

---

# Nevada System of Higher Education Financial Statements



**June 30, 2015**

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

## BOARD OF REGENTS

Rick Trachok, Chair ..... Las Vegas  
Michael B. Wixom, Vice Chair ..... Reno  
Dr. Andrea Anderson..... Las Vegas  
Cedric Crear .....Las Vegas  
Robert Davidson..... Carson City  
Mark W. Doubrava, M.D.....Las Vegas  
Jason Geddes, Ph.D. .... Reno  
Trevor Hayes .....Las Vegas  
James Dean Leavitt .....Las Vegas  
Sam Lieberman.....Las Vegas  
Kevin C. Melcher .....Elko  
Kevin J. Page..... Las Vegas  
Allison Stephens.....Las Vegas

## ADMINISTRATION

Daniel J. Klaich, LLM ..... Chancellor  
Nevada System of Higher Education  
Len Jessup, Ph. D. ....President  
University of Nevada, Las Vegas  
Marc Johnson, Ph.D. ....President  
University of Nevada, Reno  
Mark A. Curtis, Ed.D. .... President  
Great Basin College  
Chester O. Burton, CPA .....President  
Western Nevada College  
Bart Patterson, JD.....President  
Nevada State College  
Michael Richards, Ph.D. ....President  
College of Southern Nevada  
Maria C. Sheehan, Ed.D. ....President  
Truckee Meadows Community College  
Stephen G. Wells, Ph.D. ....President  
Desert Research Institute

**Nevada System of Higher Education**  
**Financial Statements and Report of Independent Certified**  
**Public Accountants**  
**As of and for the Year Ended June 30, 2015**

**Contents**

<b>Report of Independent Certified Public Accountants</b> .....	1-2
<b>Management’s Discussion and Analysis</b> .....	3-12
<b>Financial Statements</b> .....	14
Combined Statement of Net Position.....	14-15
Combined Statement of Revenues, Expenses and Changes in Net Position.....	16
Combined Statement of Cash Flows.....	17-18
Notes to Financial Statements.....	19-43
<b>Required Supplementary Information</b> .....	45
Schedule of Proportionate Share of the Net Pension Liability.....	46
Schedule of System Contributions.....	47
<b>Supplemental Information</b> .....	49
Combining Schedule of Net Position.....	50-51
Combining Schedule of Revenues, Expenses and Changes in Net Position.....	52-53

(This Page Intentionally Left Blank)



Grant Thornton LLP  
100 W Liberty Street, Suite 770  
Reno, NV 89501-1965  
T 775.786.1520  
F 775.786.7091  
www.GrantThornton.com

## Report of Independent Certified Public Accountants

Board of Regents  
Nevada System of Higher Education

### Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Nevada System of Higher Education (the “System”) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System’s basic financial statements as listed in the table of contents.

### Management’s responsibility for the financial statements

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

### Auditor’s responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of DRI Research Foundation, DRI Research Parks, Ltd., Truckee Meadows Community College Foundation, Great Basin College Foundation, UNLV Research Foundation, UNLV Rebel Football Foundation, College of Southern Nevada Foundation, and the Nevada State College Foundation, which statements collectively reflect total assets constituting 5.1% of the aggregate discretely presented component units total assets as of June 30, 2015 and total operating revenues of 4.6% of the aggregate discretely presented component units total operating revenues for the year then ended as described in Note 22 “System Related Organizations.” Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System’s

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinions

In our opinion, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other matters

##### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12, the Schedule of Proportionate Share of the Net Pension Liability on page 46 and the Schedule of System Contributions on page 47 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The combining schedule of net position and combining schedule of revenues, expenses and changes in net position 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Reno, Nevada  
November 2, 2015

# Nevada System of Higher Education

**System Administration**  
4300 South Maryland Parkway  
Las Vegas, NV 89119-7530  
Phone: 702-889-8426  
Fax: 702-889-8492



**System Administration**  
2601 Enterprise Road  
Reno, NV 89512-1666  
Phone: 775-784-4901  
Fax: 775-784-1127

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, 2015. 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, 2015, with comparative information as of June 30, 2014.

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 (Integrated Clinical Services, Inc.), to facilitate patient care activities. The System component units are as follows:

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

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

#### **SYSTEM FINANCIAL HIGHLIGHTS FROM 2014 TO 2015 (in \$1,000's)**

- Total net position decreased 12.8% from \$2,402,016 to \$2,094,926;
- Capital assets increased 5.9% from \$1,906,308 to \$2,018,603;
- Operating revenues increased 0.9% from \$823,037 to \$830,377;
- Nonoperating revenues decreased 11.5% from \$737,763 to \$652,985; and
- Operating expenses increased 3.4% from \$1,486,067 to \$1,536,891.

#### **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 Statements of Net Position; the Combined Statements of Revenues, Expenses and Changes in Net Position; 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 position (the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources) is an important gauge of the System's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Combined Statements of Net Position include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources. It is prepared under the accrual basis of accounting,

whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when a third party provides the services, regardless of when cash is exchanged.

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

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

For 2015, information included in this management's discussion and analysis may not be comparable due to the implementation of the Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. With the implementation of GASB 68, all information necessary to restate the 2014 financial statements in accordance with US Generally Accepted Accounting Principles was not available. As such, only a single year is presented in the audited financial statements.

GASB 68 is a financial reporting standard that requires government employers participating in cost-sharing pension plans, such as the Public Employer's Retirement System of Nevada (PERS), to report certain elements on their financial statements. As a result, the System is reporting pension related deferred inflows/outflows of resources and net pension liability on the Statements of Net Position. It is important to note that GASB 68 did not create this liability or change the terms of the PERS retirement plan. System employees participating in the Retirement Plan Alternative (RPA) are not included, as the RPA is a defined contribution plan and no liability exists.

## **CONDENSED FINANCIAL INFORMATION**

### **ASSETS AND LIABILITIES**

The Combined Statement of Net Position is a point-in-time financial statement presenting the financial position of the System as of June 30, 2015, with a comparison made to June 30, 2014. This Statement presents end-of-year data for Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows of Resources, and Net Position (assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources).

(Remainder of this page left intentionally blank)

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

	2015	2014	Increase/ (Decrease)	Percent Change
<b>Assets</b>				
Current Assets	\$878,226	\$899,274	\$(21,048)	(2)%
Capital Assets	2,018,603	1,906,308	112,295	6%
Other Assets	399,317	351,276	48,041	14%
Total Assets	<u>3,296,146</u>	<u>3,156,858</u>	<u>139,288</u>	4%
<b>Deferred Outflows of Resources</b>				
	<u>40,608</u>	<u>11,777</u>	<u>28,831</u>	245%
<b>Liabilities</b>				
Current Liabilities	261,322	238,487	22,835	10%
Noncurrent Liabilities	896,224	528,084	368,140	70%
Total Liabilities	<u>1,157,546</u>	<u>766,571</u>	<u>390,975</u>	51%
<b>Deferred Inflows of resources</b>				
	<u>84,282</u>	<u>48</u>	<u>84,234</u>	175,488%
<b>Net Position</b>				
Net investment in capital assets	1,507,908	1,454,276	53,632	4%
Restricted, nonexpendable	87,351	87,443	(92)	0%
Restricted, expendable	286,173	251,017	35,156	14%
Unrestricted	213,494	609,280	(395,786)	(65)%
Total Net Position	<u>\$2,094,926</u>	<u>\$2,402,016</u>	<u>\$(307,090)</u>	(13)%

**Assets**

Total assets of the System are currently showing an increase of \$139.3 million, or 4%. The increase that occurred in capital and other assets was slightly offset by a decrease in current assets. The decrease in current assets is primarily due to a decrease in the valuation of the short-term investments accounts. The increase in capital assets is reflective of the purchase and construction of capital assets less normal depreciation for the year. The increase in other assets relates primarily to the increase in restricted cash due to unspent bond proceeds offset by the slight decrease in endowment investments due to market fluctuation.

**Liabilities**

Total liabilities for the year increased by \$391.0 million; a \$22.8 million increase in current liabilities and \$368.1 million increase in non-current liabilities. The increase in current liabilities was primarily due to an increase in accounts payable, accrued payroll and related liabilities, and accrued interest payable. The increase in non-current liabilities was primarily driven by the initial booking of the net pension liability as required by GASB 68.

**Deferred Outflows/Inflows of Resources**

Deferred outflows of resources, a future consumption of net position, increased \$28.8 million. This increase relates to the initial year of pension related deferred outflows of resources being presented. Similarly, deferred inflows of resources, a future acquisition of net position, increased \$84.2 million, due to the booking of pension related deferred inflows of resources for the first time in 2015.

## **Net Position**

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

### **Net Investment in Capital Assets**

The net investment in capital assets classification of net position represents the System's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The \$53.6 million increase reflects the System's expenditures for development and renewal of its capital assets, offset by depreciation expense on capital assets and 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 Position**

Unrestricted net position decreased by \$395.8 million in 2015. This decrease primarily relates to the implementation of GASB 68 and the new net pension liability reflected in the 2015 financial statements. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the System's unrestricted net position has been designated for various academic and research programs and initiatives, as well as capital projects. Funds functioning as an endowment consist of unrestricted funds that have been allocated by the System for long-term investment purposes, although amounts are not subject to donor restrictions requiring the System to preserve the principal in perpetuity. Programs supported by the endowment include scholarships, fellowships, professorships, research efforts and other important programs and activities.

(Remainder of this page left intentionally blank)

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

	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Assets				
Current Assets	\$339,552	\$289,133	\$50,419	17%
Capital Assets	7,039	7,378	(339)	(5)%
Other Assets	<u>319,356</u>	<u>311,626</u>	<u>7,730</u>	<u>2%</u>
Total Assets	<u>665,947</u>	<u>608,137</u>	<u>57,810</u>	<u>10%</u>
Liabilities				
Current Liabilities	31,724	25,058	6,666	27%
Non-Current Liabilities	<u>5,896</u>	<u>6,828</u>	<u>(932)</u>	<u>(14)%</u>
Total Liabilities	<u>37,620</u>	<u>31,886</u>	<u>5,734</u>	<u>18%</u>
Deferred Inflows of Resources	<u>15,788</u>	<u>10,071</u>	<u>5,717</u>	<u>57%</u>
Net Position				
Net Investment in Capital Assets	5,884	6,215	(331)	(5)%
Restricted, Nonexpendable	291,435	265,777	25,658	10%
Restricted, Expendable	267,761	243,187	24,574	10%
Unrestricted	<u>47,459</u>	<u>51,001</u>	<u>(3,542)</u>	<u>(7)%</u>
Total Net Position	<u>\$612,539</u>	<u>\$566,180</u>	<u>\$ 46,359</u>	<u>8%</u>

The sixteen 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 as well as scholarships and other operating costs. Changes in the above schedule primarily reflect the foundations' increase in investments and pledges receivable offset by increased unearned revenue and deferred lease revenue.

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

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

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

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

The Combined Statement of Revenues, Expenses, and Changes in Net Position indicates the change in net position at the end of the year decreased by approximately \$69.0 as discussed below.

