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# Nevada System of Higher Education Financial Statements



**June 30, 2016**

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

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

Nevada State College  
Truckee Meadows Community College  
System Administration

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**Nevada System of Higher Education**  
**Financial Statements and Report of Independent Certified**  
**Public Accountants**  
**As of and for the Year Ended June 30, 2016**

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## Report of Independent Certified Public Accountants

Board of Regents  
Nevada System of Higher Education

### Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Nevada System of Higher Education (the "System") as of and for the year ended June 30, 2016, 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 Desert Research Institute Foundation, Desert Research Institute Research Parks LTD, Truckee Meadows Community College Foundation, Western Nevada College Foundation, University of Nevada, Las Vegas Research Foundation, Rebel Golf Foundation, University of Nevada, Las Vegas Alumni Association, College of Southern Nevada Foundation and the Nevada State College Foundation, which statements collectively reflect total assets constituting 5.9% of the aggregate discretely presented component units total assets as of June 30, 2016 and total operating revenues of 10.0% of the aggregate discretely presented component units total operating revenues for the year then ended as described in note 23 "System Related Organizations.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Truckee Meadows Community College Foundation, Western Nevada College Foundation, University of Nevada, Las Vegas Research Foundation, Rebel Golf Foundation, University of Nevada, Las Vegas Alumni Association, College of Southern Nevada Foundation and the Nevada State College Foundation were not audited in accordance with *Government Auditing Standards* for the year ended June 30, 2016.

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, 2016, 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 5 through 14, the schedule of proportionate share of the net pension liability on page 52 and the schedule of system contributions on page 53 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, the combining schedule of revenues, expenses and changes in net position and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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.



**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 1, 2016, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

*Grant Thornton LLP*

Reno, Nevada  
November 1, 2016

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# Nevada System of Higher Education

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Unaudited

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nevada System of Higher Education's (the System) annual financial information presents management's discussion and analysis of the financial standing as of June 30, 2016. 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, 2016 with comparative information as of June 30, 2015.

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 (UNR)  
Desert Research Institute (DRI)  
Truckee Meadows Community College (TMCC)  
Western Nevada College (WNC)  
Great Basin College (GBC)  
University of Nevada, Las Vegas (UNLV)  
College of Southern Nevada (CSN)  
Nevada State College (NSC)

This annual financial report and statements include the above institutions of the System as well as certain other organizations, also called component units, that have a significant relationship with the institutions. These component units are related tax exempt organizations primarily founded to foster and promote the growth, progress, and general welfare of the institutions. They exist to solicit, receive and administer gifts and donations for the institutions or, in the case of the Integrated Clinical Services, Inc., 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 Rebel Soccer Foundation  
University of Nevada, Las Vegas Singapore Unlimited  
College of Southern Nevada Foundation  
Nevada State College Foundation

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

#### **SYSTEM FINANCIAL HIGHLIGHTS FROM 2015 TO 2016 (in \$1,000's)**

- Total net position increased 1.1% from \$2,094,926 to \$2,117,472;
- Capital assets increased 5.9% from \$2,018,603 to \$2,137,601;
- Operating revenues increased 6.7% from \$830,377 to \$885,699;
- Nonoperating revenues increased 5.6% from \$652,985 to \$689,407; and
- Operating expenses increased 5.3% from \$1,536,891 to \$1,618,617.

#### **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 2016, information included in this management's discussion and analysis may not be directly comparable to prior years due to the implementation of the Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. With the implementation of GASB 72, all information necessary to restate the 2015 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 72 is a financial reporting standard that addresses issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## **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, 2016, with a comparison made to June 30, 2015. 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).

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

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Assets				
Current Assets	\$ 863,712	\$ 878,226	\$(14,514)	(2)%
Capital Assets	2,137,601	2,018,603	118,998	6 %
Other Assets	<u>398,426</u>	<u>399,317</u>	<u>(891)</u>	0 %
Total Assets	<u>3,399,739</u>	<u>3,296,146</u>	<u>103,593</u>	3 %
Deferred Outflows of Resources	<u>50,459</u>	<u>40,608</u>	<u>9,851</u>	24 %
Liabilities				
Current Liabilities	259,879	261,322	(1,443)	(1)%
Noncurrent Liabilities	<u>1,014,142</u>	<u>896,224</u>	<u>117,918</u>	13 %
Total Liabilities	<u>1,274,021</u>	<u>1,157,546</u>	<u>116,475</u>	10 %
Deferred Inflows of Resources	<u>58,705</u>	<u>84,282</u>	<u>(25,577)</u>	(30)%
Net Position				
Net investment in capital assets	1,567,163	1,507,908	59,255	4 %
Restricted, nonexpendable	85,853	87,351	(1,498)	(2)%
Restricted, expendable	256,681	286,173	(29,492)	(10)%
Unrestricted	<u>207,775</u>	<u>213,494</u>	<u>(5,719)</u>	(3)%
Total Net Position	<u>\$2,117,472</u>	<u>\$2,094,926</u>	<u>\$ 22,546</u>	1 %

**Assets**

Total assets of the System are currently showing an increase of \$103.6 million, or 3%. The increase that occurred in capital 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.

**Liabilities**

Total liabilities for the year increased by \$116.5 million; a \$1.5 million decrease in current liabilities and \$118.0 million increase in non-current liabilities. The decrease in current liabilities was primarily due to a decrease in accrued payroll and related liabilities and funds held in trust for others. The increase in non-current liabilities was primarily driven by an increase in long-term debt and net pension liability.

**Deferred Outflows/Inflows of Resources**

Deferred outflows of resources, a future consumption of net position, increased \$9.9 million. This increase relates to an increase in pension related deferred outflows of resources being presented. Similarly, deferred inflows of resources, a future acquisition of net position, decreased \$25.6 million.

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## 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 \$59.3 million increase reflects the System's expenditures for development and renewal of its capital assets, offset by depreciation expense on capital assets and increased debt associated with capital assets.

### Restricted, Nonexpendable/Expendable

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

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

### Unrestricted Net Position

Unrestricted net position decreased by \$5.7 million in 2016. 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.

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

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Assets				
Current Assets	\$350,292	\$339,552	\$10,740	3 %
Capital Assets	6,320	7,039	(719)	(10)%
Other Assets	<u>332,354</u>	<u>319,356</u>	<u>12,998</u>	4 %
Total Assets	<u>688,966</u>	<u>665,947</u>	<u>23,019</u>	3 %
Liabilities				
Current Liabilities	31,754	31,724	30	0 %
Noncurrent Liabilities	<u>3,159</u>	<u>5,896</u>	<u>(2,737)</u>	(46)%
Total Liabilities	<u>34,913</u>	<u>37,620</u>	<u>(2,707)</u>	(7)%
Deferred Inflows of Resources	<u>15,100</u>	<u>15,788</u>	<u>(688)</u>	(4)%
Net Position				
Net investment in capital assets	5,392	5,884	(492)	(8)%
Restricted, nonexpendable	296,141	291,435	4,706	2 %
Restricted, expendable	298,158	267,761	30,397	11 %
Unrestricted	<u>39,262</u>	<u>47,459</u>	<u>(8,197)</u>	(17)%
Total Net Position	<u>\$638,953</u>	<u>\$612,539</u>	<u>\$ 26,414</u>	4 %

The seventeen campus, athletic foundations and medical practice plans, 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 other current assets offset by decreased unearned revenue and other current liabilities.

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

Changes in total net position as presented on the Combined 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.

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The Combined Statement of Revenues, Expenses, and Changes in Net Position indicates the change in net position at the end of the year increased by approximately \$22.5 million as discussed below.

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

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
<b>Operating Revenues</b>				
Student tuition and fees, net	\$ 394,682	\$ 370,886	\$ 23,796	6 %
Grants and contracts, Federal	165,696	161,866	3,830	2 %
Grants and contracts, other	101,947	83,305	18,642	22 %
Sales and services	192,164	186,893	5,271	3 %
Other	<u>31,210</u>	<u>27,427</u>	<u>3,783</u>	14 %
Total Operating Revenues	<u>885,699</u>	<u>830,377</u>	<u>55,322</u>	7 %
<b>Operating Expenses</b>				
Employee comp/benefits	(1,036,212)	(975,051)	(61,161)	6 %
Utilities	(32,042)	(34,081)	2,039	(6)%
Supplies and services	(363,800)	(342,721)	(21,079)	6 %
Scholarships and fellowships	(87,596)	(90,015)	2,419	(3)%
Other	(298)	(113)	(185)	164 %
Depreciation	<u>(98,669)</u>	<u>(94,910)</u>	<u>(3,759)</u>	4 %
Total Operating Expenses	<u>(1,618,617)</u>	<u>(1,536,891)</u>	<u>(81,726)</u>	5 %
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	539,968	486,928	53,040	11 %
Federal grants	123,160	130,181	(7,021)	(5)%
Gifts	52,591	52,029	562	1 %
Investment income (loss), net	(2,582)	3,286	(5,868)	(179)%
Disposal of capital assets	(4,323)	(1,328)	(2,995)	226 %
Interest expense	(24,520)	(24,427)	(93)	0 %
Other nonoperating revenues	<u>5,113</u>	<u>6,316</u>	<u>(1,203)</u>	(19)%
Total Nonoperating Revenues	<u>689,407</u>	<u>652,985</u>	<u>36,422</u>	6 %
Other Revenues	<u>66,057</u>	<u>86,736</u>	<u>(20,679)</u>	(24)%
<b>Net Position</b>				
Increase in Net Position	<u>22,546</u>	<u>33,207</u>	<u>(10,661)</u>	(32)%
Net position, beginning of year, as previously reported	2,094,926	2,402,016	(307,090)	(13)%
Change in accounting principle, GASB 68 adjustments	<u>-</u>	<u>(340,297)</u>	<u>340,297</u>	(100)%
Net position, beginning of year, as restated	<u>2,094,926</u>	<u>2,061,719</u>	<u>33,207</u>	2 %
Net position, end of year	<u>\$ 2,117,472</u>	<u>\$ 2,094,926</u>	<u>\$ 22,546</u>	1 %

Operating revenues increased by \$55.3 million (7%) and operating expenses increased by \$81.7 million (5%), resulting in an increase in the operating loss of \$26.4 million (4%).

Operating Revenue - Student Tuition and Fees increased 6% to \$394.7 million primarily as a result of increased enrollment. Federal grants and contracts experienced a increase of 2% to \$165.7 million while State, local and other grants and contracts increased 22% to \$101.9 million.

The increase in operating expenses was driven by an increase in Employee Compensation and Benefits. This increase primarily relates to a cost of living adjustment for all System employees.

Unaudited

Nonoperating net revenues increased by \$36.4 million. This was led by significant increases in State appropriations of \$53.0 million, offset by decreases in federal grants for financial aid of \$7.0 million, investment loss of \$5.9 million and loss on disposal of capital assets of \$3.0 million.

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

Component entities' ending net position increased from 2015 to 2016, as shown in the following schedule.

