	41,571	(32,740)	63,879	42,762
Unearned Revenue	60,498	48,300	(53,937)	54,861	54,399
Other noncurrent liabilities	624	-	-	624	-
Total	<u>\$ 123,473</u>	<u>\$ 90,132</u>	<u>\$ (88,871)</u>	<u>\$ 124,734</u>	<u>\$ 97,161</u>

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, 2020, \$1,195 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, 2020.

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, 2020 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, 2020.

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.

NEVADA SYSTEM OF HIGHER EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 17 – System Pension Plans (continued):

The System's contribution to all retirement plans for the year ended June 30, 2020 was \$128,832, 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.

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, 2020 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, 2020 the System reported a liability of \$414,036 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, 2020. The System's proportionate share is 3.04%.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 17 – System Pension Plans (continued):

For the year ended June 30, 2020 the System recognized pension expense of \$16,420. At June 30, 2020 the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,526	\$ 11,675
Net difference between projected and actual investment earnings on pension plan investments	-	20,136
Changes in assumptions	16,850	-
Changes in proportion and differences between actual contributions and proportionate share of contributions	19,088	728
System contributions subsequent to the measurement date	30,564	-
	<u>\$ 82,028</u>	<u>\$ 32,539</u>

In 2020 \$30,564 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:

2021	\$134,780
2022	(908,084)
2023	249,473
2024	309,038
2025	175,630
2026	20,238
Thereafter	-
	<u>(\$18,925)</u>

Actuarial Assumptions

The PERS net pension liability was measured as of June 30, 2019 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%
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, 2019 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, 2019 valuation were based on the results of the experience review completed in 2019.

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)
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 17 – System Pension Plans (continued):

The following was the PERS Board adopted policy target asset allocation as of June 30, 2019:

<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%	5.50%
Domestic Fixed Income	28%	0.75%
Private Markets	12%	6.65%

*As of June 30, 2019, 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, 2019. 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, 2019, 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, 2019.

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	\$641,086	\$414,036	\$225,301

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.

On December 20, 2019, there was a change in law, which repealed the excise "Cadillac" tax. The PEBP valuation has not taken this into account; this may have an impact on future OPEB obligations.

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.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

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

The following individuals and their dependents are eligible to receive benefits from the Retirees' Fund:

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, 2020 was 2.35%. NSHE contributions recognized as part of OPEB expense for the current fiscal year ended June 30, 2020 were \$17,715.

OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2020, NSHE reported a liability of \$569,268 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of July 1, 2019, 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, 2020, the NSHE's proportion was 40.8493%.

For the year ended June 30, 2020, NSHE recognized OPEB expense of \$37,523. At June 30, 2020, 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
Liability Experience	\$ -	\$ 10,171
Changes in assumption	12,266	24,316
Net difference between projected and actual earnings in OPEB plan investments	-	97
System contributions subsequent to the measurement date	17,715	-
Total	<u>\$ 29,981</u>	<u>\$ 34,584</u>

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

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

Of the total amount reported as deferred outflows of resources related to OPEB, \$17,715 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, 2020. 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:

2021	\$	(11,369)
2022		(9,446)
2023		(1,923)
2024		420
Thereafter		-
Total	\$	<u>(22,318)</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
Health Care 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 4.50%, 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, 2020, the balance of the investments held by the Fund was \$1,844 and the net position restricted for other postemployment benefits was \$(5,652).

Discount rate

The discount rate used to measure the total OPEB liability was 3.51%, 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, 2019 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, 2020, 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 3.51%.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

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 2.51% or 1-percentage-point higher 4.51% than the current discount rate:

	1% Decrease 2.51%	Discount Rate 3.51%	1% Increase 4.51%
NSHE's proportionate share of the collective net OPEB liability	\$627,664	\$569,268	\$518,604

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:

	1% Decrease	Trend Rates	1% Increase
NSHE's proportionate share of the collective net OPEB liability	\$528,158	\$569,268	\$618,103

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, 2020, NSHE reported payables to the defined benefit OPEB plan of \$1,608 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, 2020 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, 2020 is \$73,815. 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, 2020

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. 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 23, 2020, the date of issuance, and has determined the following subsequent events to report.

Since March 17, 2020, the spread of COVID-19 has severely impacted our state economy and resulted in reductions in state appropriations and revenues generated from operations. Measures taken to contain the spread of the virus included placing capital projects on hold, furloughs, travel bans, quarantines, social distancing, and closures of non-essential services. The U.S. Government has responded with monetary and fiscal interventions to stabilize the economic conditions. In Fiscal 2020 the universities and colleges have received direct awards for Fiscal 2020 with student financial aid and essential services. Those funds are reported in the financial statements as of June 30, 2020. The U.S. Government also provided direct awards to the State of Nevada. The State requested all state agencies submit invoices that met the criteria for reimbursement established by the U.S. Government. The universities and colleges submitted \$11,100 in invoices. As of June 30, 2020, the date of these financial statements, the authority to receive that reimbursement had not been established by the State and is not included in these statements. The reimbursement was approved by the State in August of 2020 (Fiscal 2021) and will be include in next year financial statements. The System has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended June 30, 2020 have not been adjusted to reflect their impact.

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, 2020.

Instruction	\$ 711,136
Research	143,912
Public service	80,363
Academic support	193,179
Institutional support	204,201
Student services	179,737
Operation and maintenance of plant	148,058
Scholarships and fellowships	134,304
Auxiliary enterprises	87,772
Depreciation	117,218
Total	<u><u>\$ 1,999,880</u></u>

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020**

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, UNLV Medicine 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, 2020

NOTE 23 - System Related Organizations

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
 NET POSITION AS OF JUNE 30, 2020