Unaudited

	2015	2014	Increase/ Decrease	Percent Change
<b>Operating Revenues</b>				
Student tuition and fees, net	\$370,886	\$372,396	\$ (1,510)	0%
Grants and contracts, Federal	156,599	160,530	(3,931)	(2)%
Grants and contracts, other	79,038	76,502	2,536	3%
Sales and services	186,893	175,108	11,785	7%
Other	36,961	38,501	(1,540)	(4)%
<b>Total Operating Revenues</b>	<u>830,377</u>	<u>823,037</u>	<u>7,340</u>	<u>1%</u>
<b>Operating Expenses</b>				
Employees comp/benefits	(975,051)	(934,477)	(40,574)	4%
Utilities	(34,081)	(32,563)	(1,518)	5%
Supplies and services	(342,721)	(332,798)	(9,923)	3%
Scholarship and Fellowships	(90,015)	(90,333)	318	0%
Other	(113)	(282)	169	(60)%
Depreciation	(94,910)	(95,614)	704	(1)%
<b>Total Operating Expenses</b>	<u>(1,536,891)</u>	<u>(1,486,067)</u>	<u>(50,824)</u>	<u>3%</u>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriation	486,928	486,044	884	0%
Federal grants	130,181	122,458	7,723	6%
Gifts	52,029	38,657	13,372	35%
Investment income, net	3,286	106,081	(102,795)	(97)%
Disposal of capital asset	(1,328)	2,822	(4,150)	(147)%
Interest expense	(24,427)	(21,358)	(3,069)	14%
Other nonoperating revenues (expenses)	6,316	3,059	3,257	106%
<b>Total Nonoperating Revenues (Expenses)</b>	<u>652,985</u>	<u>737,763</u>	<u>(84,778)</u>	<u>(11)%</u>
<b>Other Revenues (Expenses)</b>	86,736	27,518	59,218	215%
<b>Net Position</b>				
Increase (Decrease) in Net Position	33,207	102,251	(69,044)	(68)%
Net position, beginning of year, as previously reported	2,402,016	2,299,765	102,251	4%
Change in accounting principle, GASB 68 adjustments	<u>(340,297)</u>	-	<u>(340,297)</u>	(100)%
Net position, beginning of year, as restated	<u>2,061,719</u>	<u>2,299,765</u>	<u>(238,046)</u>	(10)%
<b>Net position, end of year</b>	<u>\$2,094,926</u>	<u>\$2,402,016</u>	<u>\$(307,090)</u>	(13)%

Operating revenues increased by \$7.3 million 1% and operating expenses increased by \$50.8 million 3%, resulting in an increase in the operating loss of \$43.5 million (7%).

Operating Revenue - Student Tuition and Fees decreased less than one percent to \$370.9 million primarily as a result of an increase in scholarship allowance. Federal grants and contracts experienced a decrease of 2% to \$156.6 million while State, local and other grants and contracts increased 3% to \$79.0 million.

The increase in operating expenses was driven by the increase in Employee Compensation and Benefits. This increase primarily relates to the restoration of pay cuts and merit pay increases for all System employees.

Nonoperating net revenues decreased by \$84.8 million. This was led by significant decreases in investment income, net due to market fluctuation of \$102.8 million, offset by increases in gifts of \$13.4 million and Federal grants of \$7.7 million.

**System Related Organizations**

Component entities' ending net position increased from 2014 to 2015, as shown in the following schedule.

	2015	2014	Increase/ Decrease	Percent Change
<b>Operating Revenues</b>				
Patient revenue	\$ 51,797	\$ 51,574	\$ 223	0%
Contract revenue	8,686	8,131	555	7%
Contributions	72,803	63,648	9,155	14%
Campus support	6,884	5,449	1,435	26%
Other	13,362	15,191	(1,829)	(12)%
<b>Total Operating Revenues</b>	<u>153,532</u>	<u>143,993</u>	<u>9,539</u>	7%
<b>Operating Expenses</b>				
Program expenses	(47,854)	(46,500)	(1,354)	3%
Other operating expenses	(42,463)	(41,047)	(1,416)	3%
Depreciation	(665)	(796)	131	(16)%
<b>Total Operating Expenses</b>	<u>(90,982)</u>	<u>(88,343)</u>	<u>(2,639)</u>	3%
<b>Nonoperating Revenues (Expenses)</b>				
Investment income (loss), net	7,531	55,936	(48,405)	(87)%
Payments to NSHE System	(51,878)	(44,234)	(7,644)	17%
Other nonoperating revenues (expenses)	(1,486)	1,549	(3,035)	(196)%
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(45,833)</u>	<u>13,251</u>	<u>(59,084)</u>	(446)%
<b>Other Revenues</b>	<u>29,309</u>	<u>9,345</u>	<u>19,964</u>	214%
<b>Net Position</b>				
Increase (Decrease) in net position	46,026	78,246	(32,220)	(41)%
Net position, beginning of year, as previously reported	566,180	487,934	78,246	16%
Correction of an error, contributions receivable	333	-	333	100%
Net position, beginning of year, As restated	<u>566,513</u>	<u>487,934</u>	<u>78,579</u>	16%
<b>Net Position, end of year</b>	<u>\$612,539</u>	<u>\$566,180</u>	<u>\$46,359</u>	8%

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

Net cash flows decreased slightly when compared to 2014 as discussed further below. Cash flows from operating activities decreased due to increased payments to employees for compensation and benefits offset by increased payments received for sales and services. Net operating cash flows (amount of cash from operating activities) decreased 9%.

	2015	2014	Increase/ (Decrease)	Percent Change
Operating activities	\$(606,630)	\$(558,254)	\$(48,376)	9%
Noncapital financing	684,710	646,493	38,217	6%
Capital financing activities	(53,170)	(33,627)	(19,543)	58%
Investing activities	44,181	22,766	21,415	94%
Net increase (decrease) in cash	69,091	77,378	(8,287)	
Cash - beginning of year	<u>283,845</u>	<u>206,467</u>	<u>77,378</u>	
Cash - end of year	<u>\$352,936</u>	<u>\$283,845</u>	<u>\$ 69,091</u>	

Cash flows from noncapital financing activities increased \$38.2 million. This increase was primarily related to the increase in cash received from gifts and grants. Cash flows from capital financing activities decreased \$19.5 million, due to increases in proceeds from capital debt offset by larger increases in purchases of capital assets and principal payments. Cash flows from investing activities increased by \$21.4 million as a result of normal investment activity.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

As of June 30, 2015, the System had invested \$2,018.6 million in a broad range of capital assets, including equipment, buildings, machinery and equipment, library books and media, art and other valuable collections, intangible assets and land. This represents a net increase (including additions and deletions) of \$112.3 million over June 30, 2014.

During fiscal year 2015, NSHE issued \$103.2 million of long-term bonds and obligations to finance projects at UNR, UNLV, and TMCC and to refinance existing obligations for interest savings. As of June 30, 2015, the coverage on the University Revenue Bonds (pledged revenues to maximum annual debt service) was 5.72 times, above minimum required coverage of 1.50. For statutory purposes, the coverage was 1.68 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. NSHE issued a total of \$16.0 (maximum) million of notes payable during fiscal year 2015.

## **FUTURE FINANCIAL EFFECTS**

In recent years the demand for higher education services has increased, with some institutions showing moderate growth and others reporting small declines in enrollments. In fiscal year 2015, the System realized a net gain of student full time equivalent (FTE) enrollment of 4% or 2,427 FTE students system-wide compared to fiscal year 2014. Student FTE enrollments increased at both of the State's two universities, and three community colleges and decreased slightly at the State College and one community college. The System anticipates enrollments system-wide in fiscal year 2016 will exceed enrollments in fiscal year 2015.

The Legislatively approved System operating budget includes state appropriations and authorized expenditures (State Supported Operating Budget). The Operating Budget totals \$840.9 million for fiscal year 2016. This compares to the fiscal year 2015 Operating Budget of \$763.7 million and represents a 10% increase. General fund revenues of \$543.9 million in fiscal year 2016 will exceed general fund revenues of \$499.3 million in fiscal year 2015 by \$44.5 million or by 9% due mainly to legislative actions funding; an increase in student enrollment, start-up costs for a new medical school at the University of Nevada, Las Vegas, a 1% cost of living adjustment, and elimination of the six day furlough savings of approximately 2% of employee salaries. The fiscal year 2016 general fund appropriation includes \$4.8 million for employee cost of living adjustments appropriated to the State Board of Examiners.

Other authorized revenue sources, consisting mainly of student fee revenues, total \$297.1 million in fiscal year 2016, approximately \$32.7 million more than in fiscal year 2015, due mostly to an increase in enrollments and student registration fees.

Student enrollment system-wide is anticipated to exceed projected and budgeted enrollment in fiscal year 2016 and therefore, pursuant to Assembly Bill 490 of the 2015 legislative session, the System may budget and expend, in the State Supported Operating Budget, any additional collections of student fee revenues over budgeted revenues due to increased enrollments or Board of Regent authorized increases in registration or non-resident tuition fees.

#### **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.

(Remainder of this page left intentionally blank)

(This Page Intentionally Left Blank)

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**COMBINED STATEMENTS OF NET POSITION (in \$1,000's)**  
**AS OF JUNE 30, 2015**

	<u>System</u>	<u>System Related</u> <u>Organizations</u>
<b><u>ASSETS</u></b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 213,810	\$ 63,267
Restricted cash and cash equivalents	138	2,869
Short-term investments	550,011	228,625
Accounts receivable, net	53,897	1,038
Receivable from U.S. Government	40,445	-
Receivable from State of Nevada	2,474	-
Pledges receivable, net	-	30,330
Patient accounts receivable, net	-	9,231
Current portion of loans receivable, net	1,908	57
Inventories	6,736	510
Deposits and prepaid expenditures, current	7,598	994
Other	1,209	2,631
<b>Total Current Assets</b>	<b>878,226</b>	<b>339,552</b>
<i>Noncurrent Assets</i>		
Cash held by State Treasurer	3,127	-
Restricted cash and cash equivalents	135,861	-
Restricted investments	-	45,559
Endowment investments	242,830	196,856
Deposits and prepaid expenditures	81	-
Loans receivable, net	10,795	30
Capital assets, net	2,018,603	7,039
Pledges receivable, net	6,434	53,266
Other noncurrent assets	189	23,645
<b>Total Noncurrent Assets</b>	<b>2,417,920</b>	<b>326,395</b>
<b>TOTAL ASSETS</b>	<b>3,296,146</b>	<b>665,947</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Pension related	29,901	-
Loss on bond refunding	10,707	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 40,608</b>	<b>\$ -</b>

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**COMBINED STATEMENTS OF NET POSITION (in \$1,000's) (CONTINUED)**  
**AS OF JUNE 30, 2015**