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating Revenues				
Patient revenue	\$ 52,135	\$ 51,797	\$ 338	1 %
Contract revenue	9,815	8,686	1,129	13 %
Contributions	90,768	72,803	17,965	25 %
Campus support	7,542	6,884	658	10 %
Other	<u>9,155</u>	<u>13,362</u>	<u>(4,207)</u>	<u>(31)%</u>
Total Operating Revenues	<u>169,415</u>	<u>153,532</u>	<u>15,883</u>	<u>10 %</u>
Operating Expenses				
Program expenses	(62,714)	(47,854)	(14,860)	31 %
Other operating expenses	(40,764)	(42,463)	1,699	(4)%
Depreciation	<u>(486)</u>	<u>(665)</u>	<u>179</u>	<u>(27)%</u>
Total Operating Expenses	<u>(103,964)</u>	<u>(90,982)</u>	<u>(12,982)</u>	<u>14 %</u>
Nonoperating Revenues (Expenses)				
Investment income, net	6,431	7,531	(1,100)	(15)%
Payments to the System	(57,285)	(51,878)	(5,407)	10 %
Other nonoperating revenues (expenses)	<u>582</u>	<u>(1,486)</u>	<u>2,068</u>	<u>(139)%</u>
Total Nonoperating Revenues (Expenses)	<u>(50,272)</u>	<u>(45,833)</u>	<u>(4,439)</u>	<u>10 %</u>
Other Revenues (Expenses)	<u>11,235</u>	<u>29,309</u>	<u>(18,074)</u>	<u>(62)%</u>
Net Position				
Increase (Decrease) in Net Position	<u>26,414</u>	<u>46,026</u>	<u>(19,612)</u>	<u>(43)%</u>
Net position, beginning of year, as previously reported	612,539	566,180	46,359	8 %
Change in accounting principle, Contributions receivable	<u>-</u>	<u>333</u>	<u>(333)</u>	<u>(100)%</u>
Net position, beginning of year, as restated	<u>612,539</u>	<u>566,513</u>	<u>46,026</u>	<u>8 %</u>
Net position, end of year	<u>\$ 638,953</u>	<u>\$612,539</u>	<u>\$26,414</u>	<u>4 %</u>

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

Net cash flows decreased slightly when compared to 2015 as discussed further below. Cash flows from operating activities decreased due to payments to employees for compensation and benefits and payments to suppliers, offset by increased revenues from tuition and fees and grants and contracts. Net operating cash flows (amount of cash from operating activities) increased 6%.

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	Unaudited			
	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating activities	\$(640,430)	\$(606,630)	\$(33,800)	6 %
Noncapital financing	717,362	684,710	32,652	5 %
Capital financing activities	(116,534)	(53,170)	(63,364)	119 %
Investing activities	<u>16,546</u>	<u>44,181</u>	<u>(27,635)</u>	(63)%
Net increase (decrease) in cash	(23,056)	69,091	(92,147)	
Cash – beginning of year	<u>352,936</u>	<u>283,845</u>	<u>69,091</u>	
Cash – end of year	<u>\$ 329,880</u>	<u>\$ 352,936</u>	<u>\$(23,056)</u>	

Cash flows from noncapital financing activities increased \$32.7 million. This increase was primarily related to the increase in cash received from State appropriations. Cash flows from capital financing activities decreased \$63.4 million, due to increases in proceeds from capital debt offset by increases in purchases of capital assets and principal payments. Cash flows from investing activities decreased by \$27.6 million as a result of investment activity.

## CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2016, the System had invested \$2,137.6 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 \$119.0 million over June 30, 2015.

During fiscal year 2016, the System issued \$171.2 million of long-term bonds and obligations to finance projects at UNR and UNLV and to refinance existing obligations for interest savings. As of June 30, 2016, the coverage on the University Revenue Bonds (pledged revenues to maximum annual debt service) was 6.18 times, above minimum required coverage of 1.50. For statutory purposes, the coverage was 1.61 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. The System issued a total of \$80.8 million (maximum) of notes payable during fiscal year 2016.

## FUTURE FINANCIAL EFFECTS

In recent years the demand for higher education services in Nevada has generally increased, with the Universities showing continued growth and the Colleges reporting flat enrollments. In fiscal year 2016, the System realized a net gain of student full time equivalent (FTE) enrollment of 2.5% or 1,695 FTE students system-wide compared to fiscal year 2015. Student FTE enrollments increased at both of the State's two universities and two community colleges and decreased slightly at the remaining two community colleges. The State College had flat enrollments. These trends are generally consistent with those seen in other public higher education institutions nationally, and the System anticipates enrollments system-wide in fiscal year 2017 will exceed enrollments in fiscal year 2016 with roughly the same trends.

The Legislatively approved System operating budget includes state appropriations and authorized expenditures (State Supported Operating Budget). The Operating Budget totals \$881.3

million for fiscal year 2017. This compares to the fiscal year 2016 Operating Budget of \$840.9 million and represents a 4.8% increase. General fund revenues of \$570.1 million in fiscal year 2017 will exceed general fund revenues of \$543.9 million in fiscal year 2016 by \$27.1 million or by 5% 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, and a 2% cost of living adjustment. The fiscal year 2017 general fund appropriation includes \$14.4 million for System employee cost of living adjustments appropriated to the State Board of Examiners. The System expects to draw all of the general funds appropriated without reductions or offsets.

Other authorized revenue sources, consisting mainly of student fee revenues, total \$310.3 million in fiscal year 2017, approximately \$13.3 million more than in fiscal year 2016, due mostly to an increase in enrollments and student registration fees. Student fees remain a consistent 35% of the State Supported Operating Budget, and are expected to do so for the foreseeable future.

Student enrollment system-wide is anticipated to exceed projected and budgeted enrollment in fiscal year 2017, as it did in 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. As before, it is expected that these funds will be expended in direct support of the increased student enrollments through instruction and related support services.

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain information provided by the System, including statements written in this discussion and analysis or made orally by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Other than statements of historical facts, all statements that address activities, events or developments that the System expects or anticipates will or may occur in the future contain forward-looking information.

In reviewing such information it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The System does not update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions, or changes in other factors affecting such forward-looking information.

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NEVADA SYSTEM OF HIGHER EDUCATION  
 COMBINED STATEMENTS OF NET POSITION (in \$1,000's)  
 AS OF JUNE 30, 2016

<u>ASSETS</u>	<u>System</u>	<u>System Related</u>
<b><i>Current Assets</i></b>		
Cash and cash equivalents	\$ 195,873	\$ 53,379
Restricted cash and cash equivalents	136	2,484
Short-term investments	547,672	234,312
Accounts receivable, net	57,014	1,074
Receivable from U.S. Government	38,961	-
Receivable from State of Nevada	5,839	-
Pledges receivable, net	293	31,409
Patient accounts receivable, net	-	10,662
Current portion of loans receivable, net	1,841	21
Inventories	6,743	519
Deposits and prepaid expenditures, current	9,286	417
Other current assets	54	16,015
<b>Total Current Assets</b>	<u>863,712</u>	<u>350,292</u>
<b><i>Noncurrent Assets</i></b>		
Cash held by State Treasurer	8,664	-
Restricted cash and cash equivalents	125,207	-
Receivable from State of Nevada	24,362	-
Restricted investments	-	63,979
Endowment investments	225,436	188,227
Deposits and prepaid expenditures	387	-
Loans receivable, net	8,809	30
Capital assets, net	2,137,601	6,320
Pledges receivable, net	5,406	57,303
Other noncurrent assets	155	22,815
<b>Total Noncurrent Assets</b>	<u>2,536,027</u>	<u>338,674</u>
<b>TOTAL ASSETS</b>	<u>3,399,739</u>	<u>688,966</u>
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Pension related	35,756	-
Loss on bond refunding	14,703	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 50,459</u>	<u>\$ -</u>

NEVADA SYSTEM OF HIGHER EDUCATION  
 COMBINED STATEMENTS OF NET POSITION (in \$1,000's) (CONTINUED)  
 AS OF JUNE 30, 2016

<u>LIABILITIES</u>	<u>System</u>	<u>System Related</u>
<b><i>Current Liabilities</i></b>		
Accounts payable	\$ 56,732	\$ 5,684
Accrued payroll and related liabilities	78,226	1,717
Unemployment insurance and workers compensation	5,163	-
Due to State of Nevada	3,484	-
Current portion of compensated absences	33,283	-
Current portion of long-term debt	22,393	63
Current portion of obligations under capital leases	3,583	-
Accrued interest payable	11,205	2
Unearned revenue	40,950	4,758
Funds held in trust for others	4,840	20
Due to affiliates	-	14,807
Other current liabilities	20	4,703
<b>Total Current Liabilities</b>	<u>259,879</u>	<u>31,754</u>
<b><i>Noncurrent Liabilities</i></b>		
Refundable advances under federal loan programs	8,256	-
Compensated absences	16,522	212
Unearned revenue	1,150	1,852
Long-term debt	614,129	136
Obligations under capital leases	48,358	-
Net pension liability	324,708	-
Other noncurrent liabilities	1,019	959
<b>Total Noncurrent Liabilities</b>	<u>1,014,142</u>	<u>3,159</u>
<b>TOTAL LIABILITIES</b>	<u>1,274,021</u>	<u>34,913</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Pension related	58,290	-
Gain on bond refunding	415	-
Endowment pledge donations, net	-	11,023
Deferred lease revenue	-	4,077
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>58,705</u>	<u>15,100</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	1,567,163	5,392
Restricted - Nonexpendable	85,853	296,141
Restricted - Expendable - Scholarships, research and instruction	148,910	287,371
Restricted - Expendable - Loans	6,172	-
Restricted - Expendable - Capital projects	80,397	138
Restricted - Expendable - Debt service	21,202	-
Restricted - Expendable - Other	-	10,649
Unrestricted	207,775	39,262
<b>TOTAL NET POSITION</b>	<u>\$2,117,472</u>	<u>\$ 638,953</u>

**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, 2016**

	<u>System</u>	<u>System Related</u>
<b>Operating Revenues</b>		
Student tuition and fees (net of scholarship allowance of \$138,976)	\$ 394,682	\$ 1,133
Federal grants and contracts	165,696	-
State grants and contracts	47,001	-
Local grants and contracts	29,681	-
Other grants and contracts	25,265	-
Campus support	8	7,542
Sales and services of educational departments (including \$25,875 from System Related Organizations)	93,098	-
Sales and services of auxiliary enterprises (net of scholarship allowance of \$5,614)	99,066	-
Contributions	-	90,768
Patient revenue	-	52,135
Contract revenue	-	9,815
Special events and fundraising	-	3,511
Interest earned on loans receivable	217	-
Other operating revenues	30,985	4,511
<b>Total Operating Revenues</b>	<u>885,699</u>	<u>169,415</u>
<b>Operating Expenses</b>		
Employee compensation and benefits	(1,036,212)	(28,719)
Utilities	(32,042)	-
Supplies and services	(363,800)	(6,636)
Scholarships and fellowships	(87,596)	-
Program expenses, System Related Organizations	-	(62,714)
Depreciation	(98,669)	(486)
Other operating expenses	(298)	(5,409)
<b>Total Operating Expenses</b>	<u>(1,618,617)</u>	<u>(103,964)</u>
<b>Operating Income (Loss)</b>	<u>(732,918)</u>	<u>65,451</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	539,968	-
Gifts (including \$47,819 from System Related Organizations)	52,591	-
Investment income (loss), net	(2,582)	6,431
Gain/(Loss) on disposal of capital assets	(4,323)	186
Interest expense	(24,520)	(41)
Payments to System campuses and divisions	-	(57,285)
Other nonoperating revenues	5,113	437
Federal grants and contracts	123,160	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>689,407</u>	<u>(50,272)</u>
<b>Income (Loss) Before Other Revenue (Expenses)</b>	<u>(43,511)</u>	<u>15,179</u>
<b>Other Revenues</b>		
State appropriations restricted for capital purposes	39,061	-
Capital grants and gifts (including \$21,695 from System Related Organizations)	26,673	-
Additions to permanent endowments (including \$100 from System Related Organizations)	323	11,244
Other Foundation expenses	-	(9)
<b>Total Other Revenues</b>	<u>66,057</u>	<u>11,235</u>
<b>Increase in Net Position</b>	<u>22,546</u>	<u>26,414</u>
<b>NET POSITION</b>		
<b>Net position - beginning of year</b>	<u>2,094,926</u>	<u>612,539</u>
<b>Net position - end of year</b>	<u>\$ 2,117,472</u>	<u>\$ 638,953</u>

