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# Nevada System of Higher Education Financial Statements



**June 30, 2010 and 2009**

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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, 2010 and 2009**

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## Report of Independent Certified Public Accountants

Board of Regents  
Nevada System of Higher Education

We have audited the accompanying financial statements of the Nevada System of Higher Education (the "System"), as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express our opinion on these financial statements based on our audit. We did not audit the financial statements of the DRI Foundation, DRI Research Park, Truckee Meadows Community College Foundation, Great Basin College Foundation, College of Southern Nevada Foundation, and the Nevada State College Foundation, which collectively represent 4.6% percent of the assets, 4.5% percent of the net assets and 5.0% percent of the operating revenues of the aggregate discretely presented component units, as described in Note 22 "System Related Organizations" in the accompanying financial statements as of and for the year ended June 30, 2010. We did not audit the financial statements of the DRI Foundation, DRI Research Park, Truckee Meadows Community College Foundation, Great Basin College Foundation, University of Nevada, Las Vegas Foundation, College of Southern Nevada Foundation, and the Nevada State College Foundation, which collectively represented 55.1% percent of the assets, 57.1% percent of the net assets and 33.1% percent of the operating revenues of the aggregate discretely presented component units as of and for the year ended June 30, 2009. Those financial statements were audited by other auditors whose reports have been furnished to us, and in 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 established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit 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 System'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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the System, as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining schedules of net assets and combining schedules of revenues, expenses and changes in net assets 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.

*Grant Thornton LLP*

San Jose, California  
November 15, 2010

# Nevada System of Higher Education

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nevada System of Higher Education's (the "System") annual financial information presents management's discussion and analysis of the financial standing as of June 30, 2010. 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, 2010, with comparative information as of June 30, 2009 and June 30, 2008.

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

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

Component units issue separate audited and reviewed financial statements from the System.

## **SYSTEM FINANCIAL HIGHLIGHTS**

- Total net assets increased 7.4% from \$2,001,881 to \$2,150,623;
- Capital Assets increased 2.8% from \$1,915,412 to \$1,969,992;
- Operating revenues increased 3.3% from \$708,072 to \$731,406
- Non-operating revenues increased 21.9% from \$604,145 to \$736,304 ; and
- Operating expenses increased 0.0% from \$1,402,745 to \$1,403,365.

## **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, 2010, with a comparison made to June 30, 2009 and June 30, 2008. 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 (in \$1,000's)

NSHE Net Assets	2010	2009	Increase/ (Decrease)	Percent of Prior Yr	2008	Increase/ (Decrease)	Percent of Prior Yr
<b>Assets</b>							
Current Assets	\$565,081	\$499,493	\$65,588	113%	\$521,497	(\$22,004)	96%
Capital Assets	1,969,992	1,915,412	54,580	103%	1,790,276	125,136	107%
Other Assets	312,497	318,258	(5,761)	98%	471,887	(153,629)	67%
<b>Total Assets</b>	<b>2,847,570</b>	<b>2,733,163</b>	<b>114,407</b>	<b>104%</b>	<b>2,783,660</b>	<b>(50,497)</b>	<b>98%</b>
<b>Liabilities</b>							
Current Liabilities	174,449	187,725	(13,276)	93%	192,566	(4,841)	97%
Noncurrent Liabilities	522,498	543,557	(21,059)	96%	485,343	58,214	112%
<b>Total Liabilities</b>	<b>696,947</b>	<b>731,282</b>	<b>(34,335)</b>	<b>95%</b>	<b>677,909</b>	<b>53,373</b>	<b>108%</b>
<b>Net Assets</b>							
<b>Invested in Capital</b>							
Assets, Net of Debt	1,449,575	1,382,189	67,386	105%	1,314,351	67,838	105%
<b>Restricted</b>							
nonexpendable	81,912	80,211	1,701	102%	81,554	(1,343)	98%
Restricted, expendable	235,868	237,217	(1,349)	99%	395,485	(158,268)	60%
Unrestricted	383,268	302,264	81,004	127%	314,361	(12,097)	96%
<b>Total Net Assets</b>	<b>\$2,150,623</b>	<b>\$2,001,881</b>	<b>\$148,742</b>	<b>107%</b>	<b>\$2,105,751</b>	<b>(\$103,870)</b>	<b>95%</b>

#### Assets

Total assets of the System increased by \$114.4 million, or approximately 4.2%. This increase occurred primarily in current and capital assets. The increase in current assets is due to an increase in the operating pool cash accounts as investments have rebounded with current market conditions. 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.

### **Liabilities**

Total liabilities for the year decreased by \$34.3 million; a \$13.2 million decrease in current liabilities and \$21.0 million decrease in non-current liabilities. The decrease in current liabilities was primarily due to a \$10.9 million decrease in accounts payable as a result of decreased capital projects activity at UNLV. The decrease in non-current liabilities was primarily driven by a \$20.1 million decrease in long-term debt as a result of a payments on bonds and notes payable.

### **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 next 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 \$67.4 million or 4.9% increase reflects the System's expenditures for development and renewal of its capital assets, offset by depreciation expense on capital assets and a net decrease in long-term debt. The decrease indicates a limited amount of construction of new facilities due to the economic conditions in the State.

#### **Restricted, Nonexpendable/Expendable**

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

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

#### **Unrestricted Net Assets**

Unrestricted net assets increased by \$81.0 million in 2010. 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. Funds functioning as an endowment consist of unrestricted funds that have been allocated by the System for long-term investment purposes, although amounts are not subject to donor restrictions requiring the System to preserve the principal in perpetuity. Programs supported by the endowment include scholarships, fellowships, professorships, research efforts and other important programs and activities.

## System Related Organizations

### Component Entity Net Assets (in \$1,000's)

	2010	2009	Increase/ (Decrease)	Percent of Prior Yr	2008	Increase/ (Decrease)	Percent of Prior Yr
<b>Assets</b>							
Current Assets	\$170,302	\$189,677	(\$19,375)	90%	\$104,275	\$85,402	182%
Capital Assets	4,384	6,004	(1,620)	73%	5,735	269	105%
Other Assets	201,973	158,719	43,254	127%	249,531	(90,812)	64%
<b>Total Assets</b>	<b>376,659</b>	<b>354,400</b>	<b>22,259</b>	<b>106%</b>	<b>359,541</b>	<b>(5,141)</b>	<b>99%</b>
<b>Liabilities</b>							
Current Liabilities	11,174	11,421	247	98%	9,692	1,729	118%
Non-Current Liabilities	9,612	8,634	978	111%	9,835	(1,201)	88%
<b>Total Liabilities</b>	<b>20,786</b>	<b>20,055</b>	<b>731</b>	<b>104%</b>	<b>19,527</b>	<b>528</b>	<b>103%</b>
<b>Net Assets</b>							
Invested in Capital	3,177	2,961	216	107%	2,878	83	103%
<b>Assets Net of Debt</b>							
Restricted, Nonexpendable	183,692	154,267	29,425	119%	175,514	(21,247)	88%
Restricted, Expendable	122,313	128,335	(6,022)	95%	112,690	15,645	114%
Unrestricted	46,691	48,782	(2,091)	96%	48,932	(150)	100%
<b>Total Net Assets</b>	<b>\$355,873</b>	<b>\$334,345</b>	<b>\$21,528</b>	<b>106%</b>	<b>\$340,014</b>	<b>(\$5,669)</b>	<b>98%</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 eleven campus and athletic 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 (in \$1,000's)

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.

	2010	2009	Increase/ Decrease	Percent of Prior Year	2008	Increase/ Decrease	Percent of Prior Year
<b>Operating Revenues</b>							
Student tuition and fees, net	\$302,887	\$284,888	\$17,999	106%	\$256,803	\$28,085	111%
Grants and contracts, Federal	174,000	179,466	(5,466)	97%	214,430	(34,964)	84%
Grants and contracts, Other	94,512	87,624	6,888	108%	78,969	8,655	111%
Sales and Services	140,444	139,583	861	101%	145,953	(6,370)	96%
Other	19,563	16,511	3,052	118%	14,813	1,698	111%
<b>Total Operating Revenues</b>	<b>731,406</b>	<b>708,072</b>	<b>23,334</b>	<b>103%</b>	<b>710,968</b>	<b>(2,896)</b>	<b>100%</b>
<b>Operating Expenses</b>							
Employees comp/Benefits	(931,296)	(943,615)	12,319	99%	(933,740)	(9,875)	101%
Utilities	(37,542)	(38,211)	669	98%	(37,328)	(883)	102%
Supplies and Services	(263,646)	(283,075)	19,429	93%	(288,419)	5,344	98%
Scholarship and Fellowships	(77,988)	(51,157)	(26,831)	152%	(41,176)	(9,981)	124%
Other	(38)	-	(38)	100%	-	-	-
Depreciation	(92,855)	(86,687)	(6,168)	107%	(75,507)	(11,180)	115%
<b>Total Operating Expenses</b>	<b>(1,403,365)</b>	<b>(1,402,745)</b>	<b>(620)</b>	<b>100%</b>	<b>(1,376,170)</b>	<b>(26,575)</b>	<b>102%</b>
<b>Expenses</b>							
<b>Non-Operating Revenues and Expenses</b>							
State Appropriation	396,748	619,609	(222,861)	64%	621,683	(2,074)	100%
Federal Grants	268,935	43,139	225,796	100%	-	43,139	-
Gifts	33,694	34,346	(652)	98%	37,631	(3,285)	91%
Investment Income (Loss), net	61,979	(83,743)	145,722	74%	5,498	(89,241)	1523%
Disposal of Capital Asset	(2,476)	(2,376)	(100)	104%	(2,795)	419	85%
Interest Expense	(21,895)	(21,464)	(431)	102%	(17,048)	(4,416)	126%
Other Non-Operating Revenues (Expenses)	(681)	14,634	(15,315)	5%	(508)	15,142	2881%
<b>Total Non-Operating Revenues and Expenses</b>	<b>736,304</b>	<b>604,145</b>	<b>132,159</b>	<b>122%</b>	<b>644,461</b>	<b>(40,316)</b>	<b>94%</b>
<b>Other Revenues (Expenses)</b>	<b>84,397</b>	<b>(13,342)</b>	<b>97,739</b>	<b>633%</b>	<b>232,619</b>	<b>(245,961)</b>	<b>106%</b>
<b>Net Assets</b>							
Increase (Decrease) in Net Assets	148,742	(103,870)	252,612	143%	211,878	(315,748)	149%
Net Assets, Beginning of Year	2,001,881	2,105,751	(103,870)	95%	1,893,873	211,878	111%
<b>Total Net Asset, End of Year</b>	<b>\$2,150,623</b>	<b>\$2,001,881</b>	<b>\$148,742</b>	<b>107%</b>	<b>\$2,105,751</b>	<b>(\$103,870)</b>	<b>95%</b>

Operating revenues increased by \$64.2 million (8.5%) and operating expenses increased by \$.6 million (0.0%), resulting in a decrease in the operating loss of \$63.6 million (9.8%).

Operating Revenue - Student Tuition and Fees increased 6.3% to \$302.9 million as a result of the Board of Regents approved tuition and fee increases and, to a lesser extent, enrollment growth. Federal grants and contracts experienced an increase of 16.0% to \$258.0 million and also an increase in State, local, and other grants and contracts of 7.9% to \$94.5 million.

A slight increase in operating expenses was driven by a large increase in Scholarship expense being offset by decreases in Employee Compensation and Benefits, utilities, and supplies expenses. These decreases are a result of NSHE's aggressive cost cutting drive in response to the budget cuts.

The Scholarship expense increased 52.4% to \$78.0 million. This is a result of an increasing number of students receiving financial aid awards and the institution commitment to providing aid to students during these tough economic times.

Non-operating net revenues increased by \$91.3 million. This was led by a significant decrease in appropriations (\$225.3 million) offset by significant increases in investment income, net (\$145.7 million) and American Recovery and Reinvestment Act of 2009 (ARRA) federal funds (\$187.4 million).

### System Related Organizations

Component entities increased slightly from 2009 to 2010, as shown in the following schedule.

	2010	2009	Increase/ Decrease	Percent of Prior Year	2008	Increase/ Decrease	Percent of Prior Year
<b>Operating Revenues</b>							
Patient Revenue	\$61,334	\$65,806	(\$4,472)	93%	\$63,408	\$2,398	104%
Contract Revenue	8,848	7,794	1,054	114%	7,167	627	109%
Contributions	45,463	62,622	(17,159)	73%	58,739	3,883	107%
Campus Support	4,216	6,030	(1,814)	70%	2,539	3,491	237%
Other	5,476	4,859	617	113%	6,059	(1,200)	80%
<b>Total Operating Revenues</b>	<b>125,337</b>	<b>147,111</b>	<b>(21,774)</b>	<b>85%</b>	<b>137,912</b>	<b>9,199</b>	<b>107%</b>
<b>Operating Expenses</b>							
Program Expenses	(60,102)	(60,368)	536	99%	(55,178)	(5,460)	110%
Other Operating Expenses	(36,013)	(34,056)	(1,957)	106%	(29,252)	(4,804)	116%
Depreciation	(1,003)	(1,118)	115	90%	(948)	(170)	118%
<b>Total Operating Expenses</b>	<b>(97,118)</b>	<b>(95,812)</b>	<b>(1,306)</b>	<b>101%</b>	<b>(85,378)</b>	<b>(10,434,503)</b>	<b>1120%</b>
<b>Non-Operating Revenues and Expenses</b>							
Investment Income (Loss), net	22,586	(39,479)	62,065	57%	(2,386)	(37,093)	1655%
Payments to NSHE System	(49,295)	(39,032)	(10,263)	126%	(53,610)	16,509	69%
Other Non-Operating Revenues	-	-	-	0%	(784)	(784)	0%
<b>Total Non-Operating Revenues &amp; Expenses</b>	<b>(25,171)</b>	<b>(76,580)</b>	<b>51,409</b>	<b>33%</b>	<b>(56,780)</b>	<b>(19,800)</b>	<b>135%</b>
<b>Other Revenues</b>							
Other Revenues	18,480	13,242	5,238	140%	15,290	(2,048)	87%
<b>Net Assets</b>							
Increase (decrease) in Net Assets	21,528	(12,039)	33,567	179%	11,044	(23,083)	109%
Net Assets, Beginning of Year	334,345	346,384	(12,039)	97%	335,340	11,044	103%
<b>Total Net Assets, End of Year</b>	<b>\$355,873</b>	<b>\$334,345</b>	<b>\$21,528</b>	<b>106%</b>	<b>\$346,384</b>	<b>(\$12,039)</b>	<b>97%</b>

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

Net cash flows increased primarily due to an increase in investment income. Cash used in operating activities decreased, reflecting NSHE's aggressive cost saving measures in response to the State budget cuts. Net operating cash flows (amount of cash used in operating activities) decreased 12.3%.