	CSN	DRI	DRI	GBC	NSC	TMCC	UNLV	UNLV	Rebel
	Foundation	Foundation	Research	Foundation	Foundation	Foundation	Foundation	Research	Golf
	Foundation	Foundation	Park	Foundation	Foundation	Foundation	Foundation	Foundation	Foundation
ASSETS									
Current Assets									
Cash and cash equivalents	\$ 234	\$ 319	\$ 1	\$ 136	\$ 119	\$ 274	\$ 7,263	\$ 282	\$ 190
Restricted cash and cash equivalents	3,549	-	-	2,476	733	1,940	-	-	-
Short-term investments	2,519	-	-	739	985	265	44,345	2,069	5,692
Accounts receivable, net	-	14	-	-	-	28	-	-	-
Pledges receivable, net	682	-	-	2,408	1,122	66	19,079	-	-
Patient accounts receivable, net	-	-	-	-	-	-	-	-	-
Current portion of loans receivable, net	1	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-
Deposits and prepaid expenditures, current	38	-	-	-	4	-	22	3	-
Due from affiliates (SROs)	-	-	-	-	-	-	17,318	-	-
Other current assets	-	-	-	68	-	88	617	148	-
Total Current Assets	7,023	333	1	5,827	2,963	2,661	88,644	2,502	5,882
Noncurrent Assets									
Investments	-	1,000	-	694	-	-	75,941	-	-
Restricted investments	2,631	-	-	6,960	1,315	-	-	-	-
Endowment investments	-	-	-	-	-	606	209,275	-	-
Loans receivable, net	27	-	-	-	-	-	-	-	-
Capital assets, net	-	486	-	-	-	-	366	3,873	-
Pledges receivable, net	122	-	-	3,034	3,036	20	24,543	-	-
Other noncurrent assets	-	-	-	-	-	-	11,937	2,728	-
Total Noncurrent Assets	2,780	1,486	-	10,688	4,351	626	322,062	6,601	-
TOTAL ASSETS	9,803	1,819	1	16,515	7,314	3,287	410,706	9,103	5,882
DEFERRED OUTFLOWS OF RESOURCES									
Intra-entity sales of future revenues	-	-	-	-	-	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-
LIABILITIES									
Current Liabilities									
Accounts payable	-	-	-	4	-	1	545	-	-
Accrued payroll and related liabilities	-	-	-	39	-	-	-	-	-
Current portion of long-term debt	-	-	-	-	-	-	-	-	-
Current portion of obligations under capital leases	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	3	-	13	-	-	114	-
Funds held in trust for others	-	-	-	-	-	88	-	-	-
Due to affiliates (SROs)	-	-	-	-	-	-	-	-	330
Other current liabilities	-	-	-	6	-	-	15,740	1	-
Total Current Liabilities	-	-	3	49	13	89	16,285	115	330
Noncurrent Liabilities									
Compensated absences	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	98	-	-	-	-	-	-
Long-term debt	-	-	-	-	-	-	-	-	-
Obligations under capital leases	-	-	-	-	-	-	-	-	-
Due to affiliates (SROs)	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities	-	-	-	-	-	-	655	-	-
Total Noncurrent Liabilities	-	-	98	-	-	-	655	-	-
TOTAL LIABILITIES	-	-	101	49	13	89	16,940	115	330
DEFERRED INFLOWS OF RESOURCES									
Split-interest agreements	-	-	-	-	-	-	857	-	-
Unearned lease revenue	-	-	-	-	-	-	-	6,526	-
TOTAL DEFERRED INFLOW OF RESOURCES	-	-	-	-	-	-	857	6,526	-
NET POSITION									
Net investment in capital assets	-	486	-	-	-	-	366	3,873	-
Restricted - Nonexpendable	2,658	107	-	4,736	1,315	2,632	165,885	-	-
Restricted - Expendable - Scholarships, research	5,753	-	-	3,693	-	-	218,005	-	-
Restricted - Expendable - Capital projects	-	-	-	6,821	-	-	-	-	-
Restricted - Expendable - Other	-	-	-	-	5,877	-	-	-	-
Unrestricted	1,392	1,226	(100)	1,216	109	566	8,653	(1,411)	5,552
TOTAL NET ASSETS	\$ 9,803	\$ 1,819	\$ (100)	\$ 16,466	\$ 7,301	\$ 3,198	\$ 392,909	\$ 2,462	\$ 5,552

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, 2020

NOTE 23 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS NET POSITION AS OF JUNE 30, 2020

	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Rebel Soccer Foundation	UNLV Singapore Limited	UNLV MED	UNR Foundation	UNR AAUN	Integrated Clinical Services, Inc.	WNC Foundation	Total System Related Organizations
ASSETS										
Current Assets										
Cash and cash equivalents	\$ 489	\$ 137	\$ 299	\$ 360	\$ 2,337	\$ 54,521	\$ 85	\$ 6,579	\$ 222	\$ 73,847
Restricted cash and cash equivalents	-	-	-	-	5,163	-	-	-	299	\$ 14,160
Short-term investments	1,814	1,503	237	5,379	-	191,271	8,117	1,561	-	\$ 266,496
Accounts receivable, net	73	-	-	-	1,655	-	-	-	-	\$ 1,770
Pledges receivable, net	-	-	-	-	-	4,230	98	-	6	\$ 27,691
Patient accounts receivable, net	-	-	-	-	6,991	-	-	1,425	-	\$ 8,416
Current portion of loans receivable, net	-	-	-	-	-	-	-	-	-	\$ 1
Inventories	-	-	-	-	295	-	-	-	-	\$ 295
Deposits and prepaid expenditures, current	10	-	-	2	89	-	-	-	-	\$ 168
Due from affiliates (SROs)	-	-	-	-	80	901	137	-	-	\$ 18,436
Other current assets	-	-	-	58	-	2,882	-	594	-	\$ 4,455
Total Current Assets	2,386	1,640	536	5,799	16,610	253,805	8,437	10,159	527	\$ 415,735
Noncurrent Assets										
Investments	-	-	-	-	-	-	-	-	-	\$ 77,635
Restricted investments	-	-	-	-	-	-	-	-	4,018	\$ 14,924
Endowment investments	-	-	812	-	-	44,841	-	-	-	\$ 255,534
Loans receivable, net	-	-	-	-	-	-	-	-	-	\$ 27
Capital assets, net	29	-	-	-	2,245	3	44	495	-	\$ 7,541
Pledges receivable, net	-	-	-	-	-	2,472	-	-	-	\$ 33,227
Other noncurrent assets	63	-	-	-	-	5,854	-	-	-	\$ 20,582
Total Noncurrent Assets	92	-	812	-	2,245	53,170	44	495	4,018	\$ 409,470
TOTAL ASSETS	2,478	1,640	1,348	5,799	18,855	306,975	8,481	10,654	4,545	\$ 825,205
DEFERRED OUTFLOWS OF RESOURCES										
Intra-entity sales of future revenues	-	-	-	-	185	-	-	-	-	\$ 185
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	185	-	-	-	-	\$ 185
LIABILITIES										
Current Liabilities										
Accounts payable	4	-	-	-	1,373	63	-	242	-	\$ 2,232
Accrued payroll and related liabilities	-	-	-	-	1,253	-	-	223	-	\$ 1,515
Current portion of long-term debt	-	-	-	-	-	-	-	340	-	\$ 340
Current portion of obligations under capital leases	-	-	-	-	254	-	-	-	-	\$ 254
Unearned revenue	-	-	-	-	-	-	-	-	-	\$ 130
Funds held in trust for others	-	-	-	-	-	-	-	-	-	\$ 88
Due to affiliates (SROs)	-	-	-	-	5,619	341	114	3,070	-	\$ 9,474
Other current liabilities	-	-	-	5	3,864	-	3	1,267	4,317	\$ 25,203
Total Current Liabilities	4	-	-	5	12,363	404	117	5,142	4,317	\$ 39,236
Noncurrent Liabilities										
Compensated absences	-	-	-	-	-	435	-	-	-	\$ 435
Unearned revenue	-	-	-	-	-	1,104	-	-	-	\$ 1,202
Long-term debt	-	-	-	-	-	-	-	1,262	-	\$ 1,262
Obligations under capital leases	-	-	-	-	199	-	-	-	-	\$ 199
Due to affiliates (SROs)	-	-	-	-	13,067	-	-	2,449	-	\$ 15,516
Other noncurrent liabilities	-	-	-	-	2,505	-	-	-	-	\$ 3,160
Total Noncurrent Liabilities	-	-	-	-	15,771	1,539	-	3,711	-	\$ 21,774
TOTAL LIABILITIES	4	-	-	5	28,134	1,943	117	8,853	4,317	\$ 61,010
DEFERRED INFLOWS OF RESOURCES										
Split-interest agreements	-	-	-	-	-	1,608	-	-	-	\$ 2,465
Unearned lease revenue	-	-	-	-	-	-	-	-	-	\$ 6,526
TOTAL DEFERRED INFLOW OF RESOURCES	-	-	-	-	-	1,608	-	-	-	\$ 8,991
NET POSITION										
Net investment in capital assets	29	-	-	-	1,907	3	44	209	-	\$ 6,917
Restricted - Nonexpendable	-	47	732	-	-	173,428	2,740	-	-	\$ 354,280
Restricted - Expendable - Scholarships, research	2	79	80	-	10	110,897	4,692	-	-	\$ 343,211
Restricted - Expendable - Capital projects	-	-	-	-	-	-	-	-	-	\$ 6,821
Restricted - Expendable - Other	-	-	-	-	-	-	-	-	-	\$ 5,877
Unrestricted	2,443	1,514	536	5,794	(11,011)	19,096	888	1,592	228	\$ 38,283
TOTAL NET ASSETS	\$ 2,474	\$ 1,640	\$ 1,348	\$ 5,794	\$ (9,094)	\$ 303,424	\$ 8,364	\$ 1,801	\$ 228	\$ 755,389