**NEVADA SYSTEM OF HIGHER EDUCATION  
 COMBINED STATEMENT OF CASH FLOWS (in \$1000's)  
 FOR THE YEAR ENDED JUNE 30, 2016**

<b><i>Cash flows from operating activities</i></b>	
Tuition and fees	\$ 396,828
Grants and contracts	273,284
Payments to suppliers	(373,842)
Payments for utilities	(32,556)
Payments for compensation and benefits	(1,032,466)
Payments for scholarships and fellowships	(87,596)
Loans issued to students and employees	(5,783)
Collection of loans to students and employees	6,086
Sales and services of auxiliary enterprises	113,621
Sales and services of educational departments	72,376
Other receipts	29,618
<b><i>Cash flows from operating activities</i></b>	<b><u>(640,430)</u></b>
<b><i>Cash flows from noncapital financing activities</i></b>	
State appropriations	539,810
Gifts and grants for other than capital purposes	50,250
Gift for endowment purposes	942
Receipts under federal student loan programs	176,213
Disbursements under federal student loan programs	(177,123)
Other	6,394
Agency transactions	(2,083)
Federal grants and contracts	122,959
<b><i>Cash flows from noncapital financing activities</i></b>	<b><u>717,362</u></b>
<b><i>Cash flows from capital and related financing activities</i></b>	
Proceeds from capital debt	253,371
Other	109
Payments for debt issuance costs	(1,270)
Capital appropriations	13,856
Capital grants and gifts received	23,183
Purchases of capital assets	(215,771)
Proceeds from sale of property and equipment	645
Principal paid on capital debt and leases, including defeasance	(165,764)
Interest paid on capital debt and leases	(24,891)
Deposits for the acquisition of property and equipment	(2)
<b><i>Cash flows from capital and related financing activities</i></b>	<b><u>(116,534)</u></b>
<b><i>Cash flows from investing activities</i></b>	
Proceeds from sales and maturities of investments	141,638
Purchase of investments	(144,376)
Interest and dividends received on investments	16,506
Net decrease in cash equivalents, noncurrent investments	2,778
<b><i>Cash flows from investing activities</i></b>	<b><u>16,546</u></b>
<b><i>Net decrease in cash</i></b>	<b>(23,056)</b>
<b><i>Cash and cash equivalents, beginning of year</i></b>	<b>352,936</b>
<b><i>Cash and cash equivalents, end of year</i></b>	<b><u>\$ 329,880</u></b>

**NEVADA SYSTEM OF HIGHER EDUCATION  
 COMBINED STATEMENT OF CASH FLOWS (in \$1000's) (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2016**

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

Operating loss	\$ (732,918)
Adjustments to reconcile operating loss to cash used in operating activities:	
Supplies expense related to noncash gifts	1,017
Depreciation and amortization expense	98,669
Change in pension related deferred outflows of resources	(5,855)
Change in pension related deferred inflows of resources	(25,862)
Changes in assets and liabilities:	
Accounts receivable, net	(7,324)
Receivable from U.S. Government	4,592
Receivable from State of Nevada	(1,943)
Loans receivable, net	522
Inventories	(7)
Deposits and prepaid expenditures	(1,982)
Accounts payable	(4,618)
Accrued payroll and related liabilities	2,943
Unemployment and workers' compensation insurance liability	664
Unearned revenue	(204)
Refundable advances under federal loan program	51
Compensated absences	(310)
Net pension liability	31,867
Other	268
Cash flows from operating activities	<u>\$ (640,430)</u>

**Supplemental noncash activities information**

Loss on disposal of capital assets	<u>\$ 2,723</u>
Capital assets acquired by gifts	<u>\$ 2,971</u>
Capital assets acquired by incurring capital lease obligations and accounts payable	<u>\$ 32,611</u>
Unrealized gain (loss) on investments	<u>\$ (19,688)</u>
Debt forgiven on capital and non-capital leases	<u>\$ 945</u>
Capital assets transferred from other campuses	<u>\$ 261</u>
WICHE Student loans receivables moved to state included in state appropriation	<u>\$ 1,531</u>



# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 1 – Organization:

The financial statements represent the combined financial statements of the various divisions and campuses of the Nevada System of Higher Education (the System or NSHE) which include:

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

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

The System Related Organizations include campus foundations which are related tax-exempt organizations founded to foster and promote the growth, progress, and general welfare of the System, and are reported in separate columns to emphasize that they are Nevada not-for-profit organizations legally separate from the System. During the year ended June 30, 2016, the foundations distributed \$57,285 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, 2016, ICS distributed \$25,981 to the System for restricted purposes for salaries and Dean's support. 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*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*.

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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### 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, 2016 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 \$4,274 was capitalized during the year ended June 30, 2016. Depreciation is computed on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Year</u>
Buildings and improvements	40
Land improvements	10 to 15
Machinery and equipment	3 to 18
Library books	5
Leasehold improvements	shorter of useful life or lease term
Intangible assets	10

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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

Collections are capitalized at 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.

### 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 Statement 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 Statement 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. The System has pension related and loss on bond refunding balances of \$35,756 and \$14,703, respectively, that qualify for reporting in this category. Pension related deferred outflows of resources are discussed in depth in Note 17. 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 Statement 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. The System has pension related and gain on bond refunding balances of \$58,290 and \$415, respectively, while the System Related Organizations have endowment pledge donations, net, and unearned lease revenue of \$11,023 and 4,077, respectively, that qualify for reporting in this category. Pension related deferred inflows of resources are discussed in depth in Note 17. A gain on bond refunding results from the difference in the reacquisition price and the carrying value of refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Endowment pledge donations, net, consist of future commitments to donate funds to support an endowment. Unearned lease revenue represents lease revenue that will be recognized in future periods.

### NET POSITION

Net position is classified as follows:

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

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

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

### FAIR VALUE

The System follows the provisions of the fair value measurement standard which defines the fair value of assets, establishes a framework for measuring the fair value of assets, and outlines the required disclosures related to fair market measurements. The standard defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

The standard established a fair value hierarchy for disclosure that classifies inputs for valuation techniques into three levels as follow:

*Level 1* – Observable inputs are readily available quoted prices (unadjusted) for *identical* assets or liabilities in active markets that a government can access at the measurement date. In the table below, the System’s Level 1 assets consist of cash and cash equivalents, bonds, mutual funds and commingled funds with observable market prices. The System does not adjust quoted prices for these investments.

*Level 2* – Inputs for the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

*Level 3* – Inputs are unobservable inputs for an asset or liability in which there is little or no market data. Assets in this category generally include investments where independent pricing information was not obtainable for a significant portion of the underlying assets.

Net Asset Value (“NAV”) – The amount of net assets attributable to each share of capital stock or partnership interest (other than senior equity securities, that is, preferred stock) outstanding at the close of the period.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

### OPERATING AND NONOPERATING REVENUES AND EXPENSES

#### SYSTEM

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

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

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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

#### *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, 2016 were \$9,658.

#### **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 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 System has implemented this pronouncement, which impacted the investment disclosures for fiscal year 2016.

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.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* (GASB 80), which improves financial reporting by clarifying the financial statement requirements for certain component units. The Statement amends the blending requirements for the financial statement presentation of component units of all statement and local governments. GASB 80 is effective for fiscal years beginning after June 15, 2016. The anticipated impact of this pronouncement is uncertain at this time.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* which addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68* (GASB 82). Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 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, 2016, the System's deposits in money market funds totaled \$206,200, and cash in bank was \$8,848. 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 – Disclosures About Fair Value of Financial Instruments:

The System's investment holding as of June 30, 2016 categorized in accordance with the fair value hierarchy, are summarized in the following table:

#### Investments at Fair Value

The System's investment holdings as of June 30, 2016 categorized in accordance with the fair value hierarchy are summarized in the following table:

	Level 1 fair value	Level 2 fair value	Level 3 fair value	NAV	Total
Bonds	\$145,678	\$ -	\$ -	\$133,652	\$279,330
Cash and cash equivalents	196,139	-	-	-	196,139
Domestic equity	192,281	-	-	30,795	223,076
Emerging market equity	18,212	-	-	-	18,212
Global ex US equity	143,152	-	-	-	143,152
Marketable alternatives	-	-	-	36,048	36,048
Opportunistic	27,874	-	-	-	27,874
Private equity/venture capital	-	-	-	24,103	24,103
Real assets	12,541	-	-	4,579	17,120
Charitable trusts	4,063	-	-	-	4,063
	<u>\$739,940</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$229,177</u>	<u>\$969,117</u>

Disclosure of investments valued at NAV:

Assets included in the net asset value column in the above table represent assets held in the System's endowment pool and are classified as either private partnerships or marketable alternatives. Investment strategies within these classifications can be broken down into three major investment categories:

- *Private Equity/Venture Capital* – Strategies consist of private equity, private venture capital and private natural resources. Assets in this category are either illiquid or have significant redemption restrictions. Unfunded commitments of \$23,112 to private equity/venture capital funds are outstanding as of June 30, 2016.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

### NOTE 4 – Disclosures About Fair Value of Financial Instruments (continued):

- *Marketable Alternatives* – Assets in the marketable alternative category have a broad mandate and/or incorporate hedging strategies and have significant redemptions restrictions. NSHE fully redeemed the marketable alternative funds shown in the NAV column above in 2012. The remaining account balances represent holdback amounts to be paid out after final audit of the accounts.
- *Real Assets* – The System’s holding in the real assets valued at NAV consists of one fund which primarily invests in securities of publicly traded C-corporations, Master Limited Partnerships and certain private placement transactions.
- *Bonds* – The System’s bond holdings valued at NAV consist of private and commingled funds with core fixed and short duration strategies.
- *Domestic Equity* – The System’s holdings valued at NAV within the domestic equity category consists of one commingled fund with a broad mandate which seeks to outperform the S&P 500 index.

