
Nevada System of Higher Education Financial Statements



June 30, 2012 and 2011

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

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

Nevada State College
Truckee Meadows Community College
System Administration

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Nevada System of Higher Education
Financial Statements and Report of Independent Auditors
As of and for the Years Ended June 30, 2012 and 2011

Contents

Report of Independent Auditors	1-2
Management’s Discussion and Analysis	3-11
Financial Statements	13
Combined Statements of Net Assets.....	13
Combined Statements of Revenues, Expenses and Changes in Net Assets	14
Combined Statements of Cash Flows	15-16
Notes to Financial Statements.....	17-47
Supplemental Information	49
Combining Schedules of Net Assets.....	50-53
Combining Schedules of Revenues, Expenses and Changes in Net Assets	54-57

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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 business-type activities and the aggregate discretely presented component units of the Nevada System of Higher Education (the “System”), as of and for the years ended June 30, 2012 and 2011, 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 Research Foundation, DRI Research Parks, Ltd., Truckee Meadows Community College Foundation, Western Nevada College Foundation, Great Basin College Foundation, Rebel Golf Foundation, UNLV Alumni Association, College of Southern Nevada Foundation, and the Nevada State College Foundation, which collectively represent 5.9% percent of the assets, 5.9% percent of the net assets and 5.8% percent of the operating revenues of the aggregate discretely presented component units, for the year ended June 30, 2012 and 4.6% percent of the assets, 4.5% percent of the net assets and 4.5% percent of the operating revenues of the aggregate discretely presented component units as of and for the year ended June 30, 2011 as described in Note 22 “System Related Organizations” in the accompanying financial statements. 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 opinion.

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, 2012 and 2011, 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.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 – 11 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Grant Thornton LLP

Reno, Nevada
October 30, 2012

Nevada System of Higher Education

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Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nevada System of Higher Education's (the "System") annual financial information presents management's discussion and analysis of the financial standing as of June 30, 2012. 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, 2012, with comparative information as of June 30, 2011 and June 30, 2010.

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
University of Nevada, Las Vegas Research Foundation
Rebel Golf Foundation
University of Nevada, Las Vegas Alumni Foundation
College of Southern Nevada Foundation
Nevada State College Foundation

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

SYSTEM FINANCIAL HIGHLIGHTS FROM 2011 TO 2012 (in \$1,000's)

- Total net assets decreased .5% from \$2,253,126 to \$2,242,297;
- Capital Assets decreased 1.3% from \$1,986,114 to \$1,959,264;
- Operating revenues decreased 3.9% from \$761,162 to \$731,269;
- Nonoperating revenues decreased 18.4% from \$750,691 to \$612,245; and
- Operating expenses decreased 3.0% from \$1,422,884 to \$1,379,739.

USING THIS REPORT

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

One of the most important questions asked about System finances is whether the System as a whole is better off or worse off as a result of the year's activities. There are three key components to answering this question. They are the Combined Statement of Net Assets; the Combined Statement of Revenues, Expenses and Changes in Net Assets; and the Combined 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 Combined 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 Combined 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 nonoperating. All things being equal, a public higher education system's dependency on state appropriations will usually result in operating deficits. This is because the financial reporting model classifies State appropriations as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the System's ability to meet financial obligations as they mature and come due. The Combined 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 Combined Statement of Net Assets is a point-in-time financial statement presenting the financial position of the System as of June 30, 2012, with a comparison made to June 30, 2011 and June 30, 2010. 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)

	2012	2011	Increase/ (Decrease)	Percent Change	2010	Increase/ (Decrease)	Percent Change
Assets							
Current Assets	\$755,168	\$677,583	\$77,585	11%	\$565,081	\$112,502	20%
Capital Assets	1,959,264	1,986,114	(26,850)	(1)%	1,969,992	16,122	1%
Other Assets	258,932	309,922	(50,990)	(16)%	312,497	(2,575)	(1)%
Total Assets	2,973,364	2,973,619	(255)	0%	2,847,570	126,049	4%
Liabilities							
Current Liabilities	227,926	182,353	45,573	25%	174,449	7,904	5%
Noncurrent Liabilities	503,141	538,140	(34,999)	(7)%	522,498	15,642	3%
Total Liabilities	731,067	720,493	10,574	1%	696,947	23,546	3%
Net Assets							
Invested in Capital							
Assets, Net of Debt	1,463,647	1,449,211	14,436	1%	1,450,749	(1,538)	0%
Restricted,							
nonexpendable	84,695	85,288	(593)	(1)%	82,088	3,200	4%
Restricted, expendable	196,107	245,196	(49,089)	(20)%	250,762	(5,566)	(2)%
Unrestricted	497,848	473,431	24,417	5%	367,024	106,407	29%
Total Net Assets	\$2,242,297	\$2,253,126	\$(10,829)	0%	\$2,150,623	\$102,503	5%

Assets

Total assets of the System remained fairly consistent, showing a decrease of \$255, or less than 1%. The increase that occurred in current assets was offset by a decrease in capital and other assets. The increase in current assets is primarily due to an increase in the valuation of the short-term investments accounts. The decrease in capital assets is reflective of the sale of UNR's Fire Science Academy and normal depreciation for the year. The decrease in other assets relates primarily to the decline in restricted cash and cash held by the State Treasurer.

Liabilities

Total liabilities for the year increased by \$11 million; a \$46 million increase in current liabilities and \$35 million decrease in non-current liabilities. The increase in current liabilities was primarily due to a policy change in pay dates for professional staff, moving the pay date from the last working day of the month to the first working day of the following month, effective with pay earned in the month of June 2012. As such, only eleven months were paid during the year and one month was accrued at June 30, 2012. The decrease in non-current liabilities was primarily driven by a decrease in long-term debt as a result of the defeasance of bonds plus the issuance of new debt.

Net Assets

Net assets are divided into three major categories. The first category, invested in capital assets - net of debt, provides the 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 \$14 million or 1% 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 increase is related to debt reduction associated with capital assets.

Restricted, Nonexpendable/Expendable

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

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

Unrestricted Net Assets

Unrestricted net assets increased by \$24 million in 2012. 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)							
	2012	2011	Increase/ (Decrease)	Percent Change	2010	Increase/ (Decrease)	Percent Change
Assets							
Current Assets	\$200,616	\$210,991	\$(10,375)	(5)%	\$169,182	\$41,809	25%
Capital Assets	7,937	3,233	4,704	145%	2,792	441	16%
Other Assets	259,283	220,616	38,667	18%	204,685	15,931	8%
Total Assets	467,836	434,840	32,996	8%	376,659	58,181	15%
Liabilities							
Current Liabilities	12,380	14,060	(1,680)	(12)%	11,174	2,886	26%
Non-Current Liabilities	8,302	8,806	(504)	(6)%	9,612	(806)	(8)%
Total Liabilities	20,682	22,866	(2,184)	(10)%	20,786	2,080	10%
Net Assets							
Invested in Capital	6,412	2,603	3,809	146%	1,890	713	38%
Assets Net of Debt							
Restricted, Nonexpendable	240,461	220,589	19,872	9%	183,692	36,897	20%
Restricted, Expendable	162,568	160,746	1,822	1%	123,600	37,146	30%
Unrestricted	37,713	28,036	9,677	35%	46,691	(18,655)	(40)%
Total Net Assets	\$447,154	\$411,974	\$ 35,180	9%	\$355,873	\$56,101	16%

One of the critical factors in continuing the quality of the System's programs is the development and renewal of its capital assets. The fifteen 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' decrease in investment income. The remaining changes can be attributed to a decrease in operating expenses and an increase in payments to the NSHE campuses.

REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Changes in total net assets as presented on the Combined Statement of Net Assets are based on the activity presented in the Combined 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 nonoperating, and the expenses paid by the System, operating and nonoperating, as well as any other revenues, expenses, gains and losses received or spent by the System.

Unaudited

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

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

The Combined Statement of Revenues, Expenses, and Changes in Net Assets reflects a consistent year with the net assets at the end of the year decreasing slightly, but remaining fairly consistent with the prior year.

	2012	2011	Increase/ Decrease	Percent Change	2010	Increase/ Decrease	Percent Change
Operating Revenues							
Student tuition and fees, net	\$335,187	\$328,805	\$ 6,382	2%	\$302,887	\$25,918	9%
Grants and contracts, Federal	164,127	186,353	(22,226)	(12)%	174,000	12,353	7%
Grants and contracts, other	67,651	80,575	(12,924)	(16)%	94,512	(13,937)	(15)%
Sales and services	134,618	137,189	(2,571)	(2)%	140,444	(3,255)	(2)%
Other	29,686	28,240	1,446	5%	19,563	8,677	44%
Total Operating Revenues	731,269	761,162	(29,893)	(4)%	731,406	29,756	4%
Operating Expenses							
Employees comp/benefits	(858,871)	(907,282)	48,411	(5)%	(931,296)	24,014	(3)%
Utilities	(31,954)	(34,203)	2,249	(7)%	(37,542)	3,339	(9)%
Supplies and services	(304,425)	(287,746)	(16,679)	6%	(263,646)	(24,100)	9%
Scholarship and fellowships	(88,770)	(101,044)	12,274	(12)%	(77,988)	(23,056)	30%
Other	(30)	(52)	22	(42)%	(38)	(14)	37%
Depreciation	(95,689)	(92,557)	(3,132)	3%	(92,855)	298	0%
Total Operating Expenses	(1,379,739)	(1,422,884)	43,145	(3)%	(1,403,365)	(19,519)	1%
Nonoperating Revenues and Expenses							
State appropriation	475,004	549,015	(74,011)	(13)%	396,748	152,267	38%
Federal grants	122,329	100,769	21,560	21%	268,935	(168,166)	(63)%
Gifts	31,533	34,999	(3,466)	(10)%	33,694	1,305	4%
Investment income (loss), net	16,973	88,117	(71,144)	(81)%	61,979	26,138	42%
Disposal of capital asset	(8,648)	(1,626)	(7,022)	432%	(2,476)	850	(34)%
Interest expense	(23,955)	(24,352)	397	(2)%	(21,895)	(2,457)	11%
Other nonoperating revenues (expenses)	(991)	3,769	(4,760)	(126)%	(681)	4,450	653%
Total Nonoperating Revenues and Expenses	612,245	750,691	(138,446)	(18)%	736,304	14,387	2%
Other Revenues (Expenses)	25,396	13,534	11,862	88%	84,397	(70,863)	(84)%
Net Assets							
Increase (Decrease) in Net Assets	(10,829)	102,503	(113,332)	(111)%	148,742	(46,239)	(31)%
Net assets, beginning of year	2,253,126	2,150,623	102,503	5%	2,001,881	148,742	7%
Net assets, end of year	\$2,242,297	\$2,253,126	(10,829)	0%	\$2,150,623	\$102,503	5%

Operating revenues decreased by \$29.9 million (4%) and operating expenses decreased by \$43.2 million (3%), resulting in an increase in the operating loss of \$13.3 million (2%).

Unaudited

Operating Revenue - Student Tuition and Fees increased 1.9% to \$335.2 million as a result of the Board of Regents approved tuition and fee increases offset by an enrollment decrease. Federal grants and contracts experienced a decrease of 11.9% to \$164.1 million while State, local and other grants and contracts decreased 16% to \$67.7 million.

The decrease in operating expenses was driven by a large increase in Supplies and Services expense being offset by decreases in Employee Compensation and Benefits and Utilities. These decreases are a result of layoffs, position eliminations and furloughs in response to the budget cuts. Scholarship and Fellowship expense also decreased, which followed the trends of enrollment.

Nonoperating net revenues decreased by \$138.4 million. This was led by significant decreases in appropriations due to State budget cuts (\$74 million), investment income, net due to market fluctuation (\$71.1 million), and loss on the sale of UNR's Fire Science Academy (\$7 million).

System Related Organizations

Component entities' ending net assets increased from 2011 to 2012, as shown in the following schedule.

	2012	2011	Increase/ Decrease	Percent Change	2010	Increase/ Decrease	Percent Change
Operating Revenues							
Patient revenue	\$51,198	\$49,787	\$1,411	3%	\$61,334	\$(11,547)	(19)%
Contract revenue	6,277	7,355	(1,078)	(15)%	8,848	(1,493)	(17)%
Contributions	54,723	38,938	15,785	41%	44,889	(5,951)	(13)%
Campus support	5,635	5,945	(310)	(5)%	4,216	1,729	41%
Other	6,801	5,408	1,393	26%	5,476	(68)	(1)%
Total Operating Revenues	124,634	107,433	17,201	16%	124,763	(17,330)	(14)%
Operating Expenses							
Program expenses	(35,594)	(34,542)	(1,052)	3%	(37,556)	3,014	(8)%
Other operating expenses	(33,988)	(32,383)	(1,605)	5%	(57,000)	24,617	(43)%
Depreciation	(841)	(878)	37	(4)%	(1,003)	125	(12)%
Total Operating Expenses	(70,423)	(67,803)	(2,620)	4%	(95,559)	27,756	(29)%
Nonoperating Revenues and Expenses							
Investment income (loss), net	7,652	40,394	(32,742)	(81)%	22,446	17,948	80%
Payments to NSHE System	(51,932)	(37,832)	(14,100)	37%	(49,295)	11,463	(23)%
Other nonoperating revenues (expenses)	2,573	(41)	2,614	6,376%	119	(160)	(134)%
Total Nonoperating Revenues and Expenses	(41,707)	2,521	(44,228)	(1,754)%	(26,730)	29,251	(109)%
Other Revenues							
Other revenues	22,676	13,950	8,726	63%	19,054	(5,104)	(27)%
Net Assets							
Increase (Decrease) in net assets	35,180	56,101	(20,921)	(37)%	21,528	34,573	161%
Net assets, beginning of year	411,974	355,873	56,101	16%	334,345	21,528	6%
Net Assets, end of year	\$447,154	\$411,974	35,180	9%	\$355,873	\$56,101	16%

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

Net cash flows decreased primarily due to a decline in State appropriations and to debt payments of principal. Cash used in operating activities decreased, primarily reflecting NSHE's policy change in pay dates for professional staff, moving the pay date from the last working day of the month to the first working day of the following month, effective with pay earned in the month of June 2012. Thus, only 11 pay periods were paid during 2012. Net operating cash flows (amount of cash used in operating activities) decreased 10.7%.