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, 2020

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 20, 2020

	CSN Foundation	DRI Foundation	DRI Research Park	GBC Foundation	NSC Foundation	TMCC Foundation	UNLV Foundation	UNLV Research Foundation	Rebel Golf Foundation
Operating Revenues									
Patient revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract revenue	-	-	-	-	-	-	-	-	-
Contributions	7,447	631	-	446	1,938	2,070	43,729	169	243
Campus support	-	259	27	57	-	201	3,857	-	-
Special events and fundraising	-	-	-	16	-	-	-	-	3
Other operating revenues	117	9	3	59	24	117	952	641	96
Total Operating Revenues	7,564	899	30	578	1,962	2,388	48,538	810	342
Operating Expenses									
Employee compensation and benefits	-	(399)	(20)	-	-	-	(3,838)	(160)	-
Supplies and services	(431)	(77)	(7)	-	-	-	(5,914)	(431)	(58)
Program expenses, System Related Organizations	-	-	-	(77)	(7,100)	(3,760)	(9,990)	-	(35)
Depreciation	-	-	-	-	-	-	(75)	(126)	-
Other operating expenses	-	(81)	-	(239)	(512)	(301)	-	-	-
Total Operating Expenses	(431)	(557)	(27)	(316)	(7,612)	(4,061)	(19,817)	(717)	(93)
Operating Income (Loss)	7,133	342	3	262	(5,650)	(1,673)	28,721	93	249
Nonoperating Revenues (Expenses)									
Investment Income, net	184	-	-	(74)	-	80	14,799	114	(148)
Payments to System campuses and divisions	(4,433)	(513)	-	(875)	-	-	(39,809)	-	(330)
Interest expense	-	-	-	-	-	-	-	-	-
Other nonoperating revenues (expenses)	-	1,115	-	-	6	-	(340)	-	-
Total Nonoperating Revenues (Expenses)	(4,249)	602	-	(949)	6	80	(25,350)	114	(478)
Income (Loss) Before Other Revenue (Expenses)	2,884	944	3	(687)	(5,644)	(1,593)	3,371	207	(229)
Other Revenues (Expenses)									
Additions to permanent endowments	-	-	-	95	-	-	10,274	-	-
Other Foundation revenues (expenses)	-	125	-	-	-	-	-	-	-
Total Other Revenues (Expenses)	-	125	-	95	-	-	10,274	-	-
Increase (Decrease) in Net Position	2,884	1,069	3	(592)	(5,644)	(1,593)	13,645	207	(229)
NET POSITION									
Net position - beginning of year	6,919	750	(103)	17,058	12,945	4,791	379,264	2,255	5,781
Net position - end of year	\$ 9,803	\$ 1,819	\$ (100)	\$ 16,466	\$ 7,301	\$ 3,198	\$ 392,909	\$ 2,462	\$ 5,552

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, 2020

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 20, 2020

	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Rebel Soccer Foundation	UNLV Singapore Unlimited	UNLV MED	UNR Foundation	UNR AAUN	Integrated Clinical Services, Inc.	WNC Foundation	Total System Related Organizations
Operating Revenues										
Patient revenue	\$ -	\$ -	\$ -	\$ -	\$ 37,904	\$ -	\$ -	\$ 8,053	\$ -	\$ 45,957
Contract revenue	-	-	-	-	16,120	-	-	4,793	-	20,913
Contributions	1,113	25	49	-	-	19,538	-	-	1,836	79,234
Campus support	-	-	-	-	-	4,923	-	-	199	9,523
Special events and fundraising	34	17	-	-	-	10,259	-	-	165	10,494
Other operating revenues	315	36	3	-	12,798	-	-	666	74	15,910
Total Operating Revenues	1,462	78	52	-	66,822	34,720	-	13,512	2,274	182,031
Operating Expenses										
Employee compensation and benefits	(1,082)	-	-	(43)	(23,393)	(5,003)	-	(3,743)	(302)	(37,983)
Supplies and services	(190)	(32)	(38)	(76)	(770)	(1,052)	-	-	-	(9,076)
Program expenses, System Related Organizations	(246)	(50)	(42)	-	(15,191)	(262)	(424)	(1,247)	(1,836)	(40,260)
Depreciation	(7)	(1)	-	-	(1,438)	(2)	(2)	(58)	-	(1,709)
Other operating expenses	-	-	-	-	-	-	(21)	-	(70)	(1,224)
Total Operating Expenses	(1,525)	(83)	(80)	(119)	(40,792)	(6,319)	(447)	(5,048)	(2,208)	(90,252)
Operating Income (Loss)	(63)	(5)	(28)	(119)	26,030	28,401	(447)	8,464	66	91,779
Nonoperating Revenues (Expenses)										
Investment Income, net	67	(10)	6	107	-	3,301	188	32	12	18,658
Payments to System campuses and divisions	-	-	-	-	(29,556)	(35,525)	-	(9,998)	-	(121,039)
Interest expense	-	-	-	-	(32)	-	-	-	-	(32)
Other nonoperating revenues (expenses)	-	-	-	-	1,633	-	-	350	-	2,764
Total Nonoperating Revenues (Expenses)	67	(10)	6	107	(27,955)	(32,224)	188	(9,616)	12	(99,649)
Income (Loss) Before Other Revenue (Expenses)	4	(15)	(22)	(12)	(1,925)	(3,823)	(259)	(1,152)	78	(7,870)
Other Revenues (Expenses)										
Additions to permanent endowments	-	-	-	-	-	3,100	41	-	-	13,510
Other Foundation revenues (expenses)	-	-	-	(175)	-	-	-	-	-	(50)
Total Other Revenues (Expenses)	-	-	-	(175)	-	3,100	41	-	-	13,460
Increase (Decrease) in Net Position	4	(15)	(22)	(187)	(1,925)	(723)	(218)	(1,152)	78	5,590
NET POSITION										
Net position - beginning of year	2,470	1,655	1,370	5,981	(7,169)	304,147	8,582	2,953	150	749,799
Net position - end of year	\$ 2,474	\$ 1,640	\$ 1,348	\$ 5,794	\$ (9,094)	\$ 303,424	\$ 8,364	\$ 1,801	\$ 228	\$ 755,389