Cash flows used in capital financing activities indicated an increase of \$22.0 million, reflecting an increase in the expenditure of cash on capital assets. Cash generated through investing activities increased by \$98.6 million. This category generally reflects the income due to more favorable market conditions during the year.

	2010	2009	Increase/ (Decrease)	Percent of Prior Yr	2008	Increase/ (Decrease)	Percent of Prior Yr
Operating Activities	(\$584,420)	(\$613,358)	\$28,938	95%	(\$580,597)	\$32,761	106%
Non-Capital financing	694,445	730,716	(36,271)	95%	675,332	55,384	108%
Capital financing activities	(143,917)	(121,888)	(22,029)	118%	(139,302)	17,414	87%
Investing activities	82,164	(17,032)	99,196	482%	(50,346)	33,314	34%
Net increase (decrease) in cash	48,272	(21,562)	69,834		(94,913)	73,351	
Cash - Beginning of the year	152,563	174,125	(21,562)		269,038	(94,913)	
Cash- End of the year	\$200,835	\$152,563	\$48,272		\$174,125	(\$21,562)	

## CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2010, the System had invested \$1.970 billion in a broad range of capital assets, including equipment, buildings, machinery and equipment, library books and media, art and other valuable collections, intangible assets and land. This represents a net increase (including additions and deletions) of \$54.6 million over the June 30, 2009, total of \$1.915 billion.

During fiscal year 2010, NSHE did not issue any new revenue bonds. As of June 30, 2010 the coverage on the University Revenue Bonds (pledged revenues to maximum annual debt service) was 4.81 times. For statutory purposes, the coverage was 1.77 times, above minimum coverage of 1.10. NSHE issued a total of \$9.8 million in notes payable during fiscal year 2010.

## FUTURE FINANCIAL EFFECTS

In the recent years the demand for higher education services has grown at a stable rate. In FY 10, the System realized a growth in student full time equivalent (FTE) enrollment of 4.8 percent system-wide compared to FY 09. In FY 10, student FTE enrollment increases ranged from 4.7 to 21.2 percent at the state college and the community colleges. Student FTE enrollments also increased at the state's two universities in FY 10 but at a slower rate of between 1.5 and 2.8 percent. Student enrollment counts are not yet available for the fall 2010 semester, but preliminary figures reflect that system-wide the number of FTE students should increase slightly from fall 2009 levels, with some institutions growing slightly and some institutions anticipating slight decreases in FTE students.

Funding appropriations for both FY 10 and FY 11 were approved by the 2009 Legislature in June 2009. General Fund support for the Nevada System of Higher Education (NSHE) for both FY 10 and FY 11, as approved by the 2009 Legislature totaled \$501.1 million. In addition, \$92.4 million in American Reinvestment and Recovery Act (ARRA) – State Fiscal Stabilization Funding was also approved by the 2009 Legislature in both FY 10 and FY 11 to provide additional funding support for NSHE. Due to state General Fund revenues not meeting projected levels a special session of the Legislature was called by the Governor in February 2010, and General Fund support for all agencies, including the Nevada System of Higher Education, was reduced by 6.9 percent effective March 2010. Reductions in General Fund support for NSHE totaled \$11.5 million in FY 10 and \$34.6 million in FY 11. In addition, the special session authorized ARRA funds totaling \$92.4 million, initially approved for FY 11, to be transferred to FY 10 and General Fund support was reduced by a like amount. In FY 11, the special session approved an additional \$92.4 million in General Fund support to offset the ARRA funds that were transferred to FY 10. Through these actions, total General Fund support in FY 10 totaled \$396.5 million. In addition, \$184.8 million in federal ARRA funds were approved for use by NSHE in FY 10. Other revenue sources in the FY 10

state supported operating budget, including registration fees, a student surcharge, and non-resident tuition, totaled \$218.7 million. General Fund support in FY 11 totals \$558.9 million.

As was the case in FY 10, student FTE enrollments will likely reflect growth at a number of institutions in FY 11 and NSHE will be requesting the Interim Finance Committee, as authorized in Senate Bill 431 (2009), for authority to expend student fee revenues generated in excess of budgeted levels due to enrollments exceeding projections in FY 11. These funds will be utilized to augment existing state budgets for the affected institutions.

Since the special session in February 2010, overall state General Fund revenue collections have met or exceeded projected levels. While these circumstances can change quickly, current indications reflect that additional reductions in General Fund support will not be required in FY 11. It should be noted that the Governor has instructed all agencies to reduce General Fund support by 10 percent from FY 11 levels, when submitting budget requests for the FY 12 and FY 13. The level of General Fund support for FY 12 and FY 13 will be determined by the 2011 Legislature, which convenes in February 2011.

### **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.

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NEVADA SYSTEM OF HIGHER EDUCATION  
 STATEMENTS OF NET ASSETS (in \$1,000's)  
 AS OF JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>System</u> <u>2009</u>	<u>System Related Organizations</u> <u>2010</u>	<u>2009</u>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 128,937	\$ 35,640	\$ 43,550	\$ 47,176
Restricted cash and cash equivalents	157	162	1,148	1,358
Short-term investments	344,366	380,489	106,626	113,847
Accounts receivable, net	31,165	26,715	272	562
Receivable from U.S. Government	39,397	36,664	0	0
Receivable from State of Nevada	4,295	3,793	0	0
Pledges receivable, net	0	0	7,595	13,706
Patient accounts receivable, net	0	0	6,486	8,521
Current portion of loans receivable, net	1,635	2,061	78	9
Inventories	6,369	6,073	0	0
Deposits and deferred expenditures, current	8,454	7,562	554	1,328
Other	306	334	4,470	3,170
<b>Total Current Assets</b>	<u>565,081</u>	<u>499,493</u>	<u>170,779</u>	<u>189,677</u>
<i>Noncurrent Assets</i>				
Cash held by State Treasurer	64,899	108,794	0	0
Restricted cash and cash equivalents	6,842	7,967	569	569
Receivable from State of Nevada	31,809	7,518	0	0
Restricted investments	0	0	32,556	26,095
Endowment investments	192,645	176,998	108,969	69,384
Deposits and deferred expenditures	5,339	4,899	0	0
Loans receivable, net	10,646	11,746	0	0
Capital assets, net	1,969,992	1,915,412	4,384	6,004
Pledges receivable	0	0	41,965	43,902
Other noncurrent assets	317	336	17,914	18,769
<b>Total Noncurrent Assets</b>	<u>2,282,489</u>	<u>2,233,670</u>	<u>206,357</u>	<u>164,723</u>
<b>TOTAL ASSETS</b>	<u>2,847,570</u>	<u>2,733,163</u>	<u>377,136</u>	<u>354,400</u>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts payable	36,574	47,478	2,530	2,635
Accrued payroll and related liabilities	27,948	26,575	1,496	2,175
Unemployment insurance and workers compensation	4,123	5,004	0	0
Current portion of compensated absences	30,897	29,027	13	14
Current portion of long-term debt	20,052	18,898	86	94
Current portion of obligations under capital leases	2,077	2,323	392	1,337
Accrued interest payable	11,140	11,188	0	0
Deferred revenue	33,978	35,311	518	366
Funds held in trust for others	6,642	11,208	0	0
Due to affiliates	26	426	5,777	4,299
Other	992	287	839	501
<b>Total Current Liabilities</b>	<u>174,449</u>	<u>187,725</u>	<u>11,651</u>	<u>11,421</u>
<i>Noncurrent Liabilities</i>				
Refundable advances under federal loan programs	7,074	7,545	0	0
Compensated absences	15,144	14,045	0	0
Deferred revenue	0	66	2,398	2,552
Long-term debt	489,535	508,387	185	411
Obligations under capital leases	5,385	7,739	859	426
Due to state	5,360	5,775	0	0
Other noncurrent liabilities	0	0	6,170	5,245
<b>Total Noncurrent Liabilities</b>	<u>522,498</u>	<u>543,557</u>	<u>9,612</u>	<u>8,634</u>
<b>TOTAL LIABILITIES</b>	<u>696,947</u>	<u>731,282</u>	<u>21,263</u>	<u>20,055</u>
<b>NET ASSETS</b>				
<i>Net Assets</i>				
Invested in capital assets, net of related debt	1,449,575	1,382,189	3,300	2,961
Restricted - Nonexpendable	81,912	80,211	183,692	154,267
Restricted - Expendable - Scholarships, research and	118,454	105,464	121,804	124,965
Restricted - Expendable - Loans	7,412	7,440	0	0
Restricted - Expendable - Capital projects	96,954	112,775	347	350
Restricted - Expendable - Debt service	13,048	11,538	0	0
Restricted - Expendable - Other	0	0	162	3,020
Unrestricted	383,268	302,264	46,568	48,782
<b>TOTAL NET ASSETS</b>	<u>\$2,150,623</u>	<u>\$2,001,881</u>	<u>\$355,873</u>	<u>\$334,345</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's)  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>System</u>		<u>System Related Organizations</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
<b>Operating Revenues</b>				
Student tuition and fees (net of scholarship allowance of \$79,721 and \$63,584)	\$ 302,887	\$ 284,888	\$ 0	\$ 0
Federal grants and contracts	174,000	179,466	0	0
State grants and contracts	36,934	37,758	0	0
Local grants and contracts	40,407	31,336	0	0
Other grants and contracts	17,171	18,500	0	0
Campus support	9	0	4,216	6,030
Sales and services of educational departments (including \$3,806 and \$2,525 from System related organizations)	61,594	62,112	0	0
Sales and services of auxiliary enterprises (net of scholarship allowances of \$3,585 and \$4,630)	78,850	77,501	0	0
Contributions	0	0	45,463	62,622
Patient revenue	0	0	60,401	64,634
Contract revenue	0	0	10,681	7,794
Special events and fundraising	0	0	1,587	1,224
Interest earned on loans receivable	189	165	0	0
Other operating revenues	<u>19,365</u>	<u>16,346</u>	<u>3,889</u>	<u>3,635</u>
<b>Total Operating Revenues</b>	<u>731,406</u>	<u>708,072</u>	<u>126,237</u>	<u>145,939</u>
<b>Operating Expenses</b>				
Employee compensation and benefits	(931,296)	(943,615)	(30,065)	(29,542)
Utilities	(37,542)	(38,211)	0	0
Supplies and services	(263,646)	(283,075)	(11,898)	(3,817)
Scholarships and fellowships	(77,988)	(51,157)	(608)	(100)
Program expenses, System related organizations	0	0	(40,010)	(53,599)
Depreciation	(92,855)	(86,687)	(1,003)	(1,118)
Other operating expenses	<u>(38)</u>	<u>0</u>	<u>(12,896)</u>	<u>(4,533)</u>
<b>Total Operating Expenses</b>	<u>(1,403,365)</u>	<u>(1,402,745)</u>	<u>(96,480)</u>	<u>(92,709)</u>
<b>Operating (Loss) Income</b>	<u>(671,959)</u>	<u>(694,673)</u>	<u>29,757</u>	<u>53,230</u>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	397,076	623,417	0	0
Refund to State	(328)	(3,808)	0	0
Gifts including \$30,730 and \$31,569 from System related organizations)	33,694	34,346	0	0
Investment income (loss), net	61,979	(83,743)	22,467	(37,725)
Disposal of capital assets	(2,476)	(2,376)	0	(2)
Interest expense	(21,895)	(21,464)	(13)	(267)
Payments to System campuses and divisions	0	0	(49,295)	(39,032)
Other nonoperating revenues (expenses)	(681)	14,634	132	(1,485)
Federal grants and contracts	<u>268,935</u>	<u>43,139</u>	<u>0</u>	<u>0</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>736,304</u>	<u>604,145</u>	<u>(26,709)</u>	<u>(78,511)</u>
<b>Income (Loss) before other revenue, expenses, gains or losses</b>	<u>64,345</u>	<u>(90,528)</u>	<u>3,048</u>	<u>(25,281)</u>
<b>Other Revenues (Expenses)</b>				
State appropriations restricted for capital purposes	61,868	(26,884)	0	0
Capital grants and gifts including (\$14,030 & \$7,588 from System related organizations)	20,922	9,954	0	0
Additions to permanent endowments (including \$78 and \$132 from System related organizations)	1,607	3,588	18,480	13,242
<b>Total Other Revenues (Expenses)</b>	<u>84,397</u>	<u>(13,342)</u>	<u>18,480</u>	<u>13,242</u>
<b>Increase (Decrease) in Net Assets</b>	<u>148,742</u>	<u>(103,870)</u>	<u>21,528</u>	<u>(12,039)</u>
<b>Net Assets</b>				
Net assets - beginning of year	<u>2,001,881</u>	<u>2,105,751</u>	<u>334,345</u>	<u>346,384</u>
<b>Net Assets - end of year</b>	<u>\$2,150,623</u>	<u>\$2,001,881</u>	<u>\$ 355,873</u>	<u>\$ 334,345</u>

The accompanying notes are an integral part of these financial statements

NEVADA SYSTEM OF HIGHER EDUCATION  
STATEMENTS OF CASH FLOWS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	System	
	2010	2009
<i>Net cash used by operating activities</i>		
Tuition and fees	\$301,788	\$282,363
Grants and contracts	273,855	274,440
Payments to suppliers	(274,875)	(293,183)
Payments for utilities	(38,318)	(38,092)
Payments for compensation and benefits	(927,755)	(950,335)
Payments for scholarships and fellowships	(77,938)	(51,108)
Loans issued to students and employees	(1,182)	(2,679)
Collection of loans to students and employees	1,816	1,893
Sales and services of auxiliary enterprises	77,750	77,037
Sales and services of educational departments	61,340	69,035
Other receipts (payments)	19,099	17,271
	<u>(584,420)</u>	<u>(613,358)</u>
<i>Cash flows from noncapital financing activities</i>		
State appropriations	397,280	633,755
State appropriations refunded	(328)	(3,808)
Gifts and grants for other than capital purposes	31,606	35,081
Gift for endowment purposes	1,607	21,888
Receipts under federal student loan programs	152,495	127,034
Disbursements under federal student loan programs	(152,712)	(127,239)
Other	(2,004)	(3,044)
Agency transactions	(3,635)	2,591
Federal grants and contracts	270,136	44,458
	<u>694,445</u>	<u>730,716</u>
<i>Cash flows from noncapital financing activities</i>		
<i>Cash flows from capital financing activities</i>		
Proceeds from capital debt	9,812	79,379
Other	1,557	3,793
Payments for debt issuance costs	(26)	(372)
Capital appropriations	37,390	27,791
Capital grants and gifts received	14,563	7,865
Purchases of capital assets	(153,885)	(194,312)
Proceeds from sale of property and equipment	76	41
Principal paid on capital debt and leases	(30,370)	(21,700)
Interest paid on capital debt and leases	(24,452)	(22,908)
Deposits for the acquisition of property and equipment	1,418	(1,465)
	<u>(143,917)</u>	<u>(121,888)</u>
<i>Cash flows from capital financing activities</i>		
<i>Cash flows from investing activities</i>		
Proceeds from sales and maturities of investments	222,813	880,123
Purchase of investments	(153,671)	(915,159)
Interest and dividends received on investments	9,833	16,708
Net increase (decrease) in cash equivalents, noncurrent investments	3,189	1,296
	<u>82,164</u>	<u>(17,032)</u>
<i>Net increase (decrease) in cash</i>	48,272	(21,562)
<i>Cash and cash equivalents, beginning of year</i>	152,563	174,125
<i>Cash and cash equivalents, end of year</i>	<u>\$200,835</u>	<u>\$152,563</u>