Cash flows from noncapital financing activities decreased \$50.2 million. This decrease was primarily related to the decrease in State appropriations offset by the increase in nonoperating Federal grants and contracts. Cash flows used in capital financing activities indicated an increase of \$38.2 million, reflecting a net increase in cash paid on capital debt. Cash used in investing activities increased by \$64.9 million. This category generally reflects investing activities during the year.

	2012	2011	Increase/ (Decrease)	Percent Change	2010	Increase/ (Decrease)	Percent Change
Operating activities	\$(502,302)	\$(562,752)	\$60,450	(11)%	\$(584,420)	\$21,668	(4)%
Noncapital financing	635,908	686,107	(50,199)	(7)%	694,445	(8,338)	(1)%
Capital financing activities	(120,150)	(81,909)	(38,241)	47%	(143,917)	62,008	(43)%
Investing activities	(57,249)	7,693	(64,942)	(844)%	82,164	(74,471)	(91)%
Net increase (decrease) in cash	(43,793)	49,139	(92,932)		48,272	867	
Cash - beginning of year	249,974	200,835	49,139		152,563	48,272	
Cash- end of year	\$206,181	\$249,974	\$(43,793)		\$ 200,835	\$49,139	

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2012, the System had invested \$1.96 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 decrease (including additions and deletions) of \$26.8 million over the June 30, 2011, total of \$1.99 billion.

During fiscal year 2012, NSHE issued \$82.5 million of new revenue bonds to refinance outstanding bonds and notes for interest savings. As of June 30, 2012 the coverage on the University Revenue Bonds (pledged revenues to maximum annual debt service) was 4.21 times. For statutory purposes, the coverage was 1.34 times, above minimum required coverage of 1.10. Coverage for the System's University Revenue Bonds is based upon two formulas. The statutory coverage ratio is based upon pledged revenues described in Nevada Revised Statutes authorizing the issuance of revenue bonds. The second, comprehensive coverage ratio, is based upon all revenues pledged to the bonds (including the statutory revenues) in the bond resolutions adopted by the Board of Regents. The statutory and comprehensive coverage ratios feature different minimum coverage thresholds that govern the issuance of additional revenue bond debt.

FUTURE FINANCIAL EFFECTS

In the recent years the demand for higher education services has stabilized, with some institutions showing slight growth and others reporting declines in enrollments. In FY 12, the System realized a net loss of student full time equivalent (FTE) enrollment of 6.5 percent system-wide

compared to FY 11. Student FTE enrollments increased at one of the State's two universities and the State College, and decreased at the other 5 institutions. Student enrollment counts are not yet available for the fall 2012 semester, but preliminary figures reflect that systemwide the number of FTE students will increase slightly overall from fall 2011, with some institutions growing and others anticipating slight decreases in FTE students.

The Legislatively approved NSHE operating budget includes state appropriations and authorized expenditures (State Supported Operating Budget), plus registration fee surcharges approved by the Board of Regents in June 2011 and permanent fee increases approved in December 2011. The State Supported Operating Budget totals \$735.4 million for FY 13. This compares to a Legislatively approved budget of \$725.9 million in FY 12 and represents a 1.32% increase. General fund only allocations for NSHE remained essentially flat at \$472.4 million. In FY12, general fund appropriations accounted for approximately 65.2% of the total State Supported Operating Budget and in FY 13 general fund appropriations account for approximately 64.2%, with the downward change attributed to growth in student fee revenues while appropriations were unchanged. The remaining revenue sources budgeted in the state supported operating budget, including all non-appropriated sources, total \$263.0 million in FY 13 (35.8% of the total). This is an increase in dollars of \$10.4 million and an increase in percentage of budget supported by non-general fund sources of approximately 1.0% over FY 12 budgeted amounts.

As was the case in FY 12, student FTE enrollments will likely reflect growth at some institutions in FY 13 and NSHE will be requesting the Interim Finance Committee, as authorized in Senate Bill 503 (2011), for authority to expend student fee revenues generated in excess of budgeted levels due to enrollments exceeding projections in FY 13. These funds will be utilized to augment existing state budgets for the affected institutions.

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
COMBINED STATEMENTS OF NET ASSETS (in \$1,000's)
AS OF JUNE 30, 2012 AND 2011

	<u>System</u>		<u>System Related Organizations</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 182,041	\$ 186,765	\$ 43,262	\$ 53,922
Restricted cash and cash equivalents	150	151	1,952	2,027
Short-term investments	480,511	394,017	134,120	137,759
Accounts receivable, net	33,324	37,990	83	140
Receivable from U.S. Government	36,946	38,312	-	-
Receivable from State of Nevada	2,206	2,939	-	-
Pledges receivable, net	-	225	11,149	6,358
Patient accounts receivable, net	-	-	6,113	5,557
Current portion of loans receivable, net	1,428	2,014	11	-
Inventories	6,868	5,948	-	-
Deposits and deferred expenditures, current	11,615	9,222	504	1,318
Other	79	-	3,422	3,910
Total Current Assets	<u>755,168</u>	<u>677,583</u>	<u>200,616</u>	<u>210,991</u>
<i>Noncurrent Assets</i>				
Cash held by State Treasurer	11,983	30,347	-	-
Restricted cash and cash equivalents	12,007	32,711	661	1,375
Receivable from State of Nevada	4,657	3,472	-	-
Restricted investments	-	-	32,245	30,897
Endowment investments	212,543	223,093	167,332	127,102
Deposits and deferred expenditures	4,843	7,557	127	-
Loans receivable, net	10,902	10,581	664	-
Capital assets, net	1,959,264	1,986,114	7,937	3,233
Pledges receivable, net	1,724	1,865	35,743	39,074
Other noncurrent assets	273	296	22,511	22,168
Total Noncurrent Assets	<u>2,218,196</u>	<u>2,296,036</u>	<u>267,220</u>	<u>223,849</u>
TOTAL ASSETS	<u>2,973,364</u>	<u>2,973,619</u>	<u>467,836</u>	<u>434,840</u>
<u>LIABILITIES</u>				
<i>Current Liabilities</i>				
Accounts payable	36,765	38,056	4,038	3,752
Accrued payroll and related liabilities	66,600	28,350	1,511	1,406
Unemployment insurance and workers compensation	7,336	4,719	-	-
Current portion of compensated absences	30,710	31,402	-	-
Current portion of long-term debt	19,875	19,829	539	492
Current portion of obligations under capital leases	579	1,208	-	-
Accrued interest payable	11,675	11,995	-	-
Deferred revenue	45,881	37,550	797	881
Funds held in trust for others	8,229	8,450	-	-
Due to affiliates	-	-	5,083	6,874
Other	276	794	412	655
Total Current Liabilities	<u>227,926</u>	<u>182,353</u>	<u>12,380</u>	<u>14,060</u>
<i>Noncurrent Liabilities</i>				
Refundable advances under federal loan programs	8,059	7,815	-	-
Compensated absences	16,050	16,977	-	-
Deferred revenue	-	-	2,067	2,121
Long-term debt	477,202	505,961	40	99
Obligations under capital leases	589	2,462	-	445
Due to State of Nevada	-	4,925	-	-
Other noncurrent liabilities	1,241	-	6,195	6,141
Total Noncurrent Liabilities	<u>503,141</u>	<u>538,140</u>	<u>8,302</u>	<u>8,806</u>
TOTAL LIABILITIES	<u>731,067</u>	<u>720,493</u>	<u>20,682</u>	<u>22,866</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	1,463,647	1,449,211	6,412	2,603
Restricted - Nonexpendable	84,695	85,288	240,461	220,589
Restricted - Expendable - Scholarships, research and instruction	128,314	140,640	161,103	160,159
Restricted - Expendable - Loans	7,643	8,009	-	-
Restricted - Expendable - Capital projects	39,590	82,243	268	172
Restricted - Expendable - Debt service	20,560	14,304	-	-
Restricted - Expendable - Other	-	-	1,197	415
Unrestricted	497,848	473,431	37,713	28,036
TOTAL NET ASSETS	<u>\$2,242,297</u>	<u>\$2,253,126</u>	<u>\$ 447,154</u>	<u>\$ 411,974</u>

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

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>System</u>		<u>System Related Organizations</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Operating Revenues				
Student tuition and fees (net of scholarship allowance of \$115,276 and \$91,504)	\$ 335,187	\$ 328,805	\$ -	\$ -
Federal grants and contracts	164,127	186,353	269	-
State grants and contracts	28,911	35,345	-	-
Local grants and contracts	25,167	28,122	-	-
Other grants and contracts	13,573	17,108	-	-
Campus support	53	16	5,635	5,945
Sales and services of educational departments (including \$4,308 and \$3,043 from System Related Organizations)	57,722	59,717	-	-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$5,083 and \$5,464)	76,896	77,472	-	-
Contributions	-	-	54,723	38,938
Patient revenue	-	-	51,198	49,787
Contract revenue	-	-	6,277	7,355
Special events and fundraising	-	-	1,890	1,599
Interest earned on loans receivable	217	196	-	-
Other operating revenues	29,416	28,028	4,642	3,809
Total Operating Revenues	<u>731,269</u>	<u>761,162</u>	<u>124,634</u>	<u>107,433</u>
Operating Expenses				
Employee compensation and benefits	(858,871)	(907,282)	(28,510)	(18,724)
Utilities	(31,954)	(34,203)	(1)	-
Supplies and services	(304,425)	(287,746)	(4,620)	(2,736)
Scholarships and fellowships	(88,770)	(101,044)	(147)	(134)
Program expenses, System Related Organizations	-	-	(35,594)	(34,542)
Depreciation	(95,689)	(92,557)	(841)	(878)
Other operating expenses	(30)	(52)	(710)	(10,789)
Total Operating Expenses	<u>(1,379,739)</u>	<u>(1,422,884)</u>	<u>(70,423)</u>	<u>(67,803)</u>
Operating Income (Loss)	<u>(648,470)</u>	<u>(661,722)</u>	<u>54,211</u>	<u>39,630</u>
Nonoperating Revenues (Expenses)				
State appropriations	475,004	549,083	-	-
Refund to State	-	(68)	-	-
Gifts (including \$31,263 and \$30,830 from System Related Organizations)	31,533	34,999	-	-
Investment income, net	16,973	88,117	7,652	40,394
Loss on disposal of capital assets	(8,648)	(1,626)	(280)	-
Interest expense	(23,955)	(24,352)	77	(34)
Payments to System campuses and divisions	-	-	(51,932)	(37,832)
Other nonoperating revenues (expenses)	(991)	3,769	2,776	(7)
Federal grants and contracts	122,329	100,769	-	-
Total Nonoperating Revenues (Expenses)	<u>612,245</u>	<u>750,691</u>	<u>(41,707)</u>	<u>2,521</u>
Income (Loss) before other revenue (expenses)	<u>(36,225)</u>	<u>88,969</u>	<u>12,504</u>	<u>42,151</u>
Other Revenues (Expenses)				
State appropriations restricted for capital purposes	7,711	(3,047)	-	-
Capital grants and gifts (including \$13,803 and \$3,060 from System Related Organizations)	17,196	13,441	-	-
Additions to permanent endowments (including \$79 and \$181 from System Related Organizations)	489	3,140	11,362	13,950
Other Foundation revenues	-	-	11,314	-
Total Other Revenues (Expenses)	<u>25,396</u>	<u>13,534</u>	<u>22,676</u>	<u>13,950</u>
Increase (Decrease) in Net Assets	<u>(10,829)</u>	<u>102,503</u>	<u>35,180</u>	<u>56,101</u>
NET ASSETS				
Net assets - beginning of year	2,253,126	2,150,623	411,974	355,873
Net assets - end of year	<u>\$2,242,297</u>	<u>\$2,253,126</u>	<u>\$ 447,154</u>	<u>\$ 411,974</u>

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

**NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF CASH FLOWS (in \$1000's)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>System</u>	
	<u>2012</u>	<u>2011</u>
<i>Cash flows used in operating activities</i>		
Tuition and fees	\$ 341,870	\$ 327,576
Grants and contracts	244,687	281,842
Payments to suppliers	(309,457)	(301,823)
Payments for utilities	(31,861)	(34,328)
Payments for compensation and benefits	(820,352)	(903,809)
Payments for scholarships and fellowships	(89,011)	(100,808)
Loans issued to students and employees	(2,352)	(1,847)
Collection of loans to students and employees	2,059	1,928
Sales and services of auxiliary enterprises	76,177	77,634
Sales and services of educational departments	57,468	61,357
Other receipts	28,470	29,526
<i>Cash flows used in operating activities</i>	<u>(502,302)</u>	<u>(562,752)</u>
<i>Cash flows from noncapital financing activities</i>		
State appropriations	474,786	549,684
State appropriations refunded	-	(324)
Gifts and grants for other than capital purposes	39,639	32,259
Gift for endowment purposes	478	3,114
Receipts under federal student loan programs	146,698	160,857
Disbursements under federal student loan programs	(148,214)	(160,925)
Other	1,075	(1,515)
Agency transactions	(645)	1,328
Federal grants and contracts	122,091	101,629
<i>Cash flows from noncapital financing activities</i>	<u>635,908</u>	<u>686,107</u>
<i>Cash flows used in capital financing activities</i>		
Proceeds from capital debt	86,877	36,764
Other	-	5,680
Payments for debt issuance costs	(1,632)	(250)
Capital appropriations	6,526	25,280
Capital grants and gifts received	4,519	5,765
Purchases of capital assets	(69,100)	(107,949)
Proceeds from sale of property and equipment	179	1,144
Principal paid on capital debt and leases, including defeasance	(121,435)	(24,548)
Interest paid on capital debt and leases	(26,091)	(23,864)
Deposits for the acquisition of property and equipment	7	69
<i>Cash flows used in capital financing activities</i>	<u>(120,150)</u>	<u>(81,909)</u>
<i>Cash flows from (used in) investing activities</i>		
Proceeds from sales and maturities of investments	177,195	56,177
Purchase of investments	(248,476)	(57,664)
Interest and dividends received on investments	12,536	8,314
Net increase in cash equivalents, noncurrent investments	1,496	866
<i>Cash flows from (used in) investing activities</i>	<u>(57,249)</u>	<u>7,693</u>
<i>Net increase (decrease) in cash</i>	(43,793)	49,139
<i>Cash and cash equivalents, beginning of year</i>	249,974	200,835
<i>Cash and cash equivalents, end of year</i>	<u>\$ 206,181</u>	<u>\$ 249,974</u>

