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# **Nevada System of Higher Education Financial Statements**



**June 30, 2007 and 2006**

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

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

Nevada State College  
Truckee Meadows Community College  
System Administration

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**Nevada System of Higher Education**  
**Financial Statements and Report of Independent Auditors**  
**As of and for the Years Ended June 30, 2007 and 2006**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nevada System of Higher Education's (the "System's") annual financial information presents management's discussion and analysis of the System's financial standing as of June 30, 2007. 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, 2007, with comparative information as of June 30, 2006 and June 30, 2005.

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. All amounts included in this discussion are presented in thousands of dollars.

## 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 entity:

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

Note: the Community College of Southern Nevada is known as the College of Southern Nevada as of July 1, 2007, and Western Nevada Community College is known as Western Nevada College as of July 1, 2007.

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 University of Nevada School of Medicine Practice Plans, to facilitate patient care activities. The System component units are as follows:

University of Nevada, Reno Foundation  
University of Nevada, Las Vegas Foundation  
Nevada State College Foundation  
Community College of Southern Nevada Foundation  
Truckee Meadows Community College Foundation  
Western Nevada Community College Foundation  
Great Basin College Foundation  
Desert Research Institute Foundation  
Desert Research Institute Research Parks LTD  
University of Nevada School of Medicine Practice Plans

Component units issue separate audited financial statements from the System.

### SYSTEM FINANCIAL HIGHLIGHTS

- Total net assets increased 7% from \$1,775,463 to \$1,891,921;
- Capital Assets increased 18% from \$1,336,860 to \$1,581,649;
- Operating revenues increased 4% from \$660,513 to \$685,127;
- Non-operating revenues increased 11% from \$620,491 to 690,005; and
- Operating expenses increased 7% from \$1,213,685 to \$1,303,322.

### USING THIS REPORT

This report consists of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board in 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 or worse off as a result of the year's activities. There are three key components to answering this question. They are the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The System's net assets (the difference between assets and liabilities) 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.

The Statement of Net Assets includes all assets and liabilities. 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 Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. 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 non-operating 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 Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital financing, non-capital financing, and investing activities.

## **CONDENSED FINANCIAL INFORMATION**

### **ASSETS AND LIABILITIES**

The Statement of Net Assets is a point-in-time financial statement presenting the financial position of the System as of June 30, 2007, with a comparison made to June 30, 2006 and June 30, 2005. This Statement presents end-of-year data for Assets (current and non-current), Liabilities (current and non-current), and Net Assets (assets minus liabilities).



## System net assets (thousands of dollars)

|                            | <u>2007</u>        | <u>2006*</u>       | <u>Increase/<br/>Decrease</u> | <u>Percent<br/>of Prior<br/>Year</u> | <u>2005</u>        | <u>Increase/<br/>Decrease</u> | <u>Percent<br/>of Prior<br/>Year</u> |
|----------------------------|--------------------|--------------------|-------------------------------|--------------------------------------|--------------------|-------------------------------|--------------------------------------|
| <b><u>Assets</u></b>       |                    |                    |                               |                                      |                    |                               |                                      |
| Current Assets             | \$ 570,507         | \$ 521,551         | \$ 48,956                     | 109%                                 | \$ 422,844         | \$ 98,707                     | 123%                                 |
| Capital Assets             | 1,581,649          | 1,336,860          | 244,789                       | 118%                                 | 1,231,990          | 104,870                       | 109%                                 |
| Other Assets               | 446,180            | 601,597            | (155,417)                     | 74%                                  | 362,529            | 239,068                       | 166%                                 |
| <b>Total Assets</b>        | <b>2,598,336</b>   | <b>2,460,008</b>   | <b>\$138,328</b>              | <b>106%</b>                          | <b>2,017,363</b>   | <b>442,645</b>                | <b>122%</b>                          |
| <b><u>Liabilities</u></b>  |                    |                    |                               |                                      |                    |                               |                                      |
| Current Liabilities        | 205,607            | 177,204            | 28,403                        | 116%                                 | 155,598            | 21,606                        | 114%                                 |
| Noncurrent Liabilities     | 500,808            | 507,341            | (6,533)                       | 99%                                  | 338,649            | 168,692                       | 150%                                 |
| <b>Total Liabilities</b>   | <b>706,415</b>     | <b>684,545</b>     | <b>21,870</b>                 | <b>103%</b>                          | <b>494,247</b>     | <b>190,298</b>                | <b>139%</b>                          |
| <b><u>Net Assets</u></b>   |                    |                    |                               |                                      |                    |                               |                                      |
| Invested in Capital Assets |                    |                    |                               |                                      |                    |                               |                                      |
| Net of Debt                | 1,132,657          | 1,027,461          | 105,196                       | 110%                                 | 949,496            | 79,965                        | 108%                                 |
| Restricted, nonexpendable  | 62,076             | 56,812             | 5,264                         | 109%                                 | 57,681             | (869)                         | 98%                                  |
| Restricted, expendable     | 356,386            | 403,269            | (46,883)                      | 88%                                  | 304,647            | 98,622                        | 132%                                 |
| Unrestricted               | 340,802            | 287,921            | 52,881                        | 118%                                 | 211,292            | 76,629                        | 136%                                 |
| <b>Total Net Assets</b>    | <b>\$1,891,921</b> | <b>\$1,775,463</b> | <b>\$116,458</b>              | <b>107%</b>                          | <b>\$1,523,116</b> | <b>\$252,347</b>              | <b>117%</b>                          |

\*Note FY 05 restated due to reclassification of \$32 million (bond proceeds) from Current to Other Assets.

**Assets**

Total net assets of the System increased by \$116.5 million, or approximately 7%. This increase occurred primarily in endowment investments and capital assets. Endowment investments benefited from a particularly strong return rate on investments. The majority of the remainder of the asset increase is reflected in capital assets, which increased by \$244,789 million or 18% from 2006 amounts. The increase in capital assets and assets restricted for capital construction is reflective of System's ongoing priority of improving and expanding facilities to meet increases in enrollment driven student demand, and is reflective of the 2005 Legislature's unprecedented capital appropriation to the System.





### **Liabilities**

Total liabilities for the year increased \$21.9 million due to an increase of \$28.4 million in current liabilities and a decrease of \$6.5 million in non-current liabilities. The increase in current liabilities is distributed over a number of categories including increases of \$17.6 million in accounts payable, \$3.5 million in accrued payroll, \$3.1 million in deferred revenue, and \$2.5 million in the current portion of long-term debt. A reduction of \$4.8 in obligations under capital leases contributed to the majority of the non-current liability decrease.

### **Net Assets**

Net assets are divided into three major categories. The first category, invested in capital assets - net of debt, provides the System's equity in property, plant, and equipment owned by the System. The net asset category is restricted net assets, which is presented as two subcategories: nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are 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 assets that are net assets available to the System for any lawful purpose.

#### **Invested in Capital Assets**

Net assets invested in capital assets - net of related debt, represent the System's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The \$119,839 million or 12% increase reflects the System's expenditures for development and renewal of its capital assets in accordance with its long-range plan, offset by depreciation expense on capital assets and a net increase in long-term debt. The increase indicates a continued System and Legislature priority to provide new facilities to accommodate enrollment growth.

#### **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.

Funds functioning as an endowment consist of amounts (restricted gifts or 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.



### Unrestricted Net Assets

Unrestricted Net Assets increased by \$52.9 million in 2007. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the System's unrestricted net assets have been designated for various academic and research programs and initiatives, as well as capital projects.

### **System Related Organizations**

#### **Component Entity Net Assets (thousands of dollars)**

|                            | <u>2007</u>       | <u>2006</u>       | <u>Increase/<br/>Decrease</u> | <u>Percent<br/>of Prior<br/>Year</u> | <u>2005</u>      | <u>Increase/<br/>Decrease</u> | <u>Percent<br/>of Prior<br/>Year</u> |
|----------------------------|-------------------|-------------------|-------------------------------|--------------------------------------|------------------|-------------------------------|--------------------------------------|
| <b><u>Assets</u></b>       |                   |                   |                               |                                      |                  |                               |                                      |
| Current Assets             | \$ 96,291         | \$ 92,962         | \$ 3,329                      | 104%                                 | \$ 64,394        | \$ 28,568                     | 144%                                 |
| Capital Assets             | 5,246             | 4,922             | 324                           | 107%                                 | 39,226           | (34,304)                      | 13%                                  |
| Other Assets               | 238,581           | 205,192           | 33,389                        | 116%                                 | 148,049          | 57,143                        | 139%                                 |
| <b>Total Assets</b>        | <b>340,118</b>    | <b>303,076</b>    | <b>37,042</b>                 | <b>112%</b>                          | <b>251,669</b>   | <b>51,407</b>                 | <b>120%</b>                          |
| <b><u>Liabilities</u></b>  |                   |                   |                               |                                      |                  |                               |                                      |
| Current Liabilities        | 9,172             | 9,177             | (5)                           | 100%                                 | 5,358            | 3,819                         | 171%                                 |
| Noncurrent Liabilities     | 1,926             | 2,993             | (1,067)                       | 64%                                  | 3,408            | (415)                         | 88%                                  |
| <b>Total Liabilities</b>   | <b>11,098</b>     | <b>12,170</b>     | <b>(1,072)</b>                | <b>91%</b>                           | <b>8,766</b>     | <b>3,404</b>                  | <b>139%</b>                          |
| <b><u>Net Assets</u></b>   |                   |                   |                               |                                      |                  |                               |                                      |
| Invested in Capital Assets |                   |                   |                               |                                      |                  |                               |                                      |
| Net of Debt                | 2,814             | 2,454             | 360                           | 115%                                 | 2,060            | 394                           | 119%                                 |
| Restricted, nonexpendable  | 171,477           | 138,173           | 33,304                        | 124%                                 | 119,614          | 18,559                        | 116%                                 |
| Restricted, expendable     | 113,530           | 117,018           | (3,488)                       | 97%                                  | 92,558           | 24,460                        | 126%                                 |
| Unrestricted               | 41,199            | 33,261            | 7,938                         | 123%                                 | 28,671           | 4,590                         | 116%                                 |
| <b>Total Net Assets</b>    | <b>\$ 329,020</b> | <b>\$ 290,906</b> | <b>\$ 38,114</b>              | <b>113%</b>                          | <b>\$242,903</b> | <b>\$48,003</b>               | <b>120%</b>                          |

One of the critical factors in continuing the quality of the System's programs is the development and renewal of its capital assets. The eight foundations, as System Related Organizations, continue to support the campuses in their long-range plans and provide support for construction of facilities. Changes in the above schedule primarily reflect the foundations success in increasing System support. The remaining changes can be attributed to School of Medicine Practice Plans' patient care activities.

**REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the System, both operating and non-operating, and the expenses paid by the System, operating and non-operating, as well as any other revenues, expenses, gains and losses received or spent by the System.

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

**System Revenues, Expenses and Changes in Net Assets**

The Statement of Revenues, Expenses, and Changes in Net Assets reflect a positive year with an increase in the net assets at the end of the year.



|  | <u>2007</u>        | <u>2006</u>        | <u>Increase/<br/>Decrease</u> | <u>Percent of<br/>Prior<br/>Year</u> | <u>2005</u>        | <u>Increase/<br/>Decrease</u> | <u>Percent<br/>of<br/>Prior<br/>Year</u> |
|--|--------------------|--------------------|-------------------------------|--------------------------------------|--------------------|-------------------------------|--|
| <b><u>Operating Revenues</u></b>                 |                    |                    |                               |                                      |                    |                               |  |
| Student Tuition and Fees, net                    | \$ 236,451         | \$ 219,833         | \$ 16,618                     | 108%                                 | \$ 191,908         | \$ 27,925                     | 115%                                     |
| Grants and Contracts, Federal                    | 204,495            | 210,569            | (6,074)                       | 97%                                  | 196,407            | 14,162                        | 107%                                     |
| Grants and Contracts, other                      | 93,741             | 87,404             | 6,337                         | 107%                                 | 83,381             | 4,023                         | 105%                                     |
| Sales and Services                               | 140,795            | 136,285            | 4,510                         | 103%                                 | 130,146            | 6,139                         | 105%                                     |
| Other  | 9,645              | 6,422              | 3,223                         | 150%                                 | 5,515              | 907                           | 116%                                     |
| <b>Total Operating Revenues</b>                  | <b>685,127</b>     | <b>660,513</b>     | <b>24,614</b>                 | <b>104%</b>                          | <b>607,357</b>     | <b>53,156</b>                 | <b>109%</b>                              |
| <b><u>Operating Expenses</u></b>                 |                    |                    |                               |                                      |                    |                               |  |
| Employee Comp. and Benefits                      | (865,755)          | (792,046)          | (73,709)                      | 109%                                 | (738,633)          | (43,076)                      | 107%                                     |
| Utilities  | (35,174)           | (32,803)           | (2,371)                       | 107%                                 | (29,230)           | (4,907)                       | 112%                                     |
| Supplies and Services                            | (287,506)          | (278,141)          | (9,365)                       | 103%                                 | (255,298)          | (31,846)                      | 109%                                     |
| Scholarships and Fellowships                     | (43,296)           | (42,088)           | (1,208)                       | 103%                                 | (41,784)           | (304)                         | 101%                                     |
| Depreciation                                     | (71,591)           | (68,607)           | (2,984)                       | 104%                                 | (63,634)           | (4,973)                       | 108%                                     |
| <b>Total Operating Expenses</b>                  | <b>(1,303,322)</b> | <b>(1,213,685)</b> | <b>89,637</b>                 | <b>107%</b>                          | <b>(1,128,579)</b> | <b>(85,106)</b>               | <b>108%</b>                              |
| <b><u>Nonoperating Revenues and Expenses</u></b> |                    |                    |                               |                                      |                    |                               |  |
| State Appropriations                             | 592,476            | 557,341            | 35,135                        | 106%                                 | 512,515            | 44,826                        | 109%                                     |
| Refunds to State                                 | -                  | -                  | -                             | 0%                                   | (43,398)           | 43,398                        | 0%                                       |
| Gifts  | 28,248             | 30,116             | (1,868)                       | 94%                                  | 25,583             | 4,533                         | 118%                                     |
| Investment Income (net)                          | 89,545             | 54,805             | 34,740                        | 163%                                 | 47,423             | 7,382                         | 116%                                     |
| Disposal of Capital Assets                       | (1,709)            | (6,206)            | 4,497                         | 28%                                  | (1,641)            | (4,565)                       | 378%                                     |
| Interest expense                                 | (18,409)           | (20,319)           | 1,910                         | 91%                                  | (12,844)           | (7,475)                       | 158%                                     |
| Other Nonoperating revenues                      | (146)              | 4,754              | (4,900)                       | (3%)                                 | 680                | 4,074                         | 699%                                     |
| <b>Total Nonoperating Revenues and Expenses</b>  | <b>690,005</b>     | <b>620,491</b>     | <b>69,514</b>                 | <b>111%</b>                          | <b>528,318</b>     | <b>92,173</b>                 | <b>117%</b>                              |
| <b><u>Other Revenues</u></b>                     | <b>44,648</b>      | <b>185,028</b>     | <b>(140,380)</b>              | <b>24%</b>                           | <b>26,533</b>      | <b>158,495</b>                | <b>697%</b>                              |
| <b>Total Other Revenues</b>                      | <b>44,648</b>      | <b>185,028</b>     | <b>(140,380)</b>              | <b>24%</b>                           | <b>26,533</b>      | <b>158,495</b>                | <b>697%</b>                              |
| <b><u>Net Assets</u></b>                         |                    |                    |                               |                                      |                    |                               |  |
| Increase in Net Assets                           | 116,458            | 252,347            | (135,889)                     | 46%                                  | 33,629             | 218,718                       | 750%                                     |
| Net Assets, Beginning of Year                    | 1,775,463          | 1,523,116          | 252,347                       | 117%                                 | 1,489,487          | 33,629                        | 102%                                     |
| Net Assets, End of Year                          | \$1,891,921        | \$1,775,463        | \$116,458                     | 107%                                 | \$1,523,116        | \$252,347                     | 117%                                     |

\*Note FY 06 restated due to reclassification of \$10.3 million (Retired Employee Group Insurance Assessment) from Supplies and Services to Employee Compensation and Benefits.

Operating revenues increased by \$24.6 million (4%) and operating expenses increased by \$89.6 million (7%), resulting in an increase in the operating loss of \$65 million (12%).

Operating Revenue - Student Tuition and Fees increased 8% to \$236.5 million as a result of Board of Regents approved tuition and fee increases and, to a lesser extent, slight enrollment



growth. Federal grants and contracts experienced a slight decline of 3% to \$204 million while State, local, and other grants and contracts increased 7% to \$93.7 million.