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, 2020

NOTE 23 - System Related Organizations (continued):

UNR Foundation:

Cash and cash equivalents consist of the following as of June 30:

	2020
Cash and cash equivalents	\$ 1,223
Money market funds	53,299
	<u>\$ 54,522</u>

The fair value of investments consists of the following as of June 30:

	2020
Equity investments	\$ 1,022
Commingled funds	227,614
Certificates of deposits	1,370
Corporate bonds	3,717
U.S. Government securities	2,389
	<u>\$ 236,112</u>

At June 30, 2020, the Foundation's investments had the following maturities:

	Investment Maturities (in years)			
	Less than 1	1-5	6-21	Fair Value
Certificates of deposits	\$ 957	\$ 413	\$ -	\$ 1,370
Corporate bonds	3,514	203	-	3,717
U.S. Government securities	2,379	10	-	2,389
	<u>\$ 6,850</u>	<u>\$ 626</u>	<u>\$ -</u>	<u>\$ 7,476</u>

The Foundation's investment policy for operating cash is to exercise sufficient due diligence to minimize investing operating cash in instruments that will lack liquidity. The Foundation, through its Investment Managers, considers the cash to consist of both short-term and long-term funds. The short-term fund 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 funds are 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 secured by a promissory note with an appropriate interest rate. The intermediate term operating cash is invested in fixed income securities generally having an average maturity of three years or less in order to take advantage of higher yields, and include longer term certificates of deposit, government securities, or corporate notes.

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; and
- The relationship between current and projected assets of the Endowment and its spending requirements.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 23 - System Related Organizations (continued):

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.

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 asset allocation targets and ranges, exclusive of amounts transferred to the Endowment's operating account:

	<u>Min Wt.</u>	<u>Target Wt.</u>	<u>Max Wt.</u>
Global Equity	17%	20%	23%
Global Low Volatility Equity	7%	9%	11%
Private Equity	5%	12%	15%
Fixed Income	22%	27%	32%
Real Estate	8%	12%	15%
Real Assets	10%	15%	20%
Diversifying Strategies	2%	5%	8%
Cash	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 fair 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 meets quarterly to review the investments and has policies regarding acceptable levels of risk.

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.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 23 - System Related Organizations (continued):

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. Fixed income securities or obligations of the U.S. Government are not considered to have credit risk.

At June 30, 2020, the Foundation's investments had the following quality ratings:

	Quality Ratings			
	Fair Value	AAA - A-	BBB+ - B-	Unrated
Corporate Bonds	\$ 3,717	\$ 2,281	\$ 1,435	\$ -

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.

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, 2020, the Foundation's bank balances totaled \$54,500. Of this balance, \$1,500 was covered by depository insurance and/or collateralized and \$34,900 is held by State Street Government Securities, \$16,000 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 \$2,100 was uninsured and uncollateralized and, as a result, was subject to custodial credit risk at June 30, 2020.

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, 2020, the Foundation has commitments to acquire approximately \$30,600 in commingled funds.

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.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 23 - System Related Organizations (continued):

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, 2020 are:

	Level 1	NAV	Total
Investments			
Equity investments	\$ 1,022	\$ -	\$ 1,022
Commingled funds	70,139	157,491	227,630
Certificate of deposit	1,370	-	1,370
Corporate bonds	3,717	-	3,717
U.S. Government securities	2,389	-	2,389
	<u>\$ 78,637</u>	<u>\$ 157,491</u>	<u>\$ 236,128</u>
Residual interest in trusts			
Commingled funds	<u>\$ -</u>	<u>\$ 782</u>	<u>\$ 782</u>

The Foundation did not hold any investments fair valued using Level 2 or 3 inputs for the years ended June 30, 2020.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 23 - System Related Organizations (continued):

UNLV Foundation:

The UNLV Foundation discloses its deposits with financial institutions and investments 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 \$655 for the years ended June 30, 20 were netted against interest and dividends on the accompanying Statements of Support and Revenues, Expenses and Changes in Net Position.

Investments consist of the following at June 30:	2020
Mutual funds	\$ 35,144
Certificates of deposits	2,608
Equities	16,274
Collateralized securities	40,616
U.S. government obligations	41,429
U.S. corporate bonds	36,896
Alternative investments	147,547
Non-U.S. corporate bonds	9,045
Investment in securities at fair value	\$ 329,559

Investment in securities at fair value	2020
Investment in securities - Current	\$ 44,345
Investment in securities - Non-Current	285,216
Investment in securities at fair value	\$ 329,561

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, 2020, the total balance for the UNLV Foundation's cash and money market funds was \$7,263. Of this balance, \$603 at June 30, 2020 were covered by the Federal Deposit Insurance Corporation, and \$6,660 was uninsured at June 30, 2020. 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, 2020:

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 23 - System Related Organizations (continued):

June 30, 2020	Total	AAA	AA	AA	BBB	Below Investment Grade
Collateralized securities	\$ 40,617	\$ 38,190	\$ 2,336	\$ 91	\$ -	\$ -
U.S. corporate bonds	36,896	-	2,575	10,970	20,400	2,951
Non-U.S. corporate bonds	9,045	-	557	3,685	4,416	387
Total	\$ 86,558	\$ 38,190	\$ 5,468	\$ 14,746	\$ 24,816	\$ 3,338

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.

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, 2020 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, 2020 were 7.98. The fixed-income portfolio's average maturity was 9.05 years at June 30, 2020. Interest rates range from 0.99% to 2.65% for the year ended June 30, 2020.