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENTS OF CASH FLOWS (in \$1000's) (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>System</u>	
	<u>2012</u>	<u>2011</u>
Reconciliation of operating loss to cash flows used		
Operating loss	\$ (648,470)	\$ (661,722)
Adjustments to reconcile operating loss to cash used in operating activities:		
Supplies expense related to noncash gifts	747	946
Depreciation and amortization expense	95,689	92,557
Changes in assets and liabilities:		
Accounts receivable, net	1,208	2,035
Loans receivable, net	392	(154)
Inventories	(917)	422
Deposits and deferred expenditures	(2,650)	(1,031)
Accounts payable	5,016	(3,440)
Accrued payroll and related liabilities	37,669	483
Unemployment and workers' compensation insurance liability	1,993	549
Deferred revenue	8,708	3,651
Refundable advances under federal loan program	176	676
Compensated absences	(1,784)	2,276
Other	(79)	-
Cash flows used in operating activities	<u>\$ (502,302)</u>	<u>\$ (562,752)</u>
Supplemental noncash activities information		
Gain (loss) on disposal of capital assets	<u>\$ (8,737)</u>	<u>\$ 1,194</u>
Capital assets acquired by gifts	<u>\$ 12,472</u>	<u>\$ 401</u>
Capital assets acquired by incurring capital lease obligations and accounts payable	<u>\$ 1,937</u>	<u>\$ 2,446</u>
Unrealized gain (loss) on investments	<u>\$ (42,431)</u>	<u>\$ 44,118</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

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 entity of the State of Nevada (the “State”) and receives significant support from, and has significant assets held by the State as set forth in the accompanying 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, 2012 and 2011 the foundations distributed \$51,932 and \$37,832 respectively, to the System for both restricted and unrestricted purposes. Complete financial statements for the foundations can be obtained from Vic Redding, 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, 2012 and 2011 the practice plans distributed \$3,773 and \$2,976, respectively, to the System for restricted purposes. Complete financial statements for the practice plans can be obtained from Vic Redding, 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, 2012 and 2011

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, 2012 and 2011 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 \$845 and \$472 was capitalized during the years ended June 30, 2012 and 2011, 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, 2012 and 2011

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.

RELATED PARTY TRANSACTIONS

UNLV Singapore, Limited (UNLVS) is a public company limited by guaranty, incorporated in the Republic of Singapore. UNLVS is a registered charity under the Singapore Charities Act that is organized to provide educational programs in the Republic of Singapore. UNLVS delivers undergraduate and graduate hospitality degree programs under agreement with the UNLV main campus as well as other workforce training and certificate programs under contract with Singapore governmental agencies. UNLV Singapore, Limited is not a component unit of NSHE, however, certain expenses (primarily salary and fringe benefits for several employees and instructors) are incurred by UNLV and reimbursed by UNLVS. For the year ended June 30, 2012 and June 30, 2011, expenses reimbursed to UNLV by UNLVS were approximately \$1,364 and \$366, respectively of which \$0 and \$16 was receivable at June 30, 2012 and 2011, respectively.

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.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

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

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' Financial Accounting and Reporting Manual.

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 to give is verifiable, the resources are measurable and collection is probable.

SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net 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 2012 and 2011 were \$8,448 and \$8,973, 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 2011 financial information in order to conform to 2012 presentation. The reclassifications are neither significant nor material to the 2011 financial information.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

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

NEW ACCOUNTING PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (GASB 60), which improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. GASB 60 is effective for fiscal years beginning after December 15, 2011. The anticipated impact of this pronouncement is uncertain at this time.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (GASB 61), which improves reporting for a governmental financial reporting entity. This statement supersedes GASB Statement No. 14, *The Financial Reporting Entity*, as well as GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. GASB 61 is effective for fiscal years beginning after June 15, 2012. The anticipated impact of this pronouncement is uncertain at this time.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), which incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in the pronouncements of the FASB and American Institute of Certified Public Accountants (AICPA). This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, eliminating the election to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements. GASB 62 is effective retroactively for all periods presented for periods beginning after December 15, 2011. The anticipated impact of this pronouncement is uncertain at this time.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement amends the net asset reporting requirement in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB 63 is effective for financial statements for periods beginning after December 15, 2011. The anticipated impact of this pronouncement is uncertain at this time.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 is effective for financial statements for periods beginning after December 15, 2012. The anticipated impact of this pronouncement is uncertain at this time.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as GASB Statement No. 50, *Pension Disclosures*. GASB 68 is effective for fiscal years beginning after December 15, 2014. 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, 2012 and 2011 the System's deposits in money market funds totaled \$186,277 and \$172,313, respectively, and cash in bank was \$18,409 and \$15,551, 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 is responsible for establishing the investment policies; accordingly, the Board of Regents has promulgated these guidelines in which they have established permitted asset classes and ranges.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 4 – System Investments (continued):

Investments are stated at fair value. The historical cost and market value (fair value) of System investments at June 30, 2012 and 2011 is as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Mutual funds publicly traded	\$457,036	\$487,181	\$261,345	\$279,452
Partnerships	55,481	96,187	94,578	171,493
Equities	4,448	5,454	3,868	4,849
Endowment cash and cash equivalents	1,718	1,718	2,031	2,031
Trust(s)	4,553	5,563	4,583	5,880
Private commingled funds	<u>85,875</u>	<u>96,951</u>	<u>124,330</u>	<u>153,405</u>
	<u>\$609,111</u>	<u>\$693,054</u>	<u>\$490,735</u>	<u>\$617,110</u>

As of June 30, 2012, 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 \$13,702. Generally, partnership investments do not have a ready market and ownership interests in some of these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risks generally associated with equities with additional risks due to leverage and the lack of a ready market for acquisition or disposition of ownership interests.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the combined 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 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, 2012 is as follows:

	<u>Fair Value</u>	<u>Not Rated</u>
Mutual funds publicly traded	\$487,181	\$487,181
Partnerships	96,187	96,187
Equities	5,454	5,454
Endowment cash and cash equivalents	1,718	1,718
Trust(s)	5,563	5,563
Private commingled funds	<u>96,951</u>	<u>96,951</u>
	<u>\$693,054</u>	<u>\$693,054</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, 2012 is as follows:

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 4 – System Investments (continued):

Less than 1 year	\$209,617
1 to 5 years	150,324
5 to 10 years	18,986
More than 10 years	<u>-</u>
	<u>\$378,927</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, 2012 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 \$126,490 and \$91,599 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2012 and 2011, respectively.

NOTE 5 – System Endowment Pool:

Approximately \$206,980 and \$217,212 of endowment fund investments at June 30, 2012 and 2011, respectively, are pooled on a unit market value basis. As of June 30, 2012, the endowment pool was comprised of investments in mutual funds (49%), partnerships (41%), private commingled (7%) and stocks (3%). As of June 30, 2011, the endowment pool was comprised of investments in mutual funds (38%), partnerships (43%), 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, 2012 and 2011 was \$553.13 and \$553.11, 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, 2012 and 2011, 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 2012, \$21.67 was distributed to each time-weighted eligible unit for a total spending rule distribution of \$10,293 and, during 2011, \$21.22 was distributed to each time-weighted unit for a total spending rule distribution of \$10,411. The 2012 and 2011 distributions were made from investment income of \$3,852 and \$4,195, respectively, and \$6,441 and \$6,216, 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 \$128,443 and \$117,958 at June 30, 2012 and 2011, 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. At June 30, 2012, 19 of 585 accounts were underwater.

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 \$19,282 and \$14,844 as of June 30, 2012 and 2011, respectively.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 6 – System Accounts Receivable (continued):

	<u>2012</u>	<u>2011</u>
Accounts receivable:		
Student tuition and fees	\$27,167	\$21,034
Sales and services	7,805	6,175
Local and private grants and contracts	11,842	10,300
Other	<u>5,792</u>	<u>15,325</u>
	52,606	52,834
Less: Allowance for doubtful accounts	<u>(19,282)</u>	<u>(14,844)</u>
Net accounts receivable	<u>\$33,324</u>	<u>\$37,990</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, 2012 and 2011. 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, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Loans receivable	\$13,454	\$13,892
Less: Allowance for doubtful loans	<u>(1,124)</u>	<u>(1,297)</u>
Net loans receivable	12,330	12,595
Less current portion	<u>(1,428)</u>	<u>(2,014)</u>
Noncurrent loans receivable	<u>\$10,902</u>	<u>\$10,581</u>

NOTE 8 – System Capital Assets:

System capital asset activity for the years ended June 30, 2012 and 2011 is as follows:

	<u>Beginning</u> <u>Balance</u>	<u>2012</u> <u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 75,776	\$ 40,211	\$ (89,078)	\$ 26,909
Land	82,627	-	-	82,627
Intangibles	808	-	-	808
Collections	<u>11,304</u>	<u>320</u>	<u>(309)</u>	<u>11,315</u>
Total capital assets not being depreciated	<u>170,515</u>	<u>40,531</u>	<u>(89,387)</u>	<u>121,659</u>
Capital assets being depreciated:				
Buildings	2,241,786	105,147	(25,818)	2,321,115
Land improvements	112,728	1,254	-	113,982
Machinery and equipment	324,583	24,498	(15,277)	333,804
Intangibles	36,839	2,748	-	39,587
Library books and media	<u>121,369</u>	<u>3,336</u>	<u>(4,831)</u>	<u>119,874</u>
Total	<u>2,837,305</u>	<u>136,983</u>	<u>(45,926)</u>	<u>2,928,362</u>
Less accumulated depreciation for:				
Buildings	(599,436)	(56,757)	8,260	(647,933)
Land improvements	(81,760)	(3,944)	-	(85,704)
Machinery and equipment	(223,362)	(25,900)	13,842	(235,420)
Intangibles	(7,254)	(4,022)	-	(11,276)
Library books and media	<u>(109,894)</u>	<u>(5,066)</u>	<u>4,536</u>	<u>(110,424)</u>
Total accumulated depreciation	<u>(1,021,706)</u>	<u>(95,689)</u>	<u>26,638</u>	<u>(1,090,757)</u>
Total capital assets being depreciated, net	<u>1,815,599</u>	<u>41,294</u>	<u>(19,288)</u>	<u>1,837,605</u>
Capital assets, net	<u>\$1,986,114</u>	<u>\$81,825</u>	<u>\$(108,675)</u>	<u>\$1,959,264</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 8 – System Capital Assets (continued):

	Beginning Balance	2011		Ending Balance
		Increases	Decreases	
Capital assets not being depreciated:				
Construction in progress	\$ 117,996	\$ 66,827	\$(109,047)	\$ 75,776
Land	81,682	961	(16)	82,627
Intangibles	808	-	-	808
Collections	11,369	80	(145)	11,304
Total capital assets not being depreciated	<u>211,855</u>	<u>67,868</u>	<u>(109,208)</u>	<u>170,515</u>
Capital assets being depreciated:				
Buildings	2,155,067	87,549	(830)	2,241,786
Land improvements	104,457	8,816	(545)	112,728
Machinery and equipment	313,523	26,263	(15,203)	324,583
Intangibles	11,630	25,209	-	36,839
Library books and media	117,541	4,662	(834)	121,369
Total	<u>2,702,218</u>	<u>152,499</u>	<u>(17,412)</u>	<u>2,837,305</u>
Less accumulated depreciation for:				
Buildings	(545,559)	(54,442)	565	(599,436)
Land improvements	(77,995)	(3,876)	111	(81,760)
Machinery and equipment	(210,491)	(26,300)	13,429	(223,362)
Intangibles	(5,155)	(2,099)	-	(7,254)
Library books and media	(104,881)	(5,840)	827	(109,894)
Total accumulated depreciation	<u>(944,081)</u>	<u>(92,557)</u>	<u>14,932</u>	<u>(1,021,706)</u>
Total capital assets being depreciated, net	<u>1,758,137</u>	<u>59,942</u>	<u>(2,480)</u>	<u>1,815,599</u>
Capital assets, net	<u>\$1,969,992</u>	<u>\$127,810</u>	<u>\$(111,688)</u>	<u>\$1,986,114</u>

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, 2012 and 2011

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

System long-term debt activity for the years ended June 30, 2012 and 2011 is as follows:

	Annual Interest Rate	Fiscal Year Final Payment Date	2012		Additions	Reductions	Ending Balance	Current
			Original Amount	Beginning Balance				
Universities Revenue Bonds, Series 1998	4.00% to 5.25%	2012	\$ 7,300	\$ 2,440	\$ -	\$ (2,440)	\$ -	\$ -
Shadow Lane – Dental School Bond, Series 2001	4.25% to 5.25%	2012	19,200	450	-	(450)	-	-
Universities Revenue Bonds, Series 2002A	3.87% to 5.40%	2028	31,000	24,885	-	(7,300)	17,585	840
Universities Revenue Bonds, Series 2002B	4.75% to 5.00%	2012	10,905	10,905	-	(10,905)	-	-
Taxable University Revenue Bonds, Series 2002C	4.00% to 5.50%	2013	8,150	5,830	-	(5,380)	450	450
Universities Revenue Bonds, Series 2003A	2.00% to 5.00%	2017	23,140	8,920	-	(1,885)	7,035	1,975
Universities Revenue Bonds, Series 2003B	2.00% to 5.00%	2034	50,890	45,820	-	(30,240)	15,580	1,215
Universities Revenue Bonds, Series 2004A	2.00% to 4.50%	2034	32,450	24,370	-	(1,450)	22,920	1,495
Universities Revenue Bonds, Series 2004B	3.00% to 4.75%	2035	10,000	4,340	-	(235)	4,105	240
Universities Revenue Bonds, Series 2005A	3.00% to 5.00%	2036	31,010	30,555	-	(375)	30,180	490
Universities Revenue Bonds, Series 2005B	3.25% to 5.00%	2036	170,360	163,205	-	(3,705)	159,500	3,900
Universities Revenue Bonds, Series 2008A	3.00% to 5.00%	2039	60,135	57,940	-	(1,075)	56,865	1,110
Universities Revenue Bonds, Series 2009A	2.00% to 5.25%	2039	18,140	17,585	-	(565)	17,020	575
Universities Revenue Bonds, Series 2010A	2.00% to 7.90%	2041	29,455	29,455	-	-	29,455	595
Universities Revenue Bonds, Series 2010B	4.00%	2018	3,275	3,275	-	-	3,275	-
Universities Revenue Bonds, Series 2011	3.00% to 5.00%	2025	50,470	-	50,470	-	50,470	4,225
Universities Revenue Bonds, Series 2012A	2.00% to 5.00%	2033	27,375	-	27,375	-	27,375	-
Universities Revenue Bonds, Series 2012B	2.00% to 2.75%	2023	5,010	-	5,010	-	5,010	-
Certificates of Participation, Series 2006A	4.00% to 5.00%	2026	11,015	11,015	-	(545)	10,470	570
SNSC Phase II Lease Revenue Bonds	7.58%	2023	8,460	6,505	-	(350)	6,155	380
Prepaid Interest in Advance of Refunding				(1,205)	(2,623)	960	(2,868)	(227)
Discounts Reclassification				-	(2,286)	141	(2,145)	(123)
Premiums				10,414	6,522	(1,655)	15,281	986
Total Bonds Payable				456,704	84,468	(67,454)	473,718	18,696
Notes Payable				69,086	-	(45,727)	23,359	1,179
Total				<u>\$525,790</u>	<u>\$84,468</u>	<u>\$(113,181)</u>	<u>\$497,077</u>	<u>\$19,875</u>

NEVADA SYSTEM OF HIGHER EDUCATION

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2012 and 2011**

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

System notes payable activity is as follows:

	<u>2012</u>					
	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	10/26/11	\$21,376	\$	-
Sun Trust Banks, Inc., UNLV – Refunding	3.93%	12/20/06	07/01/26	16,713		8,353
Bank of America, UNR Medical Learning Lab	6.12%	10/29/09	7/1/16	9,812		9,290
Other notes payable	1.07% - 6.30%	Various	Various	Various		<u>5,716</u>
						<u>\$23,359</u>

NEVADA SYSTEM OF HIGHER EDUCATION

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2012 and 2011**

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

	Annual Interest Rate	Fiscal Year Final Payment Date	2011		Additions	Reductions	Ending Balance	Current
			Original Amount	Beginning Balance				
Universities Revenue Bonds, Series 1995	3.90% to 5.25%	2011	\$ 1,400	\$ 130	\$ -	\$ (130)	\$ -	\$ -
Universities Revenue Bonds, Series 1998	4.00% to 5.25%	2014	7,300	3,180	-	(740)	2,440	775
Universities Revenue Bonds, Series April 2000	5.00% to 5.88%	2011	14,605	355	-	(355)	-	-
Universities Revenue Bonds, Series December 2000	5.00% to 5.38%	2011	27,385	1,310	-	(1,310)	-	-
Shadow Lane – Dental School Bond, Series 2001	4.25% to 5.25%	2012	19,200	880	-	(430)	450	450
Universities Revenue Bonds, Series 2002A	3.87% to 5.40%	2032	31,000	25,655	-	(770)	24,885	805
Universities Revenue Bonds, Series 2002B	4.75% to 5.00%	2033	10,905	10,905	-	-	10,905	-
Taxable University Revenue Bonds, Series 2002C	4.00% to 5.50%	2023	8,150	6,240	-	(410)	5,830	425
Universities Revenue Bonds, Series 2003A	2.00% to 5.00%	2017	23,140	10,710	-	(1,790)	8,920	1,885
Universities Revenue Bonds, Series 2003B	2.00% to 5.00%	2034	50,890	46,970	-	(1,150)	45,820	1,180
Universities Revenue Bonds, Series 2004A	2.00% to 4.50%	2034	32,450	25,790	-	(1,420)	24,370	1,450
Universities Revenue Bonds, Series 2004B	3.00% to 4.75%	2035	10,000	4,565	-	(225)	4,340	235
Universities Revenue Bonds, Series 2005A	3.00% to 5.00%	2036	31,010	30,830	-	(275)	30,555	375
Universities Revenue Bonds, Series 2005B	3.25% to 5.00%	2036	170,360	166,080	-	(2,875)	163,205	3,705
Universities Revenue Bonds, Series 2008A	3.00% to 5.00%	2039	60,135	58,970	-	(1,030)	57,940	1,075
Universities Revenue Bonds, Series 2009A	2.00% to 5.25%	2039	18,140	18,140	-	(555)	17,585	565
Certificates of Participation, Series 2006A	4.00% to 5.00%	2026	11,015	11,015	-	-	11,015	547
Certificates of Participation, Series 2006B	4.81% to 4.98%	2011	1,925	515	-	(515)	-	-
Universities Revenue Bonds, Series 2010A	2.00% to 7.90%	2041	29,455	-	29,455	-	29,455	-
Universities Revenue Bonds, Series 2010B	4.00%	2018	3,275	-	3,275	-	3,275	-
SNSC Phase II Lease Revenue Bonds	7.58%	2023	8,460	6,835	-	(330)	6,505	350
Prepaid Interest in Advance of Refunding				(1,307)	-	102	(1,205)	(102)
Premiums				<u>10,735</u>	<u>155</u>	<u>(476)</u>	<u>10,414</u>	<u>479</u>
Total Bonds Payable				438,503	32,885	(14,684)	456,704	14,199
Notes Payable				<u>71,084</u>	<u>4,010</u>	<u>(6,008)</u>	<u>69,086</u>	<u>5,630</u>
Total				<u>\$509,587</u>	<u>\$36,895</u>	<u>\$(20,692)</u>	<u>\$525,790</u>	<u>\$19,829</u>

NEVADA SYSTEM OF HIGHER EDUCATION

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2012 and 2011**

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

System notes payable activity is as follows:

	<u>2011</u>				
	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	\$18,692
Sun Trust Banks, Inc., UNLV – Refunding	3.93%	12/20/06	07/01/26	16,713	15,659
Bank of America, UNR Medical Learning Lab	6.12%	10/29/09	7/1/16	9,812	9,657
Other notes payable	1.07% - 6.30%	Various	Various	Various	<u>25,078</u>
					<u>\$69,086</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

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>
2013	\$ 19,875	\$ 23,089	\$ 42,964
2014	21,753	22,336	44,089
2015	21,605	21,445	43,050
2016	21,247	20,566	41,813
2017	28,929	19,409	48,338
2018-2022	102,503	81,274	183,777
2023-2027	93,325	58,584	151,909
2028-2032	92,392	36,115	128,507
2033-2037	79,096	13,079	92,175
2038-2042	<u>16,352</u>	<u>1,641</u>	<u>17,993</u>
Total	<u>\$497,077</u>	<u>\$297,538</u>	<u>\$794,615</u>

The Due to State at June 30, 2011 represents the balance of a State General Obligation Bond on behalf of TMCC. This balance was paid in full during the year ended 2012.

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 2012 to 2016.

System obligations under capital leases were as follows for the year ended June 30, 2012 and 2011:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>2012</u>		<u>Ending Balance</u>	<u>Current</u>
			<u>Reductions</u>			
Capital lease obligations	<u>\$3,670</u>	<u>\$106</u>	<u>\$(2,608)</u>		<u>\$1,168</u>	<u>\$579</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>2011</u>		<u>Ending Balance</u>	<u>Current</u>
Capital lease obligations	<u>\$7,462</u>	<u>\$24</u>	<u>\$(3,816)</u>		<u>\$3,670</u>	<u>\$1,208</u>

The following System property included in the accompanying financial statements was leased under capital leases as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Buildings and improvements	\$5,871	\$10,528
Machinery and equipment	<u>4,257</u>	<u>5,722</u>
Total	10,128	16,250
Less accumulated depreciation	<u>(7,734)</u>	<u>(9,249)</u>
Total	<u>\$2,394</u>	<u>\$ 7,001</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

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:

2013	\$ 628
2014	266
2015	234
2016	128
2017	<u>-</u>
Total minimum lease payments	1,256
Less amount representing interest	<u>(88)</u>
Obligations under capital leases	<u>\$1,168</u>

Total interest expense under the System capital leases and included in the accompanying financial statements was \$78 and \$131 during the years ended June 30, 2012 and 2011, respectively. Depreciation of the capital lease assets is included in depreciation expense of the Statements 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 \$6,340 and \$6,090 for years ended June 30, 2012 and 2011, respectively.

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

2013	\$ 4,281
2014	3,735
2015	2,075
2016	2,045
2017	2,350
2018-2022	<u>2,508</u>
Total future minimum obligation	<u>\$16,994</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, 2012 and 2011 are as follows:

	<u>2012</u>			
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Unemployment insurance	\$1,700	\$ 4,819	\$(2,188)	\$4,331
Workers compensation	<u>3,019</u>	<u>6,295</u>	<u>(6,309)</u>	<u>3,005</u>
Total	<u>\$4,719</u>	<u>\$11,114</u>	<u>\$(8,497)</u>	<u>\$7,336</u>

	<u>2011</u>			
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Unemployment insurance	\$1,055	\$2,719	\$(2,074)	\$1,700
Workers compensation	<u>3,068</u>	<u>6,444</u>	<u>(6,493)</u>	<u>3,019</u>
Total	<u>\$4,123</u>	<u>\$9,163</u>	<u>\$(8,567)</u>	<u>\$4,719</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 13– System Other Noncurrent Liability Activity:

The activity with respect to System other noncurrent liabilities for the years ended June 30, 2012 and 2011 was as follows:

	Beginning Balance	2012		Ending Balance	Current
		Additions	Reductions		
Refundable advances under federal loans program	\$ 7,815	\$ 532	\$ (288)	\$ 8,059	\$ -
Compensated absences	48,379	28,085	(29,704)	46,760	30,710
Deferred revenue	37,550	45,753	(37,422)	45,881	45,881
Other non-current liabilities - Due to State	5,360	-	(5,360)	-	-
Other	-	1,241	-	1,241	-
Total	<u>\$99,104</u>	<u>\$75,611</u>	<u>\$(72,774)</u>	<u>\$101,941</u>	<u>\$76,591</u>

	Beginning Balance	2011		Ending Balance	Current
		Additions	Reductions		
Refundable advances under federal loans program	\$ 7,074	\$ 1,047	\$ (306)	\$ 7,815	\$ -
Compensated absences	46,041	31,056	(28,718)	48,379	31,402
Deferred revenue	33,978	37,395	(33,823)	37,550	37,550
Other non-current liabilities - Due to State	5,775	-	(415)	5,360	435
Total	<u>\$92,868</u>	<u>\$69,498</u>	<u>\$(63,262)</u>	<u>\$99,104</u>	<u>\$69,387</u>

NOTE 14– Extinguishment of Debt:

During 2012, \$44,920 of debt was considered to be extinguished through refunding of prior issues by a portion of the current issues. In prior years, NSHE defeased revenue bonds by placing the proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in NSHE's financial statements. At June 30, 2012 and 2011, \$49,920 and \$20,725, respectively of bonds outstanding are considered defeased.

NOTE 15– Irrevocable Letter of Credit:

In connection with its worker's compensation liability coverage, the System is required to maintain a \$325 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, 2012 was \$1,677. 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, 2012 and 2011.

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% of the employee's average compensation for each year of service up to 30 years, with a maximum of 75%. 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.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 16– System Pension Plans (continued):

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

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

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, 2012 and 2011 was approximately \$72,618 and \$72,683, 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 unfunded actuarial accrued liability for the trust, as of the most recent valuation on July 1, 2010, is \$947,000. This compares to \$1,850,000 on July 1, 2009. 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, 2012 and 2011 was approximately \$10,091 and \$3,355, respectively, equal to the required contribution each year. This significant increase resulted from a change of the contribution rate by the legislature during the 76th session.

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, 2012.

The estimated cost to complete property authorized or under construction at June 30, 2012 is \$27,217. 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, 2012 and 2011

NOTE 18 - System Commitments and Contingent Liabilities (continued):

During the year, UNR sold the Fire Science Academy in Carlin, Nevada. As part of the lease agreement executed at the time of the sale, upon termination of said lease, UNR is obligated to remove any and all above ground props from the prop field, and assess for and remediate any contamination in accordance with provisions promulgated in Nevada Revised Statutes and Administrative Code (NAC) 445A. The notice of lease termination was executed by the Chancellor on June 30, 2012. The estimated obligation includes all the anticipated costs to close out the Fire Science Program, including disposition of assets, demolition of the prop field and related fire water supply and treatment systems, assessing for environmental contamination, and remediation of such contamination, if found. The estimated obligation amounts were developed by the Senior Director for Facilities Maintenance Services in coordination with outside consultants. An obligation amount of \$4,135 has been included in accounts payable.

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:

On August 7, 2012, NSHE issued a promissory note in the amount of \$6,250, to be repaid in fiscal years 2013 through 2017. On August 20, 2012, NSHE prepaid \$10,055, of its Universities Revenue Bonds, Series 2002A with funds received from the sale of its Fire Science Academy located in Carlin, NV. The final payment on the 2002A bonds will occur in fiscal year 2025.

At the September 2012 Board of Regents meeting, the Board approved the defeasance of up to \$3,865, of its Universities Revenue Bonds, Series 2004B from funds held by Clark County on behalf of the NSHE. The defeasance of these bonds is expected to occur prior to December 31, 2012.

