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# Nevada System of Higher Education Financial Statements



## June 30, 2013 and 2012

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 Years Ended June 30, 2013 and 2012**

**Contents**

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

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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 years ended June 30, 2013 and 2012, 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 audits. We did not audit the financial statements of DRI Research Foundation, DRI Research Parks, Ltd., Truckee Meadows Community College Foundation, Great Basin College Foundation, UNLV Research Foundation, UNLV Rebel Football Foundation, College of Southern Nevada Foundation, and the Nevada State College Foundation, which statements collectively reflect total assets constituting 4.5% of the aggregate discretely presented component units total assets as of June 30, 2013 and total operating revenues of 4.2% of the aggregate discretely presented component units total revenues for the year then ended as described in Note 22 “System Related Organizations”. We did not audit the financial statements of DRI Research Foundation, DRI Research Parks, Ltd., Truckee Meadows Community College Foundation, Great Basin College Foundation, UNLV Research Foundation, UNLV Rebel Golf Foundation, UNLV Alumni Association, UNLV Rebel Football Foundation, College of Southern Nevada Foundation, and the Nevada State College Foundation, which statements collectively reflect total assets constituting 6.3% of the aggregate discretely presented component units total assets as of June 30, 2012 and total operating revenues of 5.1% of the aggregate discretely presented component units total operating revenues for the year then ended as described in Note 22 “System Related Organizations”. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the reports of the other auditors.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the System as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Other matters

##### *Required supplementary information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. 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 schedules of net position and combining schedules of revenues, expenses and changes in net position is presented for purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

*Grant Thornton LLP*

Reno, Nevada  
November 4, 2013

# Nevada System of Higher Education

## System Administration

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## System Administration

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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, 2013. 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, 2013, with comparative information as of June 30, 2012 and June 30, 2011.

Since this discussion provides summary level financial information, it should be read in conjunction with the System's financial statements and accompanying footnotes that follow this section. Responsibility for the financial statements, footnotes and this discussion rests with System management. All amounts included in this discussion are presented in thousands of dollars.

## SYSTEM AND SYSTEM RELATED ORGANIZATIONS

The System is a consolidation of the following 8 institutions of public higher education in Nevada and the Nevada System of Higher Education Administration entity:

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

This annual financial report and statements include the above institutions of the System as well as certain other organizations, also called component units, that have a significant relationship with the institutions. These component units are related tax exempt organizations primarily founded to foster and promote the growth, progress, and general welfare of the institutions. They exist to solicit, receive and administer gifts and donations for the institutions or, in the case of the University of Nevada School of Medicine practice plans (Integrated Clinical Services, Inc.), to facilitate patient care activities. The System component units are as follows:

Unaudited

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 Foundation  
University of Nevada, Las Vegas Rebel Football Foundation  
University of Nevada, Las Vegas Singapore  
College of Southern Nevada Foundation  
Nevada State College Foundation

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

### **SYSTEM FINANCIAL HIGHLIGHTS FROM 2012 TO 2013 (in \$1,000's)**

- Total net position increased 2.8% from \$2,242,297 to \$2,303,981;
- Capital assets decreased 1.6% from \$1,959,264 to \$1,927,684;
- Operating revenues increased 7.0% from \$746,339 to \$798,447;
- Nonoperating revenues increased 11.9% from \$612,245 to \$684,832; and
- Operating expenses increased 2.2% from \$1,394,809 to \$1,425,538.

### **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 Statements 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 and liabilities) is an important gauge of the System's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Combined Statement of Net Position includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when a third party provides the services, regardless of when cash is exchanged.

The Combined 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 Statements of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital financing, non-capital financing, and investing activities.

## CONDENSED FINANCIAL INFORMATION

### ASSETS AND LIABILITIES

The Combined Statement of Net Position (formerly known as Combined Statement of Net Assets) is a point-in-time financial statement presenting the financial position of the System as of June 30, 2013, with a comparison made to June 30, 2012 and June 30, 2011. This Statement presents end-of-year data for Assets (current and non-current), Liabilities (current and non-current), and Net Position (assets minus liabilities).

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

	2013	2012	Increase/ (Decrease)	Percent Change	2011	Increase/ (Decrease)	Percent Change
Assets							
Current Assets	\$812,850	\$756,170	\$56,680	8%	\$677,583	\$78,587	12%
Capital Assets	1,927,684	1,959,264	(31,580)	(2)%	1,986,114	(26,850)	(1)%
Other Assets	264,976	258,932	6,044	2%	309,922	(50,990)	(16)%
Total Assets	<u>3,005,510</u>	<u>2,974,366</u>	<u>31,144</u>	<u>1%</u>	<u>2,973,619</u>	<u>747</u>	<u>0%</u>
Liabilities							
Current Liabilities	224,246	228,928	(4,682)	(2)%	182,353	46,575	26%
Noncurrent Liabilities	477,283	503,141	(25,858)	(5)%	538,140	(34,999)	(7)%
Total Liabilities	<u>701,529</u>	<u>732,069</u>	<u>(30,540)</u>	<u>(4)%</u>	<u>720,493</u>	<u>11,576</u>	<u>2%</u>
Net Position							
Net investment in capital assets	1,465,694	1,463,647	2,047	0%	1,449,211	14,436	1%
Restricted, nonexpendable	86,021	84,695	1,326	2%	85,288	(593)	(1)%
Restricted, expendable	215,107	196,107	19,000	10%	245,196	(49,089)	(20)%
Unrestricted	537,159	497,848	39,311	8%	473,431	24,417	5%
Total Net Position	<u>\$2,303,981</u>	<u>\$2,242,297</u>	<u>\$61,684</u>	<u>3%</u>	<u>\$2,253,126</u>	<u>\$(10,829)</u>	<u>0%</u>

### Assets

Total assets of the System remained fairly consistent, showing an increase of \$31.1 million, or 1%. The increase that occurred in current and other assets was offset by a decrease in capital assets. The increase in current assets is primarily due to an increase in the valuation of the short-term

investments accounts. The decrease in capital assets is reflective of the disposal of capital assets and normal depreciation for the year. The increase in other assets relates primarily to the increase in restricted cash and endowment investments due to the increase in market value, offset by the decline in cash held by State treasurer, receivable from State of Nevada, and pledges receivable.