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, 2020 8.0 years. The fixed-income portfolio's average maturity was 8.4 years at June 30, 2020. Interest rates range from 0% to 9.0% at June 30, 2020.

Investments at June 30, 2020	Maturity under 1 Year	Maturity 1 -5 Years	Maturity 6 - 10 Years	Maturity over 10 Years	Total
Mutual funds	\$ 31,138	\$ 4,006	\$ -	\$ -	\$ 35,144
Certificates of deposits	483	2,125	-	-	2,608
Collateralized securities	761	9,829	2,695	27,331	40,616
U.S. Government obligations	9,468	19,043	6,247	6,670	41,428
U.S corporate bonds	1,904	15,837	7,640	11,515	36,896
Non-U.S. corporate bonds	590	3,834	2,538	2,084	9,046
Investment in					
Securities at Fair Value	\$ 44,344	\$ 54,674	\$ 19,120	\$ 47,600	\$ 165,738

NEVADA SYSTEM OF HIGHER EDUCATION

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

FOR THE YEAR ENDED JUNE 30, 2020

NOTE 23 - System Related Organizations (continued):

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.

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 unobservable 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, U.S. Government securities, and Collateralized 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.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 23 - System Related Organizations (continued):

Assets measured at fair value on a recurring basis at June 30, 2020 are:

Investments at June 30, 2020	Level 1	Level 2	Level 3	NAV	Total
Alternative investment	\$ -	\$ -	\$ -	\$ 147,547	\$ 147,547
Mutual funds	35,144	-	-	-	35,144
Collateralized securities	-	40,616	-	-	40,616
U.S corporate bonds	36,896	-	-	-	36,896
Non-U.S. corporate bonds	9,045	-	-	-	9,045
Equities	16,275	-	-	-	16,275
Certificates of deposits	2,608	-	-	-	2,608
U.S. Government obligations	41,429	-	-	-	41,429
	\$ 141,397	\$ 40,616	\$ -	\$ 147,547	\$ 329,560
Investments in real estate	\$ -	\$ -	\$ 8,660	\$ -	\$ 8,660
Assets held in charitable remainder trusts					
Equities	\$ -	\$ -	\$ 1,173	\$ -	\$ 1,173

UNLV Medicine Inc.:

Patient Accounts Receivable

Patient accounts receivable represents receivables under various payment agreements with third-party commercial insurance companies, governmental payors, individual patients and others for services already rendered, and includes an allowance for contractual adjustments and uncollectible accounts which are charged to operations based upon management's estimates. Contractual adjustments result from the difference between gross charges and the established or negotiated rates for physician services performed and amounts management estimates to be collected by certain third-party commercial insurance companies, government sponsored health care programs and other third parties (not including personal guarantors of patients). Bad debt adjustments include amounts deemed uncollectible by management. Provisions for contractual adjustments and uncollectible amounts are estimated and recorded in the same period services are rendered.

The provisions for contractual adjustments and uncollectible accounts are determined based upon an evaluation of historical collection experience, anticipated reimbursement levels and other relevant factors. Adjustments and changes in estimates are recorded in the period in which they are determined.

Operating Revenues and Expenses

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result directly or indirectly from providing patient care in connection with the Organization's ongoing operations. The principal operating revenues of the Organization are net patient service revenue and contract revenue. Other revenue is consistent with pharmaceuticals and non-exchange transactions in which the Organization receives value without directly giving equal value in return, including federal, state, local grants and other contributions. Revenue from grants and other contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, matching requirements and expense requirements.

Operating expenses include the cost of the faculty, staff, administration, medical fees, supply expenses, and depreciation of property and equipment. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 23 - System Related Organizations (continued):

Net Patient Services Revenue

The Organization has agreements with third-party payors that provide for payments at amounts different from the Organization's established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare is a federal health insurance program that provides coverage for people 65 years and older, for certain disabled people, and for some people with End Stage Renal Disease. Medicare reimburses physician claims based on a resource based relative value scale ("RBRVS") that assigns values to procedures in relation to one another and is used to establish the Medicare fee schedule. The Medicare fee schedule determines how the Organization is paid.
- Medicaid is a medical coverage program jointly funded by both the states and the federal government for residents who qualify based on annual income that falls below the state or nationally indicted poverty level. The Organization is paid according to the Medicaid fee schedule.
- Commercial and Other Insurance – The Organization has entered into agreements with numerous nongovernmental third-party payors to provide patient care to beneficiaries under a variety of payment arrangements. These include contracts with commercial insurance companies and workers' compensation plans, which reimburse the Organization on a fee schedule, a percentage of billed charges, or a percentage of RBRVS.

Net patient service revenue is reported when services are provided to patients, including capitation payment arrangements, 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 include differences between established billing rates and amounts reimbursable under various contractual agreements. Contractual adjustments are recorded as deductions from professional fee revenue to arrive at net patient service revenue. Contractual adjustments were \$40,781 during the fiscal years ended June 30, 2020. The Organization also treats patients without insurance or provides elective surgery services that are not covered by third-party payors. Bad debt expenses of \$9,762 were incurred during the fiscal years ended June 30, 2020.

Contract Revenue

Contract revenue includes agreements the Organization has with various local hospitals and other organizations for on-call services and medical directorship. These agreements are based on specified rates. Contract revenue is recognized when services are performed.

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>2020</u>	<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>
System's proportion of the net pension liability	3.00%	2.92%	2.88%	2.89%	2.83%	2.81%				
System's proportionate share of the net pension liability	\$ 414,036	\$ 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	\$ 196,183	\$ 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	211.05%	212.47%	213.27%	227.68%	196.02%	180.49%				
PERS fiduciary net position as a percentage of the total net pension liability	324.76%	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 TOTAL NET PENSION LIABILITY (in \$1,000's)
Public Employees' Retirement System of Nevada Last 10 Fiscal Years
Last 10 Fiscal Years

	<u>2020</u>	<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>
Contractual required contribution	\$ 30,564	\$ 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	(30,564)	(28,549)	(27,030)	(43,152)	(35,756)	(29,901)				
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (8,696)	\$ (2,632)	\$ -				
System's covered-employee payroll	\$ 200,838	\$ 196,183	\$ 187,737	\$ 179,694	\$ 171,007	\$ 165,653				
Contributions as a percentage of covered-employee payroll	15.22%	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 OPEB LIABILITY (in \$1,000's)
State of Nevada Retirees' Health Welfare Benefits Plan
Last 10 Fiscal Years

	<u>2020</u>	<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>
System's proportion of the net OPEB liability	40.85%	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	569,268	518,254	489,754							
System's covered-employee payroll	757,182	711,803	625,454							
System's proportion share of the net OPEB liability as a percentage of its covered-employee payroll	75.18%	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%	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 OPEB LIABILITY (in \$1,000's)
State of Nevada Retirees' Health Welfare Benefits Plan
Last 10 Fiscal Years