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, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Instruction	\$ 478,194	\$ 496,288
Research	100,027	109,222
Public service	59,724	63,165
Academic support	118,083	115,115
Institutional support	144,603	143,879
Student services	104,457	108,381
Operation and maintenance of plant	118,082	122,190
Scholarships and fellowships	88,770	101,044
Auxiliary enterprises	71,218	70,328
Other expenditures	892	715
Depreciation	<u>95,689</u>	<u>92,557</u>
Total	<u>\$1,379,739</u>	<u>\$1,422,884</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

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:

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NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET ASSETS AS OF JUNE 30, 2012

	UNR Foundation	UNR AAUN	UNR AAUN Endowment	Practice Plans	DRI Foundation	DRI Research Park	TMCC Foundation	WNC Foundation
ASSETS								
<i>Current Assets</i>								
Cash and cash equivalents	\$ 23,618	\$ 971	\$ 31	\$ 4,811	\$ 162	\$ 1	\$ 683	\$ 53
Short-term investments	86,519	-	5,653	5,424	-	-	245	877
Other	6,087	301	-	7,454	6	-	198	97
Total Current Assets	<u>116,224</u>	<u>1,272</u>	<u>5,684</u>	<u>17,689</u>	<u>168</u>	<u>1</u>	<u>1,126</u>	<u>1,027</u>
<i>Noncurrent Assets</i>								
Restricted investments	-	-	-	-	-	-	-	-
Endowment investments	41,441	-	-	-	-	-	298	1,727
Capital assets, net	33	60	-	2,064	486	-	-	-
Other noncurrent assets	16,689	768	-	-	-	-	-	89
Total Noncurrent Assets	<u>58,163</u>	<u>828</u>	<u>-</u>	<u>2,064</u>	<u>486</u>	<u>-</u>	<u>298</u>	<u>1,816</u>
TOTAL ASSETS	<u>174,387</u>	<u>2,100</u>	<u>5,684</u>	<u>19,753</u>	<u>654</u>	<u>1</u>	<u>1,424</u>	<u>2,843</u>
LIABILITIES								
<i>Current Liabilities</i>								
Due to affiliates	3,558	162	-	1,325	-	-	-	-
Current portion of long-term debt	-	-	-	452	87	-	-	-
Other	31	17	-	3,644	-	3	807	-
Total Current Liabilities	<u>3,589</u>	<u>179</u>	<u>-</u>	<u>5,421</u>	<u>87</u>	<u>3</u>	<u>807</u>	<u>-</u>
<i>Noncurrent Liabilities</i>								
Long-term debt	-	-	-	28	12	-	-	-
Other noncurrent liabilities	1,944	1,724	-	-	-	123	-	-
Total Noncurrent Liabilities	<u>1,944</u>	<u>1,724</u>	<u>-</u>	<u>28</u>	<u>12</u>	<u>123</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>5,533</u>	<u>1,903</u>	<u>-</u>	<u>5,449</u>	<u>99</u>	<u>126</u>	<u>807</u>	<u>-</u>
NET ASSETS								
Invested in capital assets, net of related debt	33	60	-	1,821	486	-	-	-
Restricted - Nonexpendable	107,178	115	3,625	-	-	-	306	499
Restricted - Expendable	48,183	-	1,476	-	-	-	-	2,291
Unrestricted	13,460	22	583	12,483	69	(125)	311	53
TOTAL NET ASSETS	<u>\$ 168,854</u>	<u>\$ 197</u>	<u>\$ 5,684</u>	<u>\$ 14,304</u>	<u>\$ 555</u>	<u>\$ (125)</u>	<u>\$ 617</u>	<u>\$ 2,843</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET ASSETS AS OF JUNE 30, 2012

	<u>GBC</u> <u>Foundation</u>	<u>UNLV</u> <u>Foundation</u>	<u>UNLV</u> <u>Research</u> <u>Foundation</u>	<u>Rebel</u> <u>Golf</u> <u>Foundation</u>	<u>UNLV</u> <u>Alumni</u> <u>Association</u>	<u>CSN</u> <u>Foundation</u>	<u>NSC</u> <u>Foundation</u>	<u>Total</u> <u>System Related</u> <u>Organizations</u>
<u>ASSETS</u>								
<i>Current Assets</i>								
Cash and cash equivalents	\$ 308	\$ 12,089	\$ 11	\$ 182	\$ 281	\$ 732	\$ 1,281	\$ 45,214
Short-term investments	1,272	25,208	-	4,725	1,715	2,482	-	134,120
Other	198	6,579	3	5	15	325	14	21,282
Total Current Assets	<u>1,778</u>	<u>43,876</u>	<u>14</u>	<u>4,912</u>	<u>2,011</u>	<u>3,539</u>	<u>1,295</u>	<u>200,616</u>
<i>Noncurrent Assets</i>								
Restricted investments	3,359	28,886	-	-	-	-	-	32,245
Endowment investments	90	121,056	-	-	-	2,151	569	167,332
Capital assets, net	45	198	4,880	-	171	-	-	7,937
Other noncurrent assets	1,231	39,590	-	-	30	127	1,182	59,706
Total Noncurrent Assets	<u>4,725</u>	<u>189,730</u>	<u>4,880</u>	<u>-</u>	<u>201</u>	<u>2,278</u>	<u>1,751</u>	<u>267,220</u>
TOTAL ASSETS	<u>6,503</u>	<u>233,606</u>	<u>4,894</u>	<u>4,912</u>	<u>2,212</u>	<u>5,817</u>	<u>3,046</u>	<u>467,836</u>
<u>LIABILITIES</u>								
<i>Current Liabilities</i>								
Due to affiliates	38	-	-	-	-	-	-	5,083
Current portion of long-term debt	-	-	-	-	-	-	-	539
Other	-	2,027	166	-	62	1	-	6,758
Total Current Liabilities	<u>38</u>	<u>2,027</u>	<u>166</u>	<u>-</u>	<u>62</u>	<u>1</u>	<u>-</u>	<u>12,380</u>
<i>Noncurrent Liabilities</i>								
Long-term debt	-	-	-	-	-	-	-	40
Other noncurrent liabilities	-	3,504	967	-	-	-	-	8,262
Total Noncurrent Liabilities	<u>-</u>	<u>3,504</u>	<u>967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,302</u>
TOTAL LIABILITIES	<u>38</u>	<u>5,531</u>	<u>1,133</u>	<u>-</u>	<u>62</u>	<u>1</u>	<u>-</u>	<u>20,682</u>
<u>NET ASSETS</u>								
Invested in capital assets, net of related debt	45	45	3,752	-	170	-	-	6,412
Restricted - Nonexpendable	3,458	122,560	-	-	-	2,151	569	240,461
Restricted - Expendable	1,999	104,006	-	-	36	2,231	2,346	162,568
Unrestricted	963	1,464	9	4,912	1,944	1,434	131	37,713
TOTAL NET ASSETS	<u>\$ 6,465</u>	<u>\$ 228,075</u>	<u>\$ 3,761</u>	<u>\$ 4,912</u>	<u>\$ 2,150</u>	<u>\$ 5,816</u>	<u>\$ 3,046</u>	<u>\$ 447,154</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in 1,000's)
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET ASSETS AS OF JUNE 30, 2011

	<u>UNR Foundation</u>	<u>UNR AAUN</u>	<u>UNR AAUN Endowment</u>	<u>Practice Plans</u>	<u>DRI Foundation</u>	<u>DRI Research Park</u>	<u>TMCC Foundation</u>
<u>ASSETS</u>							
<i>Current Assets</i>							
Cash and cash equivalents	\$ 26,911	\$ 1,339	\$ 4	\$ 3,763	\$ 200	\$ 1	\$ 1,098
Short-term investments	97,840	-	5,371	4,445	-	-	-
Other current assets	2,453	324	1	7,238	2	-	68
Total Current Assets	<u>127,204</u>	<u>1,663</u>	<u>5,376</u>	<u>15,446</u>	<u>202</u>	<u>1</u>	<u>1,166</u>
<i>Noncurrent Assets</i>							
Endowment investments	20,354	-	-	-	-	-	389
Capital assets, net	44	62	-	2,373	486	-	-
Other noncurrent assets	19,815	1,003	-	984	-	-	-
Total Noncurrent Assets	<u>40,213</u>	<u>1,065</u>	<u>-</u>	<u>3,357</u>	<u>486</u>	<u>-</u>	<u>389</u>
TOTAL ASSETS	<u>167,417</u>	<u>2,728</u>	<u>5,376</u>	<u>18,803</u>	<u>688</u>	<u>1</u>	<u>1,555</u>
<u>LIABILITIES</u>							
<i>Current Liabilities</i>							
Due to affiliates	5,100	302	-	1,462	-	-	-
Current portion of long-term debt	-	-	-	405	87	-	-
Other	42	310	11	3,350	2	3	879
Total Current Liabilities	<u>5,142</u>	<u>612</u>	<u>11</u>	<u>5,217</u>	<u>89</u>	<u>3</u>	<u>879</u>
<i>Noncurrent Liabilities</i>							
Long-term debt	-	-	-	-	99	-	-
Other noncurrent liabilities	1,995	1,864	-	445	-	126	-
Total Noncurrent Liabilities	<u>1,995</u>	<u>1,864</u>	<u>-</u>	<u>445</u>	<u>99</u>	<u>126</u>	<u>-</u>
TOTAL LIABILITIES	<u>7,137</u>	<u>2,476</u>	<u>11</u>	<u>5,662</u>	<u>188</u>	<u>129</u>	<u>879</u>
<u>NET ASSETS</u>							
Invested in capital assets, net of related debt	44	62	-	1,896	486	-	-
Restricted - Nonexpendable	100,749	100	3,770	-	-	-	395
Restricted - Expendable	47,450	-	1,523	-	20	-	-
Unrestricted	12,037	90	72	11,245	(6)	(128)	281
TOTAL NET ASSETS	<u>\$ 160,280</u>	<u>\$ 252</u>	<u>\$ 5,365</u>	<u>\$ 13,141</u>	<u>\$ 500</u>	<u>\$ (128)</u>	<u>\$ 676</u>

NEVADA SYSTEM OF HIGHER EDUCATION

**NOTES TO THE FINANCIAL STATEMENTS (in 1,000's)
FOR THE YEARS ENDED JUNE 30, 2012 and 2011**

NOTE 22 - System Related Organizations (continued):

**NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET ASSETS AS OF JUNE 30, 2011**

	<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Total</u>
<u>ASSETS</u>	<u>Foundation</u>	<u>Foundation</u>	<u>Foundation</u>	<u>Foundation</u>	<u>Foundation</u>	<u>System Related</u>
Current Assets						
Cash and cash equivalents	\$ 1,051	\$ 407	\$ 19,192	\$ 632	\$ 1,351	\$ 55,949
Short-term investments	-	811	26,478	2,814	-	137,759
Other current assets	58	17	6,866	252	4	17,283
Total Current Assets	<u>1,109</u>	<u>1,235</u>	<u>52,536</u>	<u>3,698</u>	<u>1,355</u>	<u>210,991</u>
Noncurrent Assets						
Endowment investments	1,514	4,072	129,920	1,181	569	157,999
Capital assets, net	-	56	212	-	-	3,233
Other noncurrent assets	92	102	38,621	862	1,138	62,617
Total Noncurrent Assets	<u>1,606</u>	<u>4,230</u>	<u>168,753</u>	<u>2,043</u>	<u>1,707</u>	<u>223,849</u>
TOTAL ASSETS	<u>2,715</u>	<u>5,465</u>	<u>221,289</u>	<u>5,741</u>	<u>3,062</u>	<u>434,840</u>
LIABILITIES						
Current Liabilities						
Due to affiliates	-	10	-	-	-	6,874
Current portion of long-term debt	-	-	-	-	-	492
Other	-	2	2,076	19	-	6,694
Total Current Liabilities	<u>-</u>	<u>12</u>	<u>2,076</u>	<u>19</u>	<u>-</u>	<u>14,060</u>
Noncurrent Liabilities						
Long-term debt	-	-	-	-	-	99
Other noncurrent liabilities	-	-	4,277	-	-	8,707
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>4,277</u>	<u>-</u>	<u>-</u>	<u>8,806</u>
TOTAL LIABILITIES	<u>-</u>	<u>12</u>	<u>6,353</u>	<u>19</u>	<u>-</u>	<u>22,866</u>
NET ASSETS						
Invested in capital assets, net of related debt	-	56	59	-	-	2,603
Restricted - Nonexpendable	597	3,266	109,155	1,988	569	220,589
Restricted - Expendable	2,102	1,177	104,257	1,944	2,273	160,746
Unrestricted	16	954	1,465	1,790	220	28,036
TOTAL NET ASSETS	<u>\$ 2,715</u>	<u>\$ 5,453</u>	<u>\$ 214,936</u>	<u>\$ 5,722</u>	<u>\$ 3,062</u>	<u>\$ 411,974</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000s)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	UNR <u>Foundation</u>	UNR <u>AAUN</u>	UNR AAUN <u>Endowment</u>	Practice <u>Plans</u>	DRI <u>Foundation</u>	DRI Research <u>Park</u>	TMCC <u>Foundation</u>	WNC <u>Foundation</u>
Operating Revenues								
Patient revenue	\$ -	\$ -	\$ -	\$ 51,198	\$ -	\$ -	\$ -	\$ -
Contract revenue	-	-	-	6,277	-	-	-	-
Contributions	18,369	212	-	-	729	-	776	409
Campus support	2,047	-	500	-	222	61	122	181
Other operating revenues	969	255	-	3,435	47	3	-	39
Total operating revenues	<u>21,385</u>	<u>467</u>	<u>500</u>	<u>60,910</u>	<u>998</u>	<u>64</u>	<u>898</u>	<u>629</u>
Operating Expenses								
Program expenses	(322)	-	-	(33,082)	-	-	(708)	(332)
Depreciation	(14)	-	-	(712)	-	-	-	-
Other operating expenses	(3,177)	(154)	(243)	(22,261)	(414)	(61)	(160)	(235)
Total operating expenses	<u>(3,513)</u>	<u>(154)</u>	<u>(243)</u>	<u>(56,055)</u>	<u>(414)</u>	<u>(61)</u>	<u>(868)</u>	<u>(567)</u>
Operating income (loss)	<u>17,872</u>	<u>313</u>	<u>257</u>	<u>4,855</u>	<u>584</u>	<u>3</u>	<u>30</u>	<u>62</u>
Nonoperating Revenues (Expenses)								
Payments to System campuses and divisions	(18,572)	(437)	-	(3,773)	(525)	-	-	-
Other nonoperating revenues (expenses)	5,731	69	62	81	(4)	-	(89)	66
Total Nonoperating Revenues (Expenses)	<u>(12,841)</u>	<u>(368)</u>	<u>62</u>	<u>(3,692)</u>	<u>(529)</u>	<u>-</u>	<u>(89)</u>	<u>66</u>
Income (loss) before other revenue (expenses)	<u>5,031</u>	<u>(55)</u>	<u>319</u>	<u>1,163</u>	<u>55</u>	<u>3</u>	<u>(59)</u>	<u>128</u>
Other Revenues (Expenses)								
Additions to permanent endowments	3,543	-	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-	-
Total Other Revenues (Expenses)	<u>3,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>8,574</u>	<u>(55)</u>	<u>319</u>	<u>1,163</u>	<u>55</u>	<u>3</u>	<u>(59)</u>	<u>128</u>
NET ASSETS								
Net assets - beginning of year	160,280	252	5,365	13,141	500	(128)	676	2,715
Net assets - end of year	<u>\$ 168,854</u>	<u>\$ 197</u>	<u>\$ 5,684</u>	<u>\$ 14,304</u>	<u>\$ 555</u>	<u>\$ (125)</u>	<u>\$ 617</u>	<u>\$ 2,843</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000s)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>GBC Foundation</u>	<u>UNLV Foundation</u>	<u>UNLV Research Foundation</u>	<u>Rebel Golf Foundation</u>	<u>UNLV Alumni Association</u>	<u>CSN Foundation</u>	<u>NSC Foundation</u>	<u>Total System Related Organizations</u>
Operating Revenues								
Patient revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,198
Contract revenue	-	-	-	-	-	-	-	6,277
Contributions	1,458	30,353	407	32	573	1,083	322	54,723
Campus support	346	2,156	-	-	-	-	-	5,635
Other operating revenues	30	940	345	57	240	441	-	6,801
Total operating revenues	<u>1,834</u>	<u>33,449</u>	<u>752</u>	<u>89</u>	<u>813</u>	<u>1,524</u>	<u>322</u>	<u>124,634</u>
Operating Expenses								
Program expenses	(27)	-	(389)	(215)	(519)	-	-	(35,594)
Depreciation	-	(23)	(91)	-	(1)	-	-	(841)
Other operating expenses	(1,032)	(4,984)	(7)	(88)	(302)	(704)	(166)	(33,988)
Total operating expenses	<u>(1,059)</u>	<u>(5,007)</u>	<u>(487)</u>	<u>(303)</u>	<u>(822)</u>	<u>(704)</u>	<u>(166)</u>	<u>(70,423)</u>
Operating income (loss)	<u>775</u>	<u>28,442</u>	<u>265</u>	<u>(214)</u>	<u>(9)</u>	<u>820</u>	<u>156</u>	<u>54,211</u>
Nonoperating Revenues (Expenses)								
Payments to System campuses and divisions	-	(27,547)	-	-	-	(899)	(179)	(51,932)
Other nonoperating revenues (expenses)	55	4,821	(280)	(255)	2	(41)	7	10,225
Total Nonoperating Revenues (Expenses)	<u>55</u>	<u>(22,726)</u>	<u>(280)</u>	<u>(255)</u>	<u>2</u>	<u>(940)</u>	<u>(172)</u>	<u>(41,707)</u>
Income (loss) before other revenue (expenses)	<u>830</u>	<u>5,716</u>	<u>(15)</u>	<u>(469)</u>	<u>(7)</u>	<u>(120)</u>	<u>(16)</u>	<u>12,504</u>
Other Revenues (Expenses)								
Additions to permanent endowments	182	7,423	-	-	-	214	-	11,362
Other revenues	-	-	3,776	5,381	2,157	-	-	11,314
Total Other Revenues (Expenses)	<u>182</u>	<u>7,423</u>	<u>3,776</u>	<u>5,381</u>	<u>2,157</u>	<u>214</u>	<u>-</u>	<u>22,676</u>
Increase (Decrease) in Net Assets	<u>1,012</u>	<u>13,139</u>	<u>3,761</u>	<u>4,912</u>	<u>2,150</u>	<u>94</u>	<u>(16)</u>	<u>35,180</u>
NET ASSETS								
Net assets - beginning of year	5,453	214,936	-	-	-	5,722	3,062	411,974
Net assets - end of year	<u>\$ 6,465</u>	<u>\$ 228,075</u>	<u>\$ 3,761</u>	<u>\$ 4,912</u>	<u>\$ 2,150</u>	<u>\$ 5,816</u>	<u>\$ 3,046</u>	<u>\$ 447,154</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>UNR Foundation</u>	<u>UNR AAUN</u>	<u>UNR AAUN Endowment</u>	<u>Practice Plans</u>	<u>DRI Foundation</u>	<u>DRI Research Park</u>	<u>TMCC Foundation</u>
Operating Revenues							
Patient revenue	\$ -	\$ -	\$ -	\$ 49,787	\$ -	\$ -	\$ -
Contract revenue	-	-	-	7,355	-	-	-
Contributions	10,819	371	1	-	743	-	544
Campus support	2,349	-	-	-	317	55	142
Other operating revenues	1,350	103	-	2,637	1	3	-
Total operating revenues	<u>14,518</u>	<u>474</u>	<u>1</u>	<u>59,779</u>	<u>1,061</u>	<u>58</u>	<u>686</u>
Operating Expenses							
Program expenses	(343)	-	-	(33,893)	-	-	-
Depreciation	(12)	-	-	(827)	-	-	-
Other operating expenses	(3,308)	(202)	(12)	(21,557)	(357)	(54)	(453)
Total operating expenses	<u>(3,663)</u>	<u>(202)</u>	<u>(12)</u>	<u>(56,277)</u>	<u>(357)</u>	<u>(54)</u>	<u>(453)</u>
Operating income (loss)	<u>10,855</u>	<u>272</u>	<u>(11)</u>	<u>3,502</u>	<u>704</u>	<u>4</u>	<u>233</u>
Nonoperating Revenues (Expenses)							
Payments to System campuses and divisions	(17,170)	(393)	-	(2,976)	(260)	-	(530)
Other nonoperating revenues (expenses)	18,253	77	843	(3)	(6)	-	87
Total Nonoperating Revenues (Expenses)	<u>1,083</u>	<u>(316)</u>	<u>843</u>	<u>(2,979)</u>	<u>(266)</u>	<u>-</u>	<u>(443)</u>
Income (loss) before other revenue (expenses)	<u>11,938</u>	<u>(44)</u>	<u>832</u>	<u>523</u>	<u>438</u>	<u>4</u>	<u>(210)</u>
Other Revenues (Expenses)							
Additions to permanent endowments	5,988	-	-	-	-	-	-
Other revenues	-	-	-	-	-	-	-
Total Other Revenues (Expenses)	<u>5,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>17,926</u>	<u>(44)</u>	<u>832</u>	<u>523</u>	<u>438</u>	<u>4</u>	<u>(210)</u>
NET ASSETS							
Net assets - beginning of year	142,354	296	4,533	12,618	62	(132)	886
Net assets - end of year	<u>\$ 160,280</u>	<u>\$ 252</u>	<u>\$ 5,365</u>	<u>\$ 13,141</u>	<u>\$ 500</u>	<u>\$ (128)</u>	<u>\$ 676</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>WNC</u> <u>Foundation</u>	<u>GBC</u> <u>Foundation</u>	<u>UNLV</u> <u>Foundation</u>	<u>CSN</u> <u>Foundation</u>	<u>NSC</u> <u>Foundation</u>	<u>Total</u> <u>System Related</u> <u>Organizations</u>
Operating Revenues						
Patient revenue	\$ -	\$ -	\$ -	\$ -	\$ -	49,787
Contract revenue	-	-	-	-	-	7,355
Contributions	791	227	23,908	1,079	455	38,938
Campus support	-	293	2,789	-	-	5,945
Other operating revenues	129	57	738	385	5	5,408
Total operating revenues	<u>920</u>	<u>577</u>	<u>27,435</u>	<u>1,464</u>	<u>460</u>	<u>107,433</u>
Operating Expenses						
Program expenses	(253)	(53)	-	-	-	(34,542)
Depreciation	-	(13)	(26)	-	-	(878)
Other operating expenses	(489)	(368)	(4,561)	(778)	(244)	(32,383)
Total operating expenses	<u>(742)</u>	<u>(434)</u>	<u>(4,587)</u>	<u>(778)</u>	<u>(244)</u>	<u>(67,803)</u>
Operating income (loss)	<u>178</u>	<u>143</u>	<u>22,848</u>	<u>686</u>	<u>216</u>	<u>39,630</u>
Nonoperating Revenues (Expenses)						
Payments to System campuses and divisions	(114)	(425)	(14,897)	(830)	(237)	(37,832)
Other nonoperating revenues (expenses)	151	628	19,706	617	-	40,353
Total Nonoperating Revenues (Expenses)	<u>37</u>	<u>203</u>	<u>4,809</u>	<u>(213)</u>	<u>(237)</u>	<u>2,521</u>
Income (loss) before other revenue (expenses)	<u>215</u>	<u>346</u>	<u>27,657</u>	<u>473</u>	<u>(21)</u>	<u>42,151</u>
Other Revenues (Expenses)						
Additions to permanent endowments	-	295	7,392	275	-	13,950
Other revenues	-	-	-	-	-	-
Total Other Revenues (Expenses)	<u>-</u>	<u>295</u>	<u>7,392</u>	<u>275</u>	<u>-</u>	<u>13,950</u>
Increase (Decrease) in Net Assets	<u>215</u>	<u>641</u>	<u>35,049</u>	<u>748</u>	<u>(21)</u>	<u>56,101</u>
NET ASSETS						
Net assets - beginning of year	2,500	4,812	179,887	4,974	3,083	355,873
Net assets - end of year	<u>\$ 2,715</u>	<u>\$ 5,453</u>	<u>\$ 214,936</u>	<u>\$ 5,722</u>	<u>\$ 3,062</u>	<u>\$ 411,974</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 22 - System Related Organizations (continued):

UNR Foundation:

Cash and cash equivalents at June 30, 2012 and 2011, consists of:

	<u>2012</u>	<u>2011</u>
Cash	\$ 1,527	\$ 7,224
Money funds	1,986	726
Commingled funds	8,154	17,561
Certificates of deposit	350	-
Treasury bills and notes	<u>11,601</u>	<u>1,400</u>
	<u>\$23,618</u>	<u>\$26,911</u>

The fair value of investments at June 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Equity Investments	\$ 471	\$ 614
Bonds	13,547	14,215
Commingled funds	94,162	79,879
Certificates of deposit	3,461	4,166
U.S. Government Securities	<u>16,319</u>	<u>19,320</u>
	<u>\$127,960</u>	<u>\$118,194</u>

At June 30, 2012, 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	\$ 471	\$ 471	\$ -	\$ -	\$ -
Bonds	13,547	432	3,251	1,794	8,070
Commingled funds	94,162	73,506	14,092	5,601	963
Certificates of deposit	3,461	1,647	1,814	-	-
U.S. Government securities	<u>16,319</u>	<u>10,463</u>	<u>2,617</u>	<u>1,317</u>	<u>1,922</u>
	<u>\$127,960</u>	<u>\$86,519</u>	<u>\$21,774</u>	<u>\$8,712</u>	<u>\$10,955</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, 2012 and 2011 was \$(879) and \$1,417, 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.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 22 - System Related Organizations (continued):

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an organization's investment in a single issuer. The Foundation restricts investment of cash and cash equivalents and investments to financial institutions with high credit standing, and the Foundation currently purchases certificates of deposit of less than \$250 per bank or institution. Commercial paper is limited to a maximum of 10% of the total cash 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. Presented below is the rating as of year end of each investment type.

	AAA	AA	A	BBB	Not Rated
Equity investments	\$ -	\$ -	\$ -	\$ -	\$ 471
Bonds	264	3,750	827	316	8,390
Commingled funds	-	-	-	-	94,162
Certificates of deposit	-	-	-	-	3,461
U.S. Government securities	<u>5,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,563</u>
	<u>\$6,020</u>	<u>\$ 3,750</u>	<u>\$ 827</u>	<u>\$ 316</u>	<u>\$117,047</u>

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

Interest Rate Risk

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

Foreign Currency Risk

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

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Foundation's deposits exceed FDIC limits and as a result may not be 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, 2012, the Foundation's bank balances totaled \$23,164. Of this balance, \$1,361 was covered by depository insurance and/or collateralized and \$8,094 is held by State Street Government Securities and subject to their investment policies. The remaining \$13,808 was uninsured and uncollateralized and, as a result, was subject to custodial credit risk at June 30, 2012. Included in the uninsured balance is \$11,601 held in 90-day U.S. Government Securities.

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 comingled funds. Debt and equity securities other than open-end mutual funds are uncollateralized.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 22 - System Related Organizations (continued):

UNLV Foundation:

Restatement

Subsequent to the issuance of UNLV Foundation's financial statements for the year ended June 30, 2011, management determined that errors were made related to its reporting of net assets. As a result the financial statements have been restated for the year ended June 30, 2011 to correct those errors. A summary of the effect of the restatement is as follows:

<u>Net Assets at June 30, 2011</u>	<u>As Reported</u>	<u>As Restated</u>
Restricted for		
Nonexpendable	\$ 112,322	\$ 109,155
Expendable	78,071	104,257
Unrestricted	24,483	1,465

The restatement had no impact on the Combined Statement of Support and Revenues, Expenses and Changes in Net Assets.

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, 2012, the total balance for the UNLV Foundations cash and money market funds was \$12,089. Of this balance, \$5,241 was covered by the Federal Deposit Insurance Corporation. One depository institution has provided full insurance on all non-interest bearing accounts. As of June 30, 2012, \$4,337 is covered by this program, which is set to expire on December 31, 2012. The amount of \$6,847 was uninsured.