The increase in operating expenses was due in large part to increases in Employee Compensation and Benefits, which rose by 11% to \$865.7 million. This was driven by increases in Faculty FTE, benefit costs, and a statewide 4% cost of living adjustment for eligible employees that was approved by the 2005 Legislature. Utilities increases were much less dramatic than prior years at 3%, due in major part to a mild winter. Commensurate with staff and enrollment increases and System growth, the System also realized an increase in supplies and services of 6%.

Non-operating net revenues increased by \$69.5 million through an increase in State appropriations, gifts, and investment income. Especially noteworthy was the investment income increase of 63% to \$89.5 million, due primarily to favorable investment performance.

Total other revenues dropped significantly (76%), as is common during the second year of the State's biennial budget cycle. The drop is primarily due to fact that there are no new capital appropriations available to draw in the second year. Noteworthy, however, is that capital grants and gifts more than doubled from 2006 levels to \$38.4 million.



## System Related Organizations

## Revenues, Expenses and Changes in Net Assets (thousands of dollars)

|   | <u>2007</u>      | <u>2006</u>      | <u>Increase/<br/>Decrease</u> | <u>Percent<br/>of Prior<br/>Year</u> | <u>2005</u>      | <u>Increase/<br/>Decrease</u> | <u>Percent<br/>of<br/>Prior<br/>Year</u> |
|---|------------------|------------------|-------------------------------|--------------------------------------|------------------|-------------------------------|--|
| <b><u>Operating Revenues</u></b>                    |                  |                  |                               |                                      |                  |                               |  |
| Patient Revenue                                     | \$ 45,870        | \$ 45,203        | \$ 667                        | 101%                                 | \$ 43,329        | \$ 1,874                      | 104%                                     |
| Contracts Revenue                                   | 7,082            | 6,963            | 119                           | 102%                                 | 7,014            | (51)                          | 99%                                      |
| Contributions                                       | 53,255           | 54,787           | (1,532)                       | 97%                                  | 56,661           | (1,745)                       | 97%                                      |
| Campus Support                                      | 2,284            | 2,214            | 70                            | 103%                                 | 1,617            | 597                           | 137%                                     |
| Special Events                                      | 1,519            | 1,162            | 357                           | 134%                                 | -                | 1,162                         | -%                                       |
| Other   | 6,813            | 4,594            | 2,219                         | 148%                                 | 1,306            | 3,159                         | 342%                                     |
| <b>Total Operating Revenues</b>                     | <b>116,823</b>   | <b>114,923</b>   | <b>1,900</b>                  | <b>102%</b>                          | <b>109,927</b>   | <b>4,996</b>                  | <b>105%</b>                              |
| <b><u>Operating Expenses</u></b>                    |                  |                  |                               |                                      |                  |                               |  |
| Program Expenses                                    | (37,694)         | (32,339)         | (5,355)                       | 117%                                 | (30,604)         | (1,735)                       | 106%                                     |
| Other Operating Expenses                            | (28,996)         | (25,090)         | (3,906)                       | 116%                                 | (24,064)         | (1,026)                       | 104%                                     |
| Depreciation  | (980)            | (720)            | (260)                         | 136%                                 | (680)            | (40)                          | 106%                                     |
| <b>Total Operating Expenses</b>                     | <b>(67,670)</b>  | <b>(58,149)</b>  | <b>(9,521)</b>                | <b>116%</b>                          | <b>(55,348)</b>  | <b>(2,801)</b>                | <b>105%</b>                              |
| <b><u>Nonoperating Revenues and Expenses</u></b>    |                  |                  |                               |                                      |                  |                               |  |
| Investment Income                                   | 17,113           | 518              | 16,595                        | 3,304%                               | -                | 518                           | -%                                       |
| Payments to NSHE System                             | (56,049)         | (33,664)         | (22,385)                      | 166%                                 | (36,500)         | 2,836                         | 92%                                      |
| Other Nonoperating Revenues                         | 13,723           | 14,344           | (621)                         | 96%                                  | 17,606           | (3,262)                       | 81%                                      |
| <b>Total Nonoperating<br/>Revenues and Expenses</b> | <b>(25,213)</b>  | <b>(18,802)</b>  | <b>(6,411)</b>                | <b>140%</b>                          | <b>(18,894)</b>  | <b>92</b>                     | <b>96%</b>                               |
| <b><u>Other Revenues</u></b>                        | <b>14,174</b>    | <b>10,141</b>    | <b>4,033</b>                  | <b>140%</b>                          | <b>13,067</b>    | <b>(2,926)</b>                | <b>78%</b>                               |
| <b><u>Net Assets</u></b>                            |                  |                  |                               |                                      |                  |                               |  |
| Increase in Net Assets                              | 38,114           | 48,113           | (9,999)                       | 79%                                  | 48,752           | (639)                         | 99%                                      |
| <b>Net Assets, June 30</b>                          | <b>290,906</b>   | <b>242,793</b>   | <b>48,113</b>                 | <b>120%</b>                          | <b>194,151</b>   | <b>48,642</b>                 | <b>125%</b>                              |
| <b>Total Net Assets</b>                             | <b>\$329,020</b> | <b>\$290,906</b> | <b>\$38,114</b>               | <b>113%</b>                          | <b>\$242,903</b> | <b>\$48,003</b>               | <b>121%</b>                              |



## CASH FLOWS

Net cash flows increased - primarily due to cash generated through tuition and fees and grants/contracts. Cash used in operating activities also increased, reflecting the previously mentioned increases in payments for employee compensation and benefits, supplies and services, and scholarships and fellowships. Net operating cash flows (amount of cash used in operating activities) increased 9%. Cash flows from nonoperating sources remained mostly steady with a 3% increase in cash generated.

Cash flows from capital financing activities indicate a decrease of \$263.9 million, reflecting the expenditure of cash on capital assets. Cash generated through investing activities increased by \$260,813

reflecting the Systems liquidation of investment instruments to finance capital acquisitions.

| NSHE Statement of Cash Flows             |                  |                  |                       |                        |                  |                       |                        |
|--|------------------|------------------|-----------------------|------------------------|------------------|-----------------------|------------------------|
|  | 2007             | 2006             | Increase/<br>Decrease | Percent of<br>Prior Yr | 2005             | Increase/<br>Decrease | Percent of<br>Prior Yr |
| Operating activities                     | (\$530,563)      | (\$484,758)      | (\$45,805)            | 109%                   | (\$456,163)      | (\$28,595)            | 106.27%                |
| Non-capital financing                    | \$593,707        | \$575,833        | \$17,874              | 103%                   | \$523,447        | \$52,386              | 110.01%                |
| Capital and related financing activities | (\$191,251)      | \$72,639         | (\$263,890)           | -263%                  | (\$74,680)       | \$147,319             | -97.27%                |
| Investing activities                     | \$142,665        | (\$118,148)      | \$260,813             | -121%                  | \$32,422         | (\$150,570)           | 364.41%                |
| <b>Net Increase/ (decrease) in cash</b>  | <b>\$14,558</b>  | <b>\$45,566</b>  |                       |                        | <b>\$25,026</b>  |                       |                        |
| <b>Cash - Beginning of the year</b>      | <b>\$254,480</b> | <b>\$208,914</b> |                       |                        | <b>\$183,888</b> |                       |                        |
| <b>Cash - End of the year</b>            | <b>\$269,038</b> | <b>\$254,480</b> |                       |                        | <b>\$208,914</b> |                       |                        |

## CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2007, the System invested \$1.132 billion in a broad range of capital assets, including equipment, buildings, machinery and equipment, library books and media, art and other valuable collections and land. This represents a net increase (including additions and deletions) of \$119.8 million (12%) over the June 30, 2006, total of \$1.012 billion.

During fiscal year 2007, no bonds were issued by NSHE. As of June 30, 2007, the coverage on University Revenue Bonds (pledged revenues to maximum annual debt service) was 4.07 times. For statutory purposes, the coverage was 1.75 times, above the minimum coverage of 1.10.

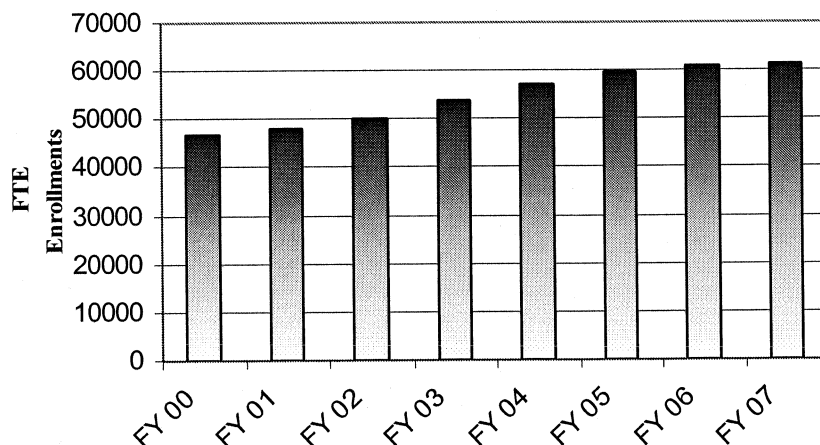
The System issued \$47.6 million in notes during fiscal year 2007, with an additional 3.4 million in early July 2007, to fund various projects on various campuses.

## FUTURE FINANCIAL EFFECTS

The increasing population of the State of Nevada and the ongoing funding of the Millennium Scholarship program ensure a stable demand for higher education services, although FY 07 totals indicate that the record growth in enrollment seen by the System in prior years has returned to or is below normal historical levels. From FY 06 to FY 07, the System realized a growth of slightly over .60% student full time equivalent (SFTE) enrollments that are recognized by the State for funding purposes. SFTE is only one indicator of System growth, but is representative of trends



seen throughout the System and account for the majority of State appropriated non-capital funding.



Funding appropriations for both FY 06 and FY 07 were made by the 2005 Legislature. Enrollment based funding levels were calculated for projected enrollments using a 3-year weighted average. The FY 07 operating budget for State Appropriations and Authorized Expenditures (State-Supported Operating Budget) increased by 7.1% from \$727.7 million to \$779.3 million. In FY 07, direct State appropriations were \$597.9 million, an increase of 6.8% over the FY 06 amount of \$559.6 million (prior to reversions). This represents 76.7% of the State-Supported Operating Budget in FY 07, which is approximately the same percentage as FY 06. Other revenue sources in the state budget, including registration fees and non-resident tuition, increased in FY 07 from \$152.2 million to \$165.0 million. The System portion of the total state budget remained relatively constant at approximately 19.8% for FY 07.

### 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.



**INDEPENDENT AUDITOR'S REPORT**

The Board of Regents of the Nevada System  
of Higher Education

We have audited the accompanying statements of net assets of the Nevada System of Higher Education (the "System") as of June 30, 2007 and 2006, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Nevada System of Higher Education management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of Nevada Reno Foundation, University of Nevada Las Vegas Foundation, Nevada State College Foundation, College of Southern Nevada Foundation, Truckee Meadows Community College Foundation, Western Nevada College Foundation, Great Basin College Foundation, DRI Research Parks, Ltd and the DRI Research Foundation, which represent 92 percent, 94 percent, and 50 percent at June 30, 2007 and for the year then ended, of the assets, net assets and operating revenues of the aggregate discretely presented component units, as described in Note 16 "System Related Organizations" in the accompanying financial statements. We also did not audit the financial statements of the University of Nevada Reno Foundation, University of Nevada Las Vegas Foundation, Nevada State College Foundation, College of Southern Nevada Foundation, Truckee Meadows Community College Foundation, Western Nevada College Foundation, Great Basin College Foundation, and the DRI Research Foundation, which represent 91 percent, 93 percent, and 53 percent at June 30, 2006 and for the year then ended, of the assets, net assets and operating revenues of the aggregate discretely presented component units, as described in Note 16 "System Related Organizations" in the accompanying financial statements. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as they relate to the amounts included for those component units, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the System and its discretely presented component units, as of June 30, 2007 and 2006, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The supplemental Consolidating statements of Net Assets and Statements of Revenues, Expenses and Changes in Net Assets are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplemental consolidating statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However we did not audit the information and express no opinion on it.



Eugene, Oregon  
November 5, 2007

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**STATEMENTS OF NET ASSETS (in \$1,000)**  
**AS OF JUNE 30, 2007 AND 2006**

|  | <u>System</u>      |                    | <u>System Related Organizations</u> |                  |
|--|--------------------|--------------------|-------------------------------------|------------------|
| <u>ASSETS</u>  | <u>2007</u>        | <u>2006</u>        | <u>2007</u>                         | <u>2006</u>      |
| <b>Current Assets</b>                                      |                    |                    |                                     |                  |
| Cash and cash equivalents                                  | \$ 108,036         | \$ 144,126         | \$ 50,091                           | \$ 52,148        |
| Restricted cash and cash equivalents                       | 162                | 151                | 1,660                               | 2,528            |
| Short-term investments                                     | 341,955            | 286,473            | 23,349                              | 19,911           |
| Accounts receivable, net                                   | 28,493             | 32,389             | 1                                   | 24               |
| Receivable from U.S. Government                            | 37,511             | 37,621             | -                                   | -                |
| Receivable from State of Nevada                            | 36,665             | 9,079              | -                                   | -                |
| Current portion of pledges receivable, net                 | -                  | -                  | 4,292                               | 7,073            |
| Patient accounts receivable, net                           | -                  | -                  | 8,477                               | 7,509            |
| Current portion of loans receivable, net                   | 2,515              | 2,421              | -                                   | 7                |
| Inventories  | 6,281              | 6,171              | 13                                  | -                |
| Deposits and deferred expenditures                         | 7,023              | 2,553              | 7                                   | 1,184            |
| Other  | 1,866              | 567                | 8,401                               | 2,578            |
| <b>Total Current Assets</b>                                | <u>570,507</u>     | <u>521,551</u>     | <u>96,291</u>                       | <u>92,962</u>    |
| <b>Noncurrent Assets</b>                                   |                    |                    |                                     |                  |
| Cash held by State Treasurer                               | 129,231            | 77,651             | -                                   | -                |
| Restricted cash and cash equivalents                       | 31,609             | 32,552             | -                                   | -                |
| Receivable from State of Nevada                            | 45,473             | 143,199            | -                                   | -                |
| Restricted investments                                     | 13,758             | 149,680            | -                                   | 487              |
| Endowment investments                                      | 211,825            | 184,487            | 197,932                             | 165,850          |
| Deposits and deferred expenditures                         | 4,999              | 5,518              | -                                   | -                |
| Pledges receivable, net                                    | -                  | -                  | 6,329                               | 32,168           |
| Loans receivable, net                                      | 8,917              | 8,128              | -                                   | 189              |
| Capital assets, net  | 1,581,649          | 1,336,860          | 5,246                               | 4,922            |
| Other noncurrent assets                                    | 368                | 382                | 34,320                              | 6,498            |
| <b>Total Noncurrent Assets</b>                             | <u>2,027,829</u>   | <u>1,938,457</u>   | <u>243,827</u>                      | <u>210,114</u>   |
| <b>TOTAL ASSETS</b>  | <u>2,598,336</u>   | <u>2,460,008</u>   | <u>340,118</u>                      | <u>303,076</u>   |
| <b>LIABILITIES</b>   |                    |                    |                                     |                  |
| <b>Current Liabilities</b>                                 |                    |                    |                                     |                  |
| Accounts payable   | 71,503             | 53,901             | 2,138                               | 1,992            |
| Accrued payroll and related liabilities                    | 26,725             | 23,267             | 1,779                               | 1,650            |
| Unemployment insurance and workers' compensation liability | 4,422              | 3,742              | -                                   | -                |
| Current portion of compensated absences                    | 28,906             | 27,390             | -                                   | 11               |
| Current portion of long-term debt                          | 16,215             | 13,751             | 170                                 | 403              |
| Current portion of obligations under capital leases        | 2,666              | 2,832              | 262                                 | 213              |
| Accrued interest payable                                   | 9,769              | 10,475             | -                                   | -                |
| Deferred revenue   | 35,936             | 32,833             | 60                                  | 197              |
| Funds held in trust for others                             | 6,919              | 8,606              | -                                   | -                |
| Due to affiliates  | -                  | -                  | 1,619                               | 4,210            |
| Other  | 2,546              | 407                | 3,144                               | 501              |
| <b>Total Current Liabilities</b>                           | <u>205,607</u>     | <u>177,204</u>     | <u>9,172</u>                        | <u>9,177</u>     |
| <b>Noncurrent Liabilities</b>                              |                    |                    |                                     |                  |
| Refundable advances under federal loan programs            | 7,654              | 7,692              | -                                   | -                |
| Compensated absences                                       | 12,666             | 11,857             | -                                   | -                |
| Deferred revenue   | 758                | 815                | -                                   | 339              |
| Long-term debt   | 467,990            | 473,819            | 1,292                               | 1,781            |
| Obligations under capital leases                           | 9,817              | 12,643             | -                                   | 406              |
| Other noncurrent liabilities                               | 1,923              | 515                | 634                                 | 467              |
| <b>Total Noncurrent Liabilities</b>                        | <u>500,808</u>     | <u>507,341</u>     | <u>1,926</u>                        | <u>2,993</u>     |
| <b>TOTAL LIABILITIES</b>                                   | <u>706,415</u>     | <u>684,545</u>     | <u>11,098</u>                       | <u>12,170</u>    |
| <b>NET ASSETS</b>  |                    |                    |                                     |                  |
| Invested in capital assets, net of related debt            | 1,132,657          | 1,027,461          | 2,814                               | 2,454            |
| Restricted:  |                    |                    |                                     |                  |
| Nonexpendable  | 62,076             | 56,812             | 171,477                             | 138,173          |
| Expendable:  |                    |                    |                                     |                  |
| Scholarships, research and instruction                     | 165,783            | 161,268            | 113,530                             | 116,309          |
| Loans  | 5,914              | 5,457              | -                                   | -                |
| Capital projects   | 180,781            | 224,634            | -                                   | 709              |
| Debt service   | 3,908              | 11,910             | -                                   | -                |
| Unrestricted   | 340,802            | 287,921            | 41,199                              | 33,261           |
| <b>TOTAL NET ASSETS</b>                                    | <u>\$1,891,921</u> | <u>\$1,775,463</u> | <u>\$329,020</u>                    | <u>\$290,906</u> |