The accompanying notes are an integral part of these financial statements

NEVADA SYSTEM OF HIGHER EDUCATION  
 STATEMENTS OF CASH FLOWS (in \$1,000's) (CONTINUED)  
 FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	SYSTEM	
	2010	2009
<b>Reconciliation of operating loss to net cash used</b>		
Operating Loss	\$(671,959)	\$(694,673)
Adjustments to reconcile operating loss to cash used by operating activities:		
Supplies expense related to noncash gifts	1,569	1,467
Depreciation expense	92,855	86,687
Changes in assets and liabilities:		
Accounts receivable, net	(5,458)	3,388
Loans receivable, net	1,493	(423)
Inventory	(303)	200
Deposits and deferred expenditures	(3,613)	(1,903)
Accounts payable	281	1,503
Accrued payroll and related liabilities	1,469	(4,049)
Unemp insurance and worker's comp liability	(880)	(931)
Deferred revenue	(1,183)	(2,453)
Refundable advances under federal loan	(1,577)	96
Compensated absences	2,886	(2,267)
Net cash used by operating activities	<u>\$(584,420)</u>	<u>\$(613,358)</u>
<b>Supplemental noncash activities information</b>		
Capital asset acquired in exchange of another asset	<u>\$ 0</u>	<u>\$ 15,557</u>
Loss on disposal of capital assets	<u>\$ 2,551</u>	<u>\$ 1,972</u>
Capital assets acquired by gifts	<u>\$ 3,791</u>	<u>\$ 2,745</u>
Capital assets acquired by incurring capital lease obligations and accounts payable	<u>\$ 1,663</u>	<u>\$ 10,235</u>
Unrealized gain on investments	<u>\$ 50,192</u>	<u>\$ (77,588)</u>

The accompanying notes are an integral part of these financial statements

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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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” or “NSHE”) 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 and athletic foundations and medical school practice plans (see Note 22). 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, 2010 and 2009 the foundations distributed \$47,757 and \$37,101 respectively, to the System for both restricted and unrestricted purposes. Complete financial statements for the foundations can be obtained from Mark Stevens, Interim 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, 2010 and 2009 the practice plans distributed \$1,538 and \$1,931, respectively, to the System for restricted purposes. Complete financial statements for the practice plans can be obtained from Mark Stevens, Interim 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

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

The financial statements required by Statement No. 35 are the Statements of Net 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.

#### 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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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

November 30, 1989, unless FASB conflicts with GASB. The System has elected not to apply FASB pronouncements issued after the applicable date. The financial statements are presented using the economic resources measurement focus.

### CASH AND CASH EQUIVALENTS

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Cash held by State Treasurer represents the funds from certain state appropriations, which were enacted to provide the System with the funds necessary for the construction of major assets. Such amounts are controlled by the Nevada Public Works Board. These amounts are included in cash and cash equivalents in the Statements of Cash Flows.

### INVESTMENTS

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

### INVENTORIES

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

### PLEDGES

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

### CAPITAL ASSETS

Capital assets are defined as assets with an initial unit cost of \$5 in the year ended June 30, 2010 and 2009 and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition or fair market value at date of donation in the case of gifts. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are capitalized and depreciated. Interest in the amount of \$2,759 and \$2,991 was capitalized during the years ended June 30, 2010 and 2009, respectively. Depreciation is computed on a straight-line basis over the following estimated useful lives:

<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
Leasehold improvements	shorter of useful life or lease term
Intangible assets	5 to 10

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.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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

#### 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.

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

#### OPERATING AND NONOPERATING REVENUES AND EXPENSES

##### SYSTEM

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

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

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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

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

Substantially all of the operating expenses are directly or indirectly related to patient care.

#### *FOUNDATIONS*

Donations, gifts and pledges are recognized as income when all eligibility requirements are met, provided that the promise is verifiable, the resources are measurable and collection is probable. Certain reclassifications have been made to the 2009 financial information in order to conform to 2010 presentation. In addition, system related organizations for AAUN and AAUN have been included that were not previously reported due to materiality.

#### **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 2010 and 2009 were \$9,551 and \$9,129, 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 2009 financial information in order to conform to 2010 presentation. The most significant was to reclassify Pell Grant revenues from operating revenue to non-operating revenue to meet the GASB's clarification of Pell Grants as non-exchange transactions. The reclassification resulted in a \$43,139 decrease in Federal Grants and Contracts in operating revenue and a corresponding increase to Federal Grants and Contracts in nonoperating revenue for the years ended June 30, 2009, on the Statement of Revenues, Expenses and Changes in Net Assts. In addition, loans receivable of \$1,952 for the System were reclassified to reflect the transfer of the Western Interstate Commission for Higher Education (WICHE) from the State of Nevada to the System.



# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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

#### NEW ACCOUNTING PRONOUNCEMENTS

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 implementation of this pronouncement did not have a material impact on the System.

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which address the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The Statement becomes effective for years ending June 30, 2010. The implementation of this pronouncement did not have a material impact on the System.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Statement is effective for the fiscal year ending June 30, 2011. The anticipated impact of this pronouncement is uncertain at this time.

### NOTE 3 – System Cash and Cash Equivalents:

Cash and cash equivalents of the System are stated at cost, which approximates market, and consists of deposits in money market funds, which are not federally insured, and cash in the bank. At June 30, 2010 and 2009 the System's deposits in money market funds totaled \$117,128 and \$23,800 respectively, and cash in bank was \$7,390 and \$8,799, respectively. Of these balances, \$250 each year, are covered by the Federal Depository Insurance Corporation ("FDIC"), the remaining deposits are uncollateralized and uninsured. Restricted cash represents the unexpended bond proceeds held for construction of major assets.

### NOTE 4 – System Investments:

Board of Regents policies include the Statement of Investment Objectives and Policies for the Endowment and Operating funds of the System. This policy governs the investment management of both funds. The Board of Regents are responsible for establishing the investment policies; accordingly, the Board of Regents have promulgated these guidelines in which they have established permitted asset classes and ranges.

Investments are stated at fair value. The historical cost and market value (fair value) of System investments at June 30, 2010 and 2009 is as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Mutual funds publicly traded	\$208,503	\$204,983	\$217,653	\$197,003
Partnerships	111,029	186,154	101,161	151,991
Equities	5,883	6,191	5,491	4,769
Endowment cash and cash equivalents	1,406	1,406	277	277
Trust(s)	4,590	5,264	6,364	6,737
Private commingled funds	<u>123,342</u>	<u>133,013</u>	<u>194,916</u>	<u>196,710</u>
	<u>\$454,753</u>	<u>\$537,011</u>	<u>\$525,862</u>	<u>\$557,487</u>

As of June 30, 2010, the System had entered into various investment agreements with private equity partnerships and private commingled funds. Under the terms of certain of these investment agreements, the System is obligated to make additional investments in these partnerships of \$4,827. Generally, partnership investments do not have a ready market and ownership interests in some of these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risks generally associated with equities with additional risks due to leverage and the lack of a ready market for acquisition or disposition of ownership interests.

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

#### *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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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

considered to have credit risk. Credit quality is an assessment of the issuer's ability to pay interest on the investment, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent rating agencies, for example Moody's Investors Service or Standard and Poor's. For the types of investments that are subject to rating, the System's policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating

investment pools. 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, 2010 is as follows:

	<u>Fair Value</u>	<u>Not Rated</u>
Mutual funds publicly traded	\$ 204,983	\$ 204,983
Partnerships	186,154	186,154
Equities	6,191	6,191
Endowment cash and cash equivalents	1,406	1,406
Trust(s)	5,264	5,264
Private commingled funds	<u>133,013</u>	<u>133,013</u>
	<u>\$537,011</u>	<u>\$537,011</u>

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

Investments included in the above table have been identified as having interest rate risk and are principally invested in mutual funds and private commingled funds. The segmented time distribution for these investments at June 30, 2010 is as follows:

Less than 1 year	\$479,634
1 to 5 years	21,673
6 to 10 years	15,218
More than 10 years	<u>20,486</u>
	<u>\$537,011</u>

#### *Custodial credit risk*

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

#### *Concentration of credit risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investments within any one issuer. For the fixed portion of the endowment pool, the System's policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the fixed income portfolio, provided that issues of the U.S. Government or agencies of the U.S. Government may be held without limitation and provided further that issues of agencies of the U.S. Government shall be limited to the extent set forth in the manager-specific guidelines. The System does not have a specific policy with regard to the operating pool or the remainder of the endowment pool. At June 30, 2010 there were no investments within any one issuer in an amount that would constitute a concentration of credit risk to the System.

#### *Foreign currency risk*

Foreign currency risk is the risk of investments losing value due to fluctuations in foreign exchange rates. The System does not directly invest in foreign currency investments and is therefore not subject to foreign currency risk. However, the System has \$71,151 and \$63,669 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2010 and 2009, respectively.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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### NOTE 5 – System Endowment Pool:

Approximately \$187,380 and \$170,264 of endowment fund investments at June 30, 2010 and 2009, respectively, are pooled on a unit market value basis. As of June 30, 2010, the endowment pool is comprised of investments in mutual funds (37%), partnerships (44%), private commingled (16%) and stocks (3%). As of June 30, 2009, the endowment pool is comprised of investments in mutual funds (44%), partnerships (37%), private commingled (16%) and stocks (3%). 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, 2010 and 2009 was \$460.96 and \$400.95, respectively. The System follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) with respect to prudent investing and spending of donor-restricted endowments.

The System utilizes a spending rule for its pooled endowments, which determines the endowment income to be distributed currently for spending. For the years ended June 30, 2010 and 2009, the endowment spending policy, as approved by the Board of Regents, authorized a 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 2010, \$21.05 was distributed to each time-weighted eligible unit for a total spending rule distribution of \$10,062 and, during 2009, \$19.95 was distributed to each time-weighted unit for a total spending rule distribution of \$9,905. The 2010 and 2009 distributions were made from investment income of \$5,010 and \$2,756, respectively, and \$5,052 and \$7,149, 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 \$116,541 and \$119,583 at June 30, 2010 and 2009, respectively, is reflected within the restricted expendable for scholarships, research and instruction net asset category and is available to meet future spending needs subject to the approval of the Board of Regents.

Effective July 1, 2009 the Board of Regents has suspended distribution on all underwater accounts.

### NOTE 6 – System Accounts Receivable:

System accounts receivable consist primarily of amounts due from students for tuition and fees and from local and private sources for grant and contract agreements. System accounts receivable are presented on the accompanying Statements of Net Assets net of allowances for uncollectible amounts of \$12,638 and \$10,660, respectively, as of June 30, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Accounts receivable:		
Student tuition and fees	\$17,249	\$13,875
Sales and services	7,164	5,084
Local and private grants and contracts	11,156	12,303
Other	<u>8,234</u>	<u>6,113</u>
	43,803	37,375
Less: Allowance for doubtful accounts	<u>(12,638)</u>	<u>(10,660)</u>
Net accounts receivable	<u>\$31,165</u>	<u>\$26,715</u>

### NOTE 7 – System Loans Receivable:

Loans receivable from students bear interest primarily between 3% and 15% per annum and are generally repayable in installments to the various campuses over a five to ten year period commencing nine months from the date of separation from the institution. Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable at June 30, 2010 and 2009. 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, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Loans receivable	\$13,844	\$14,675
Less: Allowance for doubtful loans	<u>(1,563)</u>	<u>(868)</u>
Net loans receivable	12,281	13,807
Less current portion	<u>(1,635)</u>	<u>(2,061)</u>
Noncurrent loans receivable	<u>\$10,646</u>	<u>\$11,746</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

### NOTE 8 – System Capital Assets:

System capital asset activity for the years ended June 30, 2010 and 2009 is as follows:

	Beginning Balance	2010 Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 126,858	\$ 13,408	(\$ 95,940)	\$ 44,326
Land	81,821	-	(261)	81,560
Intangibles	-	808	-	808
Collections	9,697	76,286	(14)	85,969
Total capital assets not being depreciated	<u>218,376</u>	<u>90,502</u>	<u>( 96,215)</u>	<u>212,663</u>
Capital assets being depreciated:				
Buildings	2,049,840	106,566	(1,339)	2,155,067
Land improvements	100,648	4,972	(1,163)	104,457
Machinery and equipment	301,212	30,843	(18,370)	313,685
Intangibles	-	6,702	-	6,702
Library books and media	113,118	7,753	(677)	120,194
Total	<u>2,564,818</u>	<u>156,836</u>	<u>(21,549)</u>	<u>2,700,105</u>
Less accumulated depreciation for:				
Buildings	(494,231)	(51,428)	100	(545,559)
Land improvements	(75,180)	(3,754)	939	(77,995)
Machinery and equipment	(199,270)	(27,254)	15,959	(210,565)
Intangibles	-	(1,369)	-	(1,369)
Library books and media	(99,101)	(8,854)	667	(107,288)
Total accumulated depreciation	<u>(867,782)</u>	<u>(92,659)</u>	<u>17,665</u>	<u>(942,776)</u>
Total capital assets being depreciated, net	<u>1,697,036</u>	<u>64,177</u>	<u>(3,884)</u>	<u>1,757,329</u>
Capital assets, net	<u>\$1,915,412</u>	<u>\$154,679</u>	<u>(\$100,099)</u>	<u>\$1,969,992</u>
	Beginning Balance	2009 Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 383,603	\$128,356	(\$385,101)	\$ 126,858
Land	65,407	16,414	-	81,821
Collections	9,778	148	(229)	9,697
Total capital assets not being depreciated	<u>458,788</u>	<u>144,918</u>	<u>(385,330)</u>	<u>218,376</u>
Capital assets being depreciated:				
Buildings	1,638,629	412,226	(1,015)	2,049,840
Land improvements	89,011	12,932	(1,295)	100,648
Machinery and equipment	293,640	24,113	(16,541)	301,212
Library books and media	108,149	5,876	(907)	113,118
Total	<u>2,129,429</u>	<u>455,147</u>	<u>(19,758)</u>	<u>2,564,818</u>
Less accumulated depreciation for:				
Buildings	(452,692)	(47,889)	6,350	(494,231)
Land improvements	(67,299)	(8,986)	1,105	(75,180)
Machinery and equipment	(184,710)	(28,486)	13,926	(199,270)
Library books and media	(93,240)	(6,716)	855	(99,101)
Total accumulated depreciation	<u>(797,941)</u>	<u>(92,077)</u>	<u>22,236</u>	<u>(867,782)</u>
Total capital assets being depreciated, net	<u>1,331,488</u>	<u>363,070</u>	<u>2,478</u>	<u>1,697,036</u>
Capital assets, net	<u>\$1,790,276</u>	<u>\$507,988</u>	<u>(\$382,852)</u>	<u>\$1,915,412</u>