The table below summarizes redemption restrictions for investments valued at NAV:

#### SUMMARY OF REDEMPTION RESTRICTIONS FOR INVESTMENTS VALUED AT NAV

	<b>Redemption Frequency</b>	<b>Days’ Notice (if applicable)</b>	<b>Remaining Life for Partnership</b>
Marketable Alternatives	Annually	90	N/A
Private equity/venture capital	Illiquid	N/A	7 to 12 years
Domestic Equity	Quarterly	90	N/A
Bonds	Daily	Same Day	N/A
Real Assets	Monthly	30	N/A

### NOTE 5 – 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.

Investments are stated at fair value. The historical cost and market value (fair value) of System investments at June 30, 2016 is as follows:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds publicly traded	\$458,971	\$527,735
Partnerships	67,758	95,524
Endowment cash and cash equivalents	130	130
Trusts	3,285	4,063
Private commingled funds	<u>148,052</u>	<u>145,656</u>
	<u>\$678,196</u>	<u>\$773,108</u>

As of June 30, 2016, 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 \$23,112 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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 5 – System Investments (continued):

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, 2016 is as follows:

	<u>Fair Value</u>	<u>Not Rated</u>
Mutual funds publicly traded	\$527,735	\$527,735
Partnerships	95,524	95,524
Endowment cash and cash equivalents	130	130
Trusts	4,063	4,063
Private commingled funds	<u>145,656</u>	<u>145,656</u>
	<u>\$773,108</u>	<u>\$773,108</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, 2016 is as follows:

Less than 1 year	\$206,331
1 to 5 year	135,424
5 to 10 year	<u>159,292</u>
	<u>\$501,047</u>

#### *Custodial credit risk*

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

#### *Concentration of credit risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investments within any one issuer. For the fixed income portion of the endowment pool, the System's policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the fixed income portfolio, provided that issues of the U.S. Government or agencies of the U.S. Government may be held without limitation and provided further that issues of agencies of the U.S. Government shall be limited to the extent set forth in the manager-specific guidelines. The System does not have a specific policy with regard to the operating pool or the remainder of the endowment pool. At June 30, 2016, 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 \$176,008 in mutual funds and commingled funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2016.



# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 6 – System Endowment Pool:

At June 30, 2016, \$221,372 of endowment fund investments were pooled on a unit market value basis. As of June 30, 2016, the endowment pool was comprised of investments in mutual funds (49%), partnerships (41%), 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, 2016 was \$687.55. 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, 2016, 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 2016, \$26.77 was distributed to each time-weighted eligible unit for a total spending rule distribution of \$10,658. The 2016 distributions were made from investment income of \$3,844 and from cumulative gains of pooled investments of \$6,814.

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 \$145,202 at June 30, 2016, 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, 2016, there were no accounts underwater.

### NOTE 7 – System Accounts Receivable:

System accounts receivable consist primarily of amounts due from students for tuition and fees and from local and private sources for grant and contract agreements. System accounts receivable are presented on the accompanying Statement of Net Position net of allowances for uncollectible amounts of \$40,070 as of June 30, 2016.

Accounts receivable:	
Student tuition and fees	\$51,250
Sales and services	11,692
Local and private grants and contracts	27,141
Other	<u>7,001</u>
	97,084
Less: Allowance for doubtful accounts	<u>(40,070)</u>
Net accounts receivable	<u>\$57,014</u>

### NOTE 8 – System Loans Receivable:

Loans receivable from students bear interest primarily between 3% and 15% per annum and are generally repayable in installments to the various campuses over a five to ten year period commencing nine months from the date of separation from the institution. Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable at June 30, 2016. 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, 2016 are as follows:

Loans receivable	\$12,299
Less: Allowance for doubtful loans	<u>(1,649)</u>
Net loans receivable	10,650
Less current portion	<u>(1,841)</u>
Noncurrent loans receivable	<u>\$ 8,809</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

### NOTE 9 – System Capital Assets:

System capital asset activity for the year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 172,724	\$136,385	\$(169,374)	\$ 139,735
Land	100,201	51,029	-	151,230
Land improvements	1,835	-	-	1,835
Collections	<u>11,346</u>	<u>191</u>	<u>(35)</u>	<u>11,502</u>
Total capital assets not being depreciated	<u>286,106</u>	<u>187,605</u>	<u>(169,409)</u>	<u>304,302</u>
Capital assets being depreciated:				
Buildings	2,393,388	159,837	(1,686)	2,551,539
Land improvements	131,568	9,575	-	141,143
Machinery and equipment	355,790	30,035	(21,375)	364,450
Intangibles	43,944	1,371	(2,356)	42,959
Library books and media	<u>120,476</u>	<u>2,173</u>	<u>(1,845)</u>	<u>120,804</u>
Total	<u>3,045,166</u>	<u>202,991</u>	<u>(27,262)</u>	<u>3,220,895</u>
Less accumulated depreciation for:				
Buildings	(816,316)	(61,580)	191	(877,705)
Land improvements	(95,308)	(5,130)	-	(100,438)
Machinery and equipment	(263,047)	(25,070)	19,365	(268,752)
Intangibles	(23,457)	(4,352)	2,356	(25,453)
Library books and media	<u>(114,541)</u>	<u>(2,537)</u>	<u>1,830</u>	<u>(115,248)</u>
Total accumulated depreciation	<u>(1,312,669)</u>	<u>(98,669)</u>	<u>23,742</u>	<u>(1,387,596)</u>
Total capital assets being depreciated, net	<u>1,732,497</u>	<u>104,322</u>	<u>(3,520)</u>	<u>1,833,299</u>
Capital assets, net	<u>\$2,018,603</u>	<u>\$291,927</u>	<u>\$(172,929)</u>	<u>\$2,137,601</u>

UNLV realized a loss on disposal of assets of \$3,598. This represents planning funds of \$2,079 expended for a building that is no longer being considered for construction and demolition costs of \$1,519 on a piece of property to be developed by a private developer.

### NOTE 10 – System Long-Term Debt:

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

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

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NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEAR ENDED JUNE 30, 2016

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

System long-term debt activity for the year ended June 30, 2016 is as follows:

	Annual Interest Rate	Fiscal Year Final Payment Date	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Current
Universities Revenue Bonds, Series 2005A	3.00% to 5.00%	2016	\$ 31,010	\$ 830	-	\$ (830)	\$ -	\$ -
Universities Revenue Bonds, Series 2005B	3.25% to 5.00%	2030	170,360	24,980	-	(24,980)	-	-
Universities Revenue Bonds, Series 2008A	3.00% to 5.00%	2039	60,135	53,400	-	(47,855)	5,545	1,300
Universities Revenue Bonds, Series 2009A	2.00% to 5.25%	2039	18,140	15,245	-	(11,835)	3,410	640
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	2,040	-	(655)	1,385	680
Universities Revenue Bonds, Series 2011A	3.00% to 5.00%	2025	50,470	37,170	-	(4,290)	32,880	5,745
Universities Revenue Bonds, Series 2012A	2.00% to 5.00%	2033	27,375	27,375	-	(1,410)	25,965	-
Universities Revenue Bonds, Series 2012B	2.00% to 2.75%	2023	5,010	3,905	-	(565)	3,340	580
Universities Revenue Bonds, Series 2013A	2.00% to 5.00%	2033	40,035	37,410	-	(2,345)	35,065	1,650
Universities Revenue Bonds, Series 2013B	3.00% to 5.00%	2035	105,300	105,300	-	-	105,300	960
Universities Revenue Bonds, Series 2014A	4.00% to 5.00%	2044	49,995	49,995	-	(825)	49,170	1,275
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	-
Universities Revenue Bonds, Series 2016A	3.125% to 5.00%	2039	57,750	-	57,750	-	57,750	-
Certificates of Participation, Series 2006A	4.00% to 5.00%	2026	11,015	1,985	-	(1,295)	690	-
Certificates of Participation, Series 2014A	2.00% to 5.00%	2045	34,220	34,220	-	(795)	33,425	670
Certificates of Participation, Series 2016A	2.00% to 5.00%	2047	63,095	-	63,095	-	63,095	-
Certificates of Participation, Series 2016B	1.65% to 4.72%	2047	50,405	-	50,405	-	50,405	-
SNSC Phase II Lease Revenue Bonds	7.58%	2023	8,460	4,930	-	(470)	4,460	505
Discounts			(32)			31	(1)	(1)
Premiums				35,737	9,183	(3,693)	41,227	2,945
Total Bonds Payable				532,285	180,433	(101,812)	610,906	16,949
Notes Payable				23,065	63,396	(60,845)	25,616	5,444
Total				\$555,350	\$243,829	\$(162,657)	\$636,522	\$22,393

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
 FOR THE YEAR ENDED JUNE 30, 2016

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

System notes payable activity is as follows:

	Interest Rate	Date Issued	Final Payment Date	Original Amount	Outstanding Balance
Bank of America, UNR Medical Practice Mgmt System	1.74%	08/07/13	06/01/17	\$ 6,250	\$ 1,603
Bank of America, CSN Promissory Note	1.88%	01/03/13	06/01/23	10,000	7,194
JP Morgan Chase, UNR Achievement Center	Variable*	02/26/14	07/01/19	Maximum 2,700	2,700
JP Morgan Chase, UNR Fitness Center	Variable**	08/14/14	01/01/20	Maximum 16,000	100
Wells Fargo Bank, UNR MEB Refunding	1.80%	04/21/16	01/02/26	7,570	7,570
Wells Fargo Bank, UNR Scoreboard	2.01%	05/05/16	03/01/21	3,305	3,305
Other notes payable	1.60% - 6.30%	Various	Various	Various	3,144
					<u>\$25,616</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.

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**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEAR ENDED JUNE 30, 2016**

**NOTE 10 – 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>
2017	\$ 22,393	\$ 24,449	\$ 46,842
2018	27,863	24,358	52,221
2019	29,770	23,366	53,136
2020	30,211	22,240	52,451
2021	29,744	21,088	50,832
2022-2026	140,306	87,874	228,180
2027-2031	125,357	60,229	185,586
2032-2036	124,679	34,462	159,141
2037-2041	60,860	15,660	76,520
2042-2046	39,715	4,573	44,288
2047-2051	<u>5,624</u>	<u>47</u>	<u>5,671</u>
Total	<u>\$636,522</u>	<u>\$318,346</u>	<u>\$954,868</u>

**NOTE 11 – System Obligations Under Capital Leases:**

The System has entered into various non-cancellable lease agreements of land, buildings and improvements, and machinery and equipment expiring at various dates from fiscal year 2017 to 2056.

System obligations under capital leases were as follows for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current</u>
Capital lease obligations	<u>\$46,276</u>	<u>\$7,360</u>	<u>\$(1,695)</u>	<u>\$51,941</u>	<u>\$3,583</u>

The following System property included in the accompanying combined financial statements was leased under capital leases as of June 30, 2016:

Buildings and improvements	\$47,425
Machinery and equipment	<u>5,455</u>
Total	52,880
Less accumulated depreciation	<u>(3,526)</u>
Total	<u>\$49,354</u>

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# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 11 – System Obligations Under Capital Leases (continued):

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

2017	\$ 3,583
2018	3,580
2019	3,580
2020	3,580
2021	3,574
2022-2026	17,581
2027-2031	17,037
2032-2036	16,900
2037-2041	16,900
2042-2046	<u>6,766</u>
Total minimum lease payments	93,081
Less amount representing interest	<u>(41,140)</u>
Obligations under capital leases	<u>\$51,941</u>

Total interest expense under the System capital leases and included in the accompanying combined financial statements was \$2,497 during the year ended June 30, 2016. Depreciation of the capital lease assets is included in depreciation expense of the Statement of Revenues, Expenses and Changes in Net Position. Included in the capital lease obligations is a building lease for NSC with the State of Nevada.