### **Liabilities**

Total liabilities for the year decreased by \$30.5 million; a \$4.7 million decrease in current liabilities and \$25.8 million decrease in non-current liabilities. The decrease in current liabilities was primarily due to a reduction in accrued interest payable. The decrease in non-current liabilities was primarily driven by a decrease in long-term debt due. Both of these reductions can be attributed to the refinance of outstanding revenue bonds for future interest savings.

### **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 \$2 million increase reflects the System's expenditures for development and renewal of its capital assets, offset by depreciation expense on capital assets and a net decrease in long-term debt. The increase is related to debt reduction associated with capital assets.

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

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

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

#### **Unrestricted Net Position**

Unrestricted net position increased by \$39.3 million in 2013. 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.

## System Related Organizations

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

	<u>2013</u>	<u>2012</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>	<u>2011</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
<b>Assets</b>							
Current Assets	\$237,604	\$200,616	\$36,988	18%	\$210,991	\$(10,375)	(5)%
Capital Assets	7,606	7,937	(331)	(4)%	3,233	4,704	145%
Other Assets	269,717	259,283	10,434	4%	220,616	38,667	18%
Total Assets	<u>514,927</u>	<u>467,836</u>	<u>47,091</u>	10%	<u>434,840</u>	<u>32,996</u>	8%
<b>Liabilities</b>							
Current Liabilities	20,417	12,380	8,037	65%	14,060	(1,680)	(12)%
Non-Current Liabilities	6,576	8,302	(1,726)	(21)%	8,806	(504)	(6)%
Total Liabilities	<u>26,993</u>	<u>20,682</u>	<u>6,311</u>	31%	<u>22,866</u>	<u>(2,184)</u>	(10)%
<b>Net Position</b>							
Net Investment in Capital Assets	6,097	6,412	(315)	(5)%	2,603	3,809	146%
Restricted, Nonexpendable	244,817	240,346	4,471	2%	220,589	19,757	9%
Restricted, Expendable	191,642	162,683	28,959	18%	160,746	1,937	1%
Unrestricted	45,378	37,713	7,665	20%	28,036	9,677	35%
Total Net Position	<u>\$487,934</u>	<u>\$447,154</u>	<u>\$ 40,780</u>	9%	<u>\$411,974</u>	<u>\$ 35,180</u>	9%

The sixteen campus and athletic foundations, as System Related Organizations, continue to support the campuses in their long-range plans and provide support for construction of facilities as well as scholarships and other operating costs. Changes in the above schedule primarily reflect the foundations' increase in investment income and market value of investments. The remaining changes can be attributed to an increase in operating expenses and a decrease in payments to the System campuses.

## REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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

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

The Combined Statements of Revenues, Expenses, and Changes in Net Position reflect a steady year with the net position at the end of the year increasing slightly, but remaining fairly consistent with the prior year.

	2013	2012	Increase/ Decrease	Percent Change	2011	Increase/ Decrease	Percent Change
<b>Operating Revenues</b>							
Student tuition and fees, net	\$350,170	\$335,187	\$ 14,983	4%	\$328,805	\$ 6,382	2%
Grants and contracts, Federal	168,722	164,127	4,595	3%	186,353	(22,226)	(12)%
Grants and contracts, other	74,104	67,651	6,453	10%	80,575	(12,924)	(16)%
Sales and services	168,940	149,688	19,252	13%	137,189	12,499	9%
Other	36,511	29,686	6,825	23%	28,240	1,446	5%
<b>Total Operating Revenues</b>	<u>798,447</u>	<u>746,339</u>	<u>52,108</u>	<u>7%</u>	<u>761,162</u>	<u>(14,823)</u>	<u>(2)%</u>
<b>Operating Expenses</b>							
Employees comp/benefits	(889,062)	(873,941)	(15,121)	2%	(907,282)	33,341	(4)%
Utilities	(32,368)	(31,954)	(414)	1%	(34,203)	2,249	(7)%
Supplies and services	(325,771)	(304,425)	(21,346)	7%	(287,746)	(16,679)	6%
Scholarship and Fellowships	(82,839)	(88,770)	5,931	(7)%	(101,044)	12,274	(12)%
Other	(98)	(30)	(68)	227%	(52)	22	(42)%
Depreciation	(95,400)	(95,689)	289	0%	(92,557)	(3,132)	3%
<b>Total Operating Expenses</b>	<u>(1,425,538)</u>	<u>(1,394,809)</u>	<u>(30,729)</u>	<u>2%</u>	<u>(1,422,884)</u>	<u>28,075</u>	<u>(2)%</u>
<b>Nonoperating Revenues (Expenses)</b>							
State appropriation	472,109	475,004	(2,895)	(1)%	549,015	(74,011)	(13)%
Federal grants	118,151	122,329	(4,178)	(3)%	100,769	21,560	21%
Gifts	35,428	31,533	3,895	12%	34,999	(3,466)	(10)%
Investment income, net	73,639	16,973	56,666	334%	88,117	(71,144)	(81)%
Disposal of capital asset	6,750	(8,648)	15,398	(178)%	(1,626)	(7,022)	432%
Interest expense	(21,614)	(23,955)	2,341	(10)%	(24,352)	397	(2)%
Other nonoperating revenues (expenses)	369	(991)	1,360	(137)%	3,769	(4,760)	(126)%
<b>Total Nonoperating Revenues (Expenses)</b>	<u>684,832</u>	<u>612,245</u>	<u>72,587</u>	<u>12%</u>	<u>750,691</u>	<u>(138,446)</u>	<u>(18)%</u>
<b>Other Revenues (Expenses)</b>	3,943	25,396	(21,453)	(84)%	13,534	11,862	88%
<b>Net Position</b>							
Increase (Decrease) in Net Position	61,684	(10,829)	72,513	(670)%	102,503	(113,332)	(111)%
Net position, beginning of year	<u>2,242,297</u>	<u>2,253,126</u>	<u>(10,829)</u>	<u>0%</u>	<u>2,150,623</u>	<u>102,503</u>	<u>5%</u>
<b>Net position, end of year</b>	<u>\$2,303,981</u>	<u>\$2,242,297</u>	<u>\$61,684</u>	<u>3%</u>	<u>\$2,253,126</u>	<u>\$(10,829)</u>	<u>0%</u>