**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2010 and 2009**

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**NOTE 9 – System Long-Term Debt:**

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

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

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**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2010 and 2009**

**NOTE 9 – System Long-Term Debt (continued):**

System long-term debt activity for the years ended June 30, 2010 and 2009 is as follows:

	2010											
	Fiscal Year Final	Annual Interest Rate	Payment Date	Beginning Balance	Additions	Reductions	Ending Balance	Current				
Universities Revenue Bonds, Series 1995	2011	3.90% to 5.25%		\$ 250	\$ -	(\$ 120)	\$ 130	\$ 130				
Universities Revenue Bonds, Series 1998	2014	4.00% to 5.25%		3,885	-	(705)	3,180	740				
Universities Revenue Bonds, Series 2000	2010	5.10% to 5.88%		715	-	(715)	-	-				
Universities Revenue Bonds, Series April 2000	2011	5.00% to 5.88%		690	-	(335)	355	355				
Universities Revenue Bonds, Series December 2000	2011	5.00% to 5.375%		2,565	-	(1,255)	1,310	1,310				
Shadow Lane – Dental School Bond, Series 2001	2012	4.25% to 5.25%		1,290	-	(410)	880	430				
Universities Revenue Bonds, Series 2002A	2032	3.87% to 5.40%		26,395	-	(740)	25,655	770				
Universities Revenue Bonds, Series 2002B	2033	4.75% to 5.00%		10,905	-	-	10,905	-				
Taxable University Revenue Bonds, Series 2002C	2023	4.00% to 5.50%		6,630	-	(390)	6,240	410				
Universities Revenue Bonds, Series 2003A	2017	2.00% to 5.00%		12,410	-	(1,700)	10,710	1,790				
Universities Revenue Bonds, Series 2003B	2034	2.00% to 5.00%		48,085	-	(1,115)	46,970	1,150				
Universities Revenue Bonds, Series 2004A	2034	2.00% to 4.50%		27,175	-	(1,385)	25,790	1,420				
Universities Revenue Bonds, Series 2004B	2035	3.00% to 4.75%		9,785	-	(5,220)	4,565	225				
Universities Revenue Bonds, Series 2005A	2036	3.00% to 5.00%		31,010	-	(180)	30,830	275				
Universities Revenue Bonds, Series 2005B	2036	3.25% to 5.00%		168,015	-	(1,935)	166,080	2,875				
Universities Revenue Bonds, Series 2008A	2039	3.00% to 5.00%		60,135	-	(1,165)	58,970	1,030				
Universities Revenue Bonds, Series 2009A	2039	2.00% to 5.25%		18,140	-	-	18,140	555				
Certificates of Participation, Series 2006A	2026	4.00% to 5.00%		11,015	-	-	11,015	-				
Certificates of Participation, Series 2006B	2011	4.81% to 4.98%		1,005	-	(490)	515	515				
SNSC Phase II Lease Revenue Bonds	2023	7.58%		7,140	-	(305)	6,835	330				
Prepaid Interest in Advance of Refunding				(1,560)	-	253	(1,307)	(102)				
Premiums				11,210	-	(475)	10,735	474				
Total Bonds Payable				456,890	-	(18,387)	438,503	14,682				
Notes Payable				70,395	9,814	(9,125)	71,084	5,370				
Total				\$527,285	\$9,814	(\$27,512)	\$509,587	\$20,052				

**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2010 and 2009**

**NOTE 9 – System Long-Term Debt (continued):**

System notes payable activity is as follows:

	2010								
		Interest Rate	Date Issued	Final Payment Date	Original Amount	Outstanding Balance			
Bank of America N. A. Commercial Markets, UNLV – T&M Chiller and Refunding		3.7249%	12/20/06	06/01/21	\$21,376	\$20,377			
Sun Trust Banks, Inc., UNLV – Refunding		3.93%	12/20/06	07/01/26	16,713	15,943			
Bank of America, UNR Medical Learning Lab		6.12%	10/29/09	7/1/16	9,812	9,812			
Other notes payable		1.07% - 6.30%	Various	Various	Various	<u>24,952</u>			
						<u>\$71,084</u>			

**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2010 and 2009**

**NOTE 9 – System Long-Term Debt (continued):**

	Annual Interest Rate	Fiscal Year Final Payment Date	2009 Beginning Balance	Additions	Reductions	Ending Balance	Current
Universities Revenue Bonds, Series 1995	3.90% to 5.25%	2011	\$ 365	\$ -	(\$ 115)	\$ 250	\$ 120
Universities Revenue Bonds, Series 1998	4.00% to 5.25%	2014	4,560	-	(675)	3,885	705
Universities Revenue Bonds, Series 2000	5.10% to 5.88%	2021	1,395	-	(680)	715	715
Universities Revenue Bonds, Series April 2000	5.00% to 5.75%	2030	1,010	-	(320)	690	335
Universities Revenue Bonds, Series December 2000	5.00% to 5.375%	2021	3,760	-	(1,195)	2,565	1,255
Shadow Lane – Dental School Bond Series 2001	4.25% to 5.25%	2032	1,685	-	(395)	1,290	410
Universities Revenue Bonds, Series 2002A	3.87% to 5.40%	2032	27,110	-	(715)	26,395	740
Universities Revenue Bonds, Series 2002B	4.75% to 5.00%	2033	10,905	-	-	10,905	-
Taxable University Revenue Bonds, Series 2002C	4.00% to 5.50%	2022	7,005	-	(375)	6,630	390
Universities Revenue Bonds, Series 2003A	2.00% to 5.00%	2017	14,030	-	(1,620)	12,410	1,700
Universities Revenue Bonds, Series 2003B	2.00% to 5.00%	2034	49,165	-	(1,080)	48,085	1,115
Universities Revenue Bonds, Series 2004A	2.00% to 4.50%	2034	28,530	-	(1,355)	27,175	1,385
Universities Revenue Bonds, Series 2004B	3.00% to 4.75%	2035	10,000	-	(215)	9,785	220
Universities Revenue Bonds, Series 2005A	3.00% to 5.00%	2036	31,010	-	-	31,010	180
Universities Revenue Bonds, Series 2005B	3.25% to 5.00%	2036	169,635	-	(1,620)	168,015	1,935
Universities Revenue Bonds, Series 2008A	3.00% to 5.00%	2039	-	60,135	-	60,135	1,165
Universities Revenue Bonds, Series 2009A	2.00% to 5.25%	2039	-	18,140	-	18,140	-
Certificates of Participation, Series 2006A	4.00% to 5.00%	2025	11,015	-	-	11,015	-
Certificates of Participation, Series 2006B	4.81% to 4.98%	2011	1,475	-	(470)	1,005	490
SNSC Phase II Lease Revenue Bonds	7.58%	2023	7,425	-	(285)	7,140	305
Prepaid Interest in Advance of Refunding Premiums			(1,813)	-	253	(1,560)	(253)
			<u>11,586</u>	<u>98</u>	<u>(474)</u>	<u>11,210</u>	<u>474</u>
Total Bonds Payable			389,853	78,373	(11,336)	456,890	13,386
Notes Payable			<u>75,066</u>	<u>2,100</u>	<u>(6,771)</u>	<u>70,395</u>	<u>5,512</u>
Total			<u>\$464,919</u>	<u>\$80,473</u>	<u>(\$18,107)</u>	<u>\$527,285</u>	<u>\$18,898</u>



**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2010 and 2009**

**NOTE 9 – System Long-Term Debt (continued):**

System notes payable activity is as follows:

	Interest Rate	Date Issued	Final Payment Date	Original Amount	Outstanding Balance
Bank of America N. A. Commercial Markets, UNLV – T&M Chiller and Refunding	3.7249%	12/20/06	06/01/21	\$21,376	\$20,664
Sun Trust Banks, Inc., UNLV – Refunding	3.93%	12/20/06	07/01/26	16,713	16,216
Other notes payable	1.07% - 6.30%	Various	Various	Various	33,515
					<u>\$70,395</u>

**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2010 and 2009**

**NOTE 9 – System Long-Term Debt (continued):**

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 20,052	\$ 23,052	\$ 43,104
2012	19,517	22,292	41,809
2013	20,005	21,479	41,484
2014	21,241	20,606	41,847
2015	21,692	19,818	41,510
2016-2020	107,953	83,302	191,255
2021-2025	89,122	60,435	149,557
2026-2030	90,568	39,041	129,609
2031-2035	91,517	16,679	108,196
2036-2040	<u>27,920</u>	<u>1,804</u>	<u>29,724</u>
Total	<u>\$509,587</u>	<u>\$308,508</u>	<u>\$818,095</u>

The Due to State represents the balance of a State General Obligation Bond on behalf of TMCC.

**NOTE 10 – 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 2011 to 2019.

System obligations under capital leases were as follows for the year ended June 30, 2010 and 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>2010</u>		<u>Ending Balance</u>	<u>Current</u>
			<u>Reductions</u>			
Capital lease obligations	<u>\$10,062</u>	<u>\$177</u>	<u>(\$2,777)</u>		<u>\$7,462</u>	<u>\$2,077</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>2009</u>		<u>Ending Balance</u>	<u>Current</u>
Capital lease obligations	<u>\$12,058</u>	<u>\$2,033</u>	<u>(\$4,029)</u>		<u>\$10,062</u>	<u>\$2,323</u>

The following System property included in the accompanying financial statements was leased under capital leases as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Buildings and improvements	\$11,699	\$10,421
Machinery and equipment	<u>8,821</u>	<u>11,962</u>
Total	20,520	22,383
Less accumulated depreciation	<u>(9,757)</u>	<u>(10,102)</u>
Total	<u>\$10,763</u>	<u>\$12,281</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

### NOTE 10 – System Obligations Under Capital Leases (continued):

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

2011	\$2,410
2012	1,555
2013	1,528
2014	1,194
2015	959
2016-2019	<u>753</u>
Total minimum lease payments	8,399
Less amount representing interest	<u>( 937)</u>
Obligations under capital leases	<u>\$7,462</u>

Total interest expense under the System capital leases and included in the accompanying financial statements was \$407 and \$451, respectively, during the years ended June 30, 2010 and 2009. Depreciation of the capital lease assets is included in depreciation expense of the Statement of Revenues, Expenses and Changes in Net Assets.

### NOTE 11– Operating Leases:

The System has entered into various noncancellable operating lease agreements covering certain buildings and equipment. The lease terms range from one to ten years. The expense for operating leases was \$5,723 and \$7,363, respectively, for years ended June 30, 2010 and 2009.

Future minimum lease payments on noncancellable leases at June 30, are as follows:

2011	\$ 5,393
2012	3,400
2013	2,256
2014	1,659
2015	2,562
2016-2019	<u>36</u>
Total future minimum obligation	<u>\$15,306</u>

### NOTE 12– Unemployment Insurance and Workers Compensation:

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

Changes in unemployment and workers compensation for the years ended June 30, 2010 and 2009 are as follows:

	<u>2010</u>			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
Unemployment insurance	\$1,936	\$ 1,420	(\$2,301)	\$1,055
Workers compensation	<u>3,068</u>	<u>6,523</u>	<u>(6,523)</u>	<u>3,068</u>
Total	<u>\$5,004</u>	<u>\$7,943</u>	<u>(\$8,824)</u>	<u>\$4,123</u>

  

	<u>2009</u>			
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>
Unemployment insurance	\$2,215	\$ 1,480	(\$1,759)	\$1,936
Workers compensation	<u>3,719</u>	<u>1,997</u>	<u>(2,648)</u>	<u>3,068</u>
Total	<u>\$5,934</u>	<u>\$3,477</u>	<u>(\$4,407)</u>	<u>\$5,004</u>

**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2010 and 2009**

**NOTE 13– System Other Noncurrent Liability Activity:**

The activity with respect to System other noncurrent liabilities for the years ended June 30, 2010 and 2009 was as follows:

	<u>2010</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current</u>
Refundable advances under federal loans program	\$ 7,545	\$ 392	(\$ 863)	\$ 7,074	\$ -
Compensated absences	43,072	30,290	(27,321)	46,041	30,897
Deferred revenue	35,377	33,600	(34,999)	33,978	33,978
Other non-current liabilities - Due to State	<u>6,190</u>	<u>-</u>	<u>(415)</u>	<u>5,775</u>	<u>415</u>
<b>Total</b>	<b><u>\$92,184</u></b>	<b><u>\$64,282</u></b>	<b><u>(\$63,598)</u></b>	<b><u>\$92,868</u></b>	<b><u>\$65,290</u></b>

  

	<u>2009</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current</u>
Refundable advances under federal loans program	\$ 7,442	\$ 377	(\$ 274)	\$ 7,545	\$ -
Compensated absences	45,340	28,129	(30,397)	43,072	29,027
Retentions payable	293	-	(293)	-	-
Deferred revenue	37,927	33,193	(35,743)	35,377	35,311
Other non-current liabilities - Due to State	<u>-</u>	<u>6,190</u>	<u>-</u>	<u>6,190</u>	<u>415</u>
<b>Total</b>	<b><u>\$91,002</u></b>	<b><u>\$67,889</u></b>	<b><u>(\$66,707)</u></b>	<b><u>\$92,184</u></b>	<b><u>\$64,753</u></b>

**NOTE 14– Extinguishment of Debt:**

At June 30, 2010, debt in the amount of \$5,000 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 15– Irrevocable Letter of Credit:**

In connection with its worker’s compensation liability coverage, the System is required to maintain a \$400 standby letter of credit. An additional letter of credit was established in April 2004 in connection with the System’s self-insured workers’ compensation liability; the amount as of June 30, 2010 was \$1,771. 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, 2010 and 2009.

**NOTE 16– 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 three Alternative Retirement Plans.

All permanent System classified employees are mandated by State law to participate in PERS. PERS is a defined benefit plan. 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 for employees hired after January 1, 2010 have a slightly reduced benefit structure. 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 11.25% 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 11.25% or 21.5% 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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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### NOTE 16— System Pension Plans:

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.

System employees may elect to participate in voluntary tax sheltered annuity and deferred compensation programs subject to maximum contribution limits established annually by the Internal Revenue Service. The employee contributions are not matched by the System.

The System's contribution to all retirement plans for the years ended June 30, 2010 and 2009 was approximately \$75,784 and \$71,312, respectively, equal to the required contribution for each year.