### NOTE 12 – Operating Leases:

The System has entered into various noncancellable operating lease agreements covering certain buildings and equipment. The lease terms range from one to ten years. The expense for operating leases was \$6,362 for year ended June 30, 2016.

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

2017	\$ 5,851
2018	4,111
2019	3,003
2020	1,673
2021	1,790
2022-2026	<u>3,632</u>
Total future minimum obligation	<u>\$20,060</u>

### NOTE 13 – Unemployment Insurance and Workers Compensation:

The System is self-insured for unemployment insurance and workers compensation. These risks are subject to various claim and aggregate limits, with excess 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, 2016 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Unemployment insurance	\$1,596	\$1,510	\$ (943)	\$2,163
Workers compensation	<u>2,903</u>	<u>3,000</u>	<u>(2,903)</u>	<u>3,000</u>
Total	<u>\$4,499</u>	<u>\$4,510</u>	<u>\$(3,846)</u>	<u>\$5,163</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

### NOTE 14 – System Other Noncurrent Liability Activity:

The activity with respect to System other noncurrent liabilities for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current</u>
Refundable advances under federal loans program	\$ 8,205	\$ 762	\$ (711)	\$ 8,256	\$ -
Compensated absences	50,116	32,665	(32,976)	49,805	33,283
Unearned revenue	42,380	41,792	(42,072)	42,100	40,950
Other noncurrent liabilities	729	669	(379)	1,019	-
Total	<u>\$101,430</u>	<u>\$ 75,888</u>	<u>\$(76,138)</u>	<u>\$101,180</u>	<u>\$74,233</u>

### NOTE 15 – Extinguishment of Debt:

In prior years, the System defeased outstanding bonds and obligations by placing the proceeds of new bonds into an irrevocable escrow account to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the System's financial statements. At June 30, 2016, \$60,220 of bonds outstanding is considered defeased.

In prior years, the System refinanced or defeased existing bonds for net cash flow savings or economic gain (present value of cash flow savings). For 2016, refinancing activities produced cash flow savings and economic gain of \$12,469 and \$9,520, respectively.

### NOTE 16 – 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, 2016 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, 2016.

### NOTE 17 – System Pension Plans:

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

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

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

The System's contribution to all retirement plans for the year ended June 30, 2016 was approximately \$101,014, 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.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

### NOTE 17 – System Pension Plans (continued):

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, allows 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.

#### *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, 2016, 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, 2016, the System reported a liability of \$324,708 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The System's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2015. The System's proportionate share is approximately 2.83%.

For the year ended June 30, 2016, the System recognized pension expense of \$33,266. At June 30, 2016, 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	\$ -	\$24,423
Net difference between projected and actual earnings on investments	-	17,588
Changes in proportion and differences between actual contributions and proportionate share of contributions	2,632	16,279
System contributions subsequent to the measurement date	<u>33,124</u>	-
	<u>\$35,756</u>	<u>\$58,290</u>



# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

### NOTE 17 – System Pension Plans (continued):

In 2016, \$33,124 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred inflows of resources will be recognized in pension expense as follows for the years ended June 30:

2017	\$17,294
2018	17,294
2019	17,294
2020	(3,249)
2021	5,348
2022	1,677
Thereafter	-
	<u>\$55,658</u>

### Actuarial Assumptions

The PERS net pension liability was measured as of June 30, 2015, 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, 2015 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, 2015 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, 2015:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return*
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, 2015, 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, 2015. 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, 2015, 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, 2015.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

### NOTE 17 – System Pension Plans (continued):

#### *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	\$494,790	\$324,708	\$183,273

#### *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.

### NOTE 18 – 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 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, 2016 was approximately \$12,178, equal to the required contribution for the year.

### NOTE 19 – System Commitments and Contingent Liabilities:

The System is a defendant or co-defendant in legal actions. Based on present knowledge and advice of legal counsel, System management believes any ultimate liability in these matters, in excess of insurance coverage, will not materially adversely affect the System's net financial position, changes in net position or cash flows of the System.

The System 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, 2016.

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, 2016 is \$122,494. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

The Board of Regents, at its March 4, 2016 meeting, approved the issuance of a Promissory Note in an amount up to \$5,000. The authorized note is expected to be issued in calendar year 2017.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 20 – Risk Management:

The System is an entity created by the Constitution of the State of Nevada. The System transfers its tort liabilities to the Tort Claims Fund of the State 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.

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 21 – Subsequent Events:

The Board of Regents, at its September 9, 2016 meeting, approved a resolution authorizing the issuance of up to \$14,800 of universities revenue bonds. The System issued the bonds in October 2016.

### NOTE 22– 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, 2016.

Instruction	\$ 574,121
Research	113,307
Public service	60,401
Academic support	149,450
Institutional support	175,920
Student services	142,799
Operation and maintenance of plant	123,610
Scholarships and fellowships	91,220
Auxiliary enterprises	89,120
Depreciation	98,669
Total	<u>\$1,618,617</u>

### NOTE 23 – System Related Organizations:

As described in Note 1, the System Related Organizations columns in the financial statements include the financial data of the System's discretely presented campus foundations 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:

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 23 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
NET POSITION AS OF JUNE 30, 2016

	UNR		UNR		Integrated		DRI		TMCC		WNC		GBC	
	Foundation	AAUN	UNR	AAUN	Clinical Services, Inc.	DRI Foundation	Research Park	Foundation	Foundation	Foundation	Foundation	Foundation	Foundation	Foundation
<b>ASSETS</b>														
<i>Current Assets</i>														
Cash and cash equivalents	\$ 25,908	\$ 232	\$ 4,577	\$ 403	\$ 1	\$ 3,822	\$ 653	\$ 1,436						
Short-term investments	174,866	6,606	3,191	-	-	-	-	271						
Other current assets	22,996	871	12,453	17	-	1,168	15	358						
<b>Total Current Assets</b>	<b>223,770</b>	<b>7,709</b>	<b>20,221</b>	<b>420</b>	<b>1</b>	<b>4,990</b>	<b>668</b>	<b>2,065</b>						
<i>Noncurrent Assets</i>														
Restricted investments	-	-	-	-	-	397	2,245	5,901						
Endowment investments	28,953	-	-	-	-	-	-	-						
Capital assets, net	55	52	806	486	-	-	-	-						
Other noncurrent assets	17,801	-	-	-	-	10	3	451						
<b>Total Noncurrent Assets</b>	<b>46,809</b>	<b>52</b>	<b>806</b>	<b>486</b>	<b>-</b>	<b>407</b>	<b>2,248</b>	<b>6,352</b>						
<b>TOTAL ASSETS</b>	<b>270,579</b>	<b>7,761</b>	<b>21,027</b>	<b>906</b>	<b>1</b>	<b>5,397</b>	<b>2,916</b>	<b>8,417</b>						
<b>LIABILITIES</b>														
<i>Current Liabilities</i>														
Due to affiliates	2,838	550	11,283	-	-	-	-	8						
Current portion of long-term debt	-	-	63	-	-	-	-	-						
Other current liabilities	2,520	5	6,749	2	3	4,663	-	30						
<b>Total Current Liabilities</b>	<b>5,358</b>	<b>555</b>	<b>18,095</b>	<b>2</b>	<b>3</b>	<b>4,663</b>	<b>-</b>	<b>38</b>						
<i>Noncurrent Liabilities</i>														
Long-term debt	-	-	136	-	-	-	-	-						
Other noncurrent liabilities	1,953	-	-	-	111	-	-	-						
<b>Total Noncurrent Liabilities</b>	<b>1,953</b>	<b>-</b>	<b>136</b>	<b>-</b>	<b>111</b>	<b>-</b>	<b>-</b>	<b>-</b>						
<b>TOTAL LIABILITIES</b>	<b>7,311</b>	<b>555</b>	<b>18,231</b>	<b>2</b>	<b>114</b>	<b>4,663</b>	<b>-</b>	<b>38</b>						
<b>DEFERRED INFLOWS OF RESOURCES</b>														
Endowment pledge donations, net	6,968	-	-	-	-	-	-	-						
Deferred lease revenue	-	-	-	-	-	-	-	-						
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>6,968</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>						
<b>NET POSITION</b>														
Net investment in capital assets	55	52	608	486	-	-	-	-						
Restricted - Nonexpendable	136,259	2,330	-	-	-	399	-	4,227						
Restricted - Expendable	105,397	4,038	-	-	-	-	2,853	3,147						
Unrestricted	14,589	786	2,188	418	(113)	335	63	1,005						
<b>TOTAL NET POSITION</b>	<b>\$ 256,300</b>	<b>\$ 7,206</b>	<b>\$ 2,796</b>	<b>\$ 904</b>	<b>\$ (113)</b>	<b>\$ 734</b>	<b>\$ 2,916</b>	<b>\$ 8,379</b>						

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 23 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
NET POSITION AS OF JUNE 30, 2016 (continued)