Operating revenues increased by \$52.1 million 7% and operating expenses increased by \$30.7 million 2%, resulting in a decrease in the operating loss of \$21.4 million (3%).

Operating Revenue - Student Tuition and Fees increased 4.5% to \$350.2 million as a result of the Board of Regents approved tuition and fee increases offset by a slight enrollment decrease. Federal grants and contracts experienced an increase of 2.8% to \$168.7 million while State, local and other grants and contracts increased 9.5% to \$74.1 million.

The increase in operating expenses was driven by increases in Supplies and Services expense and in Employee Compensation and Benefits. These increases primarily relate to the increases in grants and contracts and sales and services revenues.

Unaudited

Nonoperating net revenues increased by \$72.6 million. This was led by significant increases in investment income, net due to market fluctuation of \$56.7 million, and gain on the disposal of capital assets of \$15.4 million.

### System Related Organizations

Component entities' ending net position increased from 2012 to 2013, as shown in the following schedule.

	2013	2012	Increase/ Decrease	Percent Change	2011	Increase/ Decrease	Percent Change
<b>Operating Revenues</b>							
Patient revenue	\$ 54,105	\$ 51,198	\$ 2,907	6%	\$49,787	\$1,411	3%
Contract revenue	6,495	6,277	218	3%	7,355	(1,078)	(15)%
Contributions	40,120	54,723	(14,603)	(27)%	38,938	15,785	41%
Campus support	4,359	5,635	(1,276)	(23)%	5,945	(310)	(5)%
Other	16,807	6,801	10,006	147%	5,408	1,393	26%
<b>Total Operating Revenues</b>	<u>121,886</u>	<u>124,634</u>	<u>(2,748)</u>	<u>(2)%</u>	<u>107,433</u>	<u>17,201</u>	<u>16%</u>
<b>Operating Expenses</b>							
Program expenses	(38,622)	(35,594)	(3,028)	9%	(34,542)	(1,052)	3%
Other operating expenses	(41,721)	(33,988)	(7,733)	23%	(32,383)	(1,605)	5%
Depreciation	(957)	(841)	(116)	14%	(878)	37	(4)%
<b>Total Operating Expenses</b>	<u>(81,300)</u>	<u>(70,423)</u>	<u>(10,877)</u>	<u>15%</u>	<u>(67,803)</u>	<u>(2,620)</u>	<u>4%</u>
<b>Nonoperating Revenues (Expenses)</b>							
Investment income (loss), net	34,087	7,652	26,435	345%	40,394	(32,742)	(81)%
Payments to NSHE System	(45,394)	(51,932)	6,538	(13)%	(37,832)	(14,100)	37%
Other nonoperating revenues (expenses)	(172)	2,573	(2,745)	(107)%	(41)	2,614	6,376%
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(11,479)</u>	<u>(41,707)</u>	<u>30,228</u>	<u>(72)%</u>	<u>2,521</u>	<u>(44,228)</u>	<u>(1,754)%</u>
<b>Other Revenues</b>	<u>11,673</u>	<u>22,676</u>	<u>(11,003)</u>	<u>(49)%</u>	<u>13,950</u>	<u>8,726</u>	<u>63%</u>
<b>Net Position</b>							
Increase (Decrease) in net position	40,780	35,180	5,600	16%	56,101	(20,921)	(37)%
Net position, beginning of year	447,154	411,974	35,180	9%	355,873	56,101	16%
<b>Net Position, end of year</b>	<u>\$487,934</u>	<u>\$447,154</u>	<u>\$40,780</u>	<u>9%</u>	<u>\$411,974</u>	<u>\$35,180</u>	<u>9%</u>

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

Net cash flows increased primarily due to an increase in proceeds from debt and a reduction in the purchase of investments. Cash used in operating activities increased due to increased payments to suppliers and for compensation and benefits. Net operating cash flows (amount of cash used in operating activities) increased 7.7%.