### NOTE 17— System Postemployment Benefits Other than Pensions:

In June 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 benefits (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.

Public employees who meet the eligibility requirements for retirement and at the time of retirement are participants in the program, have the option upon retirement to continue group insurance including medical, dental, vision, accidental death and dismemberment, travel accident, long-term disability, mental health, substance abuse and life insurance benefits. Nevada Administrative Code 287.530 established this benefit upon the retiree. Monthly contributions are deducted from pension checks. The cost varies depending on which health plan the retiree chooses, as well as the amount of the State subsidy they receive.

The Public Employees Benefits Program administers these benefits as a multiple employer cost sharing plan. The State Retirees' Health and Welfare Benefits Trust Fund has been created to provide benefits to retirees and their beneficiaries. The State has contributed \$19,700 to the irrevocable trust as a multiple employer cost sharing plan. The unfunded actuarial accrued liability for the trust, as of the most recent valuation on July 1, 2009, is \$1,850,000. This compares to \$1,790,000 on July 1, 2008. This is recorded on the financial statements of the trust and the State as a fiduciary fund, but not on the financial statements of the System.

Complete financial statements for the State Retirees' Health and Welfare Benefits Fund can be obtained from the Accounting Department at the Public Employees Benefit Program, 901 S. Stewart St., Carson City, NV 89701.

The System's contribution for the retired employee group insurance assessment for the years ended June 30, 2010 and 2009 was approximately \$12,277 and \$11,822, respectively, equal to the required contribution each year.

### NOTE 18 - System Commitments and Contingent Liabilities:

The System is a defendant or co-defendant in legal actions. Based on present knowledge and advice of legal counsel, System management believes 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.

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

The System is self-insured for its unemployment liability. The System is billed by the State each quarter based the actual unemployment benefits paid by the State. Each year the System budgets resources to pay for the projected expenditures. The amount of future benefits payments to claimants and the resulting liability to the System cannot be reasonably determined as of June 30, 2010.

The estimated cost to complete property authorized or under construction at June 30, 2010 is \$127,884. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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### NOTE 19– Risk Management:

The System is an entity created by the Constitution of the State of Nevada. The System transfers its tort liabilities (other than Medical Malpractice) to the Tort Claims Fund of the State of Nevada (State). The State retains the first \$2,000 of loss and purchases excess liability in the amount of \$10,000 excess of a \$2,000 self insured retention (SIR).

The System purchases the following commercial insurance:

Coverage for direct physical loss or damage to the System's property with limits of \$500,000 per occurrence and a \$500 SIR.

Worker's compensation (foreign and domestic) with statutory limits excess of a \$750 SIR.

Employee dishonesty with limits of \$1,250 and a deductible of \$50.

Medical malpractice with limits of \$1,000 per occurrence and \$3,000 aggregate.

Allied health malpractice with limits of \$1,000 per occurrence and \$3,000 aggregate.

The System purchases other commercial insurance for incidental exposures where prudent. The amount of claim settlements did not exceed the insurance coverage for any of the past three years.

The System is charged an assessment to cover its portion of the State's cost of the Tort Claims fund.

### NOTE 20– Subsequent Events:

In September 2010, the investment committee approved the liquidation of the operating account investments in Och-Ziff Capital, Farallon Capital and Forester. These investments total \$45,953, \$46,193, and \$13,585, respectively at June 30, 2010. Although these investments have not been sold to date, the NSHE does not expect significant gains or losses due to the sales.

At the December 2010 Board of Regents meeting, the System will request approval to issue Universities Revenue bonds. If approved, it is anticipated that the bonds will finance a residence hall at UNR along with the potential purchase of a building for the University of Nevada School of Medicine in Las Vegas. It is currently estimated that \$56,000 of bonds will be issued for these projects.

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# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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### NOTE 21 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, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Instruction	\$ 501,483	\$ 494,682
Research	113,167	123,187
Public service	63,187	64,569
Academic support	115,104	124,770
Institutional support	143,211	141,277
Student services	107,795	111,890
Operation and maintenance of plant	112,960	129,071
Scholarships and fellowships	77,988	51,157
Auxiliary enterprises	75,615	74,756
Other expenditures	-	699
Depreciation	<u>92,855</u>	<u>86,687</u>
Total	<u>\$1,403,365</u>	<u>\$1,402,745</u>

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NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
 FOR THE YEARS ENDED JUNE 30, 2010 and 2009

NOTE 22 - 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. Due to the condensed nature of this information, the individual line items may not necessarily agree with the financial statements of the system related organization, although the totals agree with the financial statements. Condensed combining financial data of the System related organizations is as follows:

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
 NET ASSETS AS OF JUNE 30, 2010 (in \$1,000)

<u>ASSETS</u>	<u>UNR Foundation</u>	<u>UNR AAUN</u>	<u>UNR AAUN Endowment</u>	<u>Practice Plans</u>	<u>DRI Foundation</u>
<i>Current Assets</i>					
Cash and cash equivalents	\$23,001	\$ 1,401	\$ 5	\$ 6,536	\$ 320
Short-term investments	78,706	-	4,528	1,862	-
Other current assets	<u>3,422</u>	<u>580</u>	<u>-</u>	<u>8,187</u>	<u>104</u>
<b>Total Current Assets</b>	<u>105,129</u>	<u>1,981</u>	<u>4,533</u>	<u>16,585</u>	<u>424</u>
<i>Noncurrent Assets</i>					
Capital assets, net	12	64	-	2,415	16
Endowment investments	19,434	-	-	-	-
Other noncurrent assets	<u>23,673</u>	<u>1,232</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Noncurrent Assets</b>	<u>43,119</u>	<u>1,296</u>	<u>-</u>	<u>2,415</u>	<u>16</u>
<b>TOTAL ASSETS</b>	<u>148,248</u>	<u>3,277</u>	<u>4,533</u>	<u>19,000</u>	<u>440</u>
<u>LIABILITIES</u>					
<i>Current Liabilities</i>					
Due to affiliates	3,579	607	-	1,084	-
Current portion of long-term debt	-	-	-	-	86
Other current liabilities	<u>47</u>	<u>284</u>	<u>-</u>	<u>4,439</u>	<u>107</u>
<b>Total Current Liabilities</b>	<u>3,626</u>	<u>891</u>	<u>-</u>	<u>5,523</u>	<u>193</u>
<i>Noncurrent Liabilities</i>					
Long-term debt	-	-	-	-	185
Other noncurrent liabilities	<u>2,268</u>	<u>2,091</u>	<u>-</u>	<u>859</u>	<u>-</u>
<b>Total Noncurrent Liabilities</b>	<u>2,268</u>	<u>2,091</u>	<u>-</u>	<u>859</u>	<u>185</u>
<b>TOTAL LIABILITIES</b>	<u>5,894</u>	<u>2,982</u>	<u>-</u>	<u>6,382</u>	<u>378</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	12	64	1,287	1,667	16
Restricted:					
Nonexpendable	84,916	204	3,170	-	-
Expendable	47,516	-	-	-	-
Unrestricted	<u>9,910</u>	<u>28</u>	<u>76</u>	<u>10,951</u>	<u>46</u>
<b>TOTAL NET ASSETS</b>	<u>\$142,354</u>	<u>\$296</u>	<u>\$4,533</u>	<u>\$12,618</u>	<u>\$ 62</u>



NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
 FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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DRI Research Park	TMCC Foundation	WNC Foundation	GBC Foundation	UNLV Foundation	CSN Foundation	NSC Foundation	Total System Related Organizations
\$ 1	\$ 940	\$1,131	\$ 425	\$ 9,012	\$ 714	\$ 1,212	\$ 44,698
-	151	-	1,663	18,019	1,697	-	106,626
-	49	63	108	4,701	1,345	419	18,978
<u>1</u>	<u>1,140</u>	<u>1,194</u>	<u>2,196</u>	<u>31,732</u>	<u>3,756</u>	<u>1,631</u>	<u>170,302</u>
-	-	-	70	1,807	-	-	4,384
-	304	1,254	2,694	115,030	1,141	-	139,857
-	-	83	24	35,537	80	1,487	62,116
<u>-</u>	<u>304</u>	<u>1,337</u>	<u>2,788</u>	<u>152,374</u>	<u>1,221</u>	<u>1,487</u>	<u>206,357</u>
<u>1</u>	<u>1,444</u>	<u>2,531</u>	<u>4,984</u>	<u>184,106</u>	<u>4,977</u>	<u>3,118</u>	<u>376,659</u>
-	-	31	-	-	-	-	5,301
-	-	-	-	-	-	-	86
<u>3</u>	<u>558</u>	<u>-</u>	<u>172</u>	<u>139</u>	<u>3</u>	<u>35</u>	<u>5,787</u>
<u>3</u>	<u>558</u>	<u>31</u>	<u>172</u>	<u>139</u>	<u>3</u>	<u>35</u>	<u>11,174</u>
-	-	-	-	-	-	-	185
<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,080</u>	<u>-</u>	<u>-</u>	<u>9,427</u>
<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,080</u>	<u>-</u>	<u>-</u>	<u>9,612</u>
<u>133</u>	<u>558</u>	<u>31</u>	<u>172</u>	<u>4,219</u>	<u>3</u>	<u>35</u>	<u>20,786</u>
-	-	-	70	61	-	-	3,177
-	310	568	2,976	89,838	1,141	569	183,692
-	-	1,895	804	67,457	2,281	2,360	122,313
<u>(132)</u>	<u>576</u>	<u>37</u>	<u>962</u>	<u>22,531</u>	<u>1,552</u>	<u>154</u>	<u>46,691</u>
<u>(\$132)</u>	<u>\$886</u>	<u>\$2,500</u>	<u>\$4,812</u>	<u>\$179,887</u>	<u>\$4,974</u>	<u>\$3,083</u>	<u>\$355,873</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
 FOR THE YEARS ENDED JUNE 30, 2010 and 2009

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
 NET ASSETS AS OF JUNE 30, 2009 (in \$1,000)

<u>ASSETS</u>	<u>UNR Foundation</u>	<u>UNR AAUN</u>	<u>UNR AAUN Endowment</u>	<u>Practice Plans</u>	<u>DRI Foundation</u>
<i>Current Assets</i>					
Cash and cash equivalents	\$14,661	\$ 900	\$ 334	\$ 6,041	\$ 450
Short-term investments	94,074	-	2,882	2,135	-
Other current assets	<u>3,279</u>	<u>599</u>	<u>28</u>	<u>10,095</u>	<u>26</u>
<b>Total Current Assets</b>	<u>112,014</u>	<u>1,499</u>	<u>3,244</u>	<u>18,271</u>	<u>476</u>
<i>Noncurrent Assets</i>					
Capital assets, net	18	573	-	3,377	16
Endowment investments	1,878	-	1,482	-	-
Other noncurrent assets	<u>15,265</u>	<u>1,656</u>	<u>20</u>	<u>-</u>	<u>-</u>
<b>Total Noncurrent Assets</b>	<u>17,161</u>	<u>2,229</u>	<u>1,502</u>	<u>3,377</u>	<u>16</u>
<b>TOTAL ASSETS</b>	<u>129,175</u>	<u>3,728</u>	<u>4,746</u>	<u>21,648</u>	<u>492</u>
<u>LIABILITIES</u>					
<i>Current Liabilities</i>					
Due to affiliates	3,785	97	-	410	-
Current portion of long-term debt	-	8	-	1,337	86
Other current liabilities	<u>67</u>	<u>275</u>	<u>-</u>	<u>4,743</u>	<u>26</u>
<b>Total Current Liabilities</b>	<u>3,852</u>	<u>380</u>	<u>-</u>	<u>6,490</u>	<u>112</u>
<i>Noncurrent Liabilities</i>					
Long-term debt	-	-	-	427	411
Other noncurrent liabilities	<u>2,419</u>	<u>2,306</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Noncurrent Liabilities</b>	<u>2,419</u>	<u>2,306</u>	<u>-</u>	<u>427</u>	<u>411</u>
<b>TOTAL LIABILITIES</b>	<u>6,271</u>	<u>2,686</u>	<u>-</u>	<u>6,917</u>	<u>523</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	18	566	-	2,241	16
Restricted:					
Nonexpendable	77,196	331	2,907	-	-
Expendable	37,488	-	1,169	-	2
Unrestricted	<u>8,202</u>	<u>144</u>	<u>670</u>	<u>12,490</u>	<u>(49)</u>
<b>TOTAL NET ASSETS</b>	<u>\$122,904</u>	<u>\$1,041</u>	<u>\$4,746</u>	<u>\$14,731</u>	<u>(\$ 31)</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
 FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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<b>DRI Research Park</b>	<b>TMCC Foundation</b>	<b>WNC Foundation</b>	<b>GBC Foundation</b>	<b>UNLV Foundation</b>	<b>CSN Foundation</b>	<b>NSC Foundation</b>	<b>Total System Related Organizations</b>
\$ 6	\$ 706	\$1,004	\$ 408	\$ 20,786	\$ 2,569	\$ 669	\$ 48,784
-	250	-	3,377	9,656	1,473	-	113,597
-	49	130	35	7,830	5,138	87	27,296
<u>6</u>	<u>1,005</u>	<u>1,134</u>	<u>3,820</u>	<u>38,272</u>	<u>9,180</u>	<u>756</u>	<u>189,677</u>
2	-	-	51	1,963	4	-	6,004
-	247	1,247	2,386	86,571	-	569	94,380
-	-	115	123	43,145	1,216	2,799	64,339
<u>2</u>	<u>247</u>	<u>1,362</u>	<u>2,560</u>	<u>131,679</u>	<u>1,220</u>	<u>3,368</u>	<u>164,723</u>
<u>8</u>	<u>1,252</u>	<u>2,496</u>	<u>6,380</u>	<u>169,951</u>	<u>10,400</u>	<u>4,124</u>	<u>354,400</u>
-	-	-	-	-	7	64	4,363
-	-	-	-	-	-	-	1,431
<u>3</u>	<u>372</u>	<u>-</u>	<u>29</u>	<u>109</u>	<u>2</u>	<u>-</u>	<u>5,627</u>
<u>3</u>	<u>372</u>	<u>-</u>	<u>29</u>	<u>109</u>	<u>9</u>	<u>64</u>	<u>11,421</u>
-	-	-	-	-	-	-	838
<u>133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,938</u>	<u>-</u>	<u>-</u>	<u>7,796</u>
<u>133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,938</u>	<u>-</u>	<u>-</u>	<u>8,634</u>
<u>136</u>	<u>372</u>	<u>-</u>	<u>29</u>	<u>3,047</u>	<u>9</u>	<u>64</u>	<u>20,055</u>
2	-	-	51	63	4	-	2,961
-	252	542	2,898	69,572	-	569	154,267
-	-	1,930	610	75,131	8,799	3,205	128,334
<u>(130)</u>	<u>628</u>	<u>24</u>	<u>2,792</u>	<u>22,138</u>	<u>1,588</u>	<u>286</u>	<u>48,783</u>
<u>(\$128)</u>	<u>\$ 880</u>	<u>\$2,496</u>	<u>\$6,351</u>	<u>\$166,904</u>	<u>\$10,391</u>	<u>\$4,060</u>	<u>\$334,345</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
 FOR THE YEARS ENDED JUNE 30, 2010 and 2009