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

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in \$1,000)**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

|   | <u>System</u>      |                    | <u>System Related Organizations</u> |
|---|--------------------|--------------------|-------------------------------------|
|   | <u>2007</u>        | <u>2006</u>        | <u>2007</u> <u>2006</u>             |
| <b>Operating Revenues</b>   |                    |                    |                                     |
| Student tuition and fees (net of scholarship allowances of \$49,209 and \$48,892)                             | \$ 236,451         | \$ 219,833         | \$ -      \$ -                      |
| Federal grants and contracts  | 204,495            | 210,569            | -      -                            |
| State grants and contracts  | 55,247             | 50,032             | -      -                            |
| Local grants and contracts  | 19,666             | 17,354             | -      -                            |
| Other grants and contracts  | 18,828             | 20,018             | -      -                            |
| Campus support  | -                  | -                  | 2,284      2,214                    |
| Sales and services of educational departments (including \$1,485 and \$2,127 to System related organizations) | 61,838             | 62,475             | -      -                            |
| Sales and services of auxiliary enterprises (net of scholarship allowances of \$3,212 and \$3,089)            | 78,957             | 73,810             | -      -                            |
| Contributions   | -                  | -                  | 53,255      54,787                  |
| Patient   | -                  | -                  | 45,870      45,203                  |
| Contract  | -                  | -                  | 7,082      6,963                    |
| Special events and fundraising  | -                  | -                  | 1,519      1,162                    |
| Interest earned on loans receivable   | 141                | 150                | -      -                            |
| Other operating   | <u>9,504</u>       | <u>6,272</u>       | <u>6,813</u> <u>4,594</u>           |
| <b>Total operating revenues</b>   | <u>685,127</u>     | <u>660,513</u>     | <u>116,823</u> <u>114,923</u>       |
| <b>Operating Expenses</b>   |                    |                    |                                     |
| Employee compensation and benefits  | 865,755            | 792,046            | 22,745      22,674                  |
| Utilities   | 35,174             | 32,803             | -      2                            |
| Supplies and services   | 287,506            | 278,141            | 920      2,414                      |
| Scholarships and fellowships  | 43,296             | 42,088             | -      -                            |
| Program expenses, System related organizations  | -                  | -                  | 37,694      32,339                  |
| Depreciation  | 71,591             | 68,607             | 980      720                        |
| Other operating   | <u>-</u>           | <u>-</u>           | <u>5,331</u> <u>-</u>               |
| <b>Total operating expenses</b>   | <u>1,303,322</u>   | <u>1,213,685</u>   | <u>67,670</u> <u>58,149</u>         |
| <b>Operating (loss) income</b>  | <u>(618,195)</u>   | <u>(553,172)</u>   | <u>49,153</u> <u>56,774</u>         |
| <b>Nonoperating Revenues (Expenses)</b>   |                    |                    |                                     |
| State appropriations  | 592,476            | 557,341            | -      -                            |
| Refund to State   | -                  | -                  | -      -                            |
| Gifts (including \$21,404 and \$24,347 from System related organizations)                                     | 28,248             | 30,116             | -      518                          |
| Investment income, net  | 89,545             | 54,805             | 17,113      13,992                  |
| Disposal of capital assets  | (1,709)            | (6,206)            | -      -                            |
| Interest expense  | (18,409)           | (20,319)           | 55      -                           |
| Payments to System campuses and divisions   | -                  | -                  | (56,049)      (33,664)              |
| Other nonoperating revenues   | <u>(146)</u>       | <u>4,754</u>       | <u>13,668</u> <u>352</u>            |
| <b>Net nonoperating revenues (expenses)</b>   | <u>690,005</u>     | <u>620,491</u>     | <u>(25,213)</u> <u>(18,802)</u>     |
| <b>Income (loss) before other revenues, expenses, gains or losses</b>   | <u>71,810</u>      | <u>67,319</u>      | <u>23,940</u> <u>37,972</u>         |
| State appropriations restricted for capital purposes  | 2,478              | 148,253            | -      -                            |
| Capital grants and gifts (including \$34,109 and \$6,090 from System related organizations)                   | 38,409             | 16,762             | -      -                            |
| Additions to permanent endowments (including \$264 and \$321 from System related organizations)               | 3,761              | 719                | 14,174      10,141                  |
| Gain on sale of land  | -                  | 20,263             | -      -                            |
| Other expenses  | <u>-</u>           | <u>(969)</u>       | <u>-</u> <u>-</u>                   |
| <b>Total other revenues, expenses, gains or losses</b>  | <u>44,648</u>      | <u>185,028</u>     | <u>14,174</u> <u>10,141</u>         |
| <b>Increase (decrease) in net assets</b>  | <u>116,458</u>     | <u>252,347</u>     | <u>38,114</u> <u>48,113</u>         |
| <b>Net Assets</b>   |                    |                    |                                     |
| Net assets – beginning of year  | <u>1,775,463</u>   | <u>1,523,116</u>   | <u>290,906</u> <u>242,793</u>       |
| Net assets – end of year  | <u>\$1,891,921</u> | <u>\$1,775,463</u> | <u>\$329,020</u> <u>\$290,906</u>   |

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

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**STATEMENTS OF CASH FLOWS (in \$1,000)**  
**FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

|   | <u>System</u>           |                         |
|---|-------------------------|-------------------------|
|   | <u>2007</u>             | <u>2006</u>             |
| <b><i>Cash Flows from Operating Activities</i></b>                  |                         |                         |
| Student tuition and fees  | \$237,505               | \$220,386               |
| Grants and contracts  | 313,668                 | 292,439                 |
| Payments for supplies and services                                  | (293,840)               | (277,415)               |
| Payments for utilities  | (34,508)                | (33,900)                |
| Payments for employee compensation and benefits                     | (856,897)               | (786,547)               |
| Payments for scholarships and fellowships                           | (43,233)                | (42,104)                |
| Loans issued to students and employees                              | (3,790)                 | (2,696)                 |
| Collection of loans to students and employees                       | 2,945                   | 2,956                   |
| Sales and services of educational departments                       | 76,519                  | 73,011                  |
| Sales and services of auxiliary enterprises                         | 61,335                  | 62,915                  |
| Other receipts  | <u>9,733</u>            | <u>6,197</u>            |
| <b>Net cash used by operating activities</b>                        | <b><u>(530,563)</u></b> | <b><u>(484,758)</u></b> |
| <b><i>Cash Flows from Noncapital Financing Activities</i></b>       |                         |                         |
| State appropriations  | 565,265                 | 559,190                 |
| State appropriations refunded                                       | (24)                    | (14,466)                |
| Gifts and grants for other than capital purposes                    | 26,712                  | 27,519                  |
| Gifts for endowment purposes  | 3,761                   | 720                     |
| Receipts under federal student loan programs                        | 87,004                  | 84,629                  |
| Disbursements under federal student loan programs                   | (87,095)                | (84,617)                |
| Other   | (208)                   | 118                     |
| Agency transactions   | <u>(1,708)</u>          | <u>2,740</u>            |
| <b>Net cash provided by noncapital financing activities</b>         | <b><u>593,707</u></b>   | <b><u>575,833</u></b>   |
| <b><i>Cash Flows from Capital Financing Activities</i></b>          |                         |                         |
| Proceeds from capital debt  | 46,863                  | 209,530                 |
| Other   | 492                     | (696)                   |
| Payments for debt issuance costs                                    | (625)                   | (2,171)                 |
| Capital appropriations  | 100,497                 | 36,734                  |
| Capital grants and gifts received                                   | 39,047                  | 8,272                   |
| Purchases of capital assets   | (298,405)               | (147,714)               |
| Proceeds from sale of property and equipment                        | 47                      | 31                      |
| Principal paid on capital debt and leases                           | (49,725)                | (40,475)                |
| Net proceeds on sale of land  | -                       | 27,610                  |
| Interest paid on capital debt and leases                            | (25,236)                | (18,482)                |
| Deposits for the acquisition of property and equipment              | <u>(4,206)</u>          | <u>-</u>                |
| <b>Net cash provided (used) by capital financing activities</b>     | <b><u>(191,251)</u></b> | <b><u>72,639</u></b>    |
| <b><i>Cash Flows from Investing Activities</i></b>                  |                         |                         |
| Proceeds from sales and maturities of investments                   | 211,495                 | 87,467                  |
| Purchase of investments   | (88,041)                | (230,750)               |
| Interest and dividends on investments                               | 33,081                  | 19,458                  |
| Net (decrease) increase in cash equivalents, noncurrent investments | <u>(13,870)</u>         | <u>5,677</u>            |
| <b>Net cash provided (used) by investing activities</b>             | <b><u>142,665</u></b>   | <b><u>(118,148)</u></b> |
| <b>Net increase in cash and cash equivalents</b>                    | <b>14,558</b>           | <b>45,566</b>           |
| <b>Cash and cash equivalents, beginning of year</b>                 | <b><u>254,480</u></b>   | <b><u>208,914</u></b>   |
| <b>Cash and cash equivalents, end of year</b>                       | <b><u>\$269,038</u></b> | <b><u>\$254,480</u></b> |

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

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**STATEMENTS OF CASH FLOWS (in \$1,000) (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2007 and 2006**

|   | <u>System</u>      |                    |
|---|--------------------|--------------------|
|   | <u>2007</u>        | <u>2006</u>        |
| <i>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</i>    |                    |                    |
| Operating loss  | \$(618,195)        | \$(553,172)        |
| Adjustments to reconcile operating loss to net cash used by operating activities:   |                    |                    |
| Supplies expense related to noncash gifts   | 157                | 417                |
| Depreciation expense  | 71,591             | 68,607             |
| Changes in assets and liabilities:  |                    |                    |
| Accounts receivable, net  | 1,316              | (6,365)            |
| Loans receivable, net   | (799)              | 461                |
| Inventories   | (113)              | (597)              |
| Deposits and deferred expenditures  | (1,044)            | (629)              |
| Accounts payable  | 7,002              | 694                |
| Accrued payroll and related liabilities   | 3,611              | 2,334              |
| Unemployment insurance and workers' compensation liability                          | 673                | 373                |
| Deferred revenue  | 3,051              | 919                |
| Refundable advances under federal loan program                                      | (20)               | (139)              |
| Compensated absences  | <u>2,207</u>       | <u>2,339</u>       |
| Net cash used by operating activities   | <u>\$(530,563)</u> | <u>\$(484,758)</u> |
| <i>Supplemental Noncash Activities Information</i>                                  |                    |                    |
| Capital assets acquired by incurring capital lease obligations and accounts payable | <u>\$25,581</u>    | <u>\$26,835</u>    |
| Loss on disposal of capital assets  | <u>\$ 2,178</u>    | <u>\$ 6,322</u>    |
| Capital assets acquired by gifts  | <u>\$ 789</u>      | <u>\$ 8,178</u>    |

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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### 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”), formerly known as the University and Community College System of Nevada, which include:

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

The System is an agency 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 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. 14, *The Financial Reporting Entity*. The System Related Organizations’ columns in these financial statements are comprised of data from the System’s discretely presented campus foundations and medical school practice plans (see Note 16). These System Related Organizations are included as part of the System’s 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 years ended June 30, 2007 and 2006 the foundations distributed \$56,049 and \$33,884, respectively, to the System for both restricted and unrestricted purposes. Complete financial statements for the foundations can be obtained from Mike Reed, Vice Chancellor for Finance at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

The System Related Organizations also include three legally separate non-profit organizations, together known as the medical school practice plans. The practice plans include the University of Nevada School of Medicine Multispecialty Group Practice North, Inc., University of Nevada School of Medicine Group Practice South, Inc., and Nevada Family Practice Residency Program, Inc. The practice plans were 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 years ended June 30, 2007 and 2006 the practice plans distributed \$1,237 and \$1,701, respectively, to the System for restricted purposes. Complete financial statements for the practice plans can be obtained from Mike Reed, Vice Chancellor for Finance at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

### 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

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 Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. Financial reporting requirements also include Management’s Discussion and Analysis of the System’s financial position and results of operations.

During 2006, the System adopted GASB Statement No. 42, *Accounting and Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which requires an evaluation of prominent events or changes in circumstances to determine whether an impairment loss should be recorded and that any insurance recoveries be netted with the impairment loss. The System has determined that currently no assets are impaired.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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

During 2006, the System adopted GASB Statement No.47, *Accounting for Termination Benefits*, which specifies when and how the cost of termination benefits should be recognized in accrual-based financial statements. The System has determined that currently no termination benefits are required to be recorded.

### 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 System has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The System has elected not to apply FASB pronouncements issued after the applicable date.

### CASH EQUIVALENTS

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

### INVESTMENTS

Investments are primarily 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 are based upon valuations provided by the general partners of the respective partnerships as of March 31, 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 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 either cost or 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 promise 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.

### CAPITAL ASSETS

Capital assets are defined as assets with an initial unit cost of \$2 or more 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. Accumulated depreciation is computed on a straight-line basis over the following estimated useful lives:



# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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

#### CAPITAL ASSETS (continued):

| <u>Assets</u>              | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 6 to 40      |
| Land improvements          | 10 to 15     |
| Machinery and equipment    | 3 to 18      |
| Library books              | 5            |

Collections are capitalized at cost or fair 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.

#### DEFERRED REVENUE

Deferred 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 Assets.

#### 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 Assets include both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

#### NET ASSETS

Net Assets are classified as follows:

*Invested in capital assets, net of related debt:* 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 assets – nonexpendable:* Nonexpendable restricted net assets consist 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 assets – expendable:* Restricted expendable net assets include resources which must be expended in accordance with restrictions imposed by external third parties.

*Unrestricted net assets:* Unrestricted net assets represent 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.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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

#### 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.

##### *PRACTICE PLANS*

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 allowances are recorded as deductions from professional fee revenue to arrive at net professional revenues. Contractual allowances include differences between established billing rates and amounts reimbursable under various contractual agreements. Normal differences between final reimbursements and estimated amounts accrued in previous years are recorded as adjustments of the current year's contractual allowances.

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 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 Assets. 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.

#### 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 fiscal years 2007 and 2006 were \$6,787 and \$5,963, respectively.

#### TAX EXEMPTION

The System and its 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.

#### COMPARATIVE INFORMATION

Certain reclassifications have been made to the 2006 financial information in order to conform to the 2007 presentation.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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

#### NEW ACCOUNTING PRONOUNCEMENTS

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which requires accrual-based measurement, recognition and disclosure of other postemployment benefit (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets. The provisions of GASB Statement No. 45 for governments that were phase 1 governments, such as the Nevada System of Higher Education, for the purpose of implementation of Statement 34—those with annual revenues of \$100 million or more—are effective for fiscal years beginning after December 15, 2006. Management is working with the State of Nevada Public Employees Benefits Program to determine the impact to NSHE. The anticipated impact is unknown at this time.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues*, which provides guidance when an entity exchanges its interest in the expected future cash flows of a settlement for cash, and is effective for years beginning after December 15, 2006. The System has no activity which would be subject to this pronouncement.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance for recording and disclosing activities related to pollution remediation which becomes effective for years beginning after December 15, 2007. The anticipated impact of this pronouncement is unknown at this time.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, which expands pension disclosure requirements and is effective for years beginning after June 15, 2007. Management is working with the State of Nevada Public Employees Benefits Program to determine the impact to NSHE. The anticipated impact is unknown at this time.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires most identifiable intangibles be classified as capital assets and gives guidance on amortization, when appropriate. The Statement is effective for years beginning after June 15, 2009. The anticipated impact of this pronouncement is unknown 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 consist of deposits in money market funds, which are not federally insured, and cash in the bank. At June 30, 2007 and 2006 the System's deposits in money market funds totaled \$87,733 and \$139,263, respectively, and cash in bank was \$16,521 and \$8,133, respectively. Of these balances, \$100 and \$200 at June 30, 2007 and 2006, respectively, 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. 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. All of the above are included in cash and cash equivalents in the Statements of Cash Flows.