	2013	2012	Increase/ (Decrease)	Percent Change	2011	Increase/ (Decrease)	Percent Change
Operating activities	\$(540,940)	\$(502,302)	\$(38,638)	8%	\$(562,752)	\$60,450	(11)%
Noncapital financing	623,773	635,908	(12,135)	(2)%	686,107	(50,199)	(7)%
Capital financing activities	(98,221)	(120,150)	21,929	18%	(81,909)	(38,241)	(47)%
Investing activities	15,674	(57,249)	72,923	127%	7,693	(64,942)	(844)%
Net increase (decrease) in cash	286	(43,793)	44,079		49,139	(92,932)	
Cash - beginning of year	206,181	249,974	(43,793)		200,835	49,139	
Cash - end of year	<u>\$206,467</u>	<u>\$206,181</u>	<u>\$ 286</u>		<u>\$249,974</u>	<u>\$(43,793)</u>	

Cash flows from noncapital financing activities decreased \$12.1 million. This decrease was primarily related to the decrease in cash received from gifts and grants and federal grants and contracts, and the increase in disbursements under federal student loans programs. Cash flows used in capital financing activities indicated a decrease of \$21.9 million, reflecting an increase in proceeds from capital debt offset by an increase in principal payments. Cash flows from investing activities increased by \$72.9 million. This category generally reflects investing activities during the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

As of June 30, 2013, the System had invested \$1.9 billion in a broad range of capital assets, including equipment, buildings, machinery and equipment, library books and media, art and other valuable collections, intangible assets and land. This represents a net decrease (including additions and deletions) of \$31.6 million over June 30, 2012.

During fiscal year 2013, NSHE issued \$145.3 million of new revenue bonds to refinance outstanding bonds for interest savings. As of June 30, 2013, the coverage on the University Revenue Bonds (pledged revenues to maximum annual debt service) was 5.02 times. For statutory purposes, the coverage was 1.57 times, above minimum required coverage of 1.10. Coverage for the System's University Revenue Bonds is based upon two formulas. The statutory coverage ratio is based upon pledged revenues described in Nevada Revised Statutes authorizing the issuance of revenue bonds. The second, comprehensive coverage ratio, is based upon all revenues pledged to the bonds (including the statutory revenues) in the bond resolutions adopted by the Board of Regents. The statutory and comprehensive coverage ratios feature different minimum coverage thresholds that govern the issuance of additional revenue bond debt. NSHE issued a total of \$16.3 million of notes payable during fiscal year 2013.

## **FUTURE FINANCIAL EFFECTS**

In the recent years the demand for higher education services has stabilized, with some institutions showing slight growth and others reporting declines in enrollments. In FY 13, the System realized a net loss of student full time equivalent (FTE) enrollment of 1.6% (1,034 students) system-wide compared to FY 12. Student FTE enrollments increased at one of the State's two universities and the State College, and decreased at the other 5 institutions. Student enrollment counts are not yet available for the fall 2013 semester, but preliminary figures reflect that system-wide the number of FTE students will be essentially flat overall from fall 2012, with some institutions growing and others anticipating slight decreases in FTE students.

The Legislatively approved NSHE operating budget includes state appropriations and authorized expenditures (State Supported Operating Budget). The State Supported Operating Budget totals \$748.9 million for FY 14. This compares to a Legislatively approved budget of \$735.4 million in FY 13 and represents a 1.83% increase. General fund only allocations for NSHE grew by \$14.8 million from \$472.4 to \$487.2 million. In FY13, general fund appropriations accounted for approximately 64.2% of the total State Supported Operating Budget and in FY 14 general fund appropriations account for approximately 65.1%, with the upward change attributed primarily to salary and benefit restorations funded by the 2013 Legislature. The remaining revenue sources budgeted in the State Supported Operating Budget, including all non-appropriated sources, total \$261.7 million in FY 14 (34.9% of the total). This is a slight decrease in dollars of \$1.4 million and percentage of .5%, and is generally due to the decrease in enrollments and related registration fees.

As was the case in FY 13, student FTE enrollments will likely reflect moderate growth at some institutions in FY 14 and NSHE will be requesting the Interim Finance Committee, as authorized in Senate Bill 521 (2013 Legislature), for authority to expend student fee revenues generated in excess of budgeted levels due to enrollments exceeding projections in FY 14. These funds will be utilized to augment existing state budgets for the affected institutions.

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

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

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

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**NEVADA SYSTEM OF HIGHER EDUCATION**  
**COMBINED STATEMENTS OF NET POSITION (in \$1,000's)**  
**AS OF JUNE 30, 2013 and 2012**