NOTE 22 - 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, 2010

	UNR Foundation	UNR AAUN	UNR AAUN Endowment	Practice Plans	DRI Foundation
<i>Operating Revenues</i>					
Patient revenue	\$ -	\$ -	\$ -	\$61,334	\$ -
Contract revenue	-	-	-	8,848	-
Contributions	21,345	363	-	-	623
Campus support	1,859	-	-	-	280
Other operating revenue	<u>1,245</u>	<u>110</u>	<u>-</u>	<u>2,542</u>	<u>67</u>
Total operating revenues	<u>24,449</u>	<u>473</u>	<u>-</u>	<u>72,724</u>	<u>970</u>
<i>Operating Expenses</i>					
Program expenses	224	-	-	59,588	-
Depreciation	7	1	-	932	-
Other operating expenses	<u>3,177</u>	<u>207</u>	<u>681</u>	<u>14,197</u>	<u>447</u>
Total operating expenses	<u>3,408</u>	<u>208</u>	<u>681</u>	<u>74,717</u>	<u>447</u>
Operating income (loss)	<u>21,041</u>	<u>265</u>	<u>(681)</u>	<u>(1,993)</u>	<u>523</u>
<i>Nonoperating Revenues (Expenses)</i>					
Payments to System campuses and divisions	(16,054)	(1,134)	-	-	(555)
Other nonoperating revenues (expenses)	<u>10,425</u>	<u>124</u>	<u>468</u>	<u>(120)</u>	<u>125</u>
Total nonoperating expenses	<u>(5,629)</u>	<u>(1,010)</u>	<u>468</u>	<u>(120)</u>	<u>(430)</u>
Income (loss) before other revenue, expenses gains or losses	<u>15,412</u>	<u>(745)</u>	<u>(213)</u>	<u>(2,113)</u>	<u>93</u>
Additions to permanent endowments	4,038	-	-	-	-
Other revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other revenues (expenses)	<u>4,038</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	19,450	(745)	(213)	(2,113)	93
Net assets - beginning of year	<u>122,904</u>	<u>1,041</u>	<u>4,746</u>	<u>14,731</u>	<u>(31)</u>
Net assets - end of year	<u>\$142,354</u>	<u>\$ 296</u>	<u>\$4,533</u>	<u>\$12,618</u>	<u>\$62</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
 FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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<b>DRI Research Park</b>	<b>TMCC Foundation</b>	<b>WNC Foundation</b>	<b>GBC Foundation</b>	<b>UNLV Foundation</b>	<b>CSN Foundation</b>	<b>NSC Foundation</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,334
-	-	-	-	-	-	-	8,848
-	1,009	547	174	18,692	1,400	1,310	45,463
40	144	-	119	1,774	-	-	4,216
<u>3</u>	<u>1</u>	<u>131</u>	<u>77</u>	<u>898</u>	<u>377</u>	<u>25</u>	<u>5,476</u>
<u>43</u>	<u>1,154</u>	<u>678</u>	<u>370</u>	<u>21,364</u>	<u>1,777</u>	<u>1,335</u>	<u>125,337</u>
-	-	243	47	-	-	-	60,102
2	-	-	10	47	4	-	1,003
<u>45</u>	<u>220</u>	<u>434</u>	<u>372</u>	<u>13,385</u>	<u>662</u>	<u>2,186</u>	<u>36,013</u>
<u>47</u>	<u>220</u>	<u>677</u>	<u>429</u>	<u>13,432</u>	<u>666</u>	<u>2,186</u>	<u>97,118</u>
(4)	934	1	(59)	7,932	1,111	(851)	28,219
-	(988)	(139)	(1,905)	(20,175)	(6,681)	(126)	(47,757)
-	60	142	351	10,858	153	-	22,586
-	(928)	3	(1,554)	(9,317)	(6,528)	(126)	(25,171)
(4)	6	4	(1,613)	(1,385)	(5,417)	(977)	3,048
-	-	-	74	14,368	-	-	18,480
-	-	-	-	-	-	-	-
-	-	-	74	14,368	-	-	18,480
(4)	6	4	(1,539)	12,983	(5,417)	(977)	21,528
<u>(128)</u>	<u>880</u>	<u>2,496</u>	<u>6,351</u>	<u>166,904</u>	<u>10,391</u>	<u>4,060</u>	<u>334,345</u>
<u>(\$132)</u>	<u>\$886</u>	<u>\$ 2,500</u>	<u>\$4,812</u>	<u>\$179,887</u>	<u>\$ 4,974</u>	<u>\$3,083</u>	<u>\$355,873</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
 FOR THE YEARS ENDED JUNE 30, 2010 and 2009

NOTE 22 - 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, 2009

	<u>UNR Foundation</u>	<u>UNR AAUNs</u>	<u>UNR AAUN Endowment</u>	<u>Practice Plans</u>	<u>DRI Foundation</u>
<i>Operating Revenues</i>					
Patient revenue	\$ -	\$ -	\$ -	\$65,806	\$ -
Contract revenue	-	-	-	7,794	-
Contributions	17,359	1,933	-	-	407
Campus support	2,213	-	-	-	291
Other operating revenue	<u>758</u>	<u>165</u>	<u>-</u>	<u>2,387</u>	<u>174</u>
Total operating revenues	<u>20,330</u>	<u>2,098</u>	<u>-</u>	<u>75,987</u>	<u>872</u>
<i>Operating Expenses</i>					
Program expenses	294	-	-	58,929	-
Depreciation	7	15	-	1,040	-
Other operating expenses	<u>3,185</u>	<u>381</u>	<u>67</u>	<u>18,688</u>	<u>610</u>
Total operating expenses	<u>3,486</u>	<u>396</u>	<u>67</u>	<u>78,657</u>	<u>610</u>
Operating income (loss)	<u>16,844</u>	<u>1,702</u>	<u>(67)</u>	<u>(2,670)</u>	<u>262</u>
<i>Nonoperating Revenues (Expenses)</i>					
Payments to System campuses and divisions	(19,399)	(1,348)	721	-	(337)
Other nonoperating revenues (expenses)	<u>(23,579)</u>	<u>131</u>	<u>(1,722)</u>	<u>(248)</u>	<u>(19)</u>
Total nonoperating expenses	<u>(42,978)</u>	<u>(1,217)</u>	<u>(1,001)</u>	<u>(2,918)</u>	<u>(356)</u>
Income (loss) before other revenue, expenses gains or losses	<u>(26,134)</u>	<u>485</u>	<u>(1,068)</u>	<u>(2,918)</u>	<u>(94)</u>
Additions to permanent endowments	6,190	-	-	-	-
Other revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other revenues (expenses)	<u>6,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(19,944)	485	(1,068)	(2,918)	(94)
Net assets - beginning of year	<u>142,848</u>	<u>556</u>	<u>5,814</u>	<u>17,649</u>	<u>63</u>
Net assets - end of year	<u>\$122,904</u>	<u>\$1,041</u>	<u>\$4,746</u>	<u>\$14,731</u>	<u>(\$31)</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
 FOR THE YEARS ENDED JUNE 30, 2010 and 2009

---

<b>DRI Research Park</b>	<b>TMCC Foundation</b>	<b>WNC Foundation</b>	<b>GBC Foundation</b>	<b>UNLV Foundation</b>	<b>CSN Foundation</b>	<b>NSC Foundation</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,806
-	-	-	-	-	-	-	7,794
-	1,166	709	266	30,815	9,028	939	62,622
57	142	-	73	3,254	-	-	6,030
<u>3</u>	<u>42</u>	<u>100</u>	<u>71</u>	<u>711</u>	<u>413</u>	<u>35</u>	<u>4,859</u>
<u>60</u>	<u>1,350</u>	<u>809</u>	<u>410</u>	<u>34,780</u>	<u>9,441</u>	<u>974</u>	<u>147,111</u>
-	1,183	152	43	37	-	-	60,638
10	-	-	4	36	6	-	1,118
<u>62</u>	<u>174</u>	<u>579</u>	<u>282</u>	<u>5,612</u>	<u>650</u>	<u>3,766</u>	<u>34,056</u>
<u>72</u>	<u>1,357</u>	<u>731</u>	<u>329</u>	<u>5,685</u>	<u>656</u>	<u>3,766</u>	<u>95,812</u>
<u>(12)</u>	<u>(7)</u>	<u>78</u>	<u>81</u>	<u>29,095</u>	<u>8,785</u>	<u>(2,792)</u>	<u>51,299</u>
-	-	(142)	(618)	(14,312)	(1,237)	(429)	(37,101)
-	(63)	(200)	(517)	(13,332)	67	-	(39,479)
-	(63)	(342)	(1,135)	(27,641)	(1,170)	(429)	(76,580)
(12)	(70)	(264)	(1,054)	1,454	7,615	(3,221)	(25,281)
-	-	-	25	7,027	-	-	13,242
-	-	-	-	-	-	-	-
-	-	-	25	7,027	-	-	13,242
(12)	(70)	(264)	(1,029)	8,481	7,615	(3,221)	(12,039)
<u>(116)</u>	<u>950</u>	<u>2,760</u>	<u>7,380</u>	<u>158,423</u>	<u>2,776</u>	<u>7,281</u>	<u>346,384</u>
<u>(\$128)</u>	<u>\$880</u>	<u>\$ 2,496</u>	<u>\$6,351</u>	<u>\$166,904</u>	<u>\$10,391</u>	<u>\$4,060</u>	<u>\$334,345</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

### NOTE 22 - System Related Organizations (continued):

UNR Foundation:

Cash and cash equivalents at June 30, 2010 and 2009, consists of:

	<u>2010</u>	<u>2009</u>
Cash	\$ 2,279	\$ 351
Money funds	1,462	305
Commingled funds	18,829	13,405
Certificates of deposit	331	-
Treasury bills and notes	<u>100</u>	<u>600</u>
	<u>\$23,001</u>	<u>\$14,661</u>

The fair value of investments at June 30, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Equity Investments	\$ 480	\$ 390
Bonds	16,874	-
Commingled funds	65,345	85,679
U.S. Government Securities	<u>11,049</u>	<u>4,987</u>
	<u>\$98,140</u>	<u>\$95,952</u>

At June 30, 2010, the Foundation investments had the following maturities:

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>11-38</u>
Equity investments	\$ 480	\$ 480	\$ -	\$ -	\$ -
Bonds	16,874	-	4,254	3,891	8,729
Commingled funds	65,345	65,345	-	-	-
Certificates of deposit	4,392	1,832	2,560	-	-
U.S. Government securities	<u>11,049</u>	<u>11,049</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$98,140</u>	<u>\$78,706</u>	<u>\$6,814</u>	<u>\$ 3,891</u>	<u>\$8,729</u>

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

The cumulative net appreciation (depreciation) of investments at June 30, 2010 and 2009 was \$3,137 and (\$29,916), respectively.

#### *Investment Risk Factors*

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

#### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of 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 two hundred fifty thousand dollars per bank or institution. Commercial



# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

### NOTE 22 - System Related Organizations (continued):

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

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

	AAA	AA	A	BBB	Not Rated
Equity investments	\$ -	\$ -	\$ -	\$ -	\$ 480
Bonds	4,752	925	2,659	2,121	6,417
Commingled funds	-	-	-	-	65,345
Certificates of deposit	-	-	-	-	4,392
U.S. Government securities	-	-	-	-	11,049
	<u>\$4,752</u>	<u>\$925</u>	<u>\$2,659</u>	<u>\$ 2,121</u>	<u>\$87,683</u>

Fixed income securities to obligations of the U.S. Government are not considered to have credit risk. In addition, investments held by the Commonfund are not rated by 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 investment policy limits the maturities of U.S. Treasury instruments and certificates of deposit to no more than 90 days unless the rate justifies the return and the current liquidity requirements are met.

#### Foreign Currency Risk

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

#### Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Foundation's deposits exceed FDIC limits and as a result may not be returned to the Foundation. All cash deposits are primarily on deposit with two financial institutions and several investment companies. The Foundation does not have a deposit policy for custodial credit risk. As of June 30, 2010, the Foundation's bank balances totaled \$22,807. Of this balance, \$1,530 was covered by depository insurance and/or collateralized and \$18,643 is held by the Commonfund government Securities Fund and subject to their investment policies. The remaining \$2,634 was subject to custodial credit risk and as a result was uninsured at June 30, 2010.

#### 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. At June 30, 2010, the total balance for the UNLV Foundations cash and money market funds was \$9,012. Of this balance, \$1,291 in cash was held at one bank of which \$250 was covered by the Federal Deposit Insurance Corporation, and \$1,041, was uninsured.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

### NOTE 22 - System Related Organizations (continued):

Of the cash and money market balances of \$7,721 held by brokerage firms at June 30, 2010, \$750 was covered by Securities Investor Protection Corporation (SIPC) and \$6,401 at June 30, 2010 was covered by the Customer Asset Protection Company ("CAPCO"), excess protection provided by the three brokerages. Investments in the custody of the bank are in the nominee name of the bank and held by the Depository Trust Company. The amounts of \$571 were uninsured.

Investments include the following at June 30, 2010:

	<u>2010</u>	
Mutual funds	\$ 5,797	
Certificates of deposit	701	-
Equities	55,129	
U.S. government obligations	24,405	
Corporate obligations	30,565	
Mortgage-backed securities	10,045	
Alternative investments	<u>6,407</u>	
Total marketable securities at fair value	<u>\$133,049</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. The credit ratings of fixed income investments at June 30, 2010 follow:

	<u>Total</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Below Investment Grade</u>
Mutual funds	\$ 5,797	\$ -	\$ -	\$ -	\$5,636	\$ 161
U.S. corporate bonds	26,703	2,114	2,996	10,040	10,892	661
Non-U.S. corporate bonds	3,862	75	402	1,219	2,166	-

In accordance with GASB Statement No. 40, U.S. government obligations, mortgage-backed securities, cash, and money market funds backed by the full faith and credit of the federal government are not included in the above table. Alternative investments are not rated by industry rating agencies.

### Interest Rate Risk

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

For investments in donor-restricted endowment funds, the UNLV Foundation uses the Lehman Aggregate Bond Index average as the benchmark; maturity as of June 30, 2010, was 6.5 years. The fixed-income portfolio's average maturity was 6.2 years. Interest rates range from 0.08% to 10.38%.

For investments in donor-restricted expendable funds, the UNLV Foundation uses the Lehman Aggregate Index average as the benchmark; maturity as of June 30, 2010, was 6.5 years. The fixed income-portfolio's average maturity was 6.6 years. Interest rates range from 0% to 12.75%.