	<u>2020</u>	<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>
Contractual required contributions	\$ 17,794	\$ 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	(17,716)	(16,656)	(15,702)							
Contribution deficiency(excess)	<u>\$ 78</u>	<u>\$ 71</u>	<u>\$ (13)</u>							
System's covered-employee payroll	\$ 757,182	\$ 711,803	\$ 667,622							
Contributions as a percentage of covered-employee payroll	2.35%	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 Pay
Asset Valuation Method	Market Value of Assets
Retirement Age**	63
Mortality	Pre-Retirement: Headcount-weighted RP-2014 table projected to 2020 with Scale MP-2016. Post-Retirement: Headcount-weighted RP-2014 Healthy Annuitant table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries

** 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, 2020

	<u>CSN</u>	<u>DRI</u>	<u>GBC</u>	<u>NSC</u>	<u>SA</u>	<u>TMCC</u>
<u>ASSETS</u>						
Current Assets						
Cash and cash equivalents	\$ 5,467	\$ 1,319	\$ 610	\$ 1,864	\$ 80,427	\$ 2,028
Restricted cash and cash equivalents	-	141	-	-	-	-
Short-term investments	59,193	27,802	5,580	10,499	28,413	25,508
Accounts receivable, net	6,219	1,778	1,219	723	153	1,598
Receivable from U.S. Government	4,195	2,462	140	456	405	1,095
Receivable from State of Nevada	482	106	252	(31)	123	1,277
Receivable from other institutions	-	28	38	(89)	260	8
Current portion of loans receivable, net	-	-	-	-	-	-
Due from System Related Organizations	-	-	-	-	-	-
Inventories	558	-	-	-	-	40
Deposits and prepaid expenditures, current	1,149	70	6	(2)	4,148	20
Other current assets	-	-	-	-	-	72
Total Current Assets	<u>77,263</u>	<u>33,706</u>	<u>7,845</u>	<u>13,420</u>	<u>113,929</u>	<u>31,646</u>
Noncurrent Assets						
Due from System Related Organizations	-	-	-	-	-	-
Cash held by State Treasurer	1,727	-	316	1,984	162	860
Restricted cash and cash equivalents	518	-	-	-	-	-
Receivable from State of Nevada	63,431	-	75	43,560	38	-
Endowment investments	5,999	32,762	708	-	9,101	10,592
Deposits and prepaid expenditures	14	39	-	-	-	-
Loans receivable, net	-	-	-	-	-	-
Capital assets, net	264,563	52,863	34,673	83,830	10,107	79,231
Total Noncurrent Assets	<u>336,252</u>	<u>85,664</u>	<u>35,772</u>	<u>129,374</u>	<u>19,408</u>	<u>90,683</u>
TOTAL ASSETS	<u>413,515</u>	<u>119,370</u>	<u>43,617</u>	<u>142,794</u>	<u>133,337</u>	<u>122,329</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
OPEB related	3,191	881	501	541	748	1,243
Loss on bond refunding	-	-	-	-	-	-
Pension related	11,710	2,437	1,725	1,328	2,316	3,924
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>14,901</u>	<u>3,318</u>	<u>2,226</u>	<u>1,869</u>	<u>3,064</u>	<u>5,167</u>
<u>LIABILITIES</u>						
Current Liabilities						
Accounts payable	4,196	548	315	1,933	2,197	510
Accrued payroll and related liabilities	8,922	2,287	1,190	2,065	2,073	3,199
Unemployment insurance and workers' compensation	414	86	151	43	20	188
Due to State of Nevada	-	45	-	-	-	-
Due to other institutions	2,375	595	356	515	(20,969)	803
Due to System Related Organizations	-	-	-	-	-	-
Current portion of compensated absences	3,782	3,326	481	282	1,152	1,810
Current portion of long-term debt	2,494	962	163	-	-	462
Current portion of obligations under capital leases	798	169	-	1,432	-	-
Accrued interest payable	1,325	24	-	116	-	329
Unearned revenue	6,000	3,056	375	2,068	82	931
Funds held in trust for others	263	-	63	18	-	98
Other current liabilities	-	-	-	-	-	-
Total Current Liabilities	<u>30,569</u>	<u>11,098</u>	<u>3,094</u>	<u>8,472</u>	<u>(15,445)</u>	<u>8,330</u>
Noncurrent Liabilities						
Refundable advances under federal loan programs	-	-	-	-	-	-
Compensated absences	1,349	849	240	1,209	739	479
Long-term debt	72,219	1,661	82	-	-	16,306
Obligations under capital leases	1,692	127	-	46,277	-	-
Unearned revenue	-	-	-	-	-	-
Net pension liability	56,265	13,191	8,937	6,378	11,547	20,175
Net OPEB Liability	60,595	16,717	9,504	10,272	14,212	23,613
Other noncurrent liabilities	-	-	-	624	-	-
Total Noncurrent Liabilities	<u>192,120</u>	<u>32,545</u>	<u>18,763</u>	<u>64,760</u>	<u>26,498</u>	<u>60,573</u>
TOTAL LIABILITIES	<u>222,689</u>	<u>43,643</u>	<u>21,857</u>	<u>73,232</u>	<u>11,053</u>	<u>68,903</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Service Concession Arrangements	-	-	-	-	-	-
OPEB Related	3,681	1,016	577	624	863	1,435
Gain on bond refunding	-	-	-	-	-	-
Pension related	3,832	1,134	777	448	1,066	1,824
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,513</u>	<u>2,150</u>	<u>1,354</u>	<u>1,072</u>	<u>1,929</u>	<u>3,259</u>
<u>NET POSITION</u>						
Net investment in capital assets	187,360	50,161	36,035	31,712	10,107	62,463
Restricted - Nonexpendable	2,395	23,511	708	-	7,151	5,304
Restricted - Expendable - Scholarships, research and instruction	7,780	16,101	(535)	1,187	3,301	6,154
Restricted - Expendable - Loans	-	-	11	(107)	28	53
Restricted - Expendable - Capital projects	65,214	686	1,199	37,948	206	997
Restricted - Expendable - Debt service	1,036	-	471	5,540	-	410
Unrestricted	(65,571)	(13,564)	(15,257)	(5,921)	102,626	(20,047)
TOTAL NET POSITION	<u>\$ 198,214</u>	<u>\$ 76,895</u>	<u>\$ 22,632</u>	<u>\$ 70,359</u>	<u>\$ 123,419</u>	<u>\$ 55,334</u>