	<u>System</u>	<u>System Related</u> <u>Organizations</u>
<b><u>LIABILITIES</u></b>		
<i>Current Liabilities</i>		
Accounts payable	\$ 57,629	\$ 6,086
Accrued payroll and related liabilities	75,284	2,069
Unemployment insurance and workers compensation	4,499	-
Due to State of Nevada	2,885	-
Current portion of compensated absences	32,663	-
Current portion of long-term debt	26,037	64
Current portion of obligations under capital leases	3,228	-
Accrued interest payable	11,137	3
Unearned revenue	40,979	5,339
Funds held in trust for others	6,908	16
Due to affiliates	-	15,452
Other	73	2,695
<b>Total Current Liabilities</b>	<b><u>261,322</u></b>	<b><u>31,724</u></b>
<i>Noncurrent Liabilities</i>		
Refundable advances under federal loan programs	8,205	-
Compensated absences	17,453	161
Unearned revenue	-	2,044
Long-term debt	529,313	199
Obligations under capital leases	43,048	-
Due to State of Nevada	3,234	-
Unearned revenue	1,401	-
Net pension liability	292,841	-
Other noncurrent liabilities	729	3,492
<b>Total Noncurrent Liabilities</b>	<b><u>896,224</u></b>	<b><u>5,896</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>1,157,546</u></b>	<b><u>37,620</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Pension related	84,152	-
Gain on bond refunding	130	-
Endowment pledge donations, net	-	11,669
Deferred lease revenue	-	4,119
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>84,282</u></b>	<b><u>15,788</u></b>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	1,507,908	5,884
Restricted - Nonexpendable	87,351	291,435
Restricted - Expendable - Scholarships, research and instruction	154,571	264,910
Restricted - Expendable - Loans	8,188	-
Restricted - Expendable - Capital projects	101,703	681
Restricted - Expendable - Debt service	21,711	-
Restricted - Expendable - Other	-	2,170
Unrestricted	213,494	47,459
<b>TOTAL NET POSITION</b>	<b><u>\$ 2,094,926</u></b>	<b><u>\$ 612,539</u></b>

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in \$1,000's)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>System</u>	<u>System Related Organizations</u>
<b>Operating Revenues</b>		
Student tuition and fees (net of scholarship allowance of \$133,481)	\$ 370,886	\$ 3,567
Federal grants and contracts	156,599	-
State grants and contracts	35,275	-
Local grants and contracts	26,094	-
Other grants and contracts	17,669	-
Campus support	10	6,884
Sales and services of educational departments (including \$27,208 from System Related Organizations)	90,791	-
Sales and services of auxiliary enterprises (net of scholarship allowance of \$5,219)	96,102	-
Contributions	-	72,803
Patient revenue	-	51,797
Contract revenue	-	8,686
Special events and fundraising	-	4,512
Interest earned on loans receivable	258	169
Other operating revenues	36,693	5,114
<b>Total Operating Revenues</b>	<u>830,377</u>	<u>153,532</u>
<b>Operating Expenses</b>		
Employee compensation and benefits	(975,051)	(29,746)
Utilities	(34,081)	-
Supplies and services	(342,721)	(6,223)
Scholarships and fellowships	(90,015)	(175)
Program expenses, System Related Organizations	-	(47,854)
Depreciation	(94,910)	(665)
Other operating expenses	(113)	(6,319)
<b>Total Operating Expenses</b>	<u>(1,536,891)</u>	<u>(90,982)</u>
<b>Operating Income (Loss)</b>	<u>(706,514)</u>	<u>62,550</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	486,928	-
Gifts (including \$41,169 from System Related Organizations)	52,029	-
Investment income, net	3,286	7,531
Gain/(Loss) on disposal of capital assets	(1,328)	7
Interest expense	(24,427)	(44)
Payments to System campuses and divisions	-	(51,878)
Other nonoperating revenues (expenses)	6,316	(1,449)
Federal grants and contracts	130,181	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>652,985</u>	<u>(45,833)</u>
<b>Income (Loss) Before Other Revenue (Expenses)</b>	<u>(53,529)</u>	<u>16,717</u>
<b>Other Revenues</b>		
State appropriations (returns) restricted for capital purposes	41	-
Capital grants and gifts (including \$5,274 from System Related Organizations)	86,146	101
Additions to permanent endowments (including \$211 from System Related Organizations)	549	29,642
Other Foundation revenues	-	(434)
<b>Total Other Revenues</b>	<u>86,736</u>	<u>29,309</u>
<b>Increase in Net Position</b>	<u>33,207</u>	<u>46,026</u>
<b>NET POSITION</b>		
Net position - beginning of year, as previously reported	2,402,016	566,180
Change in Accounting Principle, GASB 68 adjustments	(340,297)	-
Correction of an error, Contributions receivable	-	333
Net position - beginning of year, as restated	<u>2,061,719</u>	<u>566,513</u>
<b>Net position - end of year</b>	<u>\$ 2,094,926</u>	<u>\$ 612,539</u>

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

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**COMBINED STATEMENT OF CASH FLOWS (in \$1000's)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b><i>Cash flows from operating activities</i></b>	
Tuition and fees	\$ 361,157
Grants and contracts	235,989
Payments to suppliers	(350,848)
Payments for utilities	(32,838)
Payments for compensation and benefits	(958,170)
Payments for scholarships and fellowships	(89,989)
Loans issued to students and employees	(7,469)
Collection of loans to students and employees	7,438
Sales and services of auxiliary enterprises	98,127
Sales and services of educational departments	90,384
Other receipts	39,589
<b><i>Cash flows from operating activities</i></b>	<b><u>(606,630)</u></b>
<b><i>Cash flows from noncapital financing activities</i></b>	
State appropriations	484,674
State appropriations refunded	12,475
Gifts and grants for other than capital purposes	57,955
Gift for endowment purposes	624
Receipts under federal student loan programs	201,768
Disbursements under federal student loan programs	(201,949)
Other	6,804
Agency transactions	(2,096)
Federal grants and contracts	124,455
<b><i>Cash flows from noncapital financing activities</i></b>	<b><u>684,710</u></b>
<b><i>Cash flows from capital and related financing activities</i></b>	
Proceeds from capital debt	146,825
Payments for debt issuance costs	(685)
Capital appropriations	1,276
Capital grants and gifts received	90,169
Purchases of capital assets	(193,169)
Proceeds from sale of property and equipment	607
Principal paid on capital debt and leases, including defeasance	(74,397)
Interest paid on capital debt and leases	(23,677)
Deposits for the acquisition of property and equipment	(119)
<b><i>Cash flows from capital and related financing activities</i></b>	<b><u>(53,170)</u></b>
<b><i>Cash flows from investing activities</i></b>	
Proceeds from sales and maturities of investments	120,732
Purchase of investments	(99,979)
Interest and dividends received on investments	25,041
Net increase in cash equivalents, noncurrent investments	(1,613)
<b><i>Cash flows from investing activities</i></b>	<b><u>44,181</u></b>
<b><i>Net increase in cash</i></b>	<b>69,091</b>
<b><i>Cash and cash equivalents, beginning of year</i></b>	<b>283,845</b>
<b><i>Cash and cash equivalents, end of year</i></b>	<b><u>\$ 352,936</u></b>

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**COMBINED STATEMENT OF CASH FLOWS (in \$1000's) (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**Reconciliation of operating loss to cash flows from operating activities**

Operating loss	\$ (706,514)
Adjustments to reconcile operating loss to cash used in operating activities:	
Supplies expense related to noncash gifts	844
Depreciation and amortization expense	94,910
Change in pension related deferred outflows of resources	(709)
Change in pension related deferred inflows of resources	84,153
Changes in assets and liabilities:	
Accounts receivable, net	(13,520)
Receivable from U.S. Government	(1,835)
Receivable from State of Nevada	(45)
Loans receivable, net	78
Inventories	(23)
Deposits and prepaid expenditures	5,913
Accounts payable	(606)
Accrued payroll and related liabilities	7,088
Unemployment and workers' compensation insurance liability	314
Unearned revenue	(2,271)
Refundable advances under federal loan program	(54)
Compensated absences	2,284
Net pension liability	(76,648)
Other	11
Cash flows from operating activities	<u>\$ (606,630)</u>

**Supplemental noncash activities information**

Loss on disposal of capital assets	<u>\$ 1,271</u>
Capital assets acquired by gifts	<u>\$ 1,933</u>
Capital assets acquired by incurring capital lease obligations and accounts payable	<u>\$ 20,584</u>
Unrealized gain (loss) on investments	<u>\$ (49,989)</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

---

### 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 (System Admin)

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

The System Related Organizations include campus foundations which are related tax-exempt organizations founded to foster and promote the growth, progress, and general welfare of the System, and are reported in separate columns to emphasize that they are Nevada not-for-profit organizations legally separate from the System. During the year ended June 30, 2015, the foundations distributed \$51,878 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 Integrated Clinical Services, Inc. (ICS). ICS includes the University of Nevada School of Medicine Multispecialty Group Practice North, Inc., University of Nevada School of Medicine Group Practice South, Inc., and Nevada Family Practice Residency Program, Inc. ICS was established for the benefit of the University of Nevada School of Medicine and its faculty physicians who are engaged in patient care activities. During the year ended June 30, 2015, ICS distributed \$27,208 to the System for restricted purposes. Complete financial statements for ICS 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*, Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*.

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

---

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

#### BASIS OF ACCOUNTING

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

#### CASH AND CASH EQUIVALENTS

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Cash held by State Treasurer represents the funds from certain state appropriations, which were enacted to provide the System with the funds necessary for the construction of major assets. Such amounts are controlled by the Nevada Public Works Board. These amounts are included in cash and cash equivalents in the Statement 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, 2015 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 \$3,957 was capitalized during the year ended June 30, 2015. Depreciation is computed on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Year</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 YEAR ENDED JUNE 30, 2015

---

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

#### UNEARNED REVENUE

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

#### COMPENSATED ABSENCES

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

#### FEDERAL REFUNDABLE LOANS

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

#### PENSIONS

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

#### DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statements of Net Position include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. NSHE has pension related and loss on bond refunding that qualify for reporting in this category. Pension related deferred outflows of resources are discussed in depth in Note 16. A loss on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statements of Net Position include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. NSHE has pension related, gain on bond refunding, endowment pledge donations, net, and deferred lease revenue that qualify for reporting in this category. Pension related deferred inflows of resources are discussed in depth in Note 16. A gain on bond refunding results from the difference in the reacquisition price and the carrying value of refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Endowment pledge donations, net consist of future commitments to donate funds to support an endowment. Deferred lease revenue represents lease revenue that will be recognized in future periods.