	<u>Maturity Under 1 Year</u>	<u>Maturity 1 – 5 Years</u>	<u>Maturity 5 – 10 Years</u>	<u>Maturity Over 10 Years</u>	<u>Maturity Total</u>
Mutual funds	\$ 5,797	\$ -	\$ -	\$ -	\$ 5,797
Certificates of deposit	100	601	-	-	701
Mortgage backed securities	-	-	46	9,999	10,045
U.S. government obligations	10,696	8,123	1,869	3,717	24,405
U.S. corporate bonds	764	11,457	8,337	6,145	26,703
Non-U.S. corporate bonds	<u>77</u>	<u>1,746</u>	<u>1,277</u>	<u>762</u>	<u>3,862</u>
Investment in securities at fair value	<u>\$17,434</u>	<u>\$ 21,927</u>	<u>\$ 11,529</u>	<u>\$ 20,623</u>	<u>\$ 71,513</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2010 and 2009

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### NOTE 22 - System Related Organizations (continued):

#### *Foreign Currency Risk*

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

During the year ended June 30, 2010 and 2009, the UNLV Foundation recognized \$11,918 and (\$11,844), respectively, in investment gains (losses). Earnings included \$3,865 and \$4,268, respectively, from interest and dividends, \$1,199 and (\$6,563), respectively, from net realized gains (losses) on the sale of investments, and \$7,478 and (\$9,015), respectively, from the change in investment fair value. Investment expenses of \$616 and \$524, respectively, and amortization of bond discounts of \$8 and \$10, respectively, were netted against earnings.

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## SUPPLEMENTAL INFORMATION

## NEVADA SYSTEM OF HIGHER EDUCATION

## COMBINING SCHEDULES OF NET ASSETS (in \$1,000's)

AS OF JUNE 30, 2010

	<u>UNR</u>	<u>System</u>	<u>DRI</u>	<u>TMCC</u>	<u>WNC</u>
<b><u>ASSETS</u></b>					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 29,437	\$ 2,502	\$ 6,705	\$ 7,061	\$ 2,099
Restricted cash and cash equivalents	0	0	157	0	0
Short-term investments	84,654	10,150	16,062	18,546	4,719
Accounts receivable, net	20,525	277	3,002	1,027	239
Receivable from U.S. Government	15,797	1,116	3,702	1,061	552
Receivable from State of Nevada	1,472	515	145	270	867
Current portion of loans receivable, net	1,190	61	0	10	13
Inventories	3,378	147	0	11	0
Deposits and deferred expenditures, current	2,297	36	83	0	6
Other	0	0	277	19	10
Total Current Assets	<u>158,750</u>	<u>14,804</u>	<u>30,133</u>	<u>28,005</u>	<u>8,505</u>
<i>Noncurrent Assets</i>					
Cash held by State Treasurer	48,736	0	974	2	1,495
Restricted cash and cash equivalents	0	0	0	0	0
Receivable from State of Nevada	16,919	0	0	0	0
Endowment investments	103,644	9,206	23,466	7,752	197
Deposits and deferred expenditures	2,850	550	0	0	0
Loans receivable, net	6,157	1,133	0	276	4
Capital assets, net	670,637	29,171	71,995	61,348	35,983
Other noncurrent assets	0	317	0	0	0
Total Noncurrent Assets	<u>848,943</u>	<u>40,377</u>	<u>96,435</u>	<u>69,378</u>	<u>37,679</u>
<b>TOTAL ASSETS</b>	<u>1,007,693</u>	<u>55,181</u>	<u>126,568</u>	<u>97,383</u>	<u>46,184</u>
<b><u>LIABILITIES</u></b>					
<i>Current Liabilities</i>					
Accounts payable	15,906	2,203	820	1,442	320
Accrued payroll and related liabilities	8,388	590	760	1,364	367
Unemployment insurance and workers compensation liability	1,235	38	76	180	45
Current portion of compensated absences	11,069	1,686	3,247	1,152	584
Current portion of long-term debt	7,444	0	576	0	0
Current portion of obligations under capital leases	556	0	114	0	108
Accrued interest payable	6,125	0	91	66	0
Deferred revenue	12,700	1,627	1,707	752	242
Funds held in trust for others	1,266	0	316	97	139
Due to affiliates	0	0	0	26	0
Other	0	0	577	415	0
Total Current Liabilities	<u>64,689</u>	<u>6,144</u>	<u>8,284</u>	<u>5,494</u>	<u>1,805</u>
<i>Noncurrent Liabilities</i>					
Refundable advances under federal loan programs	4,726	0	0	227	0
Compensated absences	7,392	340	714	520	244
Long-term debt	249,102	0	9,212	0	0
Obligations under capital leases	2,444	0	5	0	1,149
Due to State	0	0	0	5,360	0
Total Noncurrent Liabilities	<u>263,664</u>	<u>340</u>	<u>9,931</u>	<u>6,107</u>	<u>1,393</u>
<b>TOTAL LIABILITIES</b>	<u>328,353</u>	<u>6,484</u>	<u>18,215</u>	<u>11,601</u>	<u>3,198</u>
<b><u>NET ASSETS</u></b>					
<i>Net Assets</i>					
Invested in capital assets, net of related debt	412,121	27,997	62,244	55,573	34,726
Restricted - Nonexpendable	36,672	6,523	20,622	3,539	197
Restricted - Expendable - Scholarships, research and instruction	66,365	2,755	4,494	4,760	173
Restricted - Expendable - Loans	4,876	1,410	0	67	0
Restricted - Expendable - Capital projects	53,139	308	1,470	5,108	1,495
Restricted - Expendable - Debt service	4,736	0	0	(66)	169
Unrestricted	101,431	9,704	19,523	16,801	6,226
<b>TOTAL NET ASSETS</b>	<u>\$ 679,340</u>	<u>\$48,697</u>	<u>\$ 108,353</u>	<u>\$85,782</u>	<u>\$42,986</u>

<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>TOTAL</u>
\$ 829	\$ 62,832	\$ 15,409	\$ 2,063	\$ 128,937
0	0	0	0	157
3,525	158,836	42,189	5,685	344,366
434	2,862	2,249	550	31,165
573	15,887	361	348	39,397
112	664	138	112	4,295
19	288	54	0	1,635
0	1,960	542	331	6,369
22	5,659	222	129	8,454
0	0	0	0	306
<u>5,514</u>	<u>248,988</u>	<u>61,164</u>	<u>9,218</u>	<u>565,081</u>
514	7,720	3,021	2,437	64,899
0	6,842	0	0	6,842
0	3,149	11,741	0	31,809
188	43,730	4,462	0	192,645
0	1,939	0	0	5,339
0	3,061	15	0	10,646
42,655	819,366	209,483	29,354	1,969,992
0	0	0	0	317
<u>43,357</u>	<u>885,807</u>	<u>228,722</u>	<u>31,791</u>	<u>2,282,489</u>
<u>48,871</u>	<u>1,134,795</u>	<u>289,886</u>	<u>41,009</u>	<u>2,847,570</u>
279	9,154	5,110	1,340	36,574
188	14,246	1,931	114	27,948
137	1,973	421	18	4,123
461	9,584	2,657	457	30,897
121	11,911	0	0	20,052
0	978	321	0	2,077
14	4,844	0	0	11,140
216	13,117	3,046	571	33,978
98	4,249	471	6	6,642
0	0	0	0	26
0	0	0	0	992
<u>1,514</u>	<u>70,056</u>	<u>13,957</u>	<u>2,506</u>	<u>174,449</u>
0	2,118	3	0	7,074
248	4,196	1,161	329	15,144
1,593	229,628	0	0	489,535
0	1,043	744	0	5,385
0	0	0	0	5,360
<u>1,841</u>	<u>236,985</u>	<u>1,908</u>	<u>329</u>	<u>522,498</u>
<u>3,355</u>	<u>307,041</u>	<u>15,865</u>	<u>2,835</u>	<u>696,947</u>
40,942	578,200	208,418	29,354	1,449,575
188	11,880	2,291	0	81,912
394	34,532	4,220	761	118,454
26	1,033	0	0	7,412
890	17,345	14,762	2,437	96,954
372	7,837	0	0	13,048
<u>2,704</u>	<u>176,927</u>	<u>44,330</u>	<u>5,622</u>	<u>383,268</u>
<u>\$45,516</u>	<u>\$ 827,754</u>	<u>\$ 274,021</u>	<u>\$ 38,174</u>	<u>\$2,150,623</u>

## NEVADA SYSTEM OF HIGHER EDUCATION

## COMBINING SCHEDULES OF NET ASSETS (in \$1,000's)

AS OF JUNE 30, 2009

	<u>UNR</u>	<u>System</u>	<u>DRI</u>	<u>TMCC</u>	<u>WNC</u>
<b>ASSETS</b>					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 16,658	\$(39,177)	\$ 2,693	\$ 3,692	\$ 1,150
Restricted cash and cash equivalents	0	0	162	0	0
Short-term investments	100,999	21,421	16,789	18,896	5,073
Accounts receivable, net	16,191	205	3,231	718	138
Receivable from U.S. Government	18,919	1,838	3,744	696	681
Receivable from State of Nevada	1,871	1,006	139	35	28
Current portion of loans receivable, net	1,470	0	0	12	0
Inventories	3,251	228	0	11	0
Deposits and deferred expenditures, current	2,424	36	1,465	0	2
Other	0	0	297	37	0
Total Current Assets	<u>161,783</u>	<u>(14,443)</u>	<u>28,520</u>	<u>24,097</u>	<u>7,072</u>
<i>Noncurrent Assets</i>					
Cash held by State Treasurer	64,988	0	1,879	442	1,548
Restricted cash and cash equivalents	0	0	0	0	0
Receivable from State of Nevada	7,518	0	0	0	0
Endowment investments	96,449	8,330	20,648	7,010	180
Deposits and deferred expenditures	2,241	586	0	0	0
Loans receivable, net	6,227	1,952	0	298	0
Capital assets, net	618,923	23,228	71,888	63,578	37,000
Other noncurrent assets	0	336	0	0	0
Total Noncurrent Assets	<u>796,346</u>	<u>34,432</u>	<u>94,415</u>	<u>71,328</u>	<u>38,728</u>
<b>TOTAL ASSETS</b>	<u>958,129</u>	<u>19,989</u>	<u>122,935</u>	<u>95,425</u>	<u>45,800</u>
<b>LIABILITIES</b>					
<i>Current Liabilities</i>					
Accounts payable	20,454	4,059	805	1,082	619
Accrued payroll and related liabilities	9,069	498	820	2,892	450
Unemployment insurance and workers compensation liability	1,513	51	94	236	43
Current portion of compensated absences	8,826	1,602	3,527	1,301	769
Current portion of long-term debt	7,825	0	641	343	5
Current portion of obligations under capital leases	514	0	63	0	103
Accrued interest payable	6,085	0	94	92	0
Deferred revenue	11,782	1,569	2,286	725	97
Funds held in trust for others	1,670	0	446	286	22
Due to affiliates	0	0	0	426	0
Other	0	0	287	0	0
Total Current Liabilities	<u>67,738</u>	<u>7,779</u>	<u>9,063</u>	<u>7,383</u>	<u>2,108</u>
<i>Noncurrent Liabilities</i>					
Refundable advances under federal loan programs	4,723	0	0	249	0
Compensated absences	7,168	351	351	292	31
Deferred revenue	0	0	0	0	0
Long-term debt	252,634	0	9,788	1,440	(5)
Obligations under capital leases	3,000	0	41	0	1,257
Due to State	0	0	0	5,775	0
Total Noncurrent Liabilities	<u>267,525</u>	<u>351</u>	<u>10,180</u>	<u>7,756</u>	<u>1,283</u>
<b>TOTAL LIABILITIES</b>	<u>335,263</u>	<u>8,130</u>	<u>19,243</u>	<u>15,139</u>	<u>3,391</u>
<b>NET ASSETS</b>					
<i>Net Assets</i>					
Invested in capital assets, net of related debt	352,340	22,377	61,517	55,620	35,640
Restricted - Nonexpendable	36,740	5,985	20,608	2,836	147
Restricted - Expendable - Scholarships, research and instruction	59,313	2,178	1,332	4,739	319
Restricted - Expendable - Loans	4,653	1,952	0	80	0
Restricted - Expendable - Capital projects	63,741	0	3,133	4,206	4,772
Restricted - Expendable - Debt service	4,293	0	0	(65)	137
Unrestricted	101,786	(20,633)	17,102	12,870	1,394
<b>TOTAL NET ASSETS</b>	<u>\$ 622,866</u>	<u>\$11,859</u>	<u>\$103,692</u>	<u>\$80,286</u>	<u>\$42,409</u>



<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>TOTAL</u>
\$ 849	\$ 45,551	\$ 4,007	\$ 217	\$ 35,640
0	0	0	0	162
3,984	173,818	33,582	5,927	380,489
409	3,195	2,329	299	26,715
216	10,316	86	168	36,664
1	574	132	7	3,793
13	498	68	0	2,061
0	1,798	582	203	6,073
58	3,478	72	27	7,562
0	0	0	0	334
<u>5,530</u>	<u>239,228</u>	<u>40,858</u>	<u>6,848</u>	<u>499,493</u>
799	28,102	8,269	2,767	108,794
0	7,967	0	0	7,967
0	0	0	0	7,518
171	40,185	4,025	0	176,998
0	2,072	0	0	4,899
0	3,252	13	4	11,746
43,728	817,755	210,453	28,859	1,915,412
0	0	0	0	336
<u>44,698</u>	<u>899,333</u>	<u>222,760</u>	<u>31,630</u>	<u>2,233,670</u>
<u>50,228</u>	<u>1,138,561</u>	<u>263,618</u>	<u>38,478</u>	<u>2,733,163</u>
148	17,603	1,950	758	47,478
400	10,655	1,497	294	26,575
128	2,410	529	0	5,004
438	9,708	2,646	210	29,027
116	9,968	0	0	18,898
0	1,344	299	0	2,323
15	4,902	0	0	11,188
241	15,663	2,608	340	35,311
53	8,392	324	15	11,208
0	0	0	0	426
0	0	0	0	287
<u>1,539</u>	<u>80,645</u>	<u>9,853</u>	<u>1,617</u>	<u>187,725</u>
0	2,566	7	0	7,545
192	4,169	1,200	291	14,045
0	66	0	0	66
1,713	242,817	0	0	508,387
0	2,376	1,065	0	7,739
0	0	0	0	5,775
<u>1,905</u>	<u>251,994</u>	<u>2,272</u>	<u>291</u>	<u>543,557</u>
<u>3,444</u>	<u>332,639</u>	<u>12,125</u>	<u>1,908</u>	<u>731,282</u>
43,728	573,018	209,090	28,859	1,382,189
171	11,513	2,211	0	80,211
367	33,612	3,604	0	105,464
17	734	0	4	7,440
(542)	26,429	8,269	2,767	112,775
256	6,917	0	0	11,538
<u>2,787</u>	<u>153,699</u>	<u>28,319</u>	<u>4,940</u>	<u>302,264</u>
<u>\$46,784</u>	<u>\$805,922</u>	<u>\$251,493</u>	<u>\$ 36,570</u>	<u>\$2,001,881</u>