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, 2020

	UNLV	UNR	WNC	Eliminations	TOTAL
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 5,767	\$ 24,777	\$ 1,316	\$ -	\$ 123,575
Restricted cash and cash equivalents	-	-	-	-	141
Short-term investments	347,086	123,392	5,044	-	632,517
Accounts receivable, net	14,028	59,320	561	-	85,599
Receivable from U.S. Government	20,493	29,368	43	-	58,657
Receivable from State of Nevada	2,735	2,616	424	-	7,984
Receivable from other institutions	-	-	6	(251)	-
Current portion of loans receivable, net	317	932	2	-	1,251
Due from System Related Organizations	5,949	3,260	-	265	9,474
Inventories	1,866	2,756	-	-	5,220
Deposits and prepaid expenditures, current	8,403	4,991	(3)	-	18,782
Other current assets	1,442	54	-	-	1,568
Total Current Assets	408,086	251,466	7,393	14	944,768
<i>Noncurrent Assets</i>					
Due from System Related Organizations	13,067	2,449	-	-	15,516
Cash held by State Treasurer	15,464	5,004	-	-	25,517
Restricted cash and cash equivalents	29,111	53,609	-	-	83,238
Receivable from State of Nevada	708	8,614	-	-	116,426
Endowment investments	52,520	129,162	254	-	241,098
Deposits and prepaid expenditures	102	-	-	-	155
Loans receivable, net	1,882	3,541	-	-	5,423
Capital assets, net	959,156	996,427	24,286	-	2,505,136
Total Noncurrent Assets	1,072,010	1,198,806	24,540	-	2,992,509
TOTAL ASSETS	1,480,096	1,450,272	31,933	14	3,937,277
DEFERRED OUTFLOWS OF RESOURCES					
OPEB related	12,410	10,051	415	-	29,981
Loss on bond refunding	3,942	7,162	-	-	11,104
Pension related	28,575	28,039	1,973	-	82,027
TOTAL DEFERRED OUTFLOWS OF RESOURCES	44,927	45,252	2,388	-	123,112
LIABILITIES					
<i>Current Liabilities</i>					
Accounts payable	14,133	17,846	314	-	41,992
Accrued payroll and related liabilities	35,532	27,981	1,024	-	84,273
Unemployment insurance and workers' compensation	1,899	1,688	126	-	4,615
Due to State of Nevada	-	-	-	-	45
Due to other institutions	9,120	7,175	288	(258)	-
Due to System Related Organizations	17,398	887	-	151	18,436
Current portion of compensated absences	17,901	13,418	610	-	42,762
Current portion of long-term debt	23,324	41,916	-	-	69,321
Current portion of obligations under capital leases	-	201	-	-	2,600
Accrued interest payable	4,950	8,534	-	-	15,278
Unearned revenue	22,449	18,688	750	-	54,399
Funds held in trust for others	1,538	977	153	-	3,110
Other current liabilities	153	467	-	121	741
Total Current Liabilities	148,397	139,778	3,265	14	337,572
<i>Noncurrent Liabilities</i>					
Refundable advances under federal loan programs	2,264	3,106	-	-	5,370
Compensated absences	9,159	6,879	214	-	21,117
Long-term debt	234,236	397,136	-	-	721,640
Obligations under capital leases	-	713	-	-	48,809
Unearned revenue	462	-	-	-	462
Net pension liability	137,610	149,711	10,222	-	414,036
Net OPEB Liability	235,634	190,836	7,885	-	569,268
Other noncurrent liabilities	-	-	-	-	624
Total Noncurrent Liabilities	619,365	748,381	18,321	-	1,781,326
TOTAL LIABILITIES	767,762	888,159	21,586	14	2,118,898
DEFERRED INFLOWS OF RESOURCES					
Service Concession Arrangements	1,265	-	-	-	1,265
OPEB Related	14,315	11,594	479	-	34,584
Gain on bond refunding	-	96	-	-	96
Pension related	9,393	13,165	900	-	32,539
TOTAL DEFERRED INFLOWS OF RESOURCES	24,973	24,855	1,379	-	68,484
NET POSITION					
Net investment in capital assets	736,087	614,809	24,443	-	1,753,177
Restricted - Nonexpendable	12,091	39,465	272	-	90,897
Restricted - Expendable - Scholarships, research and instruction	48,806	85,379	(157)	-	168,016
Restricted - Expendable - Loans	626	5,773	180	-	6,564
Restricted - Expendable - Capital projects	8,080	71,059	(51)	-	185,338
Restricted - Expendable - Debt service	12,749	11,973	-	-	32,179
Unrestricted	(86,151)	(245,948)	(13,331)	-	(363,164)
TOTAL NET POSITION	\$ 732,288	\$ 582,510	\$ 11,356	\$ -	\$ 1,873,007

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, 2020

	<u>CSN</u>	<u>DRI</u>	<u>GBC</u>	<u>NSC</u>	<u>SA</u>	<u>TMCC</u>
Operating Revenues						
Student tuition and fees (net of scholarship allowance of \$193,121)	\$ 55,252	\$ -	\$ 7,117	\$ 14,286	\$ -	\$ 17,997
Federal grants and contracts	6,304	19,952	840	2,302	715	4,756
State grants and contracts	4,856	1,676	1,811	1,320	261	2,183
Local grants and contracts	-	-	-	-	-	-
Other grants and contracts	76	8,403	642	-	117	42
Sales and services of educational departments (including \$41,544 from System Related Organizations)	1,606	270	152	7	2,383	426
Sales and services of auxiliary enterprises (net of scholarship allowance of \$6,222)	1,105	-	399	77	-	1,510
Interest earned on loans receivable	-	-	-	-	-	-
Other operating revenues	1,507	1,386	152	197	9,849	272
Total Operating Revenues	<u>70,706</u>	<u>31,687</u>	<u>11,113</u>	<u>18,189</u>	<u>13,325</u>	<u>27,186</u>
Operating Expenses						
Employee compensation and benefits	(144,884)	(34,640)	(21,865)	(32,175)	(22,650)	(56,667)
Utilities	(3,235)	(839)	(691)	(487)	(33)	(878)
Supplies and services	(40,901)	(7,885)	(4,414)	(10,202)	(7,624)	(11,870)
Scholarships and fellowships	(37,187)	-	(3,629)	(5,820)	(353)	(9,519)
Program expenses, System Related Organizations	-	-	-	-	-	-
Depreciation	(14,980)	(4,415)	(2,155)	(2,788)	(3,752)	(4,259)
Total Operating Expenses	<u>(241,187)</u>	<u>(47,779)</u>	<u>(32,754)</u>	<u>(51,472)</u>	<u>(34,412)</u>	<u>(83,193)</u>
Operating Income (Loss)	<u>(170,481)</u>	<u>(16,092)</u>	<u>(21,641)</u>	<u>(33,283)</u>	<u>(21,087)</u>	<u>(56,007)</u>
Nonoperating Revenues (Expenses)						
State appropriations	107,788	7,996	14,018	22,060	23,337	37,874
Gifts (including \$47,870 from System Related Organizations)	380	379	235	1,066	-	1,253
Investment income (loss), net	1,914	569	351	486	1,154	753
Gain (loss) on disposal of capital assets	16	1	-	(22)	(647)	6
Interest expense	(2,680)	(243)	(4)	(2,395)	-	(264)
Payments to System campuses and divisions	165	(869)	19	(4)	5,794	(77)
Other nonoperating revenues	-	-	1,020	-	68	-
Federal grants and contracts	50,932	-	2,775	8,692	-	8,824
Total Nonoperating Revenues	<u>158,515</u>	<u>7,833</u>	<u>18,414</u>	<u>29,883</u>	<u>29,706</u>	<u>48,369</u>
Loss Before Other Revenue (Expenses)	<u>(11,966)</u>	<u>(8,259)</u>	<u>(3,227)</u>	<u>(3,400)</u>	<u>8,619</u>	<u>(7,638)</u>
Other Revenues (Expenses)						
State appropriations restricted for capital purposes	72,354	417	391	49,650	99	796
Capital grants and gifts (including \$40,802 from System Related Organizations)	4,073	-	82	6,110	-	1,623
Return of Capital Gifts	-	-	-	-	-	-
Additions (Deductions) to permanent endowments (including \$93 to System Related Organizations)	(99)	67	-	-	7	88
Extraordinary Item - Insurance Recoveries	-	-	-	-	-	-
Extraordinary Item - Gain on Impairment of Capital Assets	-	-	-	-	-	-
Total Other Revenues	<u>76,328</u>	<u>484</u>	<u>473</u>	<u>55,760</u>	<u>106</u>	<u>2,507</u>
Increase (Decrease) in Net Position	<u>64,362</u>	<u>(7,775)</u>	<u>(2,754)</u>	<u>52,360</u>	<u>8,725</u>	<u>(5,131)</u>
NET POSITION						
Net position - beginning of year	133,852	84,670	25,386	17,999	114,694	60,465
Net position - end of year	<u>\$ 198,214</u>	<u>\$ 76,895</u>	<u>\$ 22,632</u>	<u>\$ 70,359</u>	<u>\$ 123,419</u>	<u>\$ 55,334</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)
(CONTINUED)
AS OF JUNE 30, 2020