#### NET POSITION

Net position is classified as follows:

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

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

---

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

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

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

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

### OPERATING AND NONOPERATING REVENUES AND EXPENSES

#### SYSTEM

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

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

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

#### INTEGRATED CLINICAL SERVICES, INC.

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

#### FOUNDATIONS

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

### SCHOLARSHIP ALLOWANCES

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

### GRANTS-IN-AID

Student tuition and fees revenue include grants-in-aid charged to scholarships and fellowships and grants-in-aid for faculty and staff benefits charged to the appropriate expenditure programs to which the applicable personnel relate. Grants-in-aid for the year ended June 30, 2015 were \$9,418.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

---

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

#### TAX EXEMPTION

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

#### USE OF ESTIMATES

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

#### NEW ACCOUNTING PRONOUNCEMENTS

In 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 year beginning after December 15, 2014. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The System has implemented these pronouncements, which resulted in an adjustment to the beginning net position on the Statement of Revenue, Expenses, and Changes in Net Position for June 30, 2015 of \$(340,297) to record the impact of the prior year pension related elements of net position.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72), which addresses accounting and financial reporting issues related to fair value measurements. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes in addition to providing guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 is effective for fiscal years beginning after June 15, 2015. The anticipated impact of this pronouncement is uncertain at this time.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (GASB 73), which improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. GASB 73 is effective for fiscal years beginning after June 15, 2015. The anticipated impact of this pronouncement is uncertain at this time.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB 75), which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. GASB 75 is effective for fiscal years beginning after June 15, 2017. 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, 2015, the System's deposits in money market funds totaled \$209,659, and cash in bank was \$6,019. Of these balances, \$250 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 YEAR ENDED JUNE 30, 2015

---

### 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, 2015 is as follows:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds publicly traded	\$567,843	\$652,271
Partnerships	60,460	91,163
Endowment cash and cash equivalents	3,462	3,462
Trusts	4,436	5,512
Private commingled funds	<u>42,044</u>	<u>40,433</u>
	<u>\$678,245</u>	<u>\$792,841</u>

As of June 30, 2015, 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 \$17,610 as requested by these partnerships. Generally, partnership investments do not have a ready market and ownership interests in some of these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risks generally associated with equities with additional risks due to leverage and the lack of a ready market for acquisition or disposition of ownership interests.

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

#### *Credit risk and interest rate risk*

Certain securities with fixed income are subject to credit risk which is the risk that an issuer of an investment will not fulfill its obligations. Other securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. Credit quality is an assessment of the issuer's ability to pay interest on the investment, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent rating agencies, for example Moody's Investors Service or Standard and Poor's. For the types of investments that are subject to rating, the System's policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating investment pools. 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, 2015 is as follows:

	<u>Fair Value</u>	<u>Not Rated</u>
Mutual funds publicly traded	\$652,271	\$652,271
Partnerships	91,163	91,163
Endowment cash and cash equivalents	3,462	3,462
Trusts	5,512	5,512
Private commingled funds	<u>40,433</u>	<u>40,433</u>
	<u>\$792,841</u>	<u>\$792,841</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, 2015 is as follows:

Less than 1 year	\$213,121
1 to 5 year	157,440
5 to 10 year	<u>143,578</u>
	<u>\$514,139</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

---

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

#### *Custodial credit risk*

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

#### *Concentration of credit risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investments within any one issuer. For the fixed income portion of the endowment pool, the System's policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the fixed income portfolio, provided that issues of the U.S. Government or agencies of the U.S. Government may be held without limitation and provided further that issues of agencies of the U.S. Government shall be limited to the extent set forth in the manager-specific guidelines. The System does not have a specific policy with regard to the operating pool or the remainder of the endowment pool. At June 30, 2015 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 \$210,058 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2015.

### NOTE 5 – System Endowment Pool:

\$237,318 of endowment fund investments at June 30, 2015, are pooled on a unit market value basis. As of June 30, 2015, the endowment pool was comprised of investments in mutual funds (53%), partnerships (36%), private commingled (10%), and cash (1%). 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, 2015 was \$705.56. The System follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) with respect to prudent investing and spending of donor-restricted endowments.

The System utilizes a spending rule for its pooled endowments, which determines the endowment income to be distributed currently for spending. For the year ended June 30, 2015, the endowment spending policy, as approved by the Board of Regents, authorized a distribution maximum of 4.5% of the average unit market value for the previous twenty (20) calendar quarters. Under the provisions of these spending rules, during 2015, \$21.01 was distributed to each time-weighted eligible unit for a total spending rule distribution of \$8,900. The 2015 distributions were made from investment income of \$6,617, and \$2,283 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 \$150,640 at June 30, 2015, is reflected within the restricted expendable for scholarships, research and instruction net position category and is available to meet future spending needs subject to the approval of the Board of Regents.

Effective July 1, 2009 the Board of Regents has suspended distribution on all underwater accounts. At June 30, 2015, there were six accounts 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 Statement of Net Position net of allowances for uncollectible amounts of \$34,832 as of June 30, 2015.

Accounts receivable:	
Student tuition and fees	\$49,470
Sales and services	6,474
Local and private grants and contracts	21,676
Other	<u>11,109</u>
	88,729
Less: Allowance for doubtful accounts	<u>(34,832)</u>
Net accounts receivable	<u>\$53,897</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

### 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, 2015. 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, 2015 are as follows:

Loans receivable	\$14,554
Less: Allowance for doubtful loans	<u>(1,851)</u>
Net loans receivable	12,703
Less current portion	<u>(1,908)</u>
Noncurrent loans receivable	<u>\$10,795</u>

### NOTE 8 – System Capital Assets:

System capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 52,612	\$ 148,371	\$ (28,265)	\$ 172,718
Land	83,953	17,188	-	101,141
Collections	<u>12,967</u>	<u>216</u>	<u>(2)</u>	<u>13,181</u>
Total capital assets not being depreciated	<u>149,532</u>	<u>165,775</u>	<u>(28,267)</u>	<u>287,040</u>
Capital assets being depreciated:				
Buildings	2,362,648	30,554	(1,490)	2,391,712
Land improvements	119,488	12,628	(3,147)	128,969
Machinery and equipment	346,789	24,420	(12,340)	358,869
Intangibles	42,851	1,359	(138)	44,072
Library books and media	<u>118,996</u>	<u>2,299</u>	<u>(685)</u>	<u>120,610</u>
Total	<u>2,990,772</u>	<u>71,260</u>	<u>(17,800)</u>	<u>3,044,232</u>
Less accumulated depreciation for:				
Buildings	(757,849)	(58,265)	9	(816,105)
Land improvements	(93,589)	(4,220)	1,325	(96,484)
Machinery and equipment	(250,732)	(25,165)	13,815	(262,082)
Intangibles	(19,526)	(4,195)	264	(23,457)
Library books and media	<u>(112,300)</u>	<u>(3,065)</u>	<u>824</u>	<u>(114,541)</u>
Total accumulated depreciation	<u>(1,233,996)</u>	<u>(94,910)</u>	<u>16,237</u>	<u>(1,312,669)</u>
Total capital assets being depreciated, net	<u>1,756,776</u>	<u>(23,650)</u>	<u>(1,563)</u>	<u>1,731,563</u>
Capital assets, net	<u>\$1,906,308</u>	<u>\$ 142,125</u>	<u>\$(29,830)</u>	<u>\$2,018,603</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.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

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

System long-term debt activity for the year ended June 30, 2015 is as follows:

	Annual Interest Rate	Fiscal Year Final Payment Date	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Current
Universities Revenue Bonds, Series 2004A	2.00% to 4.50%	2015	\$ 32,450	\$ 1,595	\$ -	\$ (1,595)	\$ -	\$ -
Universities Revenue Bonds, Series 2005A	3.00% to 5.00%	2016	31,010	1,540	-	(710)	830	830
Universities Revenue Bonds, Series 2005B	3.25% to 5.00%	2030	170,360	71,735	-	(46,755)	24,980	5,470
Universities Revenue Bonds, Series 2008A	3.00% to 5.00%	2039	60,135	54,600	-	(1,200)	53,400	1,250
Universities Revenue Bonds, Series 2009A	2.00% to 5.25%	2039	18,140	15,850	-	(605)	15,245	620
Universities Revenue Bonds, Series 2010A	2.00% to 7.90%	2041	29,455	28,860	-	-	28,860	-
Universities Revenue Bonds, Series 2010B	4.00%	2018	3,275	2,670	-	(630)	2,040	655
Universities Revenue Bonds, Series 2011	3.00% to 5.00%	2025	50,470	41,370	-	(4,200)	37,170	4,290
Universities Revenue Bonds, Series 2012A	2.00% to 5.00%	2033	27,375	27,375	-	-	27,375	1,410
Universities Revenue Bonds, Series 2012B	2.00% to 2.75%	2023	5,010	4,465	-	(560)	3,905	565
Universities Revenue Bonds, Series 2013A	2.00% to 5.00%	2033	40,035	40,035	-	(2,625)	37,410	2,345
Universities Revenue Bonds, Series 2013B	3.00% to 5.00%	2035	105,300	105,300	-	-	105,300	-
Universities Revenue Bonds, Series 2014A	4.00% to 5.00%	2044	49,995	49,995	-	-	49,995	825
Universities Revenue Bonds, Series 2015A	3.00% to 5.00%	2036	61,455	-	61,455	-	61,455	-
Universities Revenue Bonds, Series 2015B	2.00% to 3.00%	2027	7,480	-	7,480	-	7,480	-
Certificates of Participation, Series 2006A	4.00% to 5.00%	2026	11,015	2,595	-	(610)	1,985	630
Certificates of Participation, Series 2014A	2.00% to 5.00%	2045	34,220	-	34,220	-	34,220	795
SNSC Phase II Lease Revenue Bonds	7.58%	2023	8,460	5,370	-	(440)	4,930	470
Discounts				(35)	-	3	(32)	(2)
Premiums				<u>30,073</u>	<u>9,892</u>	<u>(4,228)</u>	<u>35,737</u>	<u>2,614</u>
Total Bonds Payable				483,393	113,047	(64,155)	532,285	22,767
Notes Payable				<u>35,336</u>	<u>100</u>	<u>(12,371)</u>	<u>23,065</u>	<u>3,270</u>
Total				<u>\$518,729</u>	<u>\$113,147</u>	<u>\$(76,526)</u>	<u>\$555,350</u>	<u>\$26,037</u>

**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEAR ENDED JUNE 30, 2015**

---

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

System notes payable activity is as follows:

	Interest Rate	Date Issued	Final Payment Date	Original Amount	Outstanding Balance
Sun Trust Banks, Inc., UNLV – Refunding	3.93%	12/20/06	07/01/26	\$16,713	\$ -
Bank of America, UNR Medical Learning Lab	6.12%	10/29/09	07/01/16	9,812	7,531
Bank of America, UNR Medical Practice Mgmt System	1.74%	08/07/13	06/01/17	6,250	3,179
Bank of America, CSN Promissory Note	1.88%	01/03/13	06/01/23	10,000	8,147
JP Morgan Chase, UNR Achievement Center	Variable*	02/26/14	07/01/19	Maximum 12,000	300
JP Morgan Chase, UNR Fitness Center	Variable**	08/14/14	01/01/20	Maximum 16,000	100
Other notes payable	1.60% - 6.30%	Various	Various	Various	<u>3,808</u>
					<u>\$23,065</u>

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

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

### 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>
2016	\$ 26,037	\$ 23,967	\$ 50,004
2017	33,908	22,881	56,789
2018	24,460	21,811	46,271
2019	24,867	20,849	45,716
2020	26,076	19,823	45,899
2021-2025	124,227	83,004	207,231
2026-2030	111,866	57,092	168,958
2031-2035	109,756	32,047	141,803
2036-2040	53,607	10,231	63,838
2041-2045	<u>20,546</u>	<u>1,819</u>	<u>22,365</u>
Total	<u>\$555,350</u>	<u>\$293,524</u>	<u>\$848,874</u>

### 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 2016 to 2030.

System obligations under capital leases were as follows for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current</u>
Capital lease obligations	<u>\$8,193</u>	<u>\$38,980</u>	<u>\$(897)</u>	<u>\$46,276</u>	<u>\$3,228</u>

The following System property included in the accompanying combined financial statements was leased under capital leases as of June 30, 2015:

Construction in progress	\$ 41,036
Buildings and improvements	1,351
Machinery and equipment	<u>4,497</u>
Total	46,884
Less accumulated depreciation	<u>(2,962)</u>
Total	<u>\$ 43,922</u>

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

2016	\$ 3,318
2017	4,130
2018	3,824
2019	3,520
2020	3,520
2021-2025	17,595
2026-2030	<u>10,793</u>
Total minimum lease payments	46,700
Less amount representing interest	<u>(424)</u>
Obligations under capital leases	<u>\$ 46,276</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

---

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

Total interest expense under the System capital leases and included in the accompanying combined financial statements was \$2,552 during the year ended June 30, 2015. Depreciation of the capital lease assets is included in depreciation expense of the Statement of Revenues, Expenses and Changes in Net Position.