Investments include the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Mutual funds	\$ 12,985	\$ 6,142
Certificates of deposit	1,316	907
Equities	16,506	70,858
U.S. government obligations	19,181	37,204
Corporate obligations	28,920	33,763
Mortgage-backed securities	18,546	864
Alternative investments	74,392	6,660
Non-U.S. corporate bonds	3,304	-
Total marketable securities at fair value	<u>\$175,150</u>	<u>\$156,398</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, 2012 follow:

	<u>Total</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Below Investment Grade</u>
Mortgage-backed securities	\$ 18,546	\$ 1,468	\$ 16,646	\$ 251	\$ 27	\$ 154
U.S. corporate bonds	28,920	-	1,872	12,231	14,281	536
Non-U.S. corporate bonds	3,304	-	126	1,166	2,012	-

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

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2012 and 2011

NOTE 22 - System Related Organizations (continued):

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 Barclays Aggregate Bond Index average as the benchmark; maturity as of June 30, 2012, was 6.95 years. The fixed-income portfolio's average maturity was 6.22 years. Interest rates range from 1.452% to 3.182%.

For investments in donor-restricted expendable funds, the UNLV Foundation uses the Barclays Aggregate Index average as the benchmark; maturity as of June 30, 2012, was 7.5 years. The fixed income-portfolio's average maturity was 7.5 years. Interest rates range from 0% to 10.75%.

	Maturity <u>Under 1 Year</u>	Maturity <u>1 – 5 Years</u>	Maturity <u>5 – 10 Years</u>	Maturity <u>Over 10 Years</u>	<u>Total</u>
Mutual funds	\$ 12,985	\$ -	\$ -	\$ -	\$ 12,985
Certificates of deposit	303	1,013	-	-	1,316
Mortgage backed securities	-	355	1,765	16,426	18,546
U.S. government obligations	10,793	4,137	2,680	1,571	19,181
U.S. corporate bonds	966	9,424	12,434	6,096	28,920
Non-U.S. corporate bonds	<u>161</u>	<u>856</u>	<u>1,567</u>	<u>720</u>	<u>3,304</u>
Investment in securities at fair value	<u>\$ 25,208</u>	<u>\$ 15,785</u>	<u>\$ 18,446</u>	<u>\$ 24,813</u>	<u>\$ 84,252</u>

Foreign Currency Risk

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

During the years ended June 30, 2012 and 2011, the UNLV Foundation recognized \$2,045 and \$20,309, respectively, in investment gains. Earnings included \$4,382 and \$3,731, respectively, from interest and dividends, \$3,570 and \$3,930, respectively, from net realized gains on the sale of investments, and \$5,265 and \$13,465, respectively, from the change in investment fair value. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior years. Investment expenses of \$641 and \$814, respectively, and amortization of bond discounts of \$2 and \$2, respectively, were netted against earnings.

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SUPPLEMENTAL INFORMATION

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING SCHEDULE OF NET ASSETS (in \$1,000's)
AS OF JUNE 30, 2012

<u>ASSETS</u>	<u>UNR</u>	<u>System</u>	<u>DRI</u>	<u>TMCC</u>
Current Assets				
Cash and cash equivalents	\$ 35,066	\$ 47,420	\$ 7,958	\$ 7,118
Restricted cash and cash equivalents	-	-	150	-
Short-term investments	107,847	22,110	22,852	22,990
Accounts receivable, net	18,493	372	3,865	2,234
Receivable from U.S. Government	18,267	773	3,436	1,020
Receivable from State of Nevada	833	-	159	244
Current portion of loans receivable, net	936	79	-	13
Inventories	3,676	89	-	15
Deposits and deferred expenditures, current	566	36	7	55
Other	-	-	-	-
Total Current Assets	<u>185,684</u>	<u>70,879</u>	<u>38,427</u>	<u>33,689</u>
Noncurrent Assets				
Cash held by State Treasurer	4,968	100	42	109
Restricted cash and cash equivalents	1,843	-	-	-
Receivable from State of Nevada	1,007	-	-	-
Endowment investments	114,964	10,166	26,217	8,590
Deposits and deferred expenditures	4,123	477	-	-
Loans receivable, net	6,561	1,161	-	198
Capital assets, net	694,269	28,123	68,776	58,483
Pledges receivable	1,724	-	-	-
Other noncurrent assets	-	273	-	-
Total Noncurrent Assets	<u>829,459</u>	<u>40,300</u>	<u>95,035</u>	<u>67,380</u>
TOTAL ASSETS	<u>1,015,143</u>	<u>111,179</u>	<u>133,462</u>	<u>101,069</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	19,106	2,646	593	1,399
Accrued payroll and related liabilities	23,506	1,413	2,545	3,739
Unemployment insurance and workers compensation	2,681	123	237	293
Current portion of compensated absences	11,368	1,512	3,323	1,105
Current portion of long-term debt	8,325	-	649	-
Current portion of obligations under capital leases	9	-	-	-
Accrued interest payable	6,710	-	78	-
Deferred revenue	15,335	1,808	2,620	989
Funds held in trust for others	2,480	-	158	96
Other	-	-	270	6
Total Current Liabilities	<u>89,520</u>	<u>7,502</u>	<u>10,473</u>	<u>7,627</u>
Noncurrent Liabilities				
Refundable advances under federal loan programs	4,775	-	-	283
Compensated absences	7,544	210	872	584
Long-term debt	258,811	-	7,955	-
Obligations under capital leases	-	-	-	-
Other noncurrent liabilities	-	-	-	-
Total Noncurrent Liabilities	<u>271,130</u>	<u>210</u>	<u>8,827</u>	<u>867</u>
TOTAL LIABILITIES	<u>360,650</u>	<u>7,712</u>	<u>19,300</u>	<u>8,494</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	429,653	28,072	60,322	58,483
Restricted - Nonexpendable	37,881	7,023	20,668	4,342
Restricted - Expendable - Scholarships, research and instruction	65,158	4,090	7,876	5,116
Restricted - Expendable - Loans	5,270	1,456	-	(41)
Restricted - Expendable - Capital projects	10,277	139	765	7,518
Restricted - Expendable - Debt service	9,637	-	-	7
Unrestricted	96,617	62,687	24,531	17,150
TOTAL NET ASSETS	<u>\$ 654,493</u>	<u>\$ 103,467</u>	<u>\$ 114,162</u>	<u>\$ 92,575</u>

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>TOTAL</u>
\$ 2,408	\$ 2,018	\$ 63,259	\$ 14,377	\$ 2,417	\$ 182,041
-	-	-	-	-	150
5,408	4,904	236,233	50,312	7,855	480,511
506	763	3,509	3,180	402	33,324
489	309	10,187	1,778	687	36,946
102	43	623	185	17	2,206
7	51	289	53	-	1,428
-	-	2,126	659	303	6,868
-	125	9,631	887	308	11,615
79	-	-	-	-	79
<u>8,999</u>	<u>8,213</u>	<u>325,857</u>	<u>71,431</u>	<u>11,989</u>	<u>755,168</u>
564	-	2,831	1,017	2,352	11,983
-	-	9,114	1,050	-	12,007
-	-	3,444	206	-	4,657
218	208	47,188	4,992	-	212,543
-	-	-	243	-	4,843
-	-	2,966	16	-	10,902
35,179	42,022	792,364	211,485	28,563	1,959,264
-	-	-	-	-	1,724
-	-	-	-	-	273
<u>35,961</u>	<u>42,230</u>	<u>857,907</u>	<u>219,009</u>	<u>30,915</u>	<u>2,218,196</u>
<u>44,960</u>	<u>50,443</u>	<u>1,183,764</u>	<u>290,440</u>	<u>42,904</u>	<u>2,973,364</u>
563	477	8,525	2,516	940	36,765
1,100	1,028	24,596	7,587	1,086	66,600
135	354	2,611	828	74	7,336
683	436	9,124	2,462	697	30,710
-	143	10,758	-	-	19,875
-	-	202	368	-	579
-	4	4,883	-	-	11,675
-	145	15,750	8,191	1,043	45,881
166	54	4,759	516	-	8,229
-	-	-	-	-	276
<u>2,647</u>	<u>2,641</u>	<u>81,208</u>	<u>22,468</u>	<u>3,840</u>	<u>227,926</u>
-	-	3,001	-	-	8,059
86	245	5,252	1,173	84	16,050
-	1,317	209,119	-	-	477,202
-	-	557	32	-	589
-	-	1,241	-	-	1,241
<u>86</u>	<u>1,562</u>	<u>219,170</u>	<u>1,205</u>	<u>84</u>	<u>503,141</u>
<u>2,733</u>	<u>4,203</u>	<u>300,378</u>	<u>23,673</u>	<u>3,924</u>	<u>731,067</u>
35,179	40,562	571,729	211,084	28,563	1,463,647
218	208	11,989	2,366	-	84,695
654	996	38,453	5,632	339	128,314
-	26	932	-	-	7,643
666	15	15,353	2,274	2,583	39,590
-	640	10,276	-	-	20,560
5,510	3,793	234,654	45,411	7,495	497,848
<u>\$ 42,227</u>	<u>\$ 46,240</u>	<u>\$ 883,386</u>	<u>\$ 266,767</u>	<u>\$ 38,980</u>	<u>\$2,242,297</u>

NEVADA SYSTEM OF HIGHER EDUCATION
 COMBINING SCHEDULE OF NET ASSETS (in \$1,000's)
 AS OF JUNE 30, 2011

<u>ASSETS</u>	<u>UNR</u>	<u>System</u>	<u>DRI</u>	<u>TMCC</u>
Current Assets				
Cash and cash equivalents	\$ 35,280	\$ 49,780	\$ 7,676	\$ 7,991
Restricted cash and cash equivalents	-	-	151	-
Short-term investments	88,193	12,397	19,416	21,706
Accounts receivable, net	25,680	472	2,978	1,391
Receivable from U.S. Government	20,366	1,850	3,616	465
Receivable from State of Nevada	1,672	-	212	11
Pledges receivable, net	225	-	-	-
Current portion of loans receivable, net	977	245	-	12
Inventories	2,865	131	-	14
Deposits and deferred expenditures, current	635	36	14	4
Total Current Assets	<u>175,893</u>	<u>64,911</u>	<u>34,063</u>	<u>31,594</u>
Noncurrent Assets				
Cash held by State Treasurer	16,728	-	193	-
Restricted cash and cash equivalents	26,916	-	-	-
Receivable from State of Nevada	-	-	-	-
Endowment investments	120,841	10,575	27,292	8,967
Deposits and deferred expenditures	5,201	513	-	-
Loans receivable, net	6,172	1,029	-	234
Capital assets, net	703,666	30,857	70,338	60,430
Pledges receivable	1,865	-	-	-
Other noncurrent assets	-	296	-	-
Total Noncurrent Assets	<u>881,389</u>	<u>43,270</u>	<u>97,823</u>	<u>69,631</u>
TOTAL ASSETS	<u>1,057,282</u>	<u>108,181</u>	<u>131,886</u>	<u>101,225</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	18,708	2,345	630	1,176
Accrued payroll and related liabilities	8,356	478	799	1,100
Unemployment insurance and workers' compensation	1,744	43	121	180
Current portion of compensated absences	11,584	1,706	3,161	1,136
Current portion of long-term debt	8,282	-	608	-
Current portion of obligations under capital leases	621	-	5	-
Accrued interest payable	7,236	-	83	62
Deferred revenue	14,199	1,600	3,032	793
Funds held in trust for others	2,191	-	195	87
Other	-	-	359	435
Total Current Liabilities	<u>72,921</u>	<u>6,172</u>	<u>8,993</u>	<u>4,969</u>
Noncurrent Liabilities				
Refundable advances under federal loan programs	4,746	-	-	282
Compensated absences	8,292	358	862	534
Long-term debt	277,076	-	8,604	-
Obligations under capital leases	1,257	-	-	-
Due to State of Nevada	-	-	-	4,925
Total Noncurrent Liabilities	<u>291,371</u>	<u>358</u>	<u>9,466</u>	<u>5,741</u>
TOTAL LIABILITIES	<u>364,292</u>	<u>6,530</u>	<u>18,459</u>	<u>10,710</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	412,441	30,806	61,272	55,070
Restricted - Nonexpendable	37,972	7,201	20,645	4,728
Restricted - Expendable - Scholarships, research and instruction	77,341	3,081	8,622	4,837
Restricted - Expendable - Loans	5,168	1,865	-	(13)
Restricted - Expendable - Capital projects	52,682	55	598	5,778
Restricted - Expendable - Debt service	6,865	-	-	(56)
Unrestricted	100,521	58,643	22,290	20,171
TOTAL NET ASSETS	<u>\$ 692,990</u>	<u>\$ 101,651</u>	<u>\$ 113,427</u>	<u>\$ 90,515</u>

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>TOTAL</u>
\$ 770	\$ 954	\$ 68,265	\$ 13,647	\$ 2,402	\$ 186,765
-	-	-	-	-	151
4,123	3,969	194,537	42,783	6,893	394,017
495	572	3,230	2,719	453	37,990
1,028	139	10,121	158	569	38,312
5	135	638	258	8	2,939
-	-	-	-	-	225
7	18	698	57	-	2,014
-	-	1,973	695	270	5,948
-	68	7,615	678	172	9,222
<u>6,428</u>	<u>5,855</u>	<u>287,077</u>	<u>60,995</u>	<u>10,767</u>	<u>677,583</u>
1,326	55	5,880	3,803	2,362	30,347
-	-	5,043	752	-	32,711
-	-	2,511	961	-	3,472
225	216	49,809	5,168	-	223,093
-	-	1,806	37	-	7,557
-	-	3,133	13	-	10,581
34,921	43,198	797,061	216,560	29,083	1,986,114
-	-	-	-	-	1,865
-	-	-	-	-	296
<u>36,472</u>	<u>43,469</u>	<u>865,243</u>	<u>227,294</u>	<u>31,445</u>	<u>2,296,036</u>
<u>42,900</u>	<u>49,324</u>	<u>1,152,320</u>	<u>288,289</u>	<u>42,212</u>	<u>2,973,619</u>
202	194	11,523	2,485	793	38,056
501	167	14,548	2,251	150	28,350
88	306	1,710	492	35	4,719
506	434	9,608	2,708	559	31,402
-	126	10,813	-	-	19,829
-	-	238	344	-	1,208
-	13	4,601	-	-	11,995
27	128	14,372	2,754	645	37,550
146	83	5,207	538	3	8,450
-	-	-	-	-	794
<u>1,470</u>	<u>1,451</u>	<u>72,620</u>	<u>11,572</u>	<u>2,185</u>	<u>182,353</u>
-	-	2,784	3	-	7,815
285	254	4,875	1,217	300	16,977
-	1,467	218,814	-	-	505,961
-	-	805	400	-	2,462
-	-	-	-	-	4,925
<u>285</u>	<u>1,721</u>	<u>227,278</u>	<u>1,620</u>	<u>300</u>	<u>538,140</u>
<u>1,755</u>	<u>3,172</u>	<u>299,898</u>	<u>13,192</u>	<u>2,485</u>	<u>720,493</u>
34,921	41,605	568,197	215,816	29,083	1,449,211
226	216	11,960	2,340	-	85,288
54	620	40,649	5,335	101	140,640
-	23	966	-	-	8,009
1,326	677	13,249	5,516	2,362	82,243
-	494	7,001	-	-	14,304
4,618	2,517	210,400	46,090	8,181	473,431
<u>\$ 41,145</u>	<u>\$ 46,152</u>	<u>\$ 852,422</u>	<u>\$ 275,097</u>	<u>\$ 39,727</u>	<u>\$2,253,126</u>