	UNLV Foundation	UNLV Research Foundation	UNLV Rebel Golf Foundation	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Soccer Foundation	UNLV Singapore Unlimited	CSN Foundation	NSC Foundation	Total System Related Organizations
<b>ASSETS</b>										
<i>Current Assets</i>										
Cash and cash equivalents	\$ 10,255	\$ 209	\$ 471	\$ 340	\$ 18	\$ 131	\$ 6,274	\$ 313	\$ 820	\$ 55,863
Short-term investments	36,009	2,042	4,813	1,897	1,023	-	-	2,960	634	234,312
Other current assets	19,885	921	122	74	-	-	57	90	1,090	60,117
<b>Total Current Assets</b>	<b>66,149</b>	<b>3,172</b>	<b>5,406</b>	<b>2,311</b>	<b>1,041</b>	<b>131</b>	<b>6,331</b>	<b>3,363</b>	<b>2,544</b>	<b>350,292</b>
<i>Noncurrent Assets</i>										
Restricted investments	54,398	-	-	-	-	-	-	-	1,038	63,979
Endowment investments	156,556	-	-	-	105	-	-	2,613	-	188,227
Capital assets, net	445	4,377	-	99	-	-	-	-	-	6,320
Other noncurrent assets	55,700	-	-	146	-	-	-	39	5,998	80,148
<b>Total Noncurrent Assets</b>	<b>267,099</b>	<b>4,377</b>	<b>-</b>	<b>245</b>	<b>105</b>	<b>-</b>	<b>-</b>	<b>2,652</b>	<b>7,036</b>	<b>338,674</b>
<b>TOTAL ASSETS</b>	<b>333,248</b>	<b>7,549</b>	<b>5,406</b>	<b>2,556</b>	<b>1,146</b>	<b>131</b>	<b>6,331</b>	<b>6,015</b>	<b>9,580</b>	<b>688,966</b>
<b>LIABILITIES</b>										
<i>Current Liabilities</i>										
Due to affiliates	106	-	-	-	-	-	-	22	-	14,807
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	63
Other current liabilities	2,464	299	49	2	-	-	21	60	17	16,884
<b>Total Current Liabilities</b>	<b>2,570</b>	<b>299</b>	<b>49</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>82</b>	<b>17</b>	<b>31,754</b>
<i>Noncurrent Liabilities</i>										
Long-term debt	-	-	-	-	-	-	-	-	-	136
Other noncurrent liabilities	622	323	14	-	-	-	-	-	-	3,023
<b>Total Noncurrent Liabilities</b>	<b>622</b>	<b>323</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,159</b>
<b>TOTAL LIABILITIES</b>	<b>3,192</b>	<b>622</b>	<b>63</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>82</b>	<b>17</b>	<b>34,913</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Endowment pledge donations, net	4,055	-	-	-	-	-	-	-	-	11,023
Deferred lease revenue	-	4,077	-	-	-	-	-	-	-	4,077
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,055</b>	<b>4,077</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,100</b>
<b>NET POSITION</b>										
Net investment in capital assets	201	3,891	-	99	-	-	-	-	-	5,392
Restricted - Nonexpendable	149,190	-	-	-	47	-	-	2,643	1,046	296,141
Restricted - Expendable	172,358	-	-	21	58	-	-	2,120	8,166	298,158
Unrestricted	4,252	(1,041)	5,343	2,434	1,041	131	6,310	1,170	351	39,262
<b>TOTAL NET POSITION</b>	<b>\$ 326,001</b>	<b>\$ 2,850</b>	<b>\$ 5,343</b>	<b>\$ 2,554</b>	<b>\$ 1,146</b>	<b>\$ 131</b>	<b>\$ 6,310</b>	<b>\$ 5,933</b>	<b>\$ 9,563</b>	<b>\$ 638,953</b>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000s)  
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 23 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	UNR Foundation	UNR AAUN	Integrated Clinical Services, Inc.	DRI		TMCC Foundation	WNC Foundation	GBC Foundation
				Research Park	Foundation			
<b>Operating Revenues</b>								
Patient revenue	\$ -	\$ -	\$ 52,135	\$ -	\$ -	\$ -	\$ -	\$ -
Contract revenue	-	-	9,815	-	-	-	-	-
Contributions	34,468	-	-	1,195	-	4,703	318	331
Campus support	3,804	-	-	149	53	193	189	15
Other operating revenues	3,200	-	2,908	110	3	122	22	107
<b>Total Operating Revenues</b>	<b>41,472</b>	<b>-</b>	<b>64,858</b>	<b>1,454</b>	<b>56</b>	<b>5,018</b>	<b>529</b>	<b>453</b>
<b>Operating Expenses</b>								
Program expenses, System Related Organizations	(38,715)	(419)	(21,766)	-	-	-	(462)	(129)
Depreciation	-	(28)	(234)	-	-	-	-	-
Other operating expenses	(4,619)	-	(22,658)	(468)	(53)	(345)	(217)	(184)
<b>Total Operating Expenses</b>	<b>(43,334)</b>	<b>(447)</b>	<b>(44,658)</b>	<b>(468)</b>	<b>(53)</b>	<b>(345)</b>	<b>(679)</b>	<b>(313)</b>
<b>Operating Income (Loss)</b>	<b>(1,862)</b>	<b>(447)</b>	<b>20,200</b>	<b>986</b>	<b>3</b>	<b>4,673</b>	<b>(150)</b>	<b>140</b>
<b>Nonoperating Revenues (Expenses)</b>								
Payments to System campuses and divisions	-	-	(25,981)	(936)	-	(4,724)	-	(540)
Other nonoperating revenues (expenses)	5,003	(1)	148	(2)	-	(91)	46	44
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5,003</b>	<b>(1)</b>	<b>(25,833)</b>	<b>(938)</b>	<b>-</b>	<b>(4,815)</b>	<b>46</b>	<b>(496)</b>
<b>Income (Loss) before other revenue (expenses)</b>	<b>3,141</b>	<b>(448)</b>	<b>(5,633)</b>	<b>48</b>	<b>3</b>	<b>(142)</b>	<b>(104)</b>	<b>(356)</b>
<b>Other Revenues (Expenses)</b>								
Additions to permanent endowments	5,938	-	-	-	-	-	-	114
Other Foundation expenses	-	-	-	-	-	-	-	-
<b>Total Other Revenues (Expenses)</b>	<b>5,938</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114</b>
<b>Increase (Decrease) in Net Position</b>	<b>9,079</b>	<b>(448)</b>	<b>(5,633)</b>	<b>48</b>	<b>3</b>	<b>(142)</b>	<b>(104)</b>	<b>(242)</b>
<b>NET POSITION</b>								
Net position - beginning of year	247,221	7,654	8,429	856	(116)	876	3,020	8,621
Net position - end of year	\$ 256,300	\$ 7,206	\$ 2,796	\$ 904	\$ (113)	\$ 734	\$ 2,916	\$ 8,379

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000s)  
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 23 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016 (continued)

	UNLV Foundation	UNLV Research Foundation	Rebel Golf Foundation	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Rebel Soccer Foundation	Singapore Unlimited	CSN Foundation	NSC Foundation	Total System Related Organizations
<b>Operating Revenues</b>										
Patient revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,135
Contract revenue	-	-	-	-	-	-	-	-	-	9,815
Contributions	40,181	169	30	1,126	1	133	-	899	7,214	90,768
Campus support	3,139	-	-	-	-	-	-	-	-	7,542
Other operating revenues	885	42	181	171	108	-	1,187	94	15	9,155
<b>Total Operating Revenues</b>	<b>44,205</b>	<b>211</b>	<b>211</b>	<b>1,297</b>	<b>109</b>	<b>133</b>	<b>1,187</b>	<b>993</b>	<b>7,229</b>	<b>169,415</b>
<b>Operating Expenses</b>										
Program expenses, System Related Organization:	-	-	(298)	(774)	(151)	-	-	-	-	(62,714)
Depreciation	(56)	(126)	-	(42)	-	-	-	-	-	(486)
Other operating expenses	(9,202)	(703)	(112)	(557)	(16)	(2)	(704)	(535)	(389)	(40,764)
<b>Total Operating Expenses</b>	<b>(9,258)</b>	<b>(829)</b>	<b>(410)</b>	<b>(1,373)</b>	<b>(167)</b>	<b>(2)</b>	<b>(704)</b>	<b>(535)</b>	<b>(389)</b>	<b>(103,964)</b>
<b>Operating Income (Loss)</b>	<b>34,947</b>	<b>(618)</b>	<b>(199)</b>	<b>(76)</b>	<b>(58)</b>	<b>131</b>	<b>483</b>	<b>458</b>	<b>6,840</b>	<b>65,451</b>
<b>Nonoperating Revenues (Expenses)</b>										
Payments to System campuses and divisions	(23,846)	-	-	-	-	-	-	(723)	(535)	(57,285)
Other nonoperating revenues (expenses)	2,179	24	(170)	(14)	(21)	-	-	(132)	-	7,013
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(21,667)</b>	<b>24</b>	<b>(170)</b>	<b>(14)</b>	<b>(21)</b>	<b>-</b>	<b>-</b>	<b>(855)</b>	<b>(535)</b>	<b>(50,272)</b>
<b>Income (Loss) before other revenue (expenses)</b>	<b>13,280</b>	<b>(594)</b>	<b>(369)</b>	<b>(90)</b>	<b>(79)</b>	<b>131</b>	<b>483</b>	<b>(397)</b>	<b>6,305</b>	<b>15,179</b>
<b>Other Revenues (Expenses)</b>										
Additions to permanent endowments	5,147	-	-	-	-	-	-	27	18	11,244
Other Foundation expenses	-	-	-	-	-	-	(9)	-	-	(9)
<b>Total Other Revenues (Expenses)</b>	<b>5,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>27</b>	<b>18</b>	<b>11,235</b>
<b>Increase (Decrease) in Net Position</b>	<b>18,427</b>	<b>(594)</b>	<b>(369)</b>	<b>(90)</b>	<b>(79)</b>	<b>131</b>	<b>474</b>	<b>(370)</b>	<b>6,323</b>	<b>26,414</b>
<b>NET POSITION</b>										
Net position - beginning of year	307,574	3,444	5,712	2,644	1,225	-	5,836	6,303	3,240	612,539
Net position - end of year	\$ 326,001	\$ 2,850	\$ 5,343	\$ 2,554	\$ 1,146	\$ 131	\$ 6,310	\$ 5,933	\$ 9,563	\$ 638,953

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

### NOTE 23 - System Related Organizations (continued):

#### UNR Foundation:

Cash and cash equivalents at June 30, 2016, consists of:

Cash	\$ 2,133
Money market funds	<u>23,775</u>
	<u>\$25,908</u>

The fair value of investments at June 30, 2016, are as follows:

Equity Investments	\$ 779
Commingled funds	175,479
Certificates of deposit	12,064
U.S. Government Securities	<u>15,497</u>
	<u>\$203,819</u>

At June 30, 2016, the Foundation investments had the following maturities:

	Fair Value	Investment Maturities (in Year)		
		Less than 1	1 – 5	6 – 10
Equity investments	\$ 779	\$ 779	\$ -	\$ -
Commingled funds	175,479	153,581	11,610	10,288
Certificates of deposit	12,064	5,116	6,948	-
U.S. Government securities	<u>15,497</u>	<u>15,390</u>	<u>107</u>	<u>-</u>
	<u>\$203,819</u>	<u>\$174,866</u>	<u>\$18,665</u>	<u>\$10,288</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.

#### *Investment Program Strategy*

As a result of the above process, the Board has adopted the following assets allocation targets and ranges, exclusive of amounts transferred to the Endowment's operating accounts:



# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 23 - System Related Organizations (continued):

#### *Asset Allocation Targets and Ranges*

	<i>Min Wt.</i>	<i>Target Wt.</i>	<i>Max Wt.</i>
<i>Equities</i>	30%	40%	50%
<i>Global Equities</i>	25%	30%	35%
<i>Private Markets</i>	5%	10%	15%
<i>Fixed Income</i>	32%	40%	48%
<i>Core US Fixed Income</i>	12%	15%	18%
<i>High Yield Fixed Income</i>	10%	15%	20%
<i>Alternative Debt</i>	5%	10%	15%
<i>Alternatives</i>	12%	20%	28%
<i>Real Estate</i>	0%	10%	15%
<i>Real Assets</i>	7%	10%	13%
<i>Cash</i>	0%	0%	5%

#### *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.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 23 - System Related Organizations (continued):

#### *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, 2016, the Foundation's bank balances totaled \$25,220. Of this balance, \$1,621 was covered by depository insurance and/or collateralized and \$20,520 is held by State Street Government Securities and subject to their investment policies. The remaining \$3,080 was uninsured and uncollateralized and, as a result, was subject to custodial credit risk at June 30, 2016.

#### *Redemption Notice*

Certain commingled investments classified as current have notice requirements before the investment can be redeemed; these requirements range from 1-30 days. Other commingled investments have set dates upon which they can be redeemed; these investments have been classified as long-term based on these dates.

#### *Custodial Credit Risk – Investments*

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

#### *Commitments*

As of June 30, 2016, the Foundation has committed to acquire approximately \$11.9 million in comingled funds.

#### *Fair Value Measurements*

The Foundation has valued their investments based on the following level of inputs:

*Level 1* - Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

*Level 2* - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs which are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes agency mortgage-backed debt securities and derivative contracts.

*Level 3* - Unobservable inputs are supported by little or no market activities and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation. This category generally includes private equity, real estate and comingled investments where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Net asset value ("NAV") - The amount of net assets attributable to each unit outstanding at the close of the period.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measure at fair value.