### NOTE 11– Operating Leases:

The System has entered into various noncancellable operating lease agreements covering certain buildings and equipment. The lease terms range from one to ten years. The expense for operating leases was \$5,653 for year ended June 30, 2015.

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

2016	\$ 5,734
2017	4,281
2018	2,665
2019	2,080
2020	1,583
2021-2025	<u>5,237</u>
Total future minimum obligation	<u>\$21,580</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 year ended June 30, 2015 are as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Unemployment insurance	\$1,284	\$ 1,501	\$ (1,189)	\$1,596
Workers compensation	<u>2,903</u>	<u>7,669</u>	<u>(7,669)</u>	<u>2,903</u>
Total	<u>\$4,187</u>	<u>\$ 9,170</u>	<u>\$ (8,858)</u>	<u>\$4,499</u>

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

The activity with respect to System other noncurrent liabilities for the year ended June 30, 2015 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	<u>Current</u>
Refundable advances under federal loans program	\$ 8,209	\$ 451	\$ (455)	\$ 8,205	\$ -
Compensated absences	47,830	32,953	(30,667)	50,116	32,663
Unearned revenue	45,729	42,904	(46,253)	42,380	40,979
Other non-current liabilities	<u>1,170</u>	<u>-</u>	<u>(441)</u>	<u>729</u>	<u>-</u>
Total	<u>\$102,938</u>	<u>\$ 76,308</u>	<u>\$(77,816)</u>	<u>\$101,430</u>	<u>\$73,642</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

---

### NOTE 14– Extinguishment of Debt:

During 2015, \$41,420 of debt was considered to be extinguished through the 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, 2015, \$157,640 of bonds outstanding are considered defeased.

In prior years, NSHE refinanced or defeased existing bonds for net cash flow savings or economic gain (present value of cash flow savings). For 2015, refinancing activities produced cash flow savings and economic gain of \$11,186 and \$7,923, respectively.

### NOTE 15– Irrevocable Letter of Credit:

In connection with its worker's compensation liability coverage, the System is required to maintain a \$200 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, 2015 was \$1,798. A letter of credit was established in July 2003 in connection with the SNSC Phase II Lease Revenue Bonds in the amount of \$2,100. No advances were made under the letters of credit during the year ended June 30, 2015.

### NOTE 16– System Pension Plans:

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

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

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

The System's contribution to all retirement plans for the year ended June 30, 2015 was approximately \$89,610, equal to the required contribution for the year.

#### *General Information about the PERS Cost Sharing Pension Plan*

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

#### *Benefits Provided*

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

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the PERS on or after January 1, 2010, there is a 2.5% multiplier. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

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

#### *Vesting*

Members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service.

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

### NOTE 16– System Pension Plans (continued):

#### Contributions

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

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

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

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

For the fiscal year ended June 30, 2015 the Statutory Employer/employee matching rate was 13.25%. The Employer-pay contribution (EPC) rate was 25.75%.

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

At June 30, 2015, the System reported a liability of \$292,841 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. NSHE's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2014. The System's proportionate share is approximately 2.81%.

For the year ended June 30, 2015, NSHE recognized pension expense of \$36,697. At June 30, 2015, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 14,013
Net difference between projected and actual earnings on investments	-	61,508
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	8,631
System contributions subsequent to the measurement date	<u>29,901</u>	<u>-</u>
	<u>\$ 29,901</u>	<u>\$ 84,152</u>

\$29,901 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources will be recognized in pension expense as follows for the years ended June 30:

2016	\$ 19,874
2017	19,874
2018	19,874
2019	19,874
2020	2,740
Thereafter	<u>1,916</u>
	<u>\$84,152</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

### NOTE 16– System Pension Plans (continued):

#### Actuarial Assumptions

The PERS' net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.50%
Payroll Growth	5.00%, including inflation
Investment Rate of Return	8.00%
Productivity pay increase	0.75%
Projected salary increases	4.60% to 9.75%, depending on service
	Rates include inflation and productivity increases
Consumer Price Index	3.50%
Other assumptions	Same as those used in the June 30, 2014 funding Actuarial valuation

Mortality rates for healthy participants were based on the RP-2000 Combined Healthy Mortality Table projected to 2013 with Scale AA, set back one year for females (no age setback for males). For disabled participants, mortality rates were based on the RP-2000 Disabled Retiree Table projected to 2013 with Scale AA, set forward three years.

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of the experience review completed in 2013.

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

The following was the PERS' Board adopted policy target asset allocation as of June 30, 4014:

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

\*As of June 30, 2014, PERS' long-term inflation assumption was 3.5%

#### Discount Rate

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2014, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

#### Pension Liability Discount Rate Sensitivity

The following represents the System's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
NSHE's proportional share of the net pension liability	\$455,401	\$292,841	\$157,714

#### Pension plan fiduciary net position

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

---

### 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' year 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, 2014, is \$1,427,000. This compares to \$1,271,000 on July 1, 2013. 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 year ended June 30, 2015 was approximately \$14,254, equal to the required contribution for the year.

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

The System is a defendant or co-defendant in legal actions. Based on present knowledge and advice of legal counsel, System management believes any ultimate liability in these matters, in excess of insurance coverage, will not materially affect the net position, changes in net position 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 year and projects the rates needed for the coming year. The System uses a third party administrator to adjust its workers' compensation claims.

The System is self-insured for its unemployment insurance liability. The System is billed by the State each quarter based on the actual unemployment benefits paid by the State. Each year the System budgets resources to pay for the projected expenditures. The amount of future benefits payments to claimants and the resulting liability to the System cannot be reasonably determined as of June 30, 2015.

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

The estimated cost to complete property authorized or under construction at June 30, 2015 is \$155,989. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

The Board of Regents, at its June 12, 2015 meeting, approved the issuance of a Promissory Note in an amount up to \$20,900. The authorized note is expected to be issued by the end of calendar year 2015.

### 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 purchases an excess liability policy in the amount of \$15,000 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 per occurrence deductible with an aggregate deductible of \$1,000.

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

Crime & Fidelity (employee dishonesty) with limits of \$1,250 and a deductible of \$100.

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.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

---

### NOTE 19– Risk Management (continued):

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:

The Board of Regents, at its October 23, 2015 meeting, authorized the formation of DRI-Tennessee, a nonprofit organization that will be reported as a component unit of the System once operations commence.

### NOTE 21 – Functional Classification of System Expenses:

The following is the functional classifications of expenses as reported on the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2015.

Instruction	\$ 535,390
Research	104,077
Public service	57,835
Academic support	141,695
Institutional support	170,879
Student services	133,356
Operation and maintenance of plant	118,675
Scholarships and fellowships	94,614
Auxiliary enterprises	85,460
Depreciation	94,910
Total	<u>\$1,536,891</u>

### NOTE 22 - System Related Organizations:

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

(Remainder of this page left intentionally blank)

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
NET POSITION AS OF JUNE 30, 2015

	UNR <u>Foundation</u>	UNR <u>AAUN</u>	Integrated Clinical <u>Services, Inc.</u>	DRI <u>Foundation</u>	DRI Research <u>Park</u>	TMCC <u>Foundation</u>	WNC <u>Foundation</u>	GBC <u>Foundation</u>
<b><u>ASSETS</u></b>								
<i>Current Assets</i>								
Cash and cash equivalents	\$ 38,189	\$ 1,483	\$ 4,829	\$ 344	\$ 1	\$ 1,853	\$ 771	\$ 1,665
Short-term investments	151,965	6,969	6,464	-	-	-	-	-
Other	9,336	418	11,132	26	-	2,621	34	264
<b>Total Current Assets</b>	<u>199,490</u>	<u>8,870</u>	<u>22,425</u>	<u>370</u>	<u>1</u>	<u>4,474</u>	<u>805</u>	<u>1,929</u>
<i>Noncurrent Assets</i>								
Restricted investments	-	-	-	-	-	-	2,199	-
Endowment investments	39,264	179	-	-	-	489	-	6,030
Capital assets, net	75	54	1,299	486	-	-	-	13
Other noncurrent assets	20,787	-	-	-	-	20	16	669
<b>Total Noncurrent Assets</b>	<u>60,126</u>	<u>233</u>	<u>1,299</u>	<u>486</u>	<u>-</u>	<u>509</u>	<u>2,215</u>	<u>6,712</u>
<b>TOTAL ASSETS</b>	<u>259,616</u>	<u>9,103</u>	<u>23,724</u>	<u>856</u>	<u>1</u>	<u>4,983</u>	<u>3,020</u>	<u>8,641</u>
<b><u>LIABILITIES</u></b>								
<i>Current Liabilities</i>								
Due to affiliates	6,396	1,227	7,809	-	-	-	-	20
Current portion of long-term debt	-	-	64	-	-	-	-	-
Other	35	222	7,223	-	3	4,107	-	-
<b>Total Current Liabilities</b>	<u>6,431</u>	<u>1,449</u>	<u>15,096</u>	<u>-</u>	<u>3</u>	<u>4,107</u>	<u>-</u>	<u>20</u>
<i>Noncurrent Liabilities</i>								
Long-term debt	-	-	199	-	-	-	-	-
Other noncurrent liabilities	2,091	-	-	-	114	-	-	-
<b>Total Noncurrent Liabilities</b>	<u>2,091</u>	<u>-</u>	<u>199</u>	<u>-</u>	<u>114</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>8,522</u>	<u>1,449</u>	<u>15,295</u>	<u>-</u>	<u>117</u>	<u>4,107</u>	<u>-</u>	<u>20</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>								
Endowment pledge donations, net	3,873	-	-	-	-	-	-	-
Deferred lease revenue	-	-	-	-	-	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>3,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>NET POSITION</u></b>								
Net investment in capital assets	75	54	1,036	486	-	-	-	13
Restricted - Nonexpendable	131,751	2,330	-	-	-	489	-	4,114
Restricted - Expendable	98,986	4,531	-	-	-	-	2,894	3,493
Unrestricted	16,409	739	7,393	370	(116)	387	126	1,001
<b>TOTAL NET POSITION</b>	<u>\$ 247,221</u>	<u>\$ 7,654</u>	<u>\$ 8,429</u>	<u>\$ 856</u>	<u>\$ (116)</u>	<u>\$ 876</u>	<u>\$ 3,020</u>	<u>\$ 8,621</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
NET POSITION AS OF JUNE 30, 2015 (continued)