	<u>System</u>		<u>System Related Organizations</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b><u>ASSETS</u></b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 182,375	\$ 182,041	\$ 42,058	\$ 43,262
Restricted cash and cash equivalents	144	150	3,127	1,952
Short-term investments	525,330	480,511	170,458	134,120
Accounts receivable, net	43,454	34,326	395	83
Receivable from U.S. Government	40,243	36,946	-	-
Receivable from State of Nevada	2,288	2,206	-	-
Pledges receivable, net	-	-	10,170	11,149
Patient accounts receivable, net	-	-	7,486	6,113
Current portion of loans receivable, net	1,445	1,428	14	11
Inventories	6,515	6,868	-	-
Deposits and prepaid expenditures, current	11,038	11,615	295	504
Other	18	79	3,601	3,422
<b>Total Current Assets</b>	<b>812,850</b>	<b>756,170</b>	<b>237,604</b>	<b>200,616</b>
<i>Noncurrent Assets</i>				
Cash held by State Treasurer	5,777	11,983	-	-
Restricted cash and cash equivalents	18,171	12,007	-	661
Receivable from State of Nevada	-	4,657	-	-
Restricted investments	-	-	39,241	28,886
Endowment investments	225,662	212,543	173,509	171,263
Deposits and prepaid expenditures	2,940	4,843	-	127
Loans receivable, net	11,653	10,902	106	664
Capital assets, net	1,927,684	1,959,264	7,606	7,937
Pledges receivable, net	525	1,724	33,273	35,743
Other noncurrent assets	248	273	23,588	21,939
<b>Total Noncurrent Assets</b>	<b>2,192,660</b>	<b>2,218,196</b>	<b>277,323</b>	<b>267,220</b>
<b>TOTAL ASSETS</b>	<b>3,005,510</b>	<b>2,974,366</b>	<b>514,927</b>	<b>467,836</b>
<b><u>LIABILITIES</u></b>				
<i>Current Liabilities</i>				
Accounts payable	38,499	36,765	4,374	4,038
Accrued payroll and related liabilities	67,175	66,600	1,632	1,511
Unemployment insurance and workers compensation	3,766	7,336	-	-
Due to State of Nevada	43	-	-	-
Current portion of compensated absences	30,583	30,710	-	-
Current portion of long-term debt	23,263	19,875	2,385	539
Current portion of obligations under capital leases	822	579	141	-
Accrued interest payable	8,427	11,675	4	-
Unearned revenue	44,307	46,883	1,903	797
Funds held in trust for others	7,361	8,229	-	-
Due to affiliates	-	-	7,234	5,083
Other	-	276	2,744	412
<b>Total Current Liabilities</b>	<b>224,246</b>	<b>228,928</b>	<b>20,417</b>	<b>12,380</b>
<i>Noncurrent Liabilities</i>				
Refundable advances under federal loan programs	8,194	8,059	-	-
Compensated absences	16,144	16,050	-	-
Unearned revenue	-	-	2,543	2,067
Long-term debt	449,646	477,202	-	40
Obligations under capital leases	2,423	589	-	-
Other noncurrent liabilities	876	1,241	4,033	6,195
<b>Total Noncurrent Liabilities</b>	<b>477,283</b>	<b>503,141</b>	<b>6,576</b>	<b>8,302</b>
<b>TOTAL LIABILITIES</b>	<b>701,529</b>	<b>732,069</b>	<b>26,993</b>	<b>20,682</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	1,465,694	1,463,647	6,097	6,412
Restricted - Nonexpendable	86,021	84,695	244,817	240,346
Restricted - Expendable - Scholarships, research and instruction	144,216	128,314	189,781	161,218
Restricted - Expendable - Loans	8,210	7,643	-	-
Restricted - Expendable - Capital projects	42,811	39,590	768	268
Restricted - Expendable - Debt service	19,870	20,560	-	-
Restricted - Expendable - Other	-	-	1,093	1,197
Unrestricted	537,159	497,848	45,378	37,713
<b>TOTAL NET POSITION</b>	<b>\$ 2,303,981</b>	<b>\$ 2,242,297</b>	<b>\$ 487,934</b>	<b>\$ 447,154</b>

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

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in \$1,000's)**  
**FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

	<u>System</u>		<u>System Related Organizations</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>				
Student tuition and fees (net of scholarship allowance of \$121,080 and \$115,276)	\$ 350,170	\$ 335,187	\$ 7,719	\$ -
Federal grants and contracts	168,722	164,127	-	269
State grants and contracts	30,875	28,911	-	-
Local grants and contracts	27,494	25,167	-	-
Other grants and contracts	15,735	13,573	-	-
Campus support	11	53	4,359	5,635
Sales and services of educational departments (including \$4,251 and \$4,308 from System Related Organizations)	87,746	72,792	-	-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$6,946 and \$5,083)	81,194	76,896	-	-
Contributions	-	-	40,120	54,723
Patient revenue	-	-	54,105	51,198
Contract revenue	-	-	6,495	6,277
Special events and fundraising	-	-	3,772	1,890
Interest earned on loans receivable	213	217	-	-
Other operating revenues	36,287	29,416	5,316	4,642
<b>Total Operating Revenues</b>	<u>798,447</u>	<u>746,339</u>	<u>121,886</u>	<u>124,634</u>
<b>Operating Expenses</b>				
Employee compensation and benefits	(889,062)	(873,941)	(32,601)	(28,510)
Utilities	(32,368)	(31,954)	(1)	(1)
Supplies and services	(325,771)	(304,425)	(6,938)	(4,620)
Scholarships and fellowships	(82,839)	(88,770)	-	(147)
Program expenses, System Related Organizations	-	-	(38,622)	(35,594)
Depreciation	(95,400)	(95,689)	(957)	(841)
Other operating expenses	(98)	(30)	(2,181)	(710)
<b>Total Operating Expenses</b>	<u>(1,425,538)</u>	<u>(1,394,809)</u>	<u>(81,300)</u>	<u>(70,423)</u>
<b>Operating Income (Loss)</b>	<u>(627,091)</u>	<u>(648,470)</u>	<u>40,586</u>	<u>54,211</u>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	472,109	475,004	-	-
Gifts (including \$32,416 and \$31,263 from System Related Organizations)	35,428	31,533	-	-
Investment income, net	73,639	16,973	34,087	7,652
Gain (Loss) on disposal of capital assets	6,750	(8,648)	(51)	(280)
Loss on early extinguishment of debt	(490)	-	-	-
Interest expense	(21,614)	(23,955)	(56)	77
Payments to System campuses and divisions	-	-	(45,394)	(51,932)
Other nonoperating revenues (expenses)	859	(991)	(65)	2,776
Federal grants and contracts	118,151	122,329	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>684,832</u>	<u>612,245</u>	<u>(11,479)</u>	<u>(41,707)</u>
<b>Income (Loss) Before Other Revenue (Expenses)</b>	<u>57,741</u>	<u>(36,225)</u>	<u>29,107</u>	<u>12,504</u>
<b>Other Revenues (Expenses)</b>				
State appropriations (returns) restricted for capital purposes	(3,468)	7,711	-	-
Capital grants and gifts (including \$5,713 and \$13,803 from System Related Organizations)	6,984	17,196	215	-
Additions to permanent endowments (including \$155 and \$79 from System Related Organizations)	427	489	10,557	11,362
Other Foundation revenues	-	-	901	11,314
<b>Total Other Revenues</b>	<u>3,943</u>	<u>25,396</u>	<u>11,673</u>	<u>22,676</u>
<b>Increase (Decrease) in Net Position</b>	<u>61,684</u>	<u>(10,829)</u>	<u>40,780</u>	<u>35,180</u>
<b>NET POSITION</b>				
<b>Net position - beginning of year</b>	2,242,297	2,253,126	447,154	411,974
<b>Net position - end of year</b>	<u>\$ 2,303,981</u>	<u>\$ 2,242,297</u>	<u>\$ 487,934</u>	<u>\$ 447,154</u>