- *Commingled funds* – Valued at NAV.
- *Residual interest in irrevocable trust* – Assets held in comingled funds are valued at NAV. Assets held in trust represents the Foundation's beneficial interest in real estate, where fair value is estimated based on appraised value.
- *Equity investments, certificates of deposit and U.S. Government securities* – Valued at the closing price reported on the active market on which the security is traded, if available.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

### NOTE 23 - System Related Organizations (continued):

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Assets measured at fair value on a recurring basis at June 30, 2016 are:

	Level 1	Level 3	NAV	Total
<b>Investments</b>				
Commingled funds	\$55,166	\$ -	\$120,313	\$175,479
Equity Securities	779	-	-	779
Certificates of deposit	12,064	-	-	12,064
U.S. Government Securities	15,497	-	-	15,497
	<u>\$83,506</u>	<u>\$ -</u>	<u>\$120,313</u>	<u>\$203,819</u>
<b>Residual interest in trusts</b>				
Commingled funds	\$ -	\$ -	\$ 724	\$ 724
Real estate	-	1,417	-	1,417
	<u>\$ -</u>	<u>\$1,417</u>	<u>\$ 724</u>	<u>\$ 2,141</u>

The Foundation does not hold any investments using Level 2 inputs.

### 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 2016:

Interest and dividends	\$2,856
Realized gains, net	(394)
Unrealized (losses) gains, net	(721)
	<u>\$1,741</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 \$661 for the year ended June 30, 2016, 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, 2016:

Mutual funds	\$ 28,036
Certificates of deposit	2,037
Equities	11,288
Collateralized securities	21,942
U.S. government obligations	35,097
U.S. corporate bonds	28,153
Alternative investments	114,405
Non-U.S. corporate bonds	6,005
Total marketable securities at fair value	<u>\$246,963</u>

As of June 30, 2016, the UNLV Foundation is committed to acquire approximately \$89 in additional alternative investments in future periods related to the UNLV Foundation's investment in Special Situation Partners.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

### NOTE 23 - System Related Organizations (continued):

#### 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, 2016, the total balance for the UNLV Foundations cash and money market funds was \$10,255. Of this balance, \$817 was covered by the Federal Deposit Insurance Corporation, and \$9,438 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, 2016 follow:

	<u>Total</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Below Investment Grade</u>
Collateralized securities	\$ 21,942	\$ 17,482	\$ 2,927	\$ 822	\$ 711	\$ -
U.S. corporate bonds	28,153	100	1,823	3,816	16,842	5,572
Non-U.S. corporate bonds	6,005	505	773	1,884	2,317	526

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

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, 2016, was 7.61 years. The fixed-income portfolio's average maturity was 8.76 years. Interest rates range from 2.27% to 3.21%.

For investments in donor-restricted expendable funds, the UNLV Foundation uses the Barclays Aggregate Index average as the benchmark; maturity as of June 30, 2016, was 7.7 years. The fixed income-portfolio's average maturity was 7.7 years. Interest rates range from 0.40% to 9.80%.

	<u>Maturity Under 1 Year</u>	<u>Maturity 1 - 5 Years</u>	<u>Maturity 5 - 10 Years</u>	<u>Maturity Over 10 Years</u>	<u>Total</u>
Mutual funds	\$24,207	\$ 3,829	\$ -	\$ -	\$ 28,036
Certificates of deposit	452	1,585	-	-	2,037
Collateralized securities	208	5,355	889	15,490	21,942
U.S. government obligations	6,783	18,509	4,145	5,660	35,097
U.S. corporate bonds	3,662	11,737	7,490	5,264	28,153
Non-U.S. corporate bonds	<u>697</u>	<u>3,480</u>	<u>1,019</u>	<u>809</u>	<u>6,005</u>
Investment in securities at fair value	<u>\$36,009</u>	<u>\$44,495</u>	<u>\$13,543</u>	<u>\$27,223</u>	<u>\$121,270</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEAR ENDED JUNE 30, 2016

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### NOTE 23 - System Related Organizations (continued):

#### *Foreign Currency Risk*

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

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.

#### *Fair Value Measurements*

The Foundation has valued their investments based on the following level of inputs:

*Level 1* – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market.

*Level 2* – Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs which are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes agency mortgage-backed debt securities and assets held in charitable remainder trusts.

*Level 3* – Unobservable inputs that are supported by little or no market activities and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using price models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement or estimation. This category generally includes private equity, real estate and commingled investments where independent pricing information was not able to be obtained for a significant portion of the underlying assets.

Net asset value (“NAV”) - The amount of net assets attributable to each share of capital stock (other than senior equity securities; that is, preferred stock) outstanding at the close of the period.

The asset's or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of observable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

- *Alternative investments* – Valued at NAV.
- *Real estate* – Assets held in commingled funds are valued at NAV. Assets held in trust represents the Foundation's beneficial interest in real estate, where fair value is estimated based on appraised value.
- *Mutual funds, U.S. corporate bonds, non-U.S. corporate bonds, equities, certificates of deposit and U.S. Government securities* – Valued at the closing price reported on the active market on which the security is traded, if available.
- *Assets held in charitable remainder trusts* – Assets held in trust represents the Foundation's beneficial interest in equities held in the trusts, fair value of the equities is based on closing prices reported on the active market on which the security is traded. The Foundation's interest in those assets is estimated based on models using various estimates from management, including date assets will be received.

The methods described above may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEAR ENDED JUNE 30, 2016**

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**NOTE 23 - System Related Organizations (continued):**

Assets measured at fair value on a recurring basis at June 30, 2016 are:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
<u>Investments</u>					
Alternative investment	\$ -	\$ -	\$ -	\$114,405	\$114,405
Mutual funds	28,036	-	-	-	28,036
Collateralized securities	-	21,942	-	-	21,942
U.S. corporate bonds	28,153	-	-	-	28,153
Non-U.S. corporate bonds	6,006	-	-	-	6,006
Equities	11,288	-	-	-	11,288
Certificate of deposit	2,036	-	-	-	2,036
U.S. Government obligations	<u>35,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,097</u>
	<u>\$110,616</u>	<u>\$21,942</u>	<u>\$ -</u>	<u>\$114,405</u>	<u>\$246,963</u>
<u>Investment in real estate</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,600</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Assets held in charitable Remainder trusts</u>					
Equities	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,223</u>	<u>\$ -</u>	<u>\$ 7,223</u>

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## 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>2016</u>	<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>
System's proportion of the net pension liability	2.83%	2.81%	(Historical information prior to the implementation of GASB 67/68 is not required)							
System's proportionate share of the net pension liability	\$324,708	\$292,841								
System's covered-employee payroll	\$165,653	\$162,250								
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	196.02%	180.49%								
PERS fiduciary net position as a percentage of the total pension liability	302.03%	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>2016</u>	<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>
Contractually required contribution	\$ 33,124	\$ 29,901	(Historical information prior to the implementation of GASB 67/68 is not required)							
Contributions in relation to the contractually required contribution	(35,756)	(29,901)								
Contribution deficiency (excess)	<u>\$ (2,632)</u>	<u>\$ -</u>								
System's covered-employee payroll	\$ 171,007	\$ 165,653								
Contributions as a percentage of covered-employee payroll	19.37%	18.05%								

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## SUPPLEMENTAL INFORMATION

NEVADA SYSTEM OF HIGHER EDUCATION  
 COMBINING SCHEDULE OF NET POSITION (in \$1,000's)  
 AS OF JUNE 30, 2016

	<u>UNR</u>	<u>System Admin</u>	<u>DRI</u>	<u>TMCC</u>
<b>ASSETS</b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 11,283	\$ 79,329	\$ 6,210	\$ 6,342
Restricted cash and cash equivalents	-	-	136	-
Short-term investments	111,756	26,604	22,945	24,635
Accounts receivable, net	37,269	1,000	2,739	3,159
Receivable from U.S. Government	19,794	1,767	3,094	1,081
Receivable from State of Nevada	1,085	-	1,146	374
Pledges receivable, net	293	-	-	-
Current portion of loans receivable, net	1,475	-	-	10
Due from related institutions	-	2,585	-	-
Inventories	4,387	-	-	12
Deposits and prepaid expenditures, current	1,681	368	140	15
Other current assets	-	-	-	54
<b>Total Current Assets</b>	<u>189,023</u>	<u>111,653</u>	<u>36,410</u>	<u>35,682</u>
<i>Noncurrent Assets</i>				
Cash held by State Treasurer	3,284	439	46	531
Restricted cash and cash equivalents	102,364	-	-	-
Receivable from State of Nevada	-	-	-	-
Endowment investments	120,765	10,908	28,335	9,428
Deposits and prepaid expenditures	-	-	-	-
Loans receivable, net	5,971	61	-	-
Capital assets, net	779,781	20,787	65,317	63,066
Pledges receivable, net	5,406	-	-	-
Other noncurrent assets	-	155	-	-
<b>Total Noncurrent Assets</b>	<u>1,017,571</u>	<u>32,350</u>	<u>93,698</u>	<u>73,025</u>
<b>TOTAL ASSETS</b>	<u>1,206,594</u>	<u>144,003</u>	<u>130,108</u>	<u>108,707</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related	12,460	1,369	1,097	2,232
Loss on bond refunding	9,099	-	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>21,559</u>	<u>1,369</u>	<u>1,097</u>	<u>2,232</u>
<b>LIABILITIES</b>				
<i>Current Liabilities</i>				
Accounts payable	29,019	2,929	802	968
Accrued payroll and related liabilities	27,505	2,662	2,356	3,130
Unemployment insurance and workers' compensation	2,028	49	101	277
Due to State of Nevada	1,288	-	-	-
Due to related institutions	1,978	3,258	154	243
Current portion of compensated absences	12,638	1,317	3,443	1,109
Current portion of long-term debt	11,314	-	801	192
Current portion of obligations under capital leases	137	-	63	-
Accrued interest payable	6,703	-	55	100
Unearned revenue	11,562	92	2,117	967
Funds held in trust for others	2,124	-	392	147
Other current liabilities	20	-	-	-
<b>Total Current Liabilities</b>	<u>106,316</u>	<u>10,307</u>	<u>10,284</u>	<u>7,133</u>
<i>Noncurrent Liabilities</i>				
Refundable advances under federal loan programs	4,913	-	-	-
Compensated absences	7,037	271	554	307
Long-term debt	357,829	-	5,250	4,644
Obligations under capital leases	1,050	-	246	-
Due to State of Nevada	-	-	-	-
Unearned revenue	-	-	-	-
Net pension liability	115,438	10,732	10,656	18,364
Other noncurrent liabilities	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<u>486,267</u>	<u>11,003</u>	<u>16,706</u>	<u>23,315</u>
<b>TOTAL LIABILITIES</b>	<u>592,583</u>	<u>21,310</u>	<u>26,990</u>	<u>30,448</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related	19,829	1,843	1,830	3,154
Gain on bond refunding	415	-	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>20,244</u>	<u>1,843</u>	<u>1,830</u>	<u>3,154</u>
<b>NET POSITION</b>				
Net investment in capital assets	517,785	17,546	59,093	58,230
Restricted - Nonexpendable	37,893	7,249	20,789	4,785
Restricted - Expendable - Scholarships, research and instruction	75,566	5,319	12,337	5,416
Restricted - Expendable - Loans	5,242	-	-	53
Restricted - Expendable - Capital projects	29,929	556	692	5,492
Restricted - Expendable - Debt service	9,059	-	-	155
Unrestricted	(60,148)	91,549	9,474	3,206
<b>TOTAL NET POSITION</b>	<u>\$ 615,326</u>	<u>\$ 122,219</u>	<u>\$ 102,385</u>	<u>\$ 77,337</u>