	UNLV Foundation	UNLV Research Foundation	Rebel Golf Foundation	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Singapore Unlimited	CSN Foundation	NSC Foundation	Total System Related Organizations
<b><u>ASSETS</u></b>									
<i>Current Assets</i>									
Cash and cash equivalents	\$ 7,545	\$ 974	\$ 532	\$ 297	\$ 76	\$ 6,657	\$ 319	\$ 601	\$ 66,136
Short-term investments	49,207	1,989	5,180	2,041	1,042	-	3,457	311	228,625
Other	19,397	2	108	61	-	956	80	356	44,791
<b>Total Current Assets</b>	<b>76,149</b>	<b>2,965</b>	<b>5,820</b>	<b>2,399</b>	<b>1,118</b>	<b>7,613</b>	<b>3,856</b>	<b>1,268</b>	<b>339,552</b>
<i>Noncurrent Assets</i>									
Restricted investments	42,350	-	-	-	-	-	-	1,010	45,559
Endowment investments	148,378	-	-	-	107	-	2,409	-	196,856
Capital assets, net	467	4,503	-	142	-	-	-	-	7,039
Other noncurrent assets	53,380	916	-	121	-	-	69	963	76,941
<b>Total Noncurrent Assets</b>	<b>244,575</b>	<b>5,419</b>	<b>-</b>	<b>263</b>	<b>107</b>	<b>-</b>	<b>2,478</b>	<b>1,973</b>	<b>326,395</b>
<b>TOTAL ASSETS</b>	<b>320,724</b>	<b>8,384</b>	<b>5,820</b>	<b>2,662</b>	<b>1,225</b>	<b>7,613</b>	<b>6,334</b>	<b>3,241</b>	<b>665,947</b>
<b><u>LIABILITIES</u></b>									
<i>Current Liabilities</i>									
Due to affiliates	-	-	-	-	-	-	-	-	15,452
Current portion of long-term debt	-	-	-	-	-	-	-	-	64
Other	2,387	337	67	18	-	1,777	31	1	16,208
<b>Total Current Liabilities</b>	<b>2,387</b>	<b>337</b>	<b>67</b>	<b>18</b>	<b>-</b>	<b>1,777</b>	<b>31</b>	<b>1</b>	<b>31,724</b>
<i>Noncurrent Liabilities</i>									
Long-term debt	-	-	-	-	-	-	-	-	199
Other noncurrent liabilities	2,967	484	41	-	-	-	-	-	5,697
<b>Total Noncurrent Liabilities</b>	<b>2,967</b>	<b>484</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,896</b>
<b>TOTAL LIABILITIES</b>	<b>5,354</b>	<b>821</b>	<b>108</b>	<b>18</b>	<b>-</b>	<b>1,777</b>	<b>31</b>	<b>1</b>	<b>37,620</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>									
Endowment pledge donations, net	7,796	-	-	-	-	-	-	-	11,669
Deferred lease revenue	-	4,119	-	-	-	-	-	-	4,119
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,796</b>	<b>4,119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,788</b>
<b><u>NET POSITION</u></b>									
Net investment in capital assets	223	3,855	-	142	-	-	-	-	5,884
Restricted - Nonexpendable	149,236	-	-	-	47	-	2,440	1,028	291,435
Restricted - Expendable	153,094	-	-	14	60	-	2,681	2,008	267,761
Unrestricted	5,021	(411)	5,712	2,488	1,118	5,836	1,182	204	47,459
<b>TOTAL NET POSITION</b>	<b>\$ 307,574</b>	<b>\$ 3,444</b>	<b>\$ 5,712</b>	<b>\$ 2,644</b>	<b>\$ 1,225</b>	<b>\$ 5,836</b>	<b>\$ 6,303</b>	<b>\$ 3,240</b>	<b>\$ 612,539</b>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000s)  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>UNR Foundation</u>	<u>UNR AAUN</u>	<u>Integrated Clinical Services, Inc.</u>	<u>DRI Foundation</u>	<u>DRI Research Park</u>	<u>TMCC Foundation</u>	<u>WNC Foundation</u>	<u>GBC Foundation</u>
<b>Operating Revenues</b>								
Patient revenue	\$ -	\$ -	\$ 51,797	\$ -	\$ -	\$ -	\$ -	\$ -
Contract revenue	-	-	8,686	-	-	-	-	-
Contributions	29,437	111	-	1,580	-	1,821	478	695
Campus support	3,067	-	-	163	65	84	198	97
Other operating revenues	4,202	37	3,486	65	3	169	28	52
<b>Total operating revenues</b>	<u>36,706</u>	<u>148</u>	<u>63,969</u>	<u>1,808</u>	<u>68</u>	<u>2,074</u>	<u>704</u>	<u>844</u>
<b>Operating Expenses</b>								
Program expenses	(25,383)	(648)	(19,331)	-	-	-	(650)	(72)
Depreciation	-	-	(334)	-	-	-	-	-
Other operating expenses	(4,371)	(39)	(23,615)	(1,693)	(65)	(276)	(269)	(611)
<b>Total operating expenses</b>	<u>(29,754)</u>	<u>(687)</u>	<u>(43,280)</u>	<u>(1,693)</u>	<u>(65)</u>	<u>(276)</u>	<u>(919)</u>	<u>(683)</u>
<b>Operating income (loss)</b>	<u>6,952</u>	<u>(539)</u>	<u>20,689</u>	<u>115</u>	<u>3</u>	<u>1,798</u>	<u>(215)</u>	<u>161</u>
<b>Nonoperating Revenues (Expenses)</b>								
Payments to System campuses and divisions	-	-	(27,208)	-	-	(1,837)	-	-
Other nonoperating revenues (expenses)	3,932	299	198	-	-	8	49	313
<b>Total Nonoperating Revenues (Expenses)</b>	<u>3,932</u>	<u>299</u>	<u>(27,010)</u>	<u>-</u>	<u>-</u>	<u>(1,829)</u>	<u>49</u>	<u>313</u>
<b>Income (loss) before other revenue (expenses)</b>	<u>10,884</u>	<u>(240)</u>	<u>(6,321)</u>	<u>115</u>	<u>3</u>	<u>(31)</u>	<u>(166)</u>	<u>474</u>
<b>Other Revenues (Expenses)</b>								
Additions to permanent endowments	12,026	3	-	-	-	-	-	275
Other revenues	-	-	-	-	-	-	-	-
<b>Total Other Revenues (Expenses)</b>	<u>12,026</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275</u>
<b>Increase (Decrease) in Net Position</b>	<u>22,910</u>	<u>(237)</u>	<u>(6,321)</u>	<u>115</u>	<u>3</u>	<u>(31)</u>	<u>(166)</u>	<u>749</u>
<b>NET POSITION</b>								
Net position - beginning of year, as previously reported	224,311	7,891	14,750	741	(119)	907	3,186	7,539
Correction of an error, contributions receivable	-	-	-	-	-	-	-	333
Net position - beginning of year, as restated	<u>224,311</u>	<u>7,891</u>	<u>14,750</u>	<u>741</u>	<u>(119)</u>	<u>907</u>	<u>3,186</u>	<u>7,872</u>
Net position - end of year	<u>\$ 247,221</u>	<u>\$ 7,654</u>	<u>\$ 8,429</u>	<u>\$ 856</u>	<u>\$ (116)</u>	<u>\$ 876</u>	<u>\$ 3,020</u>	<u>\$ 8,621</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000s)  
FOR THE YEAR ENDED JUNE 30, 2015

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015 (continued)

	<u>UNLV Foundation</u>	<u>UNLV Research Foundation</u>	<u>Rebel Golf Foundation</u>	<u>UNLV Alumni Association</u>	<u>UNLV Rebel Football Foundation</u>	<u>UNLV Singapore Unlimited</u>	<u>CSN Foundation</u>	<u>NSC Foundation</u>	<u>Total System Related Organizations</u>
<b>Operating Revenues</b>									
Patient revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51,797
Contract revenue	-	-	-	-	-	-	-	-	8,686
Contributions	35,912	104	105	618	1	-	583	1,358	72,803
Campus support	3,210	-	-	-	-	-	-	-	6,884
Other operating revenues	950	18	88	381	112	3,673	93	5	13,362
<b>Total operating revenues</b>	<u>40,072</u>	<u>122</u>	<u>193</u>	<u>999</u>	<u>113</u>	<u>3,673</u>	<u>676</u>	<u>1,363</u>	<u>153,532</u>
<b>Operating Expenses</b>									
Program expenses	-	-	(409)	(667)	(85)	-	-	(609)	(47,854)
Depreciation	(51)	(126)	-	(44)	-	(110)	-	-	(665)
Other operating expenses	(6,346)	(426)	(65)	(431)	(8)	(3,120)	(873)	(255)	(42,463)
<b>Total operating expenses</b>	<u>(6,397)</u>	<u>(552)</u>	<u>(474)</u>	<u>(1,142)</u>	<u>(93)</u>	<u>(3,230)</u>	<u>(873)</u>	<u>(864)</u>	<u>(90,982)</u>
<b>Operating income (loss)</b>	<u>33,675</u>	<u>(430)</u>	<u>(281)</u>	<u>(143)</u>	<u>20</u>	<u>443</u>	<u>(197)</u>	<u>499</u>	<u>62,550</u>
<b>Nonoperating Revenues (Expenses)</b>									
Payments to System campuses and divisions	(22,234)	-	-	-	-	-	(599)	-	(51,878)
Other nonoperating revenues (expenses)	858	(50)	257	118	29	-	34	-	6,045
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(21,376)</u>	<u>(50)</u>	<u>257</u>	<u>118</u>	<u>29</u>	<u>-</u>	<u>(565)</u>	<u>-</u>	<u>(45,833)</u>
<b>Income (loss) before other revenue (expenses)</b>	<u>12,299</u>	<u>(480)</u>	<u>(24)</u>	<u>(25)</u>	<u>49</u>	<u>443</u>	<u>(762)</u>	<u>499</u>	<u>16,717</u>
<b>Other Revenues (Expenses)</b>									
Additions to permanent endowments	16,914	-	-	-	-	-	15	409	29,642
Other revenues	-	101	-	-	-	(434)	-	-	(333)
<b>Total Other Revenues (Expenses)</b>	<u>16,914</u>	<u>101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(434)</u>	<u>15</u>	<u>409</u>	<u>29,309</u>
<b>Increase (Decrease) in Net Position</b>	<u>29,213</u>	<u>(379)</u>	<u>(24)</u>	<u>(25)</u>	<u>49</u>	<u>9</u>	<u>(747)</u>	<u>908</u>	<u>46,026</u>
<b>NET POSITION</b>									
Net position - beginning of year, as previously reported	278,361	3,823	5,736	2,669	1,176	5,827	7,050	2,332	566,180
Correction of an error, contributions receivable	-	-	-	-	-	-	-	-	333
Net position - beginning of year, as restated	<u>278,361</u>	<u>3,823</u>	<u>5,736</u>	<u>2,669</u>	<u>1,176</u>	<u>5,827</u>	<u>7,050</u>	<u>2,332</u>	<u>566,513</u>
<b>Net position - end of year</b>	<u>\$ 307,574</u>	<u>\$ 3,444</u>	<u>\$ 5,712</u>	<u>\$ 2,644</u>	<u>\$ 1,225</u>	<u>\$ 5,836</u>	<u>\$ 6,303</u>	<u>\$ 3,240</u>	<u>\$ 612,539</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