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

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**COMBINED STATEMENTS OF CASH FLOWS (in \$1000's)**  
**FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

	<u>System</u>	
	<u>2013</u>	<u>2012</u>
<b><i>Cash used in operating activities</i></b>		
Tuition and fees	\$ 345,939	\$ 341,870
Grants and contracts	241,818	244,687
Payments to suppliers	(325,024)	(309,457)
Payments for utilities	(32,458)	(31,861)
Payments for compensation and benefits	(891,463)	(835,422)
Payments for scholarships and fellowships	(82,717)	(89,011)
Loans issued to students and employees	(2,826)	(2,352)
Collection of loans to students and employees	1,924	2,059
Sales and services of auxiliary enterprises	108,398	76,177
Sales and services of educational departments	59,594	72,538
Other receipts	35,875	28,470
<b><i>Cash used in operating activities</i></b>	<u>(540,940)</u>	<u>(502,302)</u>
<b><i>Cash provided by noncapital financing activities</i></b>		
State appropriations	472,042	474,786
Gifts and grants for other than capital purposes	32,308	39,639
Gift for endowment purposes	321	478
Receipts under federal student loan programs	154,024	146,698
Disbursements under federal student loan programs	(152,948)	(148,214)
Other	1,298	1,075
Agency transactions	(816)	(645)
Federal grants and contracts	117,544	122,091
<b><i>Cash provided by noncapital financing activities</i></b>	<u>623,773</u>	<u>635,908</u>
<b><i>Cash used in capital financing activities</i></b>		
Proceeds from capital debt	181,986	86,877
Other	93	-
Payments for debt issuance costs	(189)	(1,632)
Capital appropriations	1,189	6,526
Capital grants and gifts received	5,670	4,519
Bond issuance and refunding	(4,848)	-
Purchases of capital assets	(66,358)	(69,100)
Proceeds from sale of property and equipment	8,843	179
Principal paid on capital debt and leases, including defeasance	(196,983)	(121,435)
Interest paid on capital debt and leases	(27,194)	(26,091)
Deposits for the acquisition of property and equipment	(430)	7
<b><i>Cash used in capital financing activities</i></b>	<u>(98,221)</u>	<u>(120,150)</u>
<b><i>Cash provided by (used in) investing activities</i></b>		
Proceeds from sales and maturities of investments	119,460	177,195
Purchase of investments	(119,899)	(248,476)
Interest and dividends received on investments	15,904	12,536
Net increase in cash equivalents, noncurrent investments	209	1,496
<b><i>Cash provided by (used in) investing activities</i></b>	<u>15,674</u>	<u>(57,249)</u>
<b><i>Net increase (decrease) in cash</i></b>	286	(43,793)
<b><i>Cash and cash equivalents, beginning of year</i></b>	206,181	249,974
<b><i>Cash and cash equivalents, end of year</i></b>	<u>\$ 206,467</u>	<u>\$ 206,181</u>

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**COMBINED STATEMENTS OF CASH FLOWS (in \$1000's) (CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

	<u>System</u>	
	<u>2013</u>	<u>2012</u>
<b>Reconciliation of operating loss to cash used in operating activities</b>		
Operating loss	\$ (627,091)	\$ (648,470)
Adjustments to reconcile operating loss to cash used in operating activities:		
Supplies expense related to noncash gifts	669	747
Depreciation and amortization expense	95,400	95,689
Changes in assets and liabilities:		
Accounts receivable, net	(8,149)	(1,790)
Receivable from U.S. Government	(3,093)	2,099
Receivable from State of Nevada	(305)	899
Loans receivable, net	(744)	392
Inventories	352	(917)
Deposits and prepaid expenditures	2,371	(2,650)
Accounts payable	3,315	5,016
Accrued payroll and related liabilities	986	37,669
Unemployment and workers' compensation insurance liability	(3,336)	1,993
Unearned revenue	(1,424)	8,708
Refundable advances under federal loan program	81	176
Compensated absences	(33)	(1,784)
Other	61	(79)
Cash used in operating activities	<u>\$ (540,940)</u>	<u>\$ (502,302)</u>
 <b>Supplemental noncash activities information</b>		
Loss on disposal of capital assets	<u>\$ 1,863</u>	<u>\$ 8,737</u>
Capital assets acquired by gifts	<u>\$ 1,539</u>	<u>\$ 12,472</u>
Capital assets acquired by incurring capital lease obligations and accounts payable	<u>\$ 4,839</u>	<u>\$ 1,937</u>
Unrealized gain (loss) on investments	<u>\$ 21,501</u>	<u>\$ (42,431)</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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### NOTE 1 – Organization:

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

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

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

The System Related Organizations include campus foundations which are related tax-exempt organizations founded to foster and promote the growth, progress, and general welfare of the System, and are reported in separate columns to emphasize that they are Nevada not-for-profit organizations legally separate from the System. During the years ended June 30, 2013 and 2012, the foundations distributed \$45,943 and \$51,932, respectively, to the System for both restricted and unrestricted purposes. Complete financial statements for the foundations can be obtained from Vic Redding, Vice Chancellor for Finance at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

The System Related Organizations also include three legally separate non-profit organizations, together known as 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 years ended June 30, 2013 and 2012, ICS distributed \$3,660 and \$3,773, respectively, to the System for restricted purposes. Complete financial statements for ICS can be obtained from Vic Redding, Vice Chancellor for Finance at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

### NOTE 2 – Summary of Significant Accounting Policies:

The significant accounting policies followed by the System are described below to enhance the usefulness of the financial statements to the reader.

### BASIS OF PRESENTATION

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

The financial statements required by Statement No. 35 are the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements 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 YEARS ENDED JUNE 30, 2013 and 2012

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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 Statements of Cash Flows.

#### INVESTMENTS

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

#### INVENTORIES

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

#### PLEDGES

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

#### CAPITAL ASSETS

Capital assets are defined as assets with an initial unit cost of \$5 in the years ended June 30, 2013 and 2012 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 \$140 and \$845 was capitalized during the years ended June 30, 2013 and 2012, respectively. Depreciation is computed on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	6 to 40
Land improvements	10 to 15
Machinery and equipment	3 to 18
Library books	5
Leasehold improvements	shorter of useful life or lease term
Intangible assets	5 to 10

Collections are capitalized at cost or fair value at the date of donation. The System's collections are protected, preserved and held for public exhibition, education or research and include art and rare book collections which are considered inexhaustible and are therefore not depreciated.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

#### UNEARNED REVENUE

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

#### COMPENSATED ABSENCES

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

#### FEDERAL REFUNDABLE LOANS

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

#### NET POSITION

Net position is classified as follows:

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

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

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

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

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

#### OPERATING AND NONOPERATING REVENUES AND EXPENSES

##### SYSTEM

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

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

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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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 years are recorded as adjustments of the current year's contractual and bad debt adjustments. Substantially all of the operating expenses are directly or indirectly related to patient care.

#### *FOUNDATIONS*

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

#### **SCHOLARSHIP ALLOWANCES**

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statements of Revenues, Expenses and Changes in Net 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 fiscal years 2013 and 2012 were \$8,989 and 8,448, respectively.

#### **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.

#### **COMPARATIVE INFORMATION**

Certain reclassifications have been made to the 2012 financial information in order to conform to 2013 presentation. The reclassifications are neither significant nor material to the 2012 financial information.

#### **NEW ACCOUNTING PRONOUNCEMENTS**

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (GASB 60), which improves financial reporting by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. GASB 60 is effective for fiscal years beginning after December 15, 2011. The System has implemented this pronouncement with no significant impact to the financial statements for the years ended June 30, 2013 and 2012.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34* (GASB 61), which improves reporting for a governmental financial reporting entity. This statement supplements GASB Statement No. 14, *The Financial Reporting Entity*, as well as GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. GASB 61 is effective for fiscal years beginning after June 15, 2012. The System has implemented this pronouncement with no significant impact to the financial statements for the years ended June 30, 2013 and 2012.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62), which incorporates into GASB's authoritative literature certain accounting and financial reporting guidance included in the pronouncements of the FASB and American Institute of Certified Public Accountants (AICPA). This statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, eliminating the election to apply post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements. GASB 62 is effective retroactively for all periods presented for periods beginning after December 15, 2011. The System has implemented this pronouncement with no significant impact to the financial statements for the years ended June 30, 2013 and 2012.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement amends the net asset reporting requirement in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB 63 is effective for financial statements for periods beginning after December 15, 2011. The System has implemented this pronouncement, and changes are reflected in the financial statements for the years ended June 30, 2013 and 2012.

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

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which improves accounting and financial reporting by state and local governments for pensions. This statement also supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as GASB Statement No. 50, *Pension Disclosures*. GASB 68 is effective for fiscal years beginning after December 15, 2014. The anticipated impact of this pronouncement is uncertain at this time.

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

Cash and cash equivalents of the System are stated at cost, which approximates market, and consists of deposits in money market funds, which are not federally insured, and cash in the bank. At June 30, 2013 and 2012, the System's deposits in money market funds totaled \$189,975 and \$186,277, respectively, and cash in bank was \$5,834 and \$18,409, respectively. Of these balances, \$250 each year, are covered by the Federal Depository Insurance Corporation ("FDIC"), the remaining deposits are uncollateralized and uninsured. Restricted cash represents the unexpended bond proceeds held for construction of major assets.