#### NOTE 4 – System Investments:

Investments are stated at fair value. The historical cost and market value (fair value) of System investments at June 30, 2007 and 2006 is as follows:

|   | <u>2007</u>      |                     | <u>2006</u>      |                     |
|---|------------------|---------------------|------------------|---------------------|
|   | <u>Cost</u>      | <u>Market Value</u> | <u>Cost</u>      | <u>Market Value</u> |
| Mutual funds  | \$319,747        | \$378,905           | \$283,789        | \$320,524           |
| Guaranteed investment contracts                                   | 13,758           | 13,758              | 149,680          | 149,680             |
| Other partnerships  | 40,000           | 90,477              | 40,000           | 75,570              |
| Private equity partnerships                                       | 27,832           | 48,101              | 28,772           | 43,101              |
| Stocks  | 9,818            | 12,403              | 18,160           | 21,824              |
| Endowment cash and cash equivalents                               | 21,409           | 21,409              | 7,728            | 7,728               |
| Other investments (including corporate and U.S. government bonds) | <u>2,495</u>     | <u>2,485</u>        | <u>2,237</u>     | <u>2,213</u>        |
|   | <u>\$435,059</u> | <u>\$567,538</u>    | <u>\$530,366</u> | <u>\$620,640</u>    |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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### NOTE 4 – System Investments (continued):

Mutual funds consist of investments in shares of mutual funds with six separate fund managers. Investments held by the various mutual funds, in the approximate proportions of the System's ownership of such mutual funds, are summarized as follows:

|                           | <u>2007</u> | <u>2006</u> |
|---------------------------|-------------|-------------|
| Stocks                    | 36%         | 38%         |
| U.S. government bonds     | 16%         | 25%         |
| International securities  | 29%         | 24%         |
| Cash and cash equivalents | 7%          | 12%         |
| Corporate bonds           | 12%         | 1%          |

As of June 30, 2007, the System had entered into various investment agreements with private equity partnerships. Under the terms of certain of these investment agreements, the System is obligated to make additional investments in these private equity partnerships of \$5,154.

For purposes of applying GASB Statement No. 40, certain of the System's operating and endowment investments are subject to risks as follows:

#### *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. 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. 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, 2007 is as follows:

|  |          |
|--|----------|
| U.S. Government - Guaranteed                 | \$ 1,466 |
| Corporate Bonds:                             |          |
| AAA  | \$ 106   |
| AA   | \$ 506   |
| A  | \$ 370   |
| Not Rated                                    | \$ -     |
| Guaranteed Investment Contracts – Guaranteed | \$13,758 |
| Commingled Funds:                            |          |
| U.S. Bond Funds – Not Rated                  | \$59,103 |
| Non U.S. Bond Funds – Not Rated              | \$47,091 |
| Money Market Funds – Not Rated               | \$21,409 |

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.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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### NOTE 4 – System Investments (continued):

Investments included in the above table have been identified as having interest rate risk and are principally invested in mutual funds. The segmented time distribution for these investments at June 30, 2007 is as follows:

|                    |          |
|--------------------|----------|
| Less than 1 year   | \$74,093 |
| 1 to 5 years       | \$41,483 |
| 6 to 10 years      | \$11,675 |
| More than 10 years | \$16,558 |

#### *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. Currently, the System does not have a formal policy for custodial credit risk. At June 30, 2007 the System's operating and endowment investments that were held by various custodial banks are represented by the following types of investments:

|                                 |          |
|---------------------------------|----------|
| Mutual Funds                    | \$ 2,152 |
| Stocks                          | \$12,403 |
| International                   | \$ 37    |
| Guaranteed Investment Contracts | \$13,758 |
| US Government Bonds             | \$ 1,467 |
| Corporate Bonds                 | \$ 981   |

#### *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. 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 System's total operating and endowment investments. At June 30, 2007 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 that changes in exchange rates will adversely affect the fair market value of an investment. At June 30, 2007 the System had \$108,238 of investments in international mutual funds subject to foreign currency risk in both the operating and endowment investment pools. The U.S. dollar balances of international mutual funds organized by the respective foreign currencies are as follows:

|                   |          |
|-------------------|----------|
| Euro              | \$55,873 |
| Japanese Yen      | \$17,242 |
| Swiss Franc       | \$ 4,243 |
| South Korean Won  | \$ 4,847 |
| Canadian Dollar   | \$ 4,875 |
| Taiwan New Dollar | \$ 2,520 |
| Brazilian Real    | \$ 1,960 |
| Chinese Renminbi  | \$ 1,737 |
| Hong Kong Dollar  | \$ 1,011 |
| Australian Dollar | \$ 2,437 |
| Other             | \$11,494 |

### NOTE 5 – System Endowment Pool:

Approximately \$203,028 and \$176,632 of endowment fund investments at June 30, 2007 and 2006, respectively, are pooled on a unit market value basis. As of June 30, 2007, the endowment pool is comprised of investments in mutual funds (65%), stocks (4%), private equity partnerships (22%), and cash and cash equivalents (9%). As of June 30, 2006, the endowment pool is comprised of investments in mutual funds (67%), stocks (8%), private equity partnerships (21%) and other investments (4%). Each individual endowment fund acquires or disposes of units on the basis of the market value per unit on the preceding quarterly valuation date. The unit market value at June 30, 2007 and 2006 was \$530.31 and \$470.14, respectively.

The System utilizes a spending rule for its pooled endowments, which determines the endowment income to be distributed currently for spending. For the years ended June 30, 2007 and 2006, the endowment spending policy, as approved by the Board of Regents, authorized a

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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### NOTE 5 – System Endowment Pool (continued):

distribution of 4.5% of the average unit market value for the previous twenty (20) calendar quarters. Under the provisions of this spending rule, during 2007, \$17.32 was distributed to each time-weighted unit for a total spending rule distribution of \$7,569 and, during 2006, \$17.00 was distributed to each time-weighted unit for a total spending rule distribution of \$7,365. The 2007 and 2006 distributions were made from investment income of \$7,569 and \$1,769, respectively, and \$0 and \$5,596, respectively from cumulative gains of pooled investments.

The System's policy is to retain the endowment's 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 \$124,488 and \$110,297 at June 30, 2007 and 2006, respectively, and is available to meet future spending needs subject to the approval of the Board of Regents.

Nevada State law provides that a portion of total estate tax revenues collected by the State are appropriated to the System. During the years ended June 30, 2007 and 2006 the System received \$379 and \$3,219, respectively, from such appropriations. Effective July 1, 2003 Nevada State law was amended to no longer require estate tax receipts to be maintained in an endowment, therefore, the entire balance of the estate tax endowment investments was reclassified to short-term investments in the Statement of Net Assets as of June 30, 2007 and 2006.

### NOTE 6 – System Accounts and Loans Receivable:

System accounts receivable consist primarily of amounts due from students for tuition and fees and from local and private sources for grant and contract agreements. System accounts receivable are presented on the accompanying Statements of Net Assets net of allowances for uncollectible amounts of \$8,948 and \$6,980, respectively, as of June 30, 2007 and 2006.

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. A provision for possible uncollectible amounts is recorded on the basis of the various institutions' estimated future losses for such items. The loans receivable and corresponding allowance for uncollectible loan balances as of June 30, 2007 and 2006 are as follows:

|                                    | <u>2007</u>     | <u>2006</u>     |
|------------------------------------|-----------------|-----------------|
| Loans receivable                   | \$11,923        | \$11,054        |
| Less: Allowance for doubtful loans | <u>(491)</u>    | <u>(505)</u>    |
| Net loans receivable               | 11,432          | 10,549          |
| Less current portion               | <u>(2,515)</u>  | <u>(2,421)</u>  |
| Noncurrent loans receivable        | <u>\$ 8,917</u> | <u>\$ 8,128</u> |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

### NOTE 7 – System Capital Assets:

System capital asset activity for the year ended June 30, 2007 and 2006 is as follows:

|   | <u>2007</u>                  |                  |                   |                           |
|---|------------------------------|------------------|-------------------|---------------------------|
|   | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u>  | <u>Ending<br/>Balance</u> |
| Capital assets, not being depreciated:      |                              |                  |                   |                           |
| Construction in progress                    | \$ 136,581                   | \$261,164        | \$(52,098)        | \$ 345,647                |
| Land  | 60,221                       | 4,380            | -                 | 64,601                    |
| Collections                                 | 8,723                        | 115              | (42)              | 8,796                     |
| Total capital assets, not being depreciated | <u>205,525</u>               | <u>265,659</u>   | <u>\$(52,140)</u> | <u>419,044</u>            |
| Capital assets, being depreciated:          |                              |                  |                   |                           |
| Buildings                                   | 1,370,791                    | 66,764           | (5,054)           | 1,432,501                 |
| Land improvements                           | 80,187                       | 1,984            | -                 | 82,171                    |
| Machinery and equipment                     | 264,228                      | 29,753           | (12,661)          | 281,320                   |
| Library books and media                     | 96,801                       | 6,803            | (999)             | 102,605                   |
| Total cost                                  | <u>1,812,007</u>             | <u>105,304</u>   | <u>(18,714)</u>   | <u>1,898,597</u>          |
| Less accumulated depreciation for:          |                              |                  |                   |                           |
| Buildings                                   | (384,371)                    | (35,208)         | 4,770             | (414,809)                 |
| Land improvements                           | (59,384)                     | (3,941)          | -                 | (63,325)                  |
| Machinery and equipment                     | (155,088)                    | (25,854)         | 10,695            | (170,247)                 |
| Library books and media                     | (81,829)                     | (6,775)          | 993               | (87,611)                  |
| Total accumulated depreciation              | <u>(680,672)</u>             | <u>(71,778)</u>  | <u>16,458</u>     | <u>(735,992)</u>          |
| Total capital assets being depreciated, net | <u>1,131,335</u>             | <u>33,526</u>    | <u>(2,256)</u>    | <u>1,162,605</u>          |
| Capital assets, net                         | <u>\$1,336,860</u>           | <u>\$299,185</u> | <u>\$(54,396)</u> | <u>\$1,581,649</u>        |
|   | <u>2006</u>                  |                  |                   |                           |
|   | <u>Beginning<br/>Balance</u> | <u>Increases</u> | <u>Decreases</u>  | <u>Ending<br/>Balance</u> |
| Capital assets, not being depreciated:      |                              |                  |                   |                           |
| Construction in progress                    | \$ 76,269                    | \$115,581        | \$(55,269)        | \$ 136,581                |
| Land  | 63,662                       | 4,226            | (7,667)           | 60,221                    |
| Collections                                 | 8,099                        | 624              | -                 | 8,723                     |
| Total capital assets, not being depreciated | <u>148,030</u>               | <u>120,431</u>   | <u>(62,936)</u>   | <u>205,525</u>            |
| Capital assets, being depreciated:          |                              |                  |                   |                           |
| Buildings                                   | 1,298,938                    | 43,772           | 28,081            | 1,370,791                 |
| Land improvements                           | 77,449                       | 2,394            | 344               | 80,187                    |
| Machinery and equipment                     | 246,425                      | 36,694           | (18,891)          | 264,228                   |
| Library books and media                     | 89,960                       | 7,189            | (348)             | 96,801                    |
| Total cost                                  | <u>1,712,772</u>             | <u>90,049</u>    | <u>9,186</u>      | <u>1,812,007</u>          |
| Less accumulated depreciation for:          |                              |                  |                   |                           |
| Buildings                                   | (353,357)                    | (33,365)         | 2,351             | (384,371)                 |
| Land improvements                           | (55,332)                     | (4,052)          | -                 | (59,384)                  |
| Machinery and equipment                     | (144,719)                    | (24,417)         | 14,048            | (155,088)                 |
| Library books and media                     | (75,404)                     | (6,771)          | 346               | (81,829)                  |
| Total accumulated depreciation              | <u>(628,812)</u>             | <u>(68,605)</u>  | <u>16,745</u>     | <u>(680,672)</u>          |
| Total capital assets being depreciated, net | <u>1,083,960</u>             | <u>21,444</u>    | <u>25,931</u>     | <u>1,131,335</u>          |
| Capital assets, net                         | <u>\$1,231,990</u>           | <u>\$141,875</u> | <u>\$(37,005)</u> | <u>\$1,336,860</u>        |

The estimated cost to complete property authorized or under construction at June 30, 2007 is \$360,228. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

### NOTE 8 – System Long-Term Debt:

System long-term debt activity for the year ended June 30, 2007 and 2006 is as follows:

|   | Annual Interest Rate | Fiscal Year Final<br>Payment Due | Beginning<br>Balance | Additions | Reductions  | Ending<br>Balance | Current  |
|---|----------------------|----------------------------------|----------------------|-----------|-------------|-------------------|----------|
| University Superior Lien Refunding Revenue Bonds, Series 1997 | 4.50% to 6.00%       | 2007                             | \$ 1,125             | \$ -      | \$ (1,125)  | \$ -              | \$ -     |
| Universities Subordinate Lien Revenue Bonds, Series 1992      | 3.95% to 6.70%       | 2008                             | 610                  | -         | (295)       | 315               | 315      |
| Certificates of Participation, Series 2006B                   | 4.81% to 4.98%       | 2010                             | 1,925                | -         | -           | 1,925             | 450      |
| Universities Revenue Bonds, Series 1995                       | 3.95% to 5.25%       | 2011                             | 580                  | -         | (105)       | 475               | 110      |
| Universities Revenue Bonds, Series 1998                       | 4.00% to 5.25%       | 2014                             | 5,810                | -         | (610)       | 5,200             | 640      |
| Community College Revenue Bonds, Series 1996                  | 3.80% to 5.70%       | 2017                             | 795                  | -         | (795)       | -                 | -        |
| Universities Revenue Bonds, Series 2003A                      | 2.00% to 5.00%       | 2017                             | 20,305               | -         | (2,480)     | 17,825            | 3,795    |
| Universities Revenue Bonds, Series 2000                       | 5.10% to 5.88%       | 2021                             | 2,650                | -         | (610)       | 2,040             | 645      |
| Universities Revenue Bonds, Series December 2000              | 5.00% to 5.375%      | 2021                             | 23,475               | -         | (18,575)    | 4,900             | 1,140    |
| Taxable University Revenue Bonds, Series 2002C                | 4.00% to 5.50%       | 2022                             | 7,485                | -         | (260)       | 7,225             | 220      |
| SNSC Phase II Lease Revenue Bonds                             | 7.58%                | 2023                             | 7,935                | -         | (245)       | 7,690             | 265      |
| Certificates of Participation, Series 2006A                   | 4.00% to 5.00%       | 2025                             | 11,015               | -         | -           | 11,015            | -        |
| Universities Revenue Bonds, Series April 2000                 | 5.00% to 5.88%       | 2030                             | 1,605                | -         | (290)       | 1,315             | 305      |
| Shadow Lane – Dental School Bond, Series 2001                 | 4.25% to 5.25%       | 2032                             | 18,160               | -         | (16,095)    | 2,065             | 380      |
| Universities Revenue Bonds, Series 2002A                      | 3.87% to 5.40%       | 2032                             | 27,110               | -         | -           | 27,110            | -        |
| Universities Revenue Bonds, Series 2002B                      | 4.75% to 5.00%       | 2032                             | 10,905               | -         | -           | 10,905            | -        |
| Universities Revenue Bonds, Series 2003B                      | 2.00% to 5.00%       | 2034                             | 50,890               | -         | (860)       | 50,030            | 865      |
| Universities Revenue Bonds, Series 2004A                      | 2.00% to 4.50%       | 2034                             | 31,170               | -         | (1,310)     | 29,860            | 1,330    |
| Universities Revenue Bonds, Series 2004B                      | 3.00% to 4.75%       | 2035                             | 10,000               | -         | -           | 10,000            | -        |
| Universities Revenue Bonds, Series 2005A                      | 3.00% to 5.00%       | 2035                             | 31,010               | -         | -           | 31,010            | -        |
| Universities Revenue Bonds, Series 2005B                      | 3.25% to 5.00%       | 2035                             | 170,360              | -         | -           | 170,360           | 725      |
| Prepaid Interest in Advance of Refunding                      |                      |                                  | (603)                | (1,716)   | 253         | (2,066)           | (253)    |
| Premiums  |                      |                                  | 12,527               | -         | (470)       | 12,057            | 470      |
| Total Bonds Payable   |                      |                                  | 446,844              | (1,716)   | (43,872)    | 401,256           | 11,402   |
| Notes Payable   |                      |                                  | 40,726               | 47,556    | (5,333)     | 82,949            | 4,813    |
| Total   |                      |                                  | \$487,570            | \$45,840  | \$ (49,205) | \$484,205         | \$16,215 |



# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

### NOTE 8 – System Long-Term Debt (continued):

System long-term debt activity for the year ended June 30, 2007 and 2006 is as follows:

|   | Annual Interest Rate | Fiscal Year Final<br>Payment Due | Beginning<br>Balance | Additions | Reductions | Ending<br>Balance | Current  |
|---|----------------------|----------------------------------|----------------------|-----------|------------|-------------------|----------|
| University Superior Lien Refunding Revenue Bonds, Series 1997 | 4.50% to 6.00%       | 2007                             | \$ 3,125             | \$ -      | \$ (2,000) | \$ 1,125          | \$ 1,125 |
| Universities Subordinate Lien Revenue Bonds, Series 1992      | 3.95% to 6.70%       | 2008                             | 890                  | -         | (280)      | 610               | 295      |
| Certificates of Participation, Series 2006B                   | 4.81% to 4.98%       | 2010                             | -                    | 1,925     | -          | 1,925             | -        |
| Universities Revenue Bonds, Series 1995                       | 3.95% to 5.25%       | 2011                             | 680                  | -         | (100)      | 580               | 105      |
| Universities Revenue Bonds, Series 1998                       | 4.00% to 5.25%       | 2014                             | 6,390                | -         | (580)      | 5,810             | 610      |
| Community College Revenue Bonds, Series 1996                  | 3.80% to 5.70%       | 2017                             | 845                  | -         | (50)       | 795               | 55       |
| Universities Revenue Bonds, Series 2003A                      | 2.00% to 5.00%       | 2017                             | 21,830               | -         | (1,525)    | 20,305            | 2,480    |
| Universities Revenue Bonds, Series 2000                       | 5.10% to 5.88%       | 2021                             | 13,945               | -         | (11,295)   | 2,650             | 610      |
| Universities Revenue Bonds, Series December 2000              | 5.00% to 5.375%      | 2021                             | 24,520               | -         | (1,045)    | 23,475            | 1,090    |
| Taxable University Revenue Bonds, Series 2002C                | 4.00% to 5.50%       | 2022                             | 7,825                | -         | (340)      | 7,485             | 260      |
| SNSC Phase II Lease Revenue Bonds                             | 7.58%                | 2023                             | 8,160                | -         | (225)      | 7,935             | 245      |
| Certificates of Participation, Series 2006A                   | 4.00% to 5.00%       | 2025                             | -                    | 11,015    | -          | 11,015            | -        |
| Universities Revenue Bonds, Series April 2000                 | 5.00% to 5.88%       | 2030                             | 13,910               | -         | (12,305)   | 1,605             | 290      |
| Shadow Lane – Dental School Bond, Series 2001                 | 4.25% to 5.25%       | 2032                             | 18,515               | -         | (355)      | 18,160            | 370      |
| Universities Revenue Bonds, Series 2002A                      | 3.87% to 5.40%       | 2032                             | 31,000               | -         | (3,890)    | 27,110            | -        |
| Universities Revenue Bonds, Series 2002B                      | 4.75% to 5.00%       | 2032                             | 10,905               | -         | -          | 10,905            | -        |
| Universities Revenue Bonds, Series 2003B                      | 2.00% to 5.00%       | 2034                             | 50,890               | -         | -          | 50,890            | 860      |
| Universities Revenue Bonds, Series 2004A                      | 2.00% to 4.50%       | 2034                             | 32,450               | -         | (1,280)    | 31,170            | 1,310    |
| Universities Revenue Bonds, Series 2004B                      | 3.00% to 4.75%       | 2035                             | 10,000               | -         | -          | 10,000            | -        |
| Universities Revenue Bonds, Series 2005A                      | 3.00% to 5.00%       | 2035                             | 31,010               | -         | -          | 31,010            | -        |
| Universities Revenue Bonds, Series 2005B                      | 3.25% to 5.00%       | 2035                             | -                    | 170,360   | -          | 170,360           | -        |
| Prepaid Interest in Advance of Refunding Premiums             |                      |                                  | -                    | (704)     | 101        | (603)             | (151)    |
| Total Bonds Payable   |                      |                                  | 3,123                | 9,833     | (429)      | 12,527            | 250      |
| Notes Payable   |                      |                                  | 290,013              | 192,429   | (35,598)   | 446,844           | 9,804    |
| Total   |                      |                                  | 27,139               | 16,325    | (2,738)    | 40,726            | 3,947    |
|   |                      |                                  | \$317,152            | \$208,754 | \$(38,336) | \$487,570         | \$13,751 |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

### NOTE 8 – System Long-Term Debt (continued):

The revenue bonds are collateralized by tuition and fees, auxiliary enterprises revenues and certain other revenues as defined in the bond indentures.

There are a number of limitations and restrictions contained in the various bond indentures. The System is in compliance with the terms, covenants, provisions and conditions of the various bond indentures as they relate to the payment of bond interest and principal when due and maintenance of insurance coverage.

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.

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

|           | <u>Principal</u> | <u>Interest</u>  |
|-----------|------------------|------------------|
| 2008      | \$ 16,215        | \$ 21,102        |
| 2009      | 16,427           | 20,887           |
| 2010      | 17,304           | 20,206           |
| 2011      | 18,779           | 18,805           |
| 2012      | 18,148           | 18,111           |
| 2013-2017 | 94,973           | 78,820           |
| 2018-2022 | 89,010           | 58,571           |
| 2023-2027 | 78,530           | 39,629           |
| 2028-2032 | 80,478           | 21,828           |
| 2033-2037 | <u>54,341</u>    | <u>4,230</u>     |
| Total     | <u>\$484,205</u> | <u>\$302,189</u> |

In July 2007 the System secured a bank loan in the amount of \$3,400 to partially fund a building at UNR.

In July 2007, as part of a comprehensive plan to restructure support for the UNLV Foundation's activities, UNLV assumed and paid the \$1,120 balance of the UNLV Foundation Revenue Bond in full from institutional capital improvement fees.

### NOTE 9 – 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 2007 to 2019.

System obligations under capital leases were as follows for the year ending June 30, 2007 and 2006:

|                           | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>2007<br/>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Current</u> |
|---------------------------|------------------------------|------------------|----------------------------|---------------------------|----------------|
| Capital lease obligations | <u>\$15,475</u>              | <u>\$ 193</u>    | <u>(\$3,185)</u>           | <u>\$12,483</u>           | <u>\$2,666</u> |
|                           | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>2006<br/>Reductions</u> | <u>Ending<br/>Balance</u> | <u>Current</u> |
| Capital lease obligations | <u>\$15,339</u>              | <u>\$2,604</u>   | <u>(\$2,468)</u>           | <u>\$15,475</u>           | <u>\$2,832</u> |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

### NOTE 9 – System Obligations Under Capital Leases (continued):

The following System property included in the accompanying financial statements was leased under capital leases as of June 30, 2007 and 2006:

|                               | <u>2007</u>     | <u>2006</u>     |
|-------------------------------|-----------------|-----------------|
| Buildings and improvements    | \$10,421        | \$ 5,765        |
| Machinery and equipment       | <u>12,178</u>   | <u>16,745</u>   |
| Total                         | 22,599          | 22,510          |
| Less accumulated depreciation | <u>(7,530)</u>  | <u>(5,363)</u>  |
| Total                         | <u>\$15,069</u> | <u>\$17,147</u> |

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

|                                   |                 |
|-----------------------------------|-----------------|
| 2008                              | \$ 3,213        |
| 2009                              | 3,193           |
| 2010                              | 2,112           |
| 2011                              | 1,841           |
| 2012                              | 966             |
| 2013-2017                         | <u>2,910</u>    |
| Total minimum lease payments      | 14,235          |
| Less amount representing interest | <u>(1,752)</u>  |
| Obligations under capital leases  | <u>\$12,483</u> |

Total interest expense under the System capital leases and included in the accompanying financial statements was \$663 and \$729, respectively, during the years ended June 30, 2007 and 2006.

### NOTE 10 – System Other Noncurrent Liability Activity:

The activity with respect to System other noncurrent liabilities for the years ended June 30, 2007 and 2006 was as follows:

|   | <u>2007</u>              |                  |                   |                       |                 |
|---|--------------------------|------------------|-------------------|-----------------------|-----------------|
|   | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Current</u>  |
| Refundable advances under federal loans program | \$ 7,692                 | \$ 727           | \$ (765)          | \$ 7,654              | \$ -            |
| Compensated absences                            | 39,247                   | 29,254           | (26,929)          | 41,572                | 28,906          |
| Retentions payable                              | 515                      | 2,763            | (1,355)           | 1,923                 | -               |
| Deferred revenue                                | <u>33,648</u>            | <u>35,750</u>    | <u>(32,704)</u>   | <u>36,694</u>         | <u>35,936</u>   |
| Total   | <u>\$81,102</u>          | <u>\$68,494</u>  | <u>\$(61,753)</u> | <u>\$87,843</u>       | <u>\$64,842</u> |

|   | <u>2006</u>              |                  |                   |                       |                 |
|---|--------------------------|------------------|-------------------|-----------------------|-----------------|
|   | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Current</u>  |
| Refundable advances under federal loans program | \$ 7,857                 | \$ 670           | \$ (835)          | \$ 7,692              | \$ -            |
| Compensated absences                            | 36,579                   | 28,240           | (25,572)          | 39,247                | 27,390          |
| Retentions payable                              | -                        | 515              | -                 | 515                   | -               |
| Deferred revenue                                | <u>34,282</u>            | <u>33,363</u>    | <u>(33,997)</u>   | <u>33,648</u>         | <u>32,833</u>   |
| Total   | <u>\$78,718</u>          | <u>\$62,788</u>  | <u>\$(60,404)</u> | <u>\$81,102</u>       | <u>\$60,223</u> |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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### NOTE 11 – Extinguishment of Debt:

At June 30, 2007, debt in the amount of \$56,230 is considered to be extinguished through refunding of prior issues by a portion of the current issues. Sufficient proceeds were invested in state and local government securities and placed in escrow to assure the timely payment of the maturities of prior issues. Neither the debt nor the escrowed assets are reflected on the financial statements.

### NOTE 12 – Irrevocable Letter of Credit:

In connection with its workers compensation liability coverage, the System is required to maintain an \$834 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 coverage in the amount of \$2,290. A letter of credit was established in July 2003 in connection with the DRI Lease Revenue Bond in the amount of \$2,100. No advances were made under the letters of credit during the years ended June 30, 2007 and 2006.

### NOTE 13 – System Pension Plans:

Substantially all permanent employees of the System are covered by retirement plans. Classified employees are covered by the State of Nevada Public Employees Retirement System ("PERS"), a cost-sharing multiple-employer public employee retirement system. Professional employees are covered under PERS or up to four Alternative Retirement Plans.

All permanent System classified employees are mandated by State law to participate in PERS. Employees who retire with 5 or more years of service at age 65, 10 or more years of service at age 60 or with 30 years or more of service at any age are entitled to a retirement benefit, payable monthly for life, equal to 2.67% percent of the employee's average compensation for each year of service up to 30 years, with a maximum of 75 percent. An employee's average compensation is the average of the employee's highest compensation for 36 consecutive months. A diminished benefit is provided to all eligible employees upon early retirement, if such employees have achieved the years of service required for regular retirement. PERS also provides death and disability benefits. Benefits are established by State statute.

The authority for establishing and amending the obligation to make contributions is provided by statute. Contribution rates are also established by statute. Active employees contribute to PERS at a rate of either 10.5% or 0% of annual covered wages depending on the contribution option selected. The System is required to contribute to PERS at a rate of either 10.5% or 19.75% of annual covered wages, depending on the option selected by the employee. The System is not liable for any unfunded liabilities of PERS.

PERS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS at 693 W. Nye Lane, Carson City, NV 89703-1599

In addition to PERS, certain exempt employees have the option of participating in various retirement plans provided through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, the American Century Family of Funds, VALIC, and Fidelity Investments. Under these defined contribution plans, the System and participants make annual contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or to participate in a variety of mutual funds.

The System's contribution to all retirement plans for the years ended June 30, 2007, 2006 and 2005 was approximately (in thousands) \$68,358, \$60,369 and \$55,728, respectively, equal to the required contribution for each year.

### NOTE 14 – System 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 any ultimate liability in these matters, in excess of insurance coverage, will not materially affect the net assets, changes in net assets or cash flows of the System.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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### NOTE 15 – Functional Classification of System Expenses:

The following is the functional classifications of expenses as reported on the Statements of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2007 and 2006.

|                                       | <u>2007</u>        | <u>2006</u>        |
|---------------------------------------|--------------------|--------------------|
| Instruction                           | \$ 459,757         | \$ 419,928         |
| Research                              | 133,667            | 128,221            |
| Public service                        | 58,490             | 59,040             |
| Academic support                      | 115,820            | 104,532            |
| Institutional support                 | 137,140            | 133,892            |
| Student services                      | 107,366            | 92,380             |
| Operation and maintenance<br>of plant | 104,897            | 99,807             |
| Scholarships and fellowships          | 43,296             | 42,088             |
| Auxiliary enterprises                 | 71,298             | 65,130             |
| Other expenses                        | -                  | 60                 |
| Depreciation                          | <u>71,591</u>      | <u>68,607</u>      |
| Total                                 | <u>\$1,303,322</u> | <u>\$1,213,685</u> |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

### NOTE 16 System Related Organizations:

As described in Note 1, the System Related Organizations columns in the financial statements includes the financial data of the System's discretely presented campus foundations and medical school practice plans. Condensed combining financial data of the System related organizations is as follows:

### NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS NET ASSETS AS OF JUNE 30, 2007 (in \$1,000)

|   | UNR<br>Foundation | Practice<br>Plans | DRI<br>Foundation | DRI<br>Research<br>Park | TMCC<br>Foundation |
|---|-------------------|-------------------|-------------------|-------------------------|--------------------|
| <b><u>ASSETS</u></b>                            |                   |                   |                   |                         |                    |
| <i>Current Assets</i>                           |                   |                   |                   |                         |                    |
| Cash and cash equivalents                       | \$ 22,944         | \$ 8,060          | \$ 954            | \$ 17                   | \$ 687             |
| Short-term investments                          | 14,134            | 3,986             | -                 | -                       | -                  |
| Other current assets                            | <u>4,502</u>      | <u>10,459</u>     | <u>9</u>          | <u>-</u>                | <u>88</u>          |
| <b>Total Current Assets</b>                     | <u>41,580</u>     | <u>22,505</u>     | <u>963</u>        | <u>17</u>               | <u>775</u>         |
| <i>Noncurrent Assets</i>                        |                   |                   |                   |                         |                    |
| Capital assets, net                             | 12                | 3,259             | 16                | 22                      | -                  |
| Endowment investments                           | 96,903            | -                 | -                 | -                       | 407                |
| Other noncurrent assets                         | <u>9,372</u>      | <u>-</u>          | <u>-</u>          | <u>-</u>                | <u>-</u>           |
| <b>Total Noncurrent Assets</b>                  | <u>106,287</u>    | <u>3,259</u>      | <u>16</u>         | <u>22</u>               | <u>407</u>         |
| <b>TOTAL ASSETS</b>                             | <u>147,867</u>    | <u>25,764</u>     | <u>979</u>        | <u>39</u>               | <u>1,182</u>       |
| <b><u>LIABILITIES</u></b>                       |                   |                   |                   |                         |                    |
| <i>Current Liabilities</i>                      |                   |                   |                   |                         |                    |
| Due to affiliates                               | 1,799             | (197)             | 17                | -                       | -                  |
| Current portion of long-term debt               | -                 | -                 | -                 | -                       | -                  |
| Other current liabilities                       | <u>1,642</u>      | <u>4,410</u>      | <u>872</u>        | <u>3</u>                | <u>263</u>         |
| <b>Total Current Liabilities</b>                | <u>3,441</u>      | <u>4,213</u>      | <u>889</u>        | <u>3</u>                | <u>263</u>         |
| <i>Noncurrent Liabilities</i>                   |                   |                   |                   |                         |                    |
| Long-term debt                                  | -                 | 342               | -                 | -                       | -                  |
| Other noncurrent liabilities                    | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>139</u>              | <u>-</u>           |
| <b>Total Noncurrent Liabilities</b>             | <u>-</u>          | <u>342</u>        | <u>-</u>          | <u>139</u>              | <u>-</u>           |
| <b>TOTAL LIABILITIES</b>                        | <u>3,441</u>      | <u>4,555</u>      | <u>889</u>        | <u>142</u>              | <u>263</u>         |
| <b><u>NET ASSETS</u></b>                        |                   |                   |                   |                         |                    |
| Invested in capital assets, net of related debt | 12                | 2,655             | 16                | 22                      | -                  |
| Restricted:                                     |                   |                   |                   |                         |                    |
| Nonexpendable                                   | 102,614           | -                 | -                 | -                       | 410                |
| Expendable:                                     | 34,086            | -                 | (460)             | -                       | -                  |
| Unrestricted                                    | <u>7,714</u>      | <u>18,554</u>     | <u>534</u>        | <u>(125)</u>            | <u>509</u>         |
| <b>TOTAL NET ASSETS</b>                         | <u>\$144,426</u>  | <u>\$ 21,209</u>  | <u>\$ 90</u>      | <u>(\$103)</u>          | <u>\$ 919</u>      |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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| WNC<br>Foundation | GBC<br>Foundation | UNLV<br>Foundation | CSN<br>Foundation | NSC<br>Foundation | Total<br>System Related<br>Organizations |
|-------------------|-------------------|--------------------|-------------------|-------------------|--|
| \$ 412            | \$ 3,915          | \$ 11,903          | \$2,365           | \$ 494            | \$ 51,751                                |
| -                 | -                 | 5,121              | -                 | 108               | 23,349                                   |
| <u>1,518</u>      | <u>283</u>        | <u>3,773</u>       | <u>460</u>        | <u>99</u>         | <u>21,191</u>                            |
| <u>1,930</u>      | <u>4,198</u>      | <u>20,797</u>      | <u>2,825</u>      | <u>701</u>        | <u>96,291</u>                            |
| -                 | 7                 | 1,914              | 16                | -                 | 5,246                                    |
| 2,127             | 3,307             | 94,611             | -                 | 577               | 197,932                                  |
| <u>247</u>        | <u>214</u>        | <u>23,845</u>      | <u>741</u>        | <u>6,230</u>      | <u>40,649</u>                            |
| <u>2,374</u>      | <u>3,528</u>      | <u>120,370</u>     | <u>757</u>        | <u>6,807</u>      | <u>243,827</u>                           |
| <u>4,304</u>      | <u>7,726</u>      | <u>141,167</u>     | <u>3,582</u>      | <u>7,508</u>      | <u>340,118</u>                           |
| -                 | -                 | -                  | -                 | -                 | 1,619                                    |
| -                 | -                 | 170                | -                 | -                 | 170                                      |
| <u>-</u>          | <u>36</u>         | <u>157</u>         | <u>-</u>          | <u>-</u>          | <u>7,383</u>                             |
| <u>-</u>          | <u>36</u>         | <u>327</u>         | <u>-</u>          | <u>-</u>          | <u>9,172</u>                             |
| -                 | -                 | 950                | -                 | -                 | 1,292                                    |
| <u>-</u>          | <u>-</u>          | <u>495</u>         | <u>-</u>          | <u>-</u>          | <u>634</u>                               |
| <u>-</u>          | <u>-</u>          | <u>1,445</u>       | <u>-</u>          | <u>-</u>          | <u>1,926</u>                             |
| <u>-</u>          | <u>36</u>         | <u>1,772</u>       | <u>-</u>          | <u>-</u>          | <u>11,098</u>                            |
| -                 | 7                 | 86                 | 16                | -                 | 2,814                                    |
| 646               | 2,755             | 64,475             | -                 | 577               | 171,477                                  |
| 2,388             | 1,828             | 67,551             | 1,454             | 6,683             | 113,530                                  |
| <u>1,270</u>      | <u>3,100</u>      | <u>7,283</u>       | <u>2,112</u>      | <u>248</u>        | <u>41,199</u>                            |
| <u>\$ 4,304</u>   | <u>\$7,690</u>    | <u>\$139,395</u>   | <u>\$3,582</u>    | <u>\$7,508</u>    | <u>\$329,020</u>                         |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

### NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS NET ASSETS AS OF JUNE 30, 2006 (in \$1,000)

|   | UNR<br>Foundation | Practice<br>Plans | DRI<br>Foundation | TMCC<br>Foundation |
|---|-------------------|-------------------|-------------------|--------------------|
| <b><u>ASSETS</u></b>                            |                   |                   |                   |                    |
| <i>Current Assets</i>                           |                   |                   |                   |                    |
| Cash and cash equivalents                       | \$ 18,689         | \$12,921          | \$540             | \$239              |
| Short-term investments                          | 12,471            | 1,328             | -                 | -                  |
| Other current assets                            | <u>3,930</u>      | <u>9,491</u>      | <u>12</u>         | <u>23</u>          |
| <b>Total Current Assets</b>                     | <u>35,090</u>     | <u>23,740</u>     | <u>552</u>        | <u>262</u>         |
| <i>Noncurrent Assets</i>                        |                   |                   |                   |                    |
| Capital assets, net                             | 39                | 2,884             | 16                | -                  |
| Endowment investments                           | 76,908            | -                 | -                 | 223                |
| Other noncurrent assets                         | <u>8,420</u>      | <u>-</u>          | <u>-</u>          | <u>-</u>           |
| <b>Total Noncurrent Assets</b>                  | <u>85,367</u>     | <u>2,884</u>      | <u>16</u>         | <u>223</u>         |
| <b>TOTAL ASSETS</b>                             | <u>120,457</u>    | <u>26,624</u>     | <u>568</u>        | <u>485</u>         |
| <b><u>LIABILITIES</u></b>                       |                   |                   |                   |                    |
| <i>Current Liabilities</i>                      |                   |                   |                   |                    |
| Due to affiliates                               | 2,877             | 333               | -                 | -                  |
| Current portion of long-term debt               | 218               | 213               | -                 | -                  |
| Other current liabilities                       | <u>21</u>         | <u>4,038</u>      | <u>60</u>         | <u>144</u>         |
| <b>Total Current Liabilities</b>                | <u>3,116</u>      | <u>4,584</u>      | <u>60</u>         | <u>144</u>         |
| <i>Noncurrent Liabilities</i>                   |                   |                   |                   |                    |
| Long-term debt                                  | 661               | -                 | -                 | -                  |
| Other noncurrent liabilities                    | <u>339</u>        | <u>406</u>        | <u>-</u>          | <u>-</u>           |
| <b>Total Noncurrent Liabilities</b>             | <u>1,000</u>      | <u>406</u>        | <u>-</u>          | <u>-</u>           |
| <b>TOTAL LIABILITIES</b>                        | <u>4,116</u>      | <u>4,990</u>      | <u>60</u>         | <u>144</u>         |
| <b><u>NET ASSETS</u></b>                        |                   |                   |                   |                    |
| Invested in capital assets, net of related debt | 39                | 2,265             | 16                | -                  |
| Restricted:                                     |                   |                   |                   |                    |
| Nonexpendable                                   | 80,729            | -                 | -                 | 218                |
| Expendable:                                     | 30,355            | -                 | 96                | -                  |
| Unrestricted                                    | <u>5,218</u>      | <u>19,369</u>     | <u>396</u>        | <u>123</u>         |
| <b>TOTAL NET ASSETS</b>                         | <u>\$116,341</u>  | <u>\$21,634</u>   | <u>\$508</u>      | <u>\$341</u>       |



# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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| WNC<br>Foundation | GBC<br>Foundation | UNLV<br>Foundation | CSN<br>Foundation | NSC<br>Foundation | Total<br>System Related<br>Organizations |
|-------------------|-------------------|--------------------|-------------------|-------------------|--|
| \$ 487            | \$1,120           | \$ 17,857          | \$2,458           | \$ 365            | \$ 54,676                                |
| -                 | -                 | 5,056              | -                 | 1,056             | 19,911                                   |
| <u>1,220</u>      | <u>137</u>        | <u>2,619</u>       | <u>848</u>        | <u>95</u>         | <u>18,375</u>                            |
| <u>1,707</u>      | <u>1,257</u>      | <u>25,532</u>      | <u>3,306</u>      | <u>1,516</u>      | <u>92,962</u>                            |
| -                 | 4                 | 1,979              | -                 | -                 | 4,922                                    |
| 1,702             | 3,129             | 83,262             | -                 | 626               | 165,850                                  |
| <u>356</u>        | <u>194</u>        | <u>24,092</u>      | <u>593</u>        | <u>5,687</u>      | <u>39,342</u>                            |
| <u>2,058</u>      | <u>3,327</u>      | <u>109,333</u>     | <u>593</u>        | <u>6,313</u>      | <u>210,114</u>                           |
| <u>3,765</u>      | <u>4,584</u>      | <u>134,865</u>     | <u>3,899</u>      | <u>7,829</u>      | <u>303,076</u>                           |
| -                 | -                 | -                  | 1,000             | -                 | 4,210                                    |
| -                 | -                 | 185                | -                 | -                 | 616                                      |
| -                 | <u>47</u>         | <u>41</u>          | -                 | -                 | <u>4,351</u>                             |
| -                 | <u>47</u>         | <u>226</u>         | <u>1,000</u>      | -                 | <u>9,177</u>                             |
| -                 | -                 | 1,120              | -                 | -                 | 1,781                                    |
| -                 | -                 | <u>467</u>         | -                 | -                 | <u>1,212</u>                             |
| -                 | -                 | <u>1,587</u>       | -                 | -                 | <u>2,993</u>                             |
| -                 | <u>47</u>         | <u>1,813</u>       | <u>1,000</u>      | -                 | <u>12,170</u>                            |
| -                 | 4                 | 130                | -                 | -                 | 2,454                                    |
| 582               | 2,783             | 53,235             | -                 | 626               | 138,173                                  |
| 2,055             | 1,188             | 74,837             | 1,458             | 7,029             | 117,018                                  |
| <u>1,128</u>      | <u>562</u>        | <u>4,850</u>       | <u>1,441</u>      | <u>174</u>        | <u>33,261</u>                            |
| <u>\$3,765</u>    | <u>\$4,537</u>    | <u>\$133,052</u>   | <u>\$2,899</u>    | <u>\$7,829</u>    | <u>\$290,906</u>                         |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

### NOTE 16– System Related Organizations (continued):

#### NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in \$1,000) FOR THE YEAR ENDED JUNE 30, 2007

|  | <u>UNR<br/>Foundation</u> | <u>Practice<br/>Plans</u> | <u>DRI<br/>Foundation</u> | <u>DRI<br/>ResearchPark</u> | <u>TMCC<br/>Foundation</u> |
|--|---------------------------|---------------------------|---------------------------|-----------------------------|----------------------------|
| <i>Operating Revenues</i>                                    |                           |                           |                           |                             |                            |
| Patient  | \$ -                      | \$ 45,870                 | \$ -                      | \$ -                        | \$ -                       |
| Contract   | -                         | 7,082                     | -                         | -                           | -                          |
| Contributions  | 11,070                    | -                         | 871                       | -                           | 721                        |
| Campus support   | 1,828                     | -                         | 197                       | 69                          | 127                        |
| Other operating  | <u>1,333</u>              | <u>5,950</u>              | <u>186</u>                | <u>3</u>                    | <u>254</u>                 |
| Total operating revenues                                     | <u>14,231</u>             | <u>58,902</u>             | <u>1,254</u>              | <u>72</u>                   | <u>1,102</u>               |
| <i>Operating Expenses</i>                                    |                           |                           |                           |                             |                            |
| Program  | 349                       | 37,159                    | -                         | -                           | -                          |
| Depreciation   | 27                        | 864                       | -                         | 10                          | -                          |
| Other operating  | <u>2,495</u>              | <u>20,506</u>             | <u>565</u>                | <u>70</u>                   | <u>244</u>                 |
| Total operating expenses                                     | <u>2,871</u>              | <u>58,529</u>             | <u>565</u>                | <u>80</u>                   | <u>244</u>                 |
| Operating income   | <u>11,360</u>             | <u>373</u>                | <u>689</u>                | <u>(8)</u>                  | <u>858</u>                 |
| <i>Nonoperating Revenues (Expenses)</i>                      |                           |                           |                           |                             |                            |
| Payments to System campuses and divisions                    | (10,779)                  | (1,237)                   | (1,090)                   | -                           | (478)                      |
| Other nonoperating revenues (expenses)                       | <u>16,674</u>             | <u>439</u>                | <u>(17)</u>               | <u>(95)</u>                 | <u>149</u>                 |
| Total nonoperating expenses                                  | <u>5,895</u>              | <u>(798)</u>              | <u>(1,107)</u>            | <u>(95)</u>                 | <u>(329)</u>               |
| Income (loss) before other revenue, expenses gains or losses | <u>17,255</u>             | <u>(425)</u>              | <u>(418)</u>              | <u>(103)</u>                | <u>529</u>                 |
| Additions to permanent endowments                            | -                         | -                         | -                         | -                           | 49                         |
| Other revenues   | <u>10,830</u>             | <u>-</u>                  | <u>-</u>                  | <u>-</u>                    | <u>-</u>                   |
| Total other revenues   | <u>10,830</u>             | <u>-</u>                  | <u>-</u>                  | <u>-</u>                    | <u>49</u>                  |
| Increase (decrease) in net assets                            | 28,085                    | (425)                     | (418)                     | (103)                       | 578                        |
| Net assets - beginning of year                               | <u>116,341</u>            | <u>21,634</u>             | <u>508</u>                | <u>-</u>                    | <u>341</u>                 |
| Net assets - end of year                                     | <u>\$144,426</u>          | <u>\$21,209</u>           | <u>\$ 90</u>              | <u>(\$103)</u>              | <u>\$919</u>               |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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| <u>WNC<br/>Foundation</u> | <u>GBC<br/>Foundation</u> | <u>UNLV<br/>Foundation</u> | <u>CSN<br/>Foundation</u> | <u>NSC<br/>Foundation</u> | <u>Total</u>     |
|---------------------------|---------------------------|----------------------------|---------------------------|---------------------------|------------------|
| \$ -                      | \$ -                      | \$ -                       | \$ -                      | \$ -                      | \$ 45,870        |
| -                         | -                         | -                          | -                         | -                         | 7,082            |
| 1,464                     | 3,290                     | 33,580                     | 1,324                     | 935                       | 53,255           |
| -                         | 63                        | -                          | -                         | -                         | 2,284            |
| -                         | 127                       | 104                        | 375                       | -                         | 8,332            |
| <u>1,464</u>              | <u>3,480</u>              | <u>33,684</u>              | <u>1,699</u>              | <u>935</u>                | <u>116,823</u>   |
| -                         | 92                        | 94                         | -                         | -                         | 37,694           |
| -                         | 2                         | 75                         | 2                         | -                         | 980              |
| <u>408</u>                | <u>266</u>                | <u>3,031</u>               | <u>188</u>                | <u>1,223</u>              | <u>28,996</u>    |
| <u>408</u>                | <u>360</u>                | <u>3,200</u>               | <u>190</u>                | <u>1,223</u>              | <u>67,670</u>    |
| <u>1,056</u>              | <u>3,120</u>              | <u>30,484</u>              | <u>1,509</u>              | <u>(288)</u>              | <u>49,153</u>    |
| (755)                     | (573)                     | (40,079)                   | (951)                     | (107)                     | (56,049)         |
| <u>238</u>                | <u>546</u>                | <u>12,705</u>              | <u>125</u>                | <u>72</u>                 | <u>30,836</u>    |
| <u>(517)</u>              | <u>(27)</u>               | <u>(27,374)</u>            | <u>(826)</u>              | <u>(35)</u>               | <u>(25,213)</u>  |
| <u>539</u>                | <u>3,093</u>              | <u>3,110</u>               | <u>683</u>                | <u>(323)</u>              | <u>23,940</u>    |
| -                         | 60                        | 3,233                      | -                         | 2                         | 3,344            |
| -                         | -                         | -                          | -                         | -                         | 10,830           |
| -                         | <u>60</u>                 | <u>3,233</u>               | -                         | <u>2</u>                  | <u>14,174</u>    |
| 539                       | 3,153                     | 6,343                      | 683                       | (321)                     | 38,114           |
| <u>3,765</u>              | <u>4,537</u>              | <u>133,052</u>             | <u>2,899</u>              | <u>7,829</u>              | <u>290,906</u>   |
| <u>\$ 4,304</u>           | <u>\$7,690</u>            | <u>\$139,395</u>           | <u>\$3,582</u>            | <u>\$7,508</u>            | <u>\$329,020</u> |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

### NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in \$1,000) FOR THE YEAR ENDED JUNE 30, 2006

|  | UNR<br><u>Foundation</u> | Practice<br><u>Plans</u> | DRI<br><u>Foundation</u> | TMCC<br><u>Foundation</u> |
|--|--------------------------|--------------------------|--------------------------|---------------------------|
| <i>Operating Revenues</i>                                    |                          |                          |                          |                           |
| Patient  | \$ -                     | \$45,203                 | \$ -                     | \$ -                      |
| Contract   | -                        | 6,963                    | -                        | -                         |
| Contributions  | 14,069                   | -                        | 792                      | 999                       |
| Campus support   | 1,759                    | -                        | 324                      | 108                       |
| Other operating  | <u>1,119</u>             | <u>3,572</u>             | <u>218</u>               | <u>34</u>                 |
| Total operating revenues                                     | <u>16,947</u>            | <u>55,738</u>            | <u>1,334</u>             | <u>1,141</u>              |
| <i>Operating Expenses</i>                                    |                          |                          |                          |                           |
| Program  | 291                      | 31,689                   | -                        | -                         |
| Depreciation   | 21                       | 594                      | -                        | -                         |
| Other operating expenses                                     | <u>2,141</u>             | <u>18,587</u>            | <u>754</u>               | <u>141</u>                |
| Total operating expenses                                     | <u>2,453</u>             | <u>50,870</u>            | <u>754</u>               | <u>141</u>                |
| Operating income   | <u>14,494</u>            | <u>4,868</u>             | <u>580</u>               | <u>1,000</u>              |
| <i>Nonoperating Revenues (Expenses)</i>                      |                          |                          |                          |                           |
| Payments to System campuses and divisions                    | (12,085)                 | (1,481)                  | (514)                    | (978)                     |
| Other nonoperating revenues (expenses)                       | <u>7,681</u>             | <u>313</u>               | <u>-</u>                 | <u>38</u>                 |
| Total nonoperating expenses                                  | <u>(4,404)</u>           | <u>(1,168)</u>           | <u>(514)</u>             | <u>(940)</u>              |
| Income (loss) before other revenue, expenses gains or losses | <u>10,090</u>            | <u>3,700</u>             | <u>66</u>                | <u>60</u>                 |
| Additions to permanent endowments                            | 7,919                    | -                        | -                        | -                         |
| Other revenues   | <u>-</u>                 | <u>-</u>                 | <u>-</u>                 | <u>-</u>                  |
| Total other revenues   | <u>7,919</u>             | <u>-</u>                 | <u>-</u>                 | <u>-</u>                  |
| Increase (decrease) in net assets                            | 18,009                   | 3,700                    | 66                       | 60                        |
| Net assets - beginning of year                               | <u>98,332</u>            | <u>17,934</u>            | <u>442</u>               | <u>281</u>                |
| Net assets - end of year                                     | <u>\$116,341</u>         | <u>\$21,634</u>          | <u>\$ 508</u>            | <u>\$ 341</u>             |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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| <u>WNC<br/>Foundation</u> | <u>GBC<br/>Foundation</u> | <u>UNLV<br/>Foundation</u> | <u>CSN<br/>Foundation</u> | <u>NSC<br/>Foundation</u> | <u>Total</u>     |
|---------------------------|---------------------------|----------------------------|---------------------------|---------------------------|------------------|
| \$ -                      | \$ -                      | \$ -                       | \$ -                      | \$ -                      | \$ 45,203        |
| -                         | -                         | -                          | -                         | -                         | 6,963            |
| 2,039                     | 484                       | 28,630                     | 1,696                     | 6,078                     | 54,787           |
| -                         | 23                        | -                          | -                         | -                         | 2,214            |
| <u>129</u>                | <u>120</u>                | <u>137</u>                 | <u>427</u>                | <u>-</u>                  | <u>5,756</u>     |
| <u>2,168</u>              | <u>627</u>                | <u>28,767</u>              | <u>2,123</u>              | <u>6,078</u>              | <u>114,923</u>   |
| -                         | 319                       | 40                         | -                         | -                         | 32,339           |
| -                         | -                         | 105                        | -                         | -                         | 720              |
| <u>471</u>                | <u>-</u>                  | <u>2,831</u>               | <u>159</u>                | <u>6</u>                  | <u>25,090</u>    |
| <u>471</u>                | <u>319</u>                | <u>2,976</u>               | <u>159</u>                | <u>6</u>                  | <u>58,149</u>    |
| <u>1,697</u>              | <u>308</u>                | <u>25,791</u>              | <u>1,964</u>              | <u>6,072</u>              | <u>56,774</u>    |
| (1,184)                   | (250)                     | (15,343)                   | (1,784)                   | (45)                      | (33,664)         |
| <u>141</u>                | <u>243</u>                | <u>6,327</u>               | <u>79</u>                 | <u>40</u>                 | <u>14,862</u>    |
| <u>(1,043)</u>            | <u>(7)</u>                | <u>(9,016)</u>             | <u>(1,705)</u>            | <u>(5)</u>                | <u>(18,802)</u>  |
| <u>654</u>                | <u>301</u>                | <u>16,775</u>              | <u>259</u>                | <u>6,067</u>              | <u>37,972</u>    |
| -                         | 27                        | 1,678                      | -                         | 517                       | 10,141           |
| <u>-</u>                  | <u>-</u>                  | <u>-</u>                   | <u>-</u>                  | <u>-</u>                  | <u>-</u>         |
| <u>-</u>                  | <u>27</u>                 | <u>1,678</u>               | <u>-</u>                  | <u>517</u>                | <u>10,141</u>    |
| 654                       | 328                       | 18,453                     | 259                       | 6,584                     | 48,113           |
| <u>3,111</u>              | <u>4,209</u>              | <u>114,599</u>             | <u>2,640</u>              | <u>1,245</u>              | <u>242,793</u>   |
| <u>\$3,765</u>            | <u>\$4,537</u>            | <u>\$133,052</u>           | <u>\$2,899</u>            | <u>\$7,829</u>            | <u>\$290,906</u> |

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

### NOTE 16– System Related Organizations (continued):

#### UNR Foundation:

The UNR Foundation cash deposits are primarily on deposit with two financial institutions and several investment companies and are carried at fair value at \$22,944 and \$18,689, respectively, at June 30, 2007 and 2006, of which \$922 and \$17,522, respectively, is insured by the FDIC. The remaining balance is uncollateralized and is a category 3 level of risk, based on risk categories established by GASB.

Investments consist primarily of open-ended mutual funds through a single custodian. Debt and equity securities other than open-ended mutual funds are uncollateralized and are a category 3 level of risk, based on risk categories established by GASB.

Cash and cash equivalents at June 30, 2007 and 2006, consists of:

|                                    | <u>2007</u>     | <u>2006</u>     |
|------------------------------------|-----------------|-----------------|
| Cash                               | \$ 196          | \$ 966          |
| Money Funds                        | 608             | 54              |
| Common Fund Short-term Investments | 21,855          | 17,669          |
| Certificates of Deposit            | <u>285</u>      | <u>-</u>        |
|                                    | <u>\$22,944</u> | <u>\$18,689</u> |

The fair value of investments at June 30, 2007 and 2006, are as follows:

|                                      | <u>2007</u>      | <u>2006</u>     |
|--------------------------------------|------------------|-----------------|
| Equity Investments                   | \$ 698           | \$ 357          |
| Commonfund Bond                      | 25,395           | 15,927          |
| Commonfund Global Bond               | -                | 651             |
| Commonfund Equity                    | 70,997           | 59,183          |
| Commonfund International Equity      | -                | 1,079           |
| Commonfund Emerging Markets          | -                | 1,814           |
| Commonfund Capital Partners          | 1,249            | 844             |
| Commonfund Real Estate Securities    | -                | 953             |
| Commonfund Realty Investors          | 2,393            | 2,096           |
| Commonfund Global Distress           | 822              | -               |
| Commonfund international commodities | 2,976            | -               |
| Certificates of Deposit              | 944              | 1,812           |
| U.S. Government Securities           | <u>6,121</u>     | <u>5,237</u>    |
|                                      | <u>\$111,595</u> | <u>\$89,953</u> |

At June 30, 2007, the Foundation investments had the following maturities:

|                            | Investment Maturities (in Years) |                  |               |             |
|----------------------------|----------------------------------|------------------|---------------|-------------|
|                            | Fair Value                       | Less than 1      | 1 – 5         | 6 – 10      |
| Equity investments         | \$ 698                           | \$ 698           | \$ -          | \$ -        |
| Open ended mutual funds    | 103,832                          | 103,832          | -             | -           |
| Certificates of deposit    | 944                              | 861              | -             | 82          |
| U.S. Government securities | <u>6,121</u>                     | <u>5,647</u>     | <u>475</u>    | <u>-</u>    |
|                            | <u>\$111,595</u>                 | <u>\$111,038</u> | <u>\$ 475</u> | <u>\$82</u> |

The Foundation's investment policy allows for investments of money market funds, certificates of deposit, commercial paper (rated P-1 and/or A-1 or better up to 10% maximum of the total cash balance), United States treasury bills or notes, mortgage backed securities, or internal

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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### NOTE 16 System Related Organizations (continued):

loans to the University of Nevada, Reno (secured by a promissory note, with appropriate interest). Investments outside of the Commonfund are staggered in 30, 60 and 90 day investments. All investments in excess of the 90 day limit are approved individually. Justification for the time period of the investment would be that our liquid cash needs didn't exceed \$10 million and the rate of return justifies the investment.

The cumulative net appreciation of investments at June 30, 2007 and 2006 was \$27,729 and \$21,716, respectively.

#### *Investment Risk Factors*

There are many factors that can affect the value of investments. Some, such as custodial credit risk and concentrations of credit risk may affect fixed income securities, which are particularly sensitive to credit risks and changes in interest rates.

#### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government'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 Commonfund, a nonprofit membership corporation operated by and for its member colleges, universities and independent schools. The Foundation currently purchases certificates of deposit of less than one hundred thousand dollars per bank or institution. Commercial paper is limited to a maximum of 10% of the total cash available. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents and investments.

#### *Credit Risk*

Fixed income securities are subject to credit risk, which is the chance an issuer or other counterparty to an investment will not fulfill its obligations. It is the policy of the Foundation to manage its credit risk by limiting its fixed income securities to obligations of the U.S. Government, which are not considered to have credit risk, and to pooled fixed income funds with the Commonfund. The Commonfund is unrated by recognized statistical rating organizations.

#### *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 current policy limits U.S. Treasury instruments and certificates of deposit to no more than 90 days out unless the rate justifies the return and the current cash needs permit.

#### *Foreign Currency Risk*

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

#### *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 open-end mutual funds through a single custodian. Debt and equity securities other than open-end mutual funds are uncollateralized.

#### UNLV Foundation:

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

#### *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. The UNLV Foundation does not have a deposit policy for custodial credit risk. Of the cash balances held by custodians at June 30, 2007 and 2006, \$204 and \$109, respectively was covered by the FDIC and \$2,991 and \$147, respectively, was uninsured. Of the cash equivalent balance, \$200 was covered by Securities Investor Protection Corporation ("SIPC") and \$2,053 and \$2,974, respectively, was covered by the Customer Asset Protection Company ("CAPCO"), excess protection provided by two brokerages. In addition, \$736 and \$644, respectively, was held in a bank and was uninsured, however, the cash and cash equivalents are invested in a money market account that is backed by the full faith and credit of the U.S. Government.

Investments in the custody of two brokerages are covered by CAPCO. Investments in the custody of the bank are in the nominee name of the bank and held by the Depository Trust Company.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

### NOTE 16 System Related Organizations (continued):

Investments include the following at June 30, 2007 and 2006:

|  | <u>2007</u>      | <u>2006</u>      |
|--|------------------|------------------|
| Mutual funds   | \$ 2,309         | \$ 2,462         |
| Common Stock   | 45,968           | 39,763           |
| U.S. government obligations                          | 11,761           | 28,376           |
| Corporate obligations                                | 12,420           | 10,854           |
| Asset-backed securities                              | <u>19,934</u>    | <u>12,288</u>    |
| Total marketable securities at cost                  | 92,392           | 93,743           |
| Net unrealized gain (loss) on noncurrent investments | <u>11,368</u>    | <u>6,690</u>     |
| Total fair value of noncurrent investments           | <u>\$103,760</u> | <u>\$100,433</u> |

#### 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 securities.

| Corporate Bonds   | Total | AAA  | AA   | A     | BBB   | Below Investment Grade |
|-------------------|-------|------|------|-------|-------|------------------------|
| Restricted fund – |       |      |      |       |       |                        |
| Schater Cullen    | \$ 28 | \$ - | \$ - | \$ -  | \$ -  | \$ 28                  |
| Payden & Rygel    | 4,366 | 44   | 774  | 1,502 | 2,046 | -                      |
| Endowment fund:   |       |      |      |       |       |                        |
| Wachovia          | 1,724 | -    | 810  | 713   | 201   | -                      |
| Loomis Sayles     | 5,929 | 274  | 218  | 1,097 | -     | 4,340                  |
| Tradewinds-NWQ    | 314   | -    | -    | 44    | -     | 270                    |

Note: U.S. Government obligations, asset-backed securities, and mutual funds are not included.

#### 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 the restricted fund, the Lehman Aggregate Index average maturity as of June 30, 2007, was 6.23 years. The fixed-income portfolio's average maturity was 9.60 years. Interest rates range from 2.84% to 8.875%.

| Maturity Under 1 Year | Maturity 1-5 Years | Maturity 5-10 Years | Maturity Over 10 Years | Total    |
|-----------------------|--------------------|---------------------|------------------------|----------|
| \$2,145               | \$2,673            | \$10,743            | \$3,990                | \$19,551 |

For the endowment fund, the Lehman Aggregate Bond Index average maturity as of June 30, 2007, was 7.30 years. The fixed-income portfolio's average maturity was 7.10 years. Interest rates range from 2.375% to 8.875%.

| Maturity Under 1 Year | Maturity 1-5 Years | Maturity 5-10 Years | Maturity Over 10 Years | Total    |
|-----------------------|--------------------|---------------------|------------------------|----------|
| \$5,087               | \$10,796           | \$6,243             | \$2,199                | \$24,325 |



# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO FINANCIAL STATEMENTS (in \$1,000) FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

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### NOTE 16 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. The UNLV Foundation's policy guidelines instruct managers to purchase sovereign debt rated "A" or better and may not invest in excess of 20% of the total fixed-income portfolio, of which no more than 5% of the total fixed-income portfolio may be invested in the debt of any one foreign country.

At June 30, 2007 and 2006, the UNLV Foundation had \$808 and \$653, respectively in foreign bonds.

During the year ended June 30, 2007 and 2006, the UNLV Foundation recognized \$12,377 and \$5,975, respectively, in investment income. Earnings included \$3,758 and \$3,017, respectively, from interest and dividends, \$4,546 and \$3,921, respectively, from net realized gains on the sale of investments, and \$4,678 and \$(451), respectively, from the change in investment fair value. Investment expenses of \$589 and \$480, respectively, and amortization of bond discounts of \$16 and \$32, respectively, were netted against earnings.