NEVADA SYSTEM OF HIGHER EDUCATION  
 COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in \$1,000's)  
 FOR THE YEAR ENDED JUNE 30, 2010

	UNR	System	DRI	TMCC	WNC
<b>Operating Revenues</b>					
Student tuition and fees (net of scholarship allowance of \$79,721 and \$63,584)	\$ 81,775	\$ 0	\$ 0	\$13,578	\$ 4,776
Federal grants and contracts	88,140	2,657	28,242	3,524	1,332
State grants and contracts	13,847	0	153	1,715	1,055
Local grants and contracts	37,250	0	340	0	60
Other grants and contracts	11,755	895	2,444	111	0
Campus support	0	0	0	0	9
Sales and services of educational departments (including \$3,806 and \$2,525 from System related organizations)	28,809	4,322	0	973	216
Sales and services of auxiliary enterprises (net of scholarship allowances of \$3,582 and \$4,630)	28,304	0	0	1,161	874
Interest earned on loans receivable	126	0	0	2	0
Other operating revenues	2,759	251	9,193	45	151
<b>Total Operating Revenues</b>	<u>292,765</u>	<u>8,125</u>	<u>40,372</u>	<u>21,109</u>	<u>8,473</u>
<b>Operating Expenses</b>					
Employee compensation and benefits	(326,510)	(20,411)	(31,348)	(42,727)	(21,316)
Utilities	(12,417)	(1,717)	(1,407)	(1,524)	(693)
Supplies and services	(112,221)	(11,846)	(9,675)	(9,491)	(4,652)
Scholarships and fellowships	(15,616)	(492)	0	(10,034)	(4,270)
Program expenses, System related organizations	0	0	0	0	0
Depreciation	(27,110)	(2,786)	(4,972)	(3,087)	(1,304)
Other operating expenses	0	0	0	0	(38)
<b>Total Operating Expenses</b>	<u>(493,874)</u>	<u>(37,252)</u>	<u>(47,402)</u>	<u>(66,863)</u>	<u>(32,273)</u>
<b>Operating (Loss) Income</b>	<u>(201,109)</u>	<u>(29,127)</u>	<u>(7,030)</u>	<u>(45,754)</u>	<u>(23,800)</u>
<b>Nonoperating Revenues (Expenses)</b>					
State appropriations	134,644	26,967	8,666	22,138	11,419
Refund to State	0	0	0	0	0
Transfers to/from System Administration	(10,940)	36,324	(1,502)	(1,857)	(475)
Gifts including \$30,730 and \$31,569 from System related organizations)	16,686	352	556	206	252
Investment income (loss), net	23,165	2,160	4,599	2,887	830
Disposal of capital assets	(797)	(165)	(201)	(17)	(6)
Interest expense	(9,798)	0	(686)	(341)	(66)
Federal grants and contracts	58,007	0	0	27,538	12,118
Other nonoperating revenues (expenses)	(1,603)	(1)	(139)	0	305
<b>Total Nonoperating Revenues (Expenses)</b>	<u>209,364</u>	<u>65,637</u>	<u>11,293</u>	<u>50,554</u>	<u>24,377</u>
<b>Income (Loss) before other revenue, expenses, gains or losses</b>	<u>8,255</u>	<u>36,510</u>	<u>4,263</u>	<u>4,800</u>	<u>577</u>
<b>Other Revenues (Expenses)</b>					
State appropriations restricted for capital purposes	43,278	325	383	657	0
Capital grants and gifts (including \$14,030 and \$7,588 from System related organizations)	3,664	0	0	0	0
Additions to permanent endowments (including \$78 and \$132 from System related organizations)	1,277	3	15	39	0
<b>Total Other Revenues (Expenses)</b>	<u>48,219</u>	<u>328</u>	<u>398</u>	<u>696</u>	<u>0</u>
<b>Increase (Decrease) in Net Assets</b>	<u>56,474</u>	<u>36,838</u>	<u>4,661</u>	<u>5,496</u>	<u>577</u>
<b>Net Assets</b>					
Net assets - beginning of year	<u>622,866</u>	<u>11,859</u>	<u>103,692</u>	<u>80,286</u>	<u>42,409</u>
<b>Net Assets - end of year</b>	<u>\$ 679,340</u>	<u>\$48,697</u>	<u>\$108,353</u>	<u>\$85,782</u>	<u>\$42,986</u>

GBC	UNLV	CSN	NSC	Eliminations	Total 2010
\$ 2,989	\$ 146,854	\$ 47,410	\$ 5,505	\$ 0	\$ 302,887
1,737	56,584	1,850	1,310	(11,376)	174,000
376	13,383	6,047	358	0	36,934
1,994	589	151	23	0	40,407
65	1,747	83	71	0	17,171
0	0	0	0	0	9
481	24,568	2,208	17	0	61,594
622	45,042	1,695	1,152	0	78,850
0	60	1	0	0	189
0	6,655	282	29	0	19,365
<u>8,264</u>	<u>295,482</u>	<u>59,727</u>	<u>8,465</u>	<u>(11,376)</u>	<u>731,406</u>
(19,650)	(345,198)	(111,166)	(12,970)	0	(931,296)
(1,147)	(13,872)	(4,381)	(384)	0	(37,542)
(5,948)	(79,296)	(35,587)	(6,306)	11,376	(263,646)
(864)	(21,022)	(23,494)	(2,196)	0	(77,988)
0	0	0	0	0	0
(1,875)	(40,092)	(10,710)	(919)	0	(92,855)
0	0	0	0	0	(38)
<u>(29,484)</u>	<u>(499,480)</u>	<u>(185,338)</u>	<u>(22,775)</u>	<u>11,376</u>	<u>(1,403,365)</u>
<u>(21,220)</u>	<u>(203,998)</u>	<u>(125,611)</u>	<u>(14,310)</u>	<u>0</u>	<u>(671,959)</u>
10,010	118,347	56,936	7,949	0	397,076
0	0	0	(328)	0	(328)
(440)	(16,806)	(3,761)	(543)	0	0
504	14,289	714	135	0	33,694
466	22,839	4,490	543	0	61,979
0	(1,349)	59	0	0	(2,476)
(99)	(10,819)	(86)	0	0	(21,895)
9,171	85,411	68,919	7,771	0	268,935
340	491	0	(74)	0	(681)
<u>19,952</u>	<u>212,403</u>	<u>127,271</u>	<u>15,453</u>	<u>0</u>	<u>736,304</u>
<u>(1,268)</u>	<u>8,405</u>	<u>1,660</u>	<u>1,143</u>	<u>0</u>	<u>64,345</u>
0	3,422	13,803	0	0	61,868
0	9,748	7,049	461	0	20,922
0	257	16	0	0	1,607
0	13,427	20,868	461	0	84,397
<u>(1,268)</u>	<u>21,832</u>	<u>22,528</u>	<u>1,604</u>	<u>0</u>	<u>148,742</u>
<u>46,784</u>	<u>805,922</u>	<u>251,493</u>	<u>36,570</u>	<u>0</u>	<u>2,001,881</u>
<u>\$45,516</u>	<u>\$ 827,754</u>	<u>\$274,021</u>	<u>\$ 38,174</u>	<u>\$ 0</u>	<u>\$2,150,623</u>

NEVADA SYSTEM OF HIGHER EDUCATION  
COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in \$1,000's)  
FOR THE YEAR ENDED JUNE 30, 2009

	UNR	System	DRI	TMCC	WNC
<b>Operating Revenues</b>					
Student tuition and fees (net of scholarship allowance of \$79,721 and \$63,584)	\$ 77,710	\$ 0	\$ 0	\$13,075	\$ 3,978
Federal grants and contracts	95,020	1,645	29,487	3,201	1,363
State grants and contracts	15,022	0	162	1,223	1,320
Local grants and contracts	29,612	0	618	0	0
Other grants and contracts	11,960	424	2,788	197	0
Campus support	0	0	0	0	0
Sales and services of educational departments (including \$3,806 and \$2,525 from System related organizations)	29,579	3,632	0	946	274
Sales and services of auxiliary enterprises (net of scholarship allowances of \$3,582 and \$4,630)	29,307	0	0	1,380	734
Interest earned on loans receivable	110	0	0	3	0
Other operating revenues	2,517	467	7,697	77	0
<b>Total Operating Revenues</b>	<u>290,837</u>	<u>6,168</u>	<u>40,752</u>	<u>20,102</u>	<u>7,669</u>
<b>Operating Expenses</b>					
Employee compensation and benefits	(334,024)	(20,231)	(32,658)	(45,966)	(21,438)
Utilities	(13,431)	(1,941)	(1,398)	(1,581)	(738)
Supplies and services	(129,237)	(9,448)	(9,611)	(8,975)	(4,514)
Scholarships and fellowships	(13,717)	(47)	0	(4,897)	(1,704)
Program expenses, System related organizations	0	0	0	0	0
Depreciation	(27,510)	(1,642)	(5,195)	(3,047)	(1,509)
Other operating expenses	0	0	0	0	0
<b>Total Operating Expenses</b>	<u>(517,919)</u>	<u>(33,309)</u>	<u>(48,862)</u>	<u>(64,466)</u>	<u>(29,903)</u>
<b>Operating (Loss) Income</b>	<u>(227,082)</u>	<u>(27,141)</u>	<u>(8,110)</u>	<u>(44,364)</u>	<u>(22,234)</u>
<b>Nonoperating Revenues (Expenses)</b>					
State appropriations	200,432	28,422	9,666	39,416	19,956
Refund to State	0	(3,808)	0	0	0
Transfers to/from System Administration	14,981	(43,284)	1,495	1,747	691
Gifts including \$30,730 and \$31,569 from System related organizations)	15,956	850	305	225	260
Investment income (loss), net	(35,577)	(4,673)	(6,176)	(3,292)	(650)
Disposal of capital assets	(470)	(22)	(336)	(40)	(5)
Interest expense	(10,291)	0	(696)	(375)	(72)
Federal grants and contracts	5,323	0	0	5,799	1,033
Other nonoperating revenues (expenses)	(1,715)	16	0	0	0
<b>Total Nonoperating Revenues (Expenses)</b>	<u>188,639</u>	<u>(22,499)</u>	<u>4,258</u>	<u>43,480</u>	<u>21,213</u>
<b>Income (Loss) before other revenue, expenses, gains or losses</b>	<u>(38,443)</u>	<u>(49,640)</u>	<u>(3,852)</u>	<u>(884)</u>	<u>(1,021)</u>
<b>Other Revenues (Expenses)</b>					
State appropriations restricted for capital purposes	0	0	2,096	(2,223)	0
Capital grants and gifts (including \$14,030 and \$7,588 from System related organizations)	6,985	0	0	0	0
Additions to permanent endowments (including \$78 and \$132 from System related organizations)	257	3,291	(80)	24	0
<b>Total Other Revenues (Expenses)</b>	<u>7,242</u>	<u>3,291</u>	<u>2,016</u>	<u>(2,199)</u>	<u>0</u>
<b>Increase (Decrease) in Net Assets</b>	<u>(31,201)</u>	<u>(46,349)</u>	<u>(1,836)</u>	<u>(3,083)</u>	<u>(1,021)</u>
<b>Net Assets</b>					
Net assets - beginning of year	654,067	58,208	105,528	83,369	43,431
<b>Net Assets - end of year</b>	<u>\$ 622,866</u>	<u>\$11,859</u>	<u>\$103,692</u>	<u>\$80,286</u>	<u>\$42,410</u>

GBC	UNLV	CSN	NSC	Eliminations	Total 2009
\$ 3,476	\$ 135,715	\$ 46,928	\$ 4,006	\$ 0	\$ 284,888
1,358	54,858	1,389	900	(9,755)	179,466
155	13,560	5,955	361	0	37,758
0	1,067	0	39	0	31,336
1,047	2,066	18	0	0	18,500
0	0	0	0	0	0
519	24,700	2,448	14	0	62,112
780	43,091	1,189	1,020	0	77,501
0	51	1	0	0	165
29	5,221	301	37	0	16,346
<u>7,364</u>	<u>280,329</u>	<u>58,229</u>	<u>6,377</u>	<u>(9,755)</u>	<u>708,072</u>
(18,236)	(347,086)	(109,576)	(14,400)	0	(943,615)
(859)	(13,588)	(4,392)	(283)	0	(38,211)
(4,318)	(83,765)	(35,940)	(7,022)	9,755	(283,075)
(844)	(16,612)	(12,217)	(1,119)	0	(51,157)
0	0	0	0	0	0
(2,311)	(33,481)	(11,097)	(895)	0	(86,687)
0	0	0	0	0	0
<u>(26,568)</u>	<u>(494,532)</u>	<u>(173,222)</u>	<u>(23,719)</u>	<u>9,755</u>	<u>(1,402,745)</u>
<u>(19,204)</u>	<u>(214,203)</u>	<u>(114,993)</u>	<u>(17,342)</u>	<u>0</u>	<u>(694,673)</u>
16,180	198,680	94,156	16,509	0	623,417
0	0	0	0	0	(3,808)
341	19,586	3,954	489	0	0
513	15,172	796	269	0	34,346
(361)	(28,087)	(4,469)	(458)	0	(83,743)
(120)	(1,395)	12	0	0	(2,376)
(90)	(9,838)	(102)	0	0	(21,464)
1,164	14,111	14,327	1,382	0	43,139
0	16,333	0	0	0	14,634
<u>17,627</u>	<u>224,562</u>	<u>108,674</u>	<u>18,191</u>	<u>0</u>	<u>604,145</u>
<u>(1,577)</u>	<u>10,359</u>	<u>(6,319)</u>	<u>849</u>	<u>0</u>	<u>(90,528)</u>
0	(29,418)	(4)	2,665	0	(26,884)
39	1,615	1,208	107	0	9,954
0	24	72	0	0	3,588
<u>39</u>	<u>(27,779)</u>	<u>1,276</u>	<u>2,772</u>	<u>0</u>	<u>(13,342)</u>
<u>(1,538)</u>	<u>(17,420)</u>	<u>(5,043)</u>	<u>3,621</u>	<u>0</u>	<u>(103,870)</u>
<u>48,321</u>	<u>823,342</u>	<u>256,536</u>	<u>32,949</u>	<u>0</u>	<u>2,105,751</u>
<u>\$ 46,783</u>	<u>\$ 805,922</u>	<u>\$ 251,493</u>	<u>\$ 36,570</u>	<u>\$ 0</u>	<u>\$ 2,001,881</u>