	<u>UNLV</u>	<u>UNR</u>	<u>WNC</u>	<u>Eliminations</u>	<u>TOTAL</u>
Operating Revenues					
Student tuition and fees (net of scholarship allowance of \$193,121)	\$ 222,463	\$ 153,142	\$ 5,282	\$ 13	\$ 475,552
Federal grants and contracts	44,705	107,378	1,583	(6,181)	182,354
State grants and contracts	23,859	20,072	596	(1,360)	55,274
Local grants and contracts	471	3,841	-	-	4,312
Other grants and contracts	3,365	20,167	2	(275)	32,539
Sales and services of educational departments (including \$41,544 from System Related Organizations)	88,228	66,651	98	(4,282)	155,539
Sales and services of auxiliary enterprises (net of scholarship allowance of \$6,222)	43,894	36,695	774	(18)	84,436
Interest earned on loans receivable	46	133	-	-	179
Other operating revenues	7,615	4,217	282	(7,296)	18,181
Total Operating Revenues	<u>434,646</u>	<u>412,296</u>	<u>8,617</u>	<u>(19,399)</u>	<u>1,008,366</u>
Operating Expenses					
Employee compensation and benefits	(562,810)	(453,956)	(20,904)	2	(1,350,549)
Utilities	(12,455)	(8,889)	(493)	7	(27,993)
Supplies and services	(149,038)	(153,583)	(6,855)	19,778	(372,594)
Scholarships and fellowships	(43,813)	(27,663)	(3,699)	156	(131,527)
Program expenses, System Related Organizations	-	-	(2,228)	-	(2,228)
Depreciation	(42,989)	(39,651)	-	-	(114,989)
Total Operating Expenses	<u>(811,105)</u>	<u>(683,742)</u>	<u>(34,179)</u>	<u>19,943</u>	<u>(1,999,880)</u>
Operating Income (Loss)	<u>(376,459)</u>	<u>(271,446)</u>	<u>(25,562)</u>	<u>544</u>	<u>(991,514)</u>
Nonoperating Revenues (Expenses)					
State appropriations	246,268	193,376	15,424	148	668,289
Gifts (including \$47,870 from System Related Organizations)	24,419	22,119	2,064	-	51,915
Investment income (loss), net	13,417	3,085	511	-	22,240
Gain (loss) on disposal of capital assets	(476)	19,774	(1)	-	18,651
Interest expense	(8,193)	(15,376)	-	-	(29,155)
Payments to System campuses and divisions	(2,685)	(4,000)	120	-	(1,537)
Other nonoperating revenues	(2,729)	1,003	38	(692)	(1,292)
Federal grants and contracts	60,492	28,635	4,109	-	164,459
Total Nonoperating Revenues	<u>330,513</u>	<u>248,616</u>	<u>22,265</u>	<u>(544)</u>	<u>893,570</u>
Loss Before Other Revenue (Expenses)	<u>(45,946)</u>	<u>(22,830)</u>	<u>(3,297)</u>	<u>-</u>	<u>(97,944)</u>
Other Revenues (Expenses)					
State appropriations restricted for capital purposes	(22,014)	5,364	451	-	107,508
Capital grants and gifts (including \$40,802 from System Related Organizations)	15,890	14,575	-	-	42,353
Return of Capital Gifts	(15,000)	-	-	-	(15,000)
Additions (Deductions) to permanent endowments (including \$93 to System Related Organizations)	-	24	-	-	87
Extraordinary Item - Insurance Recoveries	-	1,744	-	-	1,744
Extraordinary Item - Gain on Impairment of Capital Assets	-	41,550	-	-	41,550
Total Other Revenues	<u>(21,124)</u>	<u>63,257</u>	<u>451</u>	<u>-</u>	<u>178,242</u>
Increase (Decrease) in Net Position	<u>(67,070)</u>	<u>40,427</u>	<u>(2,846)</u>	<u>-</u>	<u>80,298</u>
NET POSITION					
Net position - beginning of year	799,358	542,083	14,202	-	1,792,709
Net position - end of year	<u>\$ 732,288</u>	<u>\$ 582,510</u>	<u>\$ 11,356</u>	<u>\$ -</u>	<u>\$ 1,873,007</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 ("U.S. GAAP") 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 and for the year ended June 30, 2020, 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 23, 2020.

Our report includes a reference to other auditors who audited the financial statements of University of Nevada, Reno Foundation; Athletic Association University of Nevada; 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 Association; College of Southern Nevada 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; Western Nevada College Foundation; Great Basin College Foundation; Rebel Golf Foundation; University of Nevada, Las Vegas Alumni Association; and Nevada State College Foundation were not audited in accordance with *Government Auditing Standards* for the year ended June 30, 2020.

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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Given these limitations, during our audit we did not identify any deficiencies in the System's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 financial statements. 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*.

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.

Grant Thornton LLP

San Jose, California
November 23, 2020