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## SUPPLEMENTAL INFORMATION

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**CONSOLIDATING STATEMENT OF NET ASSETS (in \$1,000)**  
**AS OF JUNE 30, 2007**

| <u>ASSETS</u>  | <u>UNR</u>       | <u>System</u>    | <u>DRI</u>      | <u>TMCC</u>     | <u>WNC</u>      |
|--|------------------|------------------|-----------------|-----------------|-----------------|
| <b>Current Assets</b>                                      |                  |                  |                 |                 |                 |
| Cash and cash equivalents                                  | \$ 43,352        | \$21,551         | \$ 5,104        | \$ 1,894        | \$ 21           |
| Restricted cash and cash equivalents                       | -                | -                | 162             | -               | -               |
| Short-term investments                                     | 74,726           | 68,861           | 20,170          | 13,486          | 4,014           |
| Accounts receivable, net                                   | 15,372           | 629              | 3,878           | 605             | 175             |
| Receivable from U.S. Government                            | 20,861           | 586              | 4,670           | 170             | 184             |
| Receivable from State of Nevada                            | 11,826           | 497              | 498             | 1,810           | 1,281           |
| Current portion of loans receivable, net                   | 1,911            | -                | -               | 31              | 2               |
| Inventories  | 3,106            | 187              | -               | 22              | -               |
| Deposits and deferred expenditures                         | 5,914            | 336              | 89              | -               | 81              |
| Other  | -                | -                | 1,813           | 53              | -               |
| <b>Total Current Assets</b>                                | <u>177,068</u>   | <u>92,647</u>    | <u>36,384</u>   | <u>18,071</u>   | <u>5,758</u>    |
| <b>Noncurrent Assets</b>                                   |                  |                  |                 |                 |                 |
| Cash held by State Treasurer                               | 13,639           | -                | 804             | 1,389           | 303             |
| Restricted cash and cash equivalents                       | 246              | -                | -               | -               | -               |
| Receivable from State of Nevada                            | 26,166           | -                | -               | -               | -               |
| Restricted investments                                     | 13,758           | -                | -               | -               | -               |
| Endowment investments                                      | 128,395          | 7,082            | 7,604           | 9,054           | 230             |
| Deposits and deferred expenditures                         | 2,496            | 658              | -               | -               | -               |
| Loans receivable, net                                      | 5,584            | -                | -               | 308             | 2               |
| Capital assets, net  | 483,724          | 9,525            | 54,205          | 65,316          | 35,760          |
| Other noncurrent assets                                    | -                | 368              | -               | -               | -               |
| <b>Total Noncurrent Assets</b>                             | <u>674,008</u>   | <u>17,633</u>    | <u>62,613</u>   | <u>76,067</u>   | <u>36,295</u>   |
| <b>TOTAL ASSETS</b>  | <u>851,076</u>   | <u>110,280</u>   | <u>98,997</u>   | <u>94,138</u>   | <u>42,053</u>   |
| <b><u>LIABILITIES</u></b>                                  |                  |                  |                 |                 |                 |
| <b>Current Liabilities</b>                                 |                  |                  |                 |                 |                 |
| Accounts payable   | 28,706           | 2,525            | 1,279           | 855             | 471             |
| Accrued payroll and related liabilities                    | 9,420            | 513              | 888             | 1,310           | 578             |
| Unemployment insurance and workers' compensation liability | 1,175            | 40               | 71              | 260             | 100             |
| Current portion of compensated absences                    | 10,707           | 1,260            | 3,032           | 1,620           | 577             |
| Current portion of long-term debt                          | 5,139            | -                | 580             | 683             | 175             |
| Current portion of obligations under capital leases        | 410              | 775              | 82              | -               | -               |
| Accrued interest payable                                   | 4,885            | 79               | 103             | 107             | -               |
| Deferred revenue   | 12,844           | 1,588            | 1,124           | 835             | 136             |
| Funds held in trust for others                             | 2,038            | -                | 959             | 81              | 71              |
| Other  | -                | -                | 2,258           | 288             | -               |
| <b>Total Current Liabilities</b>                           | <u>75,324</u>    | <u>6,780</u>     | <u>10,376</u>   | <u>6,039</u>    | <u>2,108</u>    |
| <b>Noncurrent Liabilities</b>                              |                  |                  |                 |                 |                 |
| Refundable advances under federal loan programs            | 4,718            | -                | -               | 261             | -               |
| Compensated absences                                       | 6,141            | 368              | 369             | 120             | 223             |
| Deferred revenue   | 351              | -                | -               | -               | -               |
| Long-term debt   | 203,346          | -                | 11,040          | 8,671           | 1,497           |
| Obligations under capital leases                           | 3,865            | 813              | 164             | -               | -               |
| Other noncurrent liabilities                               | 1,923            | -                | -               | -               | -               |
| <b>Total Noncurrent Liabilities</b>                        | <u>220,344</u>   | <u>1,181</u>     | <u>11,573</u>   | <u>9,052</u>    | <u>1,720</u>    |
| <b>TOTAL LIABILITIES</b>                                   | <u>295,668</u>   | <u>7,961</u>     | <u>21,949</u>   | <u>15,091</u>   | <u>3,828</u>    |
| <b><u>NET ASSETS</u></b>                                   |                  |                  |                 |                 |                 |
| Invested in capital assets, net of related debt            | 281,323          | 7,937            | 42,501          | 55,961          | 34,087          |
| Restricted:  |                  |                  |                 |                 |                 |
| Nonexpendable  | 37,498           | 3,642            | 2,125           | 5,001           | 137             |
| Expendable:  |                  |                  |                 |                 |                 |
| Scholarships, research and instruction                     | 83,592           | 22,142           | 6,063           | 4,653           | 248             |
| Loans  | 5,036            | -                | -               | 86              | 9               |
| Capital projects   | 30,000           | -                | 14,909          | 4,521           | 1,194           |
| Debt service   | 3,265            | -                | -               | (80)            | 175             |
| Unrestricted   | <u>114,694</u>   | <u>68,598</u>    | <u>11,450</u>   | <u>8,905</u>    | <u>2,375</u>    |
| <b>TOTAL NET ASSETS</b>                                    | <u>\$555,408</u> | <u>\$102,319</u> | <u>\$77,048</u> | <u>\$79,047</u> | <u>\$38,225</u> |

| <u>GBC</u>      | <u>UNLV</u>       | <u>CSN</u>       | <u>NSC</u>      | <u>Total</u>       |
|-----------------|-------------------|------------------|-----------------|--------------------|
| \$ (61)         | \$ 31,864         | \$ 4,419         | \$ (108)        | \$ 108,036         |
| -               | -                 | -                | -               | 162                |
| 2,290           | 130,300           | 26,692           | 1,416           | 341,955            |
| 371             | 4,915             | 2,275            | 273             | 28,493             |
| 185             | 10,158            | 667              | 30              | 37,511             |
| 707             | 16,294            | 3,526            | 226             | 36,665             |
| 5               | 478               | 88               | -               | 2,515              |
| -               | 1,844             | 745              | 377             | 6,281              |
| 39              | 369               | 62               | 133             | 7,023              |
| -               | -                 | -                | -               | 1,866              |
| <u>3,536</u>    | <u>196,222</u>    | <u>38,474</u>    | <u>2,347</u>    | <u>570,507</u>     |
| 13,571          | 64,382            | 25,697           | 9,446           | 129,231            |
| -               | 31,363            | -                | -               | 31,609             |
| -               | 19,307            | -                | -               | 45,473             |
| -               | -                 | -                | -               | 13,758             |
| 226             | 54,285            | 4,949            | -               | 211,825            |
| -               | 1,845             | -                | -               | 4,999              |
| -               | 2,991             | 28               | 4               | 8,917              |
| 30,032          | 692,799           | 201,042          | 9,246           | 1,581,649          |
| -               | -                 | -                | -               | 368                |
| <u>43,829</u>   | <u>866,972</u>    | <u>231,716</u>   | <u>18,696</u>   | <u>2,027,829</u>   |
| <u>47,365</u>   | <u>1,063,194</u>  | <u>270,190</u>   | <u>21,043</u>   | <u>2,598,336</u>   |
| 261             | 33,581            | 3,576            | 249             | 71,503             |
| 469             | 11,514            | 2,033            | -               | 26,725             |
| 83              | 2,208             | 485              | -               | 4,422              |
| 413             | 8,746             | 2,321            | 230             | 28,906             |
| 108             | 9,530             | -                | -               | 16,215             |
| -               | 1,026             | 373              | -               | 2,666              |
| 16              | 4,579             | -                | -               | 9,769              |
| 155             | 16,813            | 2,145            | 296             | 35,936             |
| 28              | 3,483             | 251              | 8               | 6,919              |
| -               | -                 | -                | -               | 2,546              |
| <u>1,533</u>    | <u>91,480</u>     | <u>11,184</u>    | <u>783</u>      | <u>205,607</u>     |
| -               | 2,661             | 14               | -               | 7,654              |
| 178             | 4,001             | 1,069            | 197             | 12,666             |
| -               | 407               | -                | -               | 758                |
| 1,942           | 241,494           | -                | -               | 467,990            |
| -               | 4,342             | 633              | -               | 9,817              |
| -               | -                 | -                | -               | 1,923              |
| <u>2,120</u>    | <u>252,905</u>    | <u>1,716</u>     | <u>197</u>      | <u>500,808</u>     |
| <u>3,653</u>    | <u>344,385</u>    | <u>12,900</u>    | <u>980</u>      | <u>706,415</u>     |
| 27,982          | 473,584           | 200,036          | 9,246           | 1,132,657          |
| 48              | 11,632            | 1,993            | -               | 62,076             |
| 266             | 42,858            | 5,961            | -               | 165,783            |
| 12              | 767               | -                | 4               | 5,914              |
| 13,853          | 81,161            | 25,697           | 9,446           | 180,781            |
| -               | 548               | -                | -               | 3,908              |
| <u>1,551</u>    | <u>108,259</u>    | <u>23,603</u>    | <u>1,367</u>    | <u>340,802</u>     |
| <u>\$43,712</u> | <u>\$ 718,809</u> | <u>\$257,290</u> | <u>\$20,063</u> | <u>\$1,891,921</u> |

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET**  
**ASSETS (in \$1,000)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

|   | <u>UNR</u>       | <u>System</u>    | <u>DRI</u>      | <u>TMCC</u>     | <u>WNC</u>      |
|---|------------------|------------------|-----------------|-----------------|-----------------|
| <b>Operating Revenues</b>   |                  |                  |                 |                 |                 |
| Student tuition and fees (net of scholarship allowances of \$49,209 and \$48,892)                               | \$ 65,235        | \$ -             | \$ -            | \$11,750        | \$ 3,623        |
| Federal grants and contracts  | 97,340           | 2,148            | 28,481          | 5,372           | 1,688           |
| State grants and contracts  | 13,954           | -                | 35              | 1,295           | 1,305           |
| Local grants and contracts  | 16,784           | -                | 776             | -               | -               |
| Other grants and contracts  | 9,310            | 782              | 3,939           | 122             | 22              |
| Sales and services of educational departments (including \$1,485 and \$2,127 from System related organizations) | 28,331           | 4,130            | -               | 814             | 480             |
| Sales and services of auxiliary enterprises (net of scholarship allowances of \$3,212 and \$3,089)              | 29,162           | -                | -               | 1,368           | 584             |
| Interest earned on loans receivable   | 91               | -                | -               | 5               | -               |
| Other operating   | <u>2,310</u>     | <u>422</u>       | <u>4,564</u>    | <u>307</u>      | <u>-</u>        |
| <b>Total operating revenues</b>   | <u>262,517</u>   | <u>7,482</u>     | <u>37,795</u>   | <u>21,033</u>   | <u>7,702</u>    |
| <b>Operating Expenses</b>   |                  |                  |                 |                 |                 |
| Employee compensation and benefits  | 310,624          | 17,968           | 30,351          | 43,056          | 21,456          |
| Utilities   | 11,757           | 1,859            | 1,208           | 1,620           | 729             |
| Supplies and services   | 115,237          | 14,406           | 9,435           | 8,845           | 4,568           |
| Scholarships and fellowships  | 14,336           | 177              | -               | 3,083           | 1,370           |
| Depreciation  | <u>23,027</u>    | <u>1,679</u>     | <u>3,885</u>    | <u>3,115</u>    | <u>1,290</u>    |
| <b>Total operating expenses</b>   | <u>474,981</u>   | <u>36,089</u>    | <u>44,879</u>   | <u>59,719</u>   | <u>29,413</u>   |
| <b>Operating (loss) income</b>  | <u>(212,464)</u> | <u>(28,607)</u>  | <u>(7,084)</u>  | <u>(38,686)</u> | <u>(21,711)</u> |
| <b>Nonoperating Revenues (Expenses)</b>   |                  |                  |                 |                 |                 |
| State appropriations  | 196,852          | 27,240           | 8,707           | 38,087          | 19,660          |
| Transfers to/from System Administration   | (11,868)         | 14,452           | 11,948          | (1,211)         | (518)           |
| Gifts (including \$21,404 and \$24,347 from System related organizations)                                       | 14,219           | 22               | 1,041           | 732             | 740             |
| Investment income, net  | 37,031           | 7,631            | 2,507           | 3,000           | 834             |
| Disposal of capital assets  | ( 498)           | -                | (55)            | (113)           | (19)            |
| Interest expense  | ( 7,043)         | (624)            | (720)           | (439)           | (95)            |
| Other nonoperating revenues   | <u>(109)</u>     | <u>(79)</u>      | <u>-</u>        | <u>-</u>        | <u>106</u>      |
| <b>Net nonoperating revenues (expenses)</b>   | <u>228,584</u>   | <u>48,642</u>    | <u>23,428</u>   | <u>40,056</u>   | <u>20,708</u>   |
| <b>Income(loss) before other revenue, expenses, gains or losses</b>   | <u>16,120</u>    | <u>20,035</u>    | <u>16,344</u>   | <u>1,370</u>    | <u>(1,003)</u>  |
| State appropriations restricted for capital purposes  | 1,293            | -                | 44              | -               | -               |
| Capital grants and gifts (including \$31,109 and \$6,090 from System related organizations)                     | 1,383            | -                | -               | -               | -               |
| Additions to permanent endowments (including \$264 and \$321 from System related organizations)                 | <u>510</u>       | <u>2,863</u>     | <u>63</u>       | <u>177</u>      | <u>-</u>        |
| <b>Total other revenues</b>   | <u>3,186</u>     | <u>2,863</u>     | <u>107</u>      | <u>177</u>      | <u>-</u>        |
| <b>Increase (decrease) in net assets</b>  | <u>19,306</u>    | <u>22,898</u>    | <u>16,451</u>   | <u>1,547</u>    | <u>(1,003)</u>  |
| <b>Net Assets</b>   |                  |                  |                 |                 |                 |
| Net assets – beginning of year  | <u>536,104</u>   | <u>79,421</u>    | <u>60,597</u>   | <u>77,500</u>   | <u>39,228</u>   |
| Net assets – end of year  | <u>\$555,410</u> | <u>\$102,319</u> | <u>\$77,048</u> | <u>\$79,047</u> | <u>\$38,225</u> |

| <u>GBC</u>      | <u>UNLV</u>      | <u>CSN</u>       | <u>NSC</u>      | <u>Eliminations</u> | <u>Total</u>       |
|-----------------|------------------|------------------|-----------------|---------------------|--------------------|
| \$ 2,541        | \$112,984        | \$ 36,821        | \$ 3,497        | \$ -                | \$ 236,451         |
| 2,296           | 65,050           | 10,125           | 804             | (8,809)             | 204,495            |
| 119             | 31,503           | 6,245            | 791             | -                   | 55,247             |
| -               | 1,987            | 119              | -               | -                   | 19,666             |
| -               | 4,651            | 2                | -               | -                   | 18,828             |
| 1,366           | 23,969           | 2,734            | 14              | -                   | 61,838             |
| 674             | 44,930           | 1,364            | 875             | -                   | 78,957             |
| -               | 44               | 1                | -               | -                   | 141                |
| -               | <u>1,501</u>     | <u>258</u>       | <u>144</u>      | -                   | <u>9,506</u>       |
| <u>6,996</u>    | <u>286,619</u>   | <u>57,669</u>    | <u>6,125</u>    | <u>(8,809)</u>      | <u>685,129</u>     |
| 16,748          | 316,323          | 98,533           | 10,696          | -                   | 865,755            |
| 801             | 12,559           | 4,498            | 143             | -                   | 35,174             |
| 3,826           | 100,668          | 34,042           | 5,288           | (8,809)             | 287,506            |
| 774             | 15,391           | 7,273            | 892             | -                   | 43,296             |
| <u>1,531</u>    | <u>26,787</u>    | <u>9,884</u>     | <u>393</u>      | -                   | <u>71,591</u>      |
| <u>23,680</u>   | <u>471,728</u>   | <u>154,230</u>   | <u>17,412</u>   | <u>8,809</u>        | <u>1,303,322</u>   |
| <u>(16,684)</u> | <u>(185,109)</u> | <u>(96,561)</u>  | <u>(11,287)</u> | -                   | <u>(618,193)</u>   |
| 14,734          | 185,026          | 92,415           | 9,755           | -                   | 592,476            |
| (227)           | (14,257)         | 1,924            | (243)           | -                   | -                  |
| 902             | 9,233            | 1,058            | 301             | -                   | 28,248             |
| 358             | 32,685           | 5,201            | 298             | -                   | 89,545             |
| 7               | (969)            | (62)             | -               | -                   | (1,709)            |
| (96)            | (9,273)          | (119)            | -               | -                   | (18,409)           |
| -               | <u>(41)</u>      | -                | <u>(23)</u>     | -                   | <u>(146)</u>       |
| <u>15,678</u>   | <u>202,404</u>   | <u>100,417</u>   | <u>10,088</u>   | -                   | <u>690,005</u>     |
| <u>(1,006)</u>  | <u>17,295</u>    | <u>3,856</u>     | <u>(1,199)</u>  | -                   | <u>71,812</u>      |
| -               | 61               | -                | 1,080           | -                   | 2,478              |
| 411             | 32,408           | 1,050            | 3,157           | -                   | 38,409             |
| -               | <u>44</u>        | <u>104</u>       | -               | -                   | <u>3,761</u>       |
| <u>411</u>      | <u>32,513</u>    | <u>1,154</u>     | <u>4,237</u>    | -                   | <u>44,648</u>      |
| <u>(595)</u>    | <u>49,808</u>    | <u>5,010</u>     | <u>3,038</u>    | -                   | <u>116,460</u>     |
| <u>44,307</u>   | <u>669,001</u>   | <u>252,280</u>   | <u>17,026</u>   | -                   | <u>1,775,464</u>   |
| <u>\$43,712</u> | <u>\$718,809</u> | <u>\$257,290</u> | <u>\$20,064</u> | <u>\$ -</u>         | <u>\$1,891,924</u> |