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2012

	<u>UNR</u>	<u>System</u>	<u>DRI</u>	<u>TMCC</u>
Operating Revenues				
Student tuition and fees (net of scholarship allowance of \$115,276)	\$ 104,476	\$ -	\$ -	\$ 13,166
Federal grants and contracts	87,192	2,491	27,666	4,158
State grants and contracts	12,271	-	8	912
Local grants and contracts	23,847	-	390	-
Other grants and contracts	8,820	648	2,370	55
Campus support	-	-	-	-
Sales and services of educational departments (including \$4,308 from System Related Organizations)	26,491	3,123	-	996
Sales and services of auxiliary enterprises (net of scholarship allowance of \$5,083)	30,275	-	-	1,297
Interest earned on loans receivable	164	-	-	3
Other operating revenues	2,884	7,473	10,838	220
Total Operating Revenues	<u>296,420</u>	<u>13,735</u>	<u>41,272</u>	<u>20,807</u>
Operating Expenses				
Employee compensation and benefits	(306,280)	(17,950)	(33,416)	(41,273)
Utilities	(10,081)	(1,415)	(1,107)	(1,411)
Supplies and services	(131,871)	(17,062)	(10,377)	(10,196)
Scholarships and fellowships	(16,494)	(688)	-	(10,186)
Depreciation	(31,641)	(4,938)	(4,525)	(3,149)
Other operating expenses	-	-	-	-
Total Operating Expenses	<u>(496,367)</u>	<u>(42,053)</u>	<u>(49,425)</u>	<u>(66,215)</u>
Operating Income (Loss)	<u>(199,947)</u>	<u>(28,318)</u>	<u>(8,153)</u>	<u>(45,408)</u>
Nonoperating Revenues (Expenses)				
State appropriations	146,580	24,730	8,043	30,590
Transfers to/from System Administration	(590)	3,273	(150)	(13)
Gifts (including \$31,263 from System Related Organizations)	13,219	5	506	624
Investment income, net	3,106	2,229	667	613
Gain (loss) on disposal of capital assets	(8,092)	(222)	38	(72)
Interest expense	(13,353)	-	(609)	(305)
Other nonoperating revenues (expenses)	(1,176)	-	-	-
Federal grants and contracts	16,306	-	-	14,996
Total Nonoperating Revenues (Expenses)	<u>156,000</u>	<u>30,015</u>	<u>8,495</u>	<u>46,433</u>
Income (Loss) before other revenue (expenses)	<u>(43,947)</u>	<u>1,697</u>	<u>342</u>	<u>1,025</u>
Other Revenues (Expenses)				
State appropriations restricted for capital purposes	2,383	100	373	1,025
Capital grants and gifts (including \$13,803 from System Related Organizations)	2,692	-	-	-
Additions to permanent endowments (including \$79 from System Related Organizations)	375	19	20	10
Total Other Revenues (Expenses)	<u>5,450</u>	<u>119</u>	<u>393</u>	<u>1,035</u>
Increase (Decrease) in Net Assets	<u>(38,497)</u>	<u>1,816</u>	<u>735</u>	<u>2,060</u>
NET ASSETS				
Net assets - beginning of year	692,990	101,651	113,427	90,515
Net assets - end of year	<u>\$ 654,493</u>	<u>\$ 103,467</u>	<u>\$ 114,162</u>	<u>\$ 92,575</u>

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>TOTAL</u>
\$ 3,836	\$ 2,946	\$ 159,960	\$ 43,976	\$ 6,827	\$ -	\$ 335,187
678	1,278	42,107	5,290	1,498	(8,231)	164,127
870	415	11,513	2,494	428	-	28,911
14	649	252	-	15	-	25,167
-	74	1,425	55	126	-	13,573
13	-	-	-	40	-	53
526	395	23,220	2,022	949	-	57,722
834	580	41,643	2,267	-	-	76,896
-	-	50	-	-	-	217
350	-	6,600	1,035	16	-	29,416
<u>7,121</u>	<u>6,337</u>	<u>286,770</u>	<u>57,139</u>	<u>9,899</u>	<u>(8,231)</u>	<u>731,269</u>
(18,322)	(16,633)	(302,730)	(109,155)	(13,112)	-	(858,871)
(613)	(713)	(12,506)	(3,751)	(357)	-	(31,954)
(4,187)	(3,923)	(92,278)	(35,330)	(7,432)	8,231	(304,425)
(3,853)	(956)	(23,437)	(30,314)	(2,842)	-	(88,770)
(1,365)	(1,603)	(35,810)	(11,619)	(1,039)	-	(95,689)
(30)	-	-	-	-	-	(30)
<u>(28,370)</u>	<u>(23,828)</u>	<u>(466,761)</u>	<u>(190,169)</u>	<u>(24,782)</u>	<u>8,231</u>	<u>(1,379,739)</u>
<u>(21,249)</u>	<u>(17,491)</u>	<u>(179,991)</u>	<u>(133,030)</u>	<u>(14,883)</u>	<u>-</u>	<u>(648,470)</u>
15,030	14,032	149,310	77,578	9,111	-	475,004
14	(43)	(2,441)	(9)	(41)	-	-
337	547	15,263	853	179	-	31,533
211	213	8,293	1,399	242	-	16,973
(20)	-	(225)	(55)	-	-	(8,648)
-	(54)	(9,593)	(41)	-	-	(23,955)
-	34	151	-	-	-	(991)
6,188	2,850	32,651	44,874	4,464	-	122,329
<u>21,760</u>	<u>17,579</u>	<u>193,409</u>	<u>124,599</u>	<u>13,955</u>	<u>-</u>	<u>612,245</u>
<u>511</u>	<u>88</u>	<u>13,418</u>	<u>(8,431)</u>	<u>(928)</u>	<u>-</u>	<u>(36,225)</u>
571	-	3,115	44	100	-	7,711
-	-	14,392	31	81	-	17,196
-	-	39	26	-	-	489
<u>571</u>	<u>-</u>	<u>17,546</u>	<u>101</u>	<u>181</u>	<u>-</u>	<u>25,396</u>
<u>1,082</u>	<u>88</u>	<u>30,964</u>	<u>(8,330)</u>	<u>(747)</u>	<u>-</u>	<u>(10,829)</u>
41,145	46,152	852,422	275,097	39,727	-	2,253,126
<u>\$ 42,227</u>	<u>\$ 46,240</u>	<u>\$ 883,386</u>	<u>\$ 266,767</u>	<u>\$ 38,980</u>	<u>\$ -</u>	<u>\$2,242,297</u>

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2011

	<u>UNR</u>	<u>System</u>	<u>DRI</u>	<u>TMCC</u>
Operating Revenues				
Student tuition and fees (net of scholarship allowance of \$91,504)	\$ 97,066	\$ -	\$ -	\$ 13,429
Federal grants and contracts	91,381	3,478	29,001	19,342
State grants and contracts	13,377	-	373	1,069
Local grants and contracts	26,234	-	286	-
Other grants and contracts	12,382	682	1,797	504
Campus support	-	-	-	-
Sales and services of educational departments (including \$3,043 from System Related Organizations)	28,081	3,678	-	846
Sales and services of auxiliary enterprises (net of scholarship allowance of \$5,464)	29,991	-	-	1,164
Interest earned on loans receivable	147	-	-	2
Other operating revenues	2,552	8,392	10,296	183
Total Operating Revenues	<u>301,211</u>	<u>16,230</u>	<u>41,753</u>	<u>36,539</u>
Operating Expenses				
Employee compensation and benefits	(321,672)	(19,797)	(32,485)	(43,131)
Utilities	(10,499)	(1,641)	(1,281)	(1,314)
Supplies and services	(124,495)	(15,065)	(11,534)	(9,740)
Scholarships and fellowships	(20,585)	(720)	-	(11,697)
Depreciation	(29,540)	(3,204)	(4,908)	(3,092)
Other operating expenses	-	-	-	-
Total Operating Expenses	<u>(506,791)</u>	<u>(40,427)</u>	<u>(50,208)</u>	<u>(68,974)</u>
Operating Income (Loss)	<u>(205,580)</u>	<u>(24,197)</u>	<u>(8,455)</u>	<u>(32,435)</u>
Nonoperating Revenues (Expenses)				
State appropriations	173,315	23,970	9,303	35,231
Refund to State	-	-	-	-
Transfers to/from System Administration	(12,984)	49,089	(2,145)	(2,658)
Gifts (including \$30,830 from System Related Organizations)	15,691	1,639	239	592
Investment Income, net	33,273	2,545	6,809	4,249
Gain (loss) on disposal of capital assets	217	(92)	(52)	(12)
Interest expense	(12,981)	-	(646)	(258)
Other nonoperating revenues (expenses)	(1,486)	-	-	-
Federal grants and contracts	13,681	-	-	-
Total Nonoperating Revenues (Expenses)	<u>208,726</u>	<u>77,151</u>	<u>13,508</u>	<u>37,144</u>
Income (Loss) before other revenue (expenses)	<u>3,146</u>	<u>52,954</u>	<u>5,053</u>	<u>4,709</u>
Other Revenues (Expenses)				
State appropriations restricted for capital purposes	(3,047)	-	-	-
Capital grants and gifts (including \$3,060 from System Related Organizations)	10,533	-	-	(2)
Additions to permanent endowments (including \$181 from System Related Organizations)	3,018	-	21	26
Total Other Revenues (Expenses)	<u>10,504</u>	<u>-</u>	<u>21</u>	<u>24</u>
Increase (Decrease) in Net Assets	<u>13,650</u>	<u>52,954</u>	<u>5,074</u>	<u>4,733</u>
NET ASSETS				
Net assets - beginning of year	679,340	48,697	108,353	85,782
Net assets - end of year	<u>\$ 692,990</u>	<u>\$ 101,651</u>	<u>\$ 113,427</u>	<u>\$ 90,515</u>

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>TOTAL</u>
\$ 4,490	\$ 2,978	\$ 154,525	\$ 50,073	\$ 6,244	\$ -	\$ 328,805
76	1,874	47,999	1,271	1,603	(9,672)	186,353
982	474	12,219	6,428	423	-	35,345
12	779	332	465	14	-	28,122
-	66	1,470	60	147	-	17,108
16	-	-	-	-	-	16
415	488	23,777	2,409	23	-	59,717
868	673	41,875	1,681	1,220	-	77,472
-	-	47	-	-	-	196
160	-	5,456	961	28	-	28,028
<u>7,019</u>	<u>7,332</u>	<u>287,700</u>	<u>63,348</u>	<u>9,702</u>	<u>(9,672)</u>	<u>761,162</u>
(21,710)	(18,941)	(324,146)	(112,071)	(13,329)	-	(907,282)
(675)	(801)	(13,484)	(4,155)	(353)	-	(34,203)
(5,978)	(3,743)	(83,199)	(36,451)	(7,213)	9,672	(287,746)
(4,758)	(897)	(27,232)	(31,883)	(3,272)	-	(101,044)
(1,421)	(1,587)	(37,253)	(10,493)	(1,059)	-	(92,557)
(52)	-	-	-	-	-	(52)
<u>(34,594)</u>	<u>(25,969)</u>	<u>(485,314)</u>	<u>(195,053)</u>	<u>(25,226)</u>	<u>9,672</u>	<u>(1,422,884)</u>
<u>(27,575)</u>	<u>(18,637)</u>	<u>(197,614)</u>	<u>(131,705)</u>	<u>(15,524)</u>	<u>-</u>	<u>(661,722)</u>
18,204	16,291	169,727	90,154	12,888	-	549,083
-	-	-	-	(68)	-	(68)
(525)	(541)	(23,798)	(5,609)	(829)	-	-
283	492	14,969	857	237	-	34,999
799	596	32,400	6,622	824	-	88,117
(21)	-	(1,630)	(36)	-	-	(1,626)
(61)	(93)	(10,249)	(64)	-	-	(24,352)
-	(264)	5,573	-	(54)	-	3,769
7,055	2,792	32,421	40,843	3,977	-	100,769
<u>25,734</u>	<u>19,273</u>	<u>219,413</u>	<u>132,767</u>	<u>16,975</u>	<u>-</u>	<u>750,691</u>
<u>(1,841)</u>	<u>636</u>	<u>21,799</u>	<u>1,062</u>	<u>1,451</u>	<u>-</u>	<u>88,969</u>
-	-	-	-	-	-	(3,047)
-	-	2,810	(2)	102	-	13,441
-	-	59	16	-	-	3,140
-	-	2,869	14	102	-	13,534
<u>(1,841)</u>	<u>636</u>	<u>24,668</u>	<u>1,076</u>	<u>1,553</u>	<u>-</u>	<u>102,503</u>
42,986	45,516	827,754	274,021	38,174	-	2,150,623
<u>\$ 41,145</u>	<u>\$ 46,152</u>	<u>\$ 852,422</u>	<u>\$ 275,097</u>	<u>\$ 39,727</u>	<u>\$ -</u>	<u>\$2,253,126</u>