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>TOTAL</u>
\$ 2,611	\$ 1,716	\$ 76,770	\$ 8,936	\$ 2,676	\$ -	\$ 195,873
-	-	-	-	-	-	136
4,204	6,467	296,355	45,181	9,525	-	547,672
1,168	527	4,561	4,829	1,762	-	57,014
516	402	10,134	1,847	326	-	38,961
500	474	1,873	278	109	-	5,839
-	-	-	-	-	-	293
4	2	350	-	-	-	1,841
-	-	3,258	-	-	(5,843)	-
-	-	1,955	389	-	-	6,743
-	14	5,515	1,414	139	-	9,286
-	-	-	-	-	-	54
<u>9,003</u>	<u>9,602</u>	<u>400,771</u>	<u>62,874</u>	<u>14,537</u>	<u>(5,843)</u>	<u>863,712</u>
305	232	3,560	247	20	-	8,664
-	-	19,272	3,571	-	-	125,207
-	-	24,217	145	-	-	24,362
236	413	49,715	5,636	-	-	225,436
-	-	343	44	-	-	387
1	-	2,776	-	-	-	8,809
31,095	37,019	874,252	195,280	71,004	-	2,137,601
-	-	-	-	-	-	5,406
-	-	-	-	-	-	155
<u>31,637</u>	<u>37,664</u>	<u>974,135</u>	<u>204,923</u>	<u>71,024</u>	<u>-</u>	<u>2,536,027</u>
<u>40,640</u>	<u>47,266</u>	<u>1,374,906</u>	<u>267,797</u>	<u>85,561</u>	<u>(5,843)</u>	<u>3,399,739</u>
1,064	889	10,969	5,232	444	-	35,756
-	-	5,604	-	-	-	14,703
<u>1,064</u>	<u>889</u>	<u>16,573</u>	<u>5,232</u>	<u>444</u>	<u>-</u>	<u>50,459</u>
599	200	18,044	3,465	706	-	56,732
1,106	1,056	29,605	9,068	1,738	-	78,226
100	185	1,760	584	79	-	5,163
-	-	2,196	-	-	-	3,484
104	97	9	-	-	(5,843)	-
604	395	10,593	2,634	550	-	33,283
-	153	8,962	971	-	-	22,393
-	-	-	-	3,383	-	3,583
-	2	4,334	11	-	-	11,205
-	101	20,454	4,577	1,080	-	40,950
168	50	1,519	415	25	-	4,840
-	-	-	-	-	-	20
<u>2,681</u>	<u>2,239</u>	<u>97,476</u>	<u>21,725</u>	<u>7,561</u>	<u>(5,843)</u>	<u>259,879</u>
-	-	3,343	-	-	-	8,256
93	228	6,005	1,449	578	-	16,522
-	719	239,464	6,223	-	-	614,129
-	-	-	-	47,062	-	48,358
-	-	-	-	-	-	-
-	-	1,150	-	-	-	1,150
8,837	7,485	102,608	46,142	4,446	-	324,708
-	-	350	-	669	-	1,019
<u>8,930</u>	<u>8,432</u>	<u>352,920</u>	<u>53,814</u>	<u>52,755</u>	<u>-</u>	<u>1,014,142</u>
<u>11,611</u>	<u>10,671</u>	<u>450,396</u>	<u>75,539</u>	<u>60,316</u>	<u>(5,843)</u>	<u>1,274,021</u>
1,518	1,286	19,310	8,683	837	-	58,290
-	-	-	-	-	-	415
<u>1,518</u>	<u>1,286</u>	<u>19,310</u>	<u>8,683</u>	<u>837</u>	<u>-</u>	<u>58,705</u>
31,095	36,146	631,430	195,280	20,558	-	1,567,163
236	418	12,038	2,445	-	-	85,853
(20)	452	42,741	6,799	300	-	148,910
-	35	842	-	-	-	6,172
485	1,857	37,390	3,963	33	-	80,397
-	(2)	6,909	-	5,081	-	21,202
(3,221)	(2,708)	190,423	(19,680)	(1,120)	-	207,775
<u>\$ 28,575</u>	<u>\$ 36,198</u>	<u>\$ 921,773</u>	<u>\$ 188,807</u>	<u>\$ 24,852</u>	<u>-</u>	<u>\$ 2,117,472</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, 2016

	<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 \$138,976)	\$ 126,160	\$ -	\$ -	\$ 16,345
Federal grants and contracts	87,760	629	24,178	5,433
State grants and contracts	18,816	60	4,099	1,533
Local grants and contracts	28,652	-	577	-
Other grants and contracts	16,461	176	4,892	179
Campus support	-	-	-	-
Sales and services of educational departments (including \$25,875 from System Related Organizations)	60,775	2,448	-	994
Sales and services of auxiliary enterprises (net of scholarship allowance of \$5,614)	43,891	-	-	1,295
Interest earned on loans receivable	150	-	-	2
Other operating revenues	9,687	7,910	1,404	277
<b>Total Operating Revenues</b>	<u>392,352</u>	<u>11,223</u>	<u>35,150</u>	<u>26,058</u>
<b>Operating Expenses</b>				
Employee compensation and benefits	(390,789)	(18,113)	(30,296)	(46,024)
Utilities	(12,236)	(827)	(843)	(923)
Supplies and services	(148,946)	(23,789)	(10,891)	(13,090)
Scholarships and fellowships	(12,123)	(238)	-	(8,310)
Depreciation	(32,334)	(3,916)	(5,067)	(3,470)
Other operating expenses	-	-	-	-
<b>Total Operating Expenses</b>	<u>(596,428)</u>	<u>(46,883)</u>	<u>(47,097)</u>	<u>(71,817)</u>
<b>Operating Income (Loss)</b>	<u>(204,076)</u>	<u>(35,660)</u>	<u>(11,947)</u>	<u>(45,759)</u>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	166,473	21,258	7,369	30,535
Transfers to/from System Administration	3,342	(10,724)	543	458
Gifts (including \$47,818 from System Related Organizations)	28,105	-	825	794
Investment income (loss), net	(2,797)	(240)	(770)	(131)
Gain (loss) on disposal of capital assets	204	(202)	(75)	(148)
Interest expense	(14,152)	(99)	(447)	(162)
Other nonoperating revenues	5,927	(127)	-	(123)
Federal grants and contracts	21,110	-	-	10,547
<b>Total Nonoperating Revenues</b>	<u>208,212</u>	<u>9,866</u>	<u>7,445</u>	<u>41,770</u>
<b>Income (Loss) Before Other Revenue (Expenses)</b>	<u>4,136</u>	<u>(25,794)</u>	<u>(4,502)</u>	<u>(3,989)</u>
<b>Other Revenues (Expenses)</b>				
State appropriations restricted for capital purposes	4,956	300	415	843
Capital grants and gifts (including \$21,695 from System Related Organizations)	15,540	-	136	6,314
Additions to permanent endowments (including \$100 from System Related Organizations)	46	-	1	84
<b>Total Other Revenues</b>	<u>20,542</u>	<u>300</u>	<u>552</u>	<u>7,241</u>
<b>Increase (Decrease) in Net Position</b>	<u>24,678</u>	<u>(25,494)</u>	<u>(3,950)</u>	<u>3,252</u>
<b>NET POSITION</b>				
Net position - beginning of year	590,648	147,713	106,335	74,085
Net position - end of year	<u>\$ 615,326</u>	<u>\$ 122,219</u>	<u>\$ 102,385</u>	<u>\$ 77,337</u>

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>TOTAL</u>
\$ 4,358	\$ 5,234	\$ 187,211	\$ 45,753	\$ 9,621	\$ -	\$ 394,682
3,482	2,749	43,869	5,534	1,296	(9,234)	165,696
1,426	414	17,433	2,569	687	(36)	47,001
48	-	394	-	10	-	29,681
-	1,301	2,137	5	114	-	25,265
8	-	-	-	-	-	8
156	416	26,791	1,493	25	-	93,098
957	547	50,242	2,022	112	-	99,066
-	-	65	-	-	-	217
257	5	10,571	486	388	-	30,985
<u>10,692</u>	<u>10,666</u>	<u>338,713</u>	<u>57,862</u>	<u>12,253</u>	<u>(9,270)</u>	<u>885,699</u>
(19,387)	(17,536)	(374,600)	(118,880)	(20,587)	-	(1,036,212)
(564)	(685)	(12,241)	(3,241)	(482)	-	(32,042)
(6,409)	(3,715)	(119,279)	(38,892)	(8,059)	9,270	(363,800)
(3,593)	(2,334)	(28,501)	(29,672)	(2,825)	-	(87,596)
(1,414)	(1,957)	(36,179)	(11,905)	(2,427)	-	(98,669)
(298)	-	-	-	-	-	(298)
<u>(31,665)</u>	<u>(26,227)</u>	<u>(570,800)</u>	<u>(202,590)</u>	<u>(34,380)</u>	<u>9,270</u>	<u>(1,618,617)</u>
<u>(20,973)</u>	<u>(15,561)</u>	<u>(232,087)</u>	<u>(144,728)</u>	<u>(22,127)</u>	<u>-</u>	<u>(732,918)</u>
13,050	12,230	183,693	90,479	14,881	-	539,968
351	131	4,670	1,103	126	-	-
423	619	20,785	527	513	-	52,591
15	18	1,260	10	53	-	(2,582)
(35)	(96)	(3,961)	(10)	-	-	(4,323)
-	(15)	(7,128)	(107)	(2,410)	-	(24,520)
-	10	(578)	-	4	-	5,113
<u>5,173</u>	<u>2,298</u>	<u>36,991</u>	<u>41,750</u>	<u>5,291</u>	<u>-</u>	<u>123,160</u>
<u>18,977</u>	<u>15,195</u>	<u>235,732</u>	<u>133,752</u>	<u>18,458</u>	<u>-</u>	<u>689,407</u>
<u>(1,996)</u>	<u>(366)</u>	<u>3,645</u>	<u>(10,976)</u>	<u>(3,669)</u>	<u>-</u>	<u>(43,511)</u>
485	295	29,318	2,271	178	-	39,061
-	-	4,413	236	34	-	26,673
-	-	5	187	-	-	323
<u>485</u>	<u>295</u>	<u>33,736</u>	<u>2,694</u>	<u>212</u>	<u>-</u>	<u>66,057</u>
<u>(1,511)</u>	<u>(71)</u>	<u>37,381</u>	<u>(8,282)</u>	<u>(3,457)</u>	<u>-</u>	<u>22,546</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>
<u>\$ 28,575</u>	<u>\$ 36,198</u>	<u>\$ 921,773</u>	<u>\$ 188,807</u>	<u>\$ 24,852</u>	<u>\$ -</u>	<u>\$ 2,117,472</u>