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

UNR Foundation:

Cash and cash equivalents at June 30, 2015, consists of:

Cash	\$ 3,561
Money market funds	550
Commingled funds	33,828
Certificates of deposit	<u>250</u>
	<u>\$38,189</u>

The fair value of investments at June 30, 2015, are as follows:

Equity Investments	\$ 768
Commingled funds	164,005
Certificates of deposit	6,814
U.S. Government Securities	<u>19,642</u>
	<u>\$191,229</u>

At June 30, 2015, the Foundation investments had the following maturities:

	Fair Value	Investment Maturities (in Year)		
		Less than 1	1 – 5	6 – 10
Equity investments	\$ 768	\$ 768	\$ -	\$ -
Commingled funds	164,005	129,364	26,453	8,188
Certificates of deposit	6,814	2,598	4,216	-
U.S. Government securities	<u>19,642</u>	<u>19,234</u>	<u>408</u>	<u>-</u>
	<u>\$191,229</u>	<u>\$151,964</u>	<u>\$31,077</u>	<u>\$8,188</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 year or less in order to take advantage of higher yields.

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

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

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

---

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

#### *Investment Risk Factors*

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

#### *Concentration of Credit Risk*

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

#### *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. None of the investments held by the Foundation are rated by a nationally recognized statistical rating organization.

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

#### *Interest Rate Risk*

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

#### *Foreign Currency Risk*

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

#### *Custodial Credit Risk – Deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the Foundation's deposits exceed FDIC limits and as a result may not be 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, 2015, the Foundation's bank balances totaled \$37,910. Of this balance, \$619 was covered by depository insurance and/or collateralized and \$33,691 is held by State Street Government Securities and subject to their investment policies. The remaining \$3,599 was uninsured and uncollateralized and, as a result, was subject to custodial credit risk at June 30, 2015.

#### *Custodial Credit Risk – Investments*

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

#### *Commitments*

As of June 30, 2015, the Foundation has committed to acquire approximately \$14,200 in commingled funds.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2015

---

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

UNLV Foundation:

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

Investment income consists of the following at June 30 2015:

Interest and dividends	\$ 2,870
Realized gains, net	8,984
Unrealized (losses) gains, net	<u>(9,547)</u>
	<u>\$ 2,307</u>

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 \$857,999 for the year ended June 30, 2015, was netted against interest and dividends on the accompanying Statements of Support and Revenues, Expenses and Changes in Net Position. Investments are recorded on the date of the trade.

Investments include the following at June 30, 2015:

Mutual funds	\$ 27,717
Certificates of deposit	2,047
Equities	12,576
Collateralized securities	22,071
U.S. government obligations	28,506
U.S. corporate bonds	30,820
Alternative investments	108,115
Non-U.S. corporate bonds	<u>8,083</u>
Total marketable securities at fair value	<u>\$239,935</u>

As of June 30, 2015, the UNLV Foundation is committed to acquire approximately \$100 in additional alternative investments in future periods related to the UNLV Foundation's investment in Special Situation Partners.

#### *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, 2015, the total balance for the UNLV Foundations cash and money market funds was \$7,545. Of this balance, \$740 was covered by the Federal Deposit Insurance Corporation, and \$6,805 was uninsured.

#### *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, 2015 follow:

	<u>Total</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	Below Investment Grade
Collateralized securities	\$ 22,071	\$ 19,524	\$ 1,063	\$ 782	\$ 702	\$ -
U.S. corporate bonds	30,820	300	783	7,013	14,865	7,859
Non-U.S. corporate bonds	8,083	1,224	477	2,465	3,722	195

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 YEAR ENDED JUNE 30, 2015

---

### 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, 2015, was 7.33 years. The fixed-income portfolio's average maturity was 8.47 years. Interest rates range from 2.35% to 3.11%.

For investments in donor-restricted expendable funds, the UNLV Foundation uses the Barclays Aggregate Index average as the benchmark; maturity as of June 30, 2015, was 7.9 years. The fixed income-portfolio's average maturity was 7.8 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	\$ 24,568	\$ 3,149	\$ -	\$ -	\$ 27,717
Certificates of deposit	401	1,646	-	-	2,047
Collateralized securities	82	7,306	1,448	13,235	22,071
U.S. government obligations	21,995	3,350	-	3,161	28,506
U.S. corporate bonds	1,617	17,226	7,085	4,892	30,820
Non-U.S. corporate bonds	<u>544</u>	<u>4,703</u>	<u>1,431</u>	<u>1,405</u>	<u>8,083</u>
Investment in securities at fair value	<u>\$ 49,207</u>	<u>\$ 37,380</u>	<u>\$ 9,964</u>	<u>\$ 22,693</u>	<u>\$ 119,244</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.

(Remainder of this page left intentionally blank)

(This Page Intentionally Left Blank)

## REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
System's proportion of the net pension liability	2.81%	(Historical information prior to the implementation of GASB 67/68 is not required)								
System's proportionate share of the net pension liability	\$ 292,841									
System's covered-employee payroll	\$ 162,250									
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	180.49%									
PERS fiduciary net position as a percentage of the total pension liability	322.16%									

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

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**SCHEDULE OF SYSTEM CONTRIBUTIONS (in \$1,000's)**  
**Public Employees' Retirement System of Nevada**  
**Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 29,901	(Historical information prior to the implementation of GASB 67/68 is not required)								
Contributions in relation to the contractually required contribution	\$ (29,901)									
Contribution deficiency (excess)	<u>\$ -</u>									
System's covered-employee payroll	165,653									
Contributions as a percentage of covered-employee payroll	18.05%									

(This Page Intentionally Left Blank)

## SUPPLEMENTAL INFORMATION

**NEVADA SYSTEM OF HIGHER EDUCATION  
COMBINING SCHEDULE OF NET POSITION (in \$1,000's)  
AS OF JUNE 30, 2015**

	<u>UNR</u>	<u>System Admin</u>	<u>DRI</u>	<u>TMCC</u>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 5,777	\$ 97,486	\$ 6,291	\$ 7,528
Restricted cash and cash equivalents	-	-	138	-
Short-term investments	115,979	30,243	24,453	24,034
Accounts receivable, net	32,579	193	2,740	2,587
Receivable from U.S. Government	17,733	2,130	2,662	3,229
Receivable from State of Nevada	826	-	306	30
Current portion of loans receivable, net	1,382	103	-	47
Due from related institutions	15	2,066	-	-
Inventories	4,116	90	-	13
Deposits and prepaid expenditures, current	435	405	263	86
Other	1,143	-	-	-
<b>Total Current Assets</b>	<u>179,985</u>	<u>132,716</u>	<u>36,853</u>	<u>37,554</u>
<i>Noncurrent Assets</i>				
Cash held by State Treasurer	317	400	-	-
Restricted cash and cash equivalents	75,808	-	-	-
Endowment investments	129,806	11,637	30,239	11,666
Deposits and prepaid expenditures	23	-	-	-
Loans receivable, net	6,202	1,448	-	70
Capital assets, net	727,370	23,479	69,967	58,323
Pledges receivable	6,434	-	-	-
Other noncurrent assets	-	189	-	-
<b>Total Noncurrent Assets</b>	<u>945,960</u>	<u>37,153</u>	<u>100,206</u>	<u>70,059</u>
<b>TOTAL ASSETS</b>	<u>1,125,945</u>	<u>169,869</u>	<u>137,059</u>	<u>107,613</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related	10,780	1,230	931	2,042
Loss on bond refunding	5,399	-	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>16,179</u>	<u>1,230</u>	<u>931</u>	<u>2,042</u>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts payable	21,616	3,599	869	1,765
Accrued payroll and related liabilities	25,115	1,826	2,258	3,471
Unemployment insurance and workers compensation	1,844	34	92	210
Due to State of Nevada	928	-	-	-
Due to related institutions	1,568	3,438	129	200
Current portion of compensated absences	11,710	1,462	3,297	1,228
Current portion of long-term debt	10,879	-	754	207
Current portion of obligations under capital leases	84	-	586	-
Accrued interest payable	6,827	-	62	101
Unearned revenue	11,863	81	2,215	783
Funds held in trust for others	2,525	-	344	122
Other	21	-	-	-
<b>Total Current Liabilities</b>	<u>94,980</u>	<u>10,440</u>	<u>10,606</u>	<u>8,087</u>
<i>Noncurrent Liabilities</i>				
Refundable advances under federal loan programs	4,846	-	-	195
Compensated absences	7,700	318	653	368
Long-term debt	309,682	-	6,052	4,837
Obligations under capital leases	1,187	-	895	-
Due to State of Nevada	1,038	-	-	-
Unearned revenue	-	-	-	-
Net pension liability	102,670	9,783	10,678	17,176
Other noncurrent liabilities	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<u>427,123</u>	<u>10,101</u>	<u>18,278</u>	<u>22,576</u>
<b>TOTAL LIABILITIES</b>	<u>522,103</u>	<u>20,541</u>	<u>28,884</u>	<u>30,663</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related	29,243	2,845	2,771	4,907
Gain on bond refunding	130	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>29,373</u>	<u>2,845</u>	<u>2,771</u>	<u>4,907</u>
<b>NET POSITION</b>				
Net investment in capital assets	486,187	20,154	62,210	53,279
Restricted - Nonexpendable	38,873	7,283	20,783	5,436
Restricted - Expendable - Scholarships, research and instruction	75,395	6,205	13,631	5,213
Restricted - Expendable - Loans	5,378	1,531	-	42
Restricted - Expendable - Capital projects	32,688	355	541	11,921
Restricted - Expendable - Debt service	9,477	-	-	170
Unrestricted	(57,350)	112,185	9,170	(1,976)
<b>TOTAL NET POSITION</b>	<u>\$ 590,648</u>	<u>\$ 147,713</u>	<u>\$ 106,335</u>	<u>\$ 74,085</u>

<b>WNC</b>	<b>GBC</b>	<b>UNLV</b>	<b>CSN</b>	<b>NSC</b>	<b>Eliminations</b>	<b>TOTAL</b>
\$ 2,525	\$ 1,632	\$ 80,338	\$ 9,647	\$ 2,586	\$ -	\$ 213,810
-	-	-	-	-	-	138
5,999	6,298	284,654	49,143	9,208	-	550,011
1,108	741	3,739	5,418	4,792	-	53,897
219	738	12,015	1,486	233	-	40,445
53	99	1,108	35	17	-	2,474
5	12	359	-	-	-	1,908
-	-	3,348	-	75	(5,504)	-
-	-	2,107	410	-	-	6,736
-	-	5,200	1,074	135	-	7,598
-	66	-	-	-	-	1,209
<u>9,909</u>	<u>9,586</u>	<u>392,868</u>	<u>67,213</u>	<u>17,046</u>	<u>(5,504)</u>	<u>878,226</u>
-	-	2,410	-	-	-	3,127
-	-	56,733	3,320	-	-	135,861
250	239	53,180	5,813	-	-	242,830
-	-	-	58	-	-	81
1	-	3,074	-	-	-	10,795
31,750	38,067	799,762	201,864	68,021	-	2,018,603
-	-	-	-	-	-	6,434
-	-	-	-	-	-	189
<u>32,001</u>	<u>38,306</u>	<u>915,159</u>	<u>211,055</u>	<u>68,021</u>	<u>-</u>	<u>2,417,920</u>
<u>41,910</u>	<u>47,892</u>	<u>1,308,027</u>	<u>278,268</u>	<u>85,067</u>	<u>(5,504)</u>	<u>3,296,146</u>
901	773	8,620	4,256	368	-	29,901
-	-	5,308	-	-	-	10,707
<u>901</u>	<u>773</u>	<u>13,928</u>	<u>4,256</u>	<u>368</u>	<u>-</u>	<u>40,608</u>
353	225	20,771	3,561	4,870	-	57,629
963	1,110	29,675	9,289	1,577	-	75,284
93	190	1,481	489	66	-	4,499
-	-	1,957	-	-	-	2,885
81	79	9	-	-	(5,504)	-
564	407	10,729	2,530	736	-	32,663
-	150	13,094	953	-	-	26,037
-	-	125	-	2,433	-	3,228
-	3	4,131	13	-	-	11,137
-	300	19,657	4,987	1,093	-	40,979
183	38	3,238	434	24	-	6,908
-	-	-	52	-	-	73
<u>2,237</u>	<u>2,502</u>	<u>104,867</u>	<u>22,308</u>	<u>10,799</u>	<u>(5,504)</u>	<u>261,322</u>
-	-	3,164	-	-	-	8,205
141	234	6,136	1,469	434	-	17,453
-	872	200,676	7,194	-	-	529,313
-	-	-	-	40,966	-	43,048
-	-	2,196	-	-	-	3,234
-	-	1,401	-	-	-	1,401
8,137	6,870	91,668	42,133	3,726	-	292,841
-	-	729	-	-	-	729
<u>8,278</u>	<u>7,976</u>	<u>305,970</u>	<u>50,796</u>	<u>45,126</u>	<u>-</u>	<u>896,224</u>
<u>10,515</u>	<u>10,478</u>	<u>410,837</u>	<u>73,104</u>	<u>55,925</u>	<u>(5,504)</u>	<u>1,157,546</u>
2,210	1,918	26,726	12,331	1,201	-	84,152
-	-	-	-	-	-	130
<u>2,210</u>	<u>1,918</u>	<u>26,726</u>	<u>12,331</u>	<u>1,201</u>	<u>-</u>	<u>84,282</u>
31,750	37,044	591,174	201,864	24,246	-	1,507,908
250	239	12,045	2,442	-	-	87,351
222	488	45,127	7,186	1,104	-	154,571
-	34	1,203	-	-	-	8,188
-	432	48,033	3,320	4,413	-	101,703
-	(3)	11,107	-	960	-	21,711
<u>(2,136)</u>	<u>(1,965)</u>	<u>175,703</u>	<u>(17,723)</u>	<u>(2,414)</u>	<u>-</u>	<u>213,494</u>
<u>\$ 30,086</u>	<u>\$ 36,269</u>	<u>\$ 884,392</u>	<u>\$ 197,089</u>	<u>\$ 28,309</u>	<u>\$ -</u>	<u>\$ 2,094,926</u>

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in \$1,000's)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>UNR</u>	<u>System Admin</u>	<u>DRI</u>	<u>TMCC</u>
<b>Operating Revenues</b>				
Student tuition and fees (net of scholarship allowance of \$133,481)	\$ 117,904	\$ -	\$ -	\$ 15,542
Federal grants and contracts	84,771	1,522	16,615	6,814
State grants and contracts	15,101	438	1,588	974
Local grants and contracts	24,915	-	355	-
Other grants and contracts	12,213	76	1,702	674
Campus support	-	-	-	-
Sales and services of educational departments (including \$27,208 from System Related Organizations)	59,325	2,979	-	938
Sales and services of auxiliary enterprises (net of scholarship allowance of \$5,219)	34,950	-	-	1,208
Interest earned on loans receivable	164	-	-	3
Other operating revenues	3,729	9,423	13,856	303
<b>Total Operating Revenues</b>	<u>353,072</u>	<u>14,438</u>	<u>34,116</u>	<u>26,456</u>
<b>Operating Expenses</b>				
Employee compensation and benefits	(358,213)	(16,941)	(30,748)	(47,521)
Utilities	(11,752)	(1,804)	(953)	(991)
Supplies and services	(139,380)	(22,449)	(8,443)	(10,084)
Scholarships and fellowships	(11,456)	(799)	-	(8,875)
Depreciation	(31,510)	(4,202)	(5,109)	(3,099)
Other operating expenses	-	-	-	-
<b>Total Operating Expenses</b>	<u>(552,311)</u>	<u>(46,195)</u>	<u>(45,253)</u>	<u>(70,570)</u>
<b>Operating Income (Loss)</b>	<u>(199,239)</u>	<u>(31,757)</u>	<u>(11,137)</u>	<u>(44,114)</u>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	145,853	23,160	7,603	29,950
Transfers to/from System Administration	3,317	(17,395)	959	1,055
Gifts (including \$41,169 from System Related Organizations)	27,446	-	709	299
Investment income, net	1,012	(15)	183	125
Gain (loss) on disposal of capital assets	(38)	(78)	(105)	(86)
Interest expense	(13,861)	(50)	(509)	(148)
Other nonoperating revenues (expenses)	7,420	-	-	(122)
Federal grants and contracts	19,521	-	-	11,285
<b>Total Nonoperating Revenues (Expenses)</b>	<u>190,670</u>	<u>5,622</u>	<u>8,840</u>	<u>42,358</u>
<b>Income (Loss) Before Other Revenue (Expenses)</b>	<u>(8,569)</u>	<u>(26,135)</u>	<u>(2,297)</u>	<u>(1,756)</u>
<b>Other Revenues (Expenses)</b>				
State appropriations (returns) restricted for capital purposes	41	-	-	-
Capital grants and gifts (including \$5,274 from System Related Organizations)	26,770	-	702	833
Additions to permanent endowments (including \$211 from System Related Organizations)	254	84	24	161
<b>Total Other Revenues (Expenses)</b>	<u>27,065</u>	<u>84</u>	<u>726</u>	<u>994</u>
<b>Increase (Decrease) in Net Position</b>	<u>18,496</u>	<u>(26,051)</u>	<u>(1,571)</u>	<u>(762)</u>
<b>NET POSITION</b>				
<b>Net position - beginning of year, as previously reported</b>	691,329	185,035	120,201	94,584
<b>Change in Accounting Principle, GASB 68 adjustments</b>	<u>(119,177)</u>	<u>(11,271)</u>	<u>(12,295)</u>	<u>(19,737)</u>
<b>Net position - beginning of year, as restated</b>	572,152	173,764	107,906	74,847
<b>Net position - end of year</b>	<u>\$ 590,648</u>	<u>\$ 147,713</u>	<u>\$ 106,335</u>	<u>\$ 74,085</u>

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>TOTAL</u>
\$ 3,636	\$ 4,895	\$ 175,760	\$ 44,516	\$ 8,633	\$ -	\$ 370,886
2,406	2,264	44,382	5,123	1,130	(8,428)	156,599
753	197	13,474	2,352	485	(87)	35,275
244	-	570	-	10	-	26,094
-	612	2,315	-	77	-	17,669
10	-	-	-	-	-	10
111	444	25,175	1,795	24	-	90,791
1,002	591	56,260	1,996	95	-	96,102
-	-	91	-	-	-	258
490	251	7,775	690	176	-	36,693
<u>8,652</u>	<u>9,254</u>	<u>325,802</u>	<u>56,472</u>	<u>10,630</u>	<u>(8,515)</u>	<u>830,377</u>
(18,245)	(17,141)	(352,443)	(115,048)	(18,751)	-	(975,051)
(542)	(737)	(13,409)	(3,464)	(429)	-	(34,081)
(6,783)	(3,699)	(109,780)	(43,201)	(7,417)	8,515	(342,721)
(4,356)	(2,534)	(26,805)	(32,597)	(2,593)	-	(90,015)
(1,350)	(1,845)	(35,338)	(11,444)	(1,013)	-	(94,910)
(113)	-	-	-	-	-	(113)
<u>(31,389)</u>	<u>(25,956)</u>	<u>(537,775)</u>	<u>(205,754)</u>	<u>(30,203)</u>	<u>8,515</u>	<u>(1,536,891)</u>
<u>(22,737)</u>	<u>(16,702)</u>	<u>(211,973)</u>	<u>(149,282)</u>	<u>(19,573)</u>	<u>-</u>	<u>(706,514)</u>
13,446	12,507	155,477	86,454	12,478	-	486,928
748	422	7,340	1,799	1,755	-	-
580	590	21,658	493	254	-	52,029
77	41	1,666	190	7	-	3,286
(5)	-	(970)	(46)	-	-	(1,328)
-	(17)	(7,342)	(67)	(2,433)	-	(24,427)
(4)	(912)	(66)	-	-	-	6,316
6,357	2,492	36,073	49,242	5,211	-	130,181
<u>21,199</u>	<u>15,123</u>	<u>213,836</u>	<u>138,065</u>	<u>17,272</u>	<u>-</u>	<u>652,985</u>
<u>(1,538)</u>	<u>(1,579)</u>	<u>1,863</u>	<u>(11,217)</u>	<u>(2,301)</u>	<u>-</u>	<u>(53,529)</u>
-	-	-	-	-	-	41
-	-	57,400	86	355	-	86,146
-	-	-	26	-	-	549
<u>-</u>	<u>-</u>	<u>57,400</u>	<u>112</u>	<u>355</u>	<u>-</u>	<u>86,736</u>
<u>(1,538)</u>	<u>(1,579)</u>	<u>59,263</u>	<u>(11,105)</u>	<u>(1,946)</u>	<u>-</u>	<u>33,207</u>
40,894	45,739	932,327	257,192	34,715	-	2,402,016
<u>(9,270)</u>	<u>(7,891)</u>	<u>(107,198)</u>	<u>(48,998)</u>	<u>(4,460)</u>	<u>-</u>	<u>(340,297)</u>
31,624	37,848	825,129	208,194	30,255	-	2,061,719
<u>\$ 30,086</u>	<u>\$ 36,269</u>	<u>\$ 884,392</u>	<u>\$ 197,089</u>	<u>\$ 28,309</u>	<u>\$ -</u>	<u>\$2,094,926</u>