### NOTE 4 – System Investments:

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

Investments are stated at fair value. The historical cost and market value (fair value) of System investments at June 30, 2013 and 2012 is as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Mutual funds publicly traded	\$474,390	\$546,138	\$457,036	\$487,181
Partnerships	69,042	96,310	55,481	96,187
Equities	3,766	4,052	4,448	5,454
Endowment cash and cash equivalents	1,353	1,353	1,718	1,718
Trusts	4,586	5,711	4,553	5,563
Private commingled funds	<u>92,428</u>	<u>97,428</u>	<u>85,875</u>	<u>96,951</u>
	<u>\$645,565</u>	<u>\$750,992</u>	<u>\$609,111</u>	<u>\$693,054</u>

As of June 30, 2013, the System had entered into various investment agreements with private equity partnerships and private commingled funds. Under the terms of certain of these investment agreements, the System is obligated to make additional investments in these partnerships of \$17,177. Generally, partnership investments do not have a ready market and ownership interests in some of these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risks generally associated with equities with additional risks due to leverage and the lack of a ready market for acquisition or disposition of ownership interests.

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

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

Certain securities with fixed income are subject to credit risk which is the risk that an issuer of an investment will not fulfill its obligations. Other securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. Credit quality is an assessment of the issuer's ability to pay interest on the investment, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent rating agencies, for example Moody's Investors Service or Standard and Poor's. For the types of investments that are subject to rating, the System's policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, the System is not the trustee of these investments and, therefore, it currently has no policies with regard to credit risk for these investments.

The credit risk profile for the System's operating and endowment investments at June 30, 2013 is as follows:

	<u>Fair Value</u>	<u>Not Rated</u>
Mutual funds publicly traded	\$546,138	\$546,138
Partnerships	96,310	96,310
Equities	4,052	4,052
Endowment cash and cash equivalents	1,353	1,353
Trust(s)	5,711	5,711
Private commingled funds	<u>97,428</u>	<u>97,428</u>
	<u>\$750,992</u>	<u>\$750,992</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, 2013 is as follows:

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

Less than 1 year	\$204,583
1 to 5 years	153,309
5 to 10 years	25,060
More than 10 years	<u>          -</u>
	<u>\$382,952</u>

#### *Custodial credit risk*

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

#### *Concentration of credit risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investments within any one issuer. For the fixed portion of the endowment pool, the System's policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the fixed income portfolio, provided that issues of the U.S. Government or agencies of the U.S. Government may be held without limitation and provided further that issues of agencies of the U.S. Government shall be limited to the extent set forth in the manager-specific guidelines. The System does not have a specific policy with regard to the operating pool or the remainder of the endowment pool. At June 30, 2013 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 \$155,699 and \$126,490 in mutual funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2013 and 2012, respectively.

### NOTE 5 – System Endowment Pool:

\$219,950 and \$206,980 of endowment fund investments at June 30, 2013 and 2012, respectively, are pooled on a unit market value basis. As of June 30, 2013, the endowment pool was comprised of investments in mutual funds (48%), partnerships (40%), private commingled (10%) and stocks (2%). As of June 30, 2012, the endowment pool was comprised of investments in mutual funds (49%), partnerships (41%), private commingled (7%) and stocks (3%). Each individual endowment fund acquires or disposes of units on the basis of the market value per unit on the preceding quarterly valuation date. The unit market value at June 30, 2013 and 2012 was \$614.88 and \$553.13, respectively. The System follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) with respect to prudent investing and spending of donor-restricted endowments.

The System utilizes a spending rule for its pooled endowments, which determines the endowment income to be distributed currently for spending. For the year ended June 30, 2013 and 2012, the endowment spending policy, as approved by the Board of Regents, authorized a distribution of 4.5% of the average unit market value for the previous twenty (20) calendar quarters. Under the provisions of this spending rule, during 2013, \$22.11 was distributed to each time-weighted eligible unit for a total spending rule distribution of \$10,316, and during 2012, \$21.67 was distributed to each time-weighted eligible unit for a total spending rule distribution of \$10,293. The 2013 and 2012 distributions were made from investment income of \$5,251 and \$3,852, respectively, and \$5,065 and \$6,441, respectively from cumulative gains of pooled investments.

The System's policy is to retain the endowment's realized and unrealized appreciation with the endowment after the annual income distribution has been made. Such realized and unrealized appreciation retained in endowment investments was \$153,639 and \$128,443 at June 30, 2013 and 2012, respectively, 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, 2013, 1 of 576 accounts was underwater.

### NOTE 6 – System Accounts Receivable:

System accounts receivable consist primarily of amounts due from students for tuition and fees and from local and private sources for grant and contract agreements. System accounts receivable are presented on the accompanying Statements of Net Position net of allowances for uncollectible amounts of \$25,565 and \$19,282 as of June 30, 2013 and 2012, respectively.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

### NOTE 6 – System Accounts Receivable (continued):

	<u>2013</u>	<u>2012</u>
Accounts receivable:		
Student tuition and fees	\$33,903	\$28,169
Sales and services	11,578	7,805
Local and private grants and contracts	15,178	11,842
Other	<u>8,360</u>	<u>5,792</u>
	69,019	53,608
Less: Allowance for doubtful accounts	<u>(25,565)</u>	<u>(19,282)</u>
Net accounts receivable	<u>\$43,454</u>	<u>\$34,326</u>

### NOTE 7 – System Loans Receivable:

Loans receivable from students bear interest primarily between 3% and 15% per annum and are generally repayable in installments to the various campuses over a five to ten year period commencing nine months from the date of separation from the institution. Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans receivable at June 30, 2013. 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, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Loans receivable	\$14,366	\$13,454
Less: Allowance for doubtful loans	<u>(1,268)</u>	<u>(1,124)</u>
Net loans receivable	13,098	12,330
Less current portion	<u>(1,445)</u>	<u>(1,428)</u>
Noncurrent loans receivable	<u>\$11,653</u>	<u>\$10,902</u>

### NOTE 8 – System Capital Assets:

System capital asset activity for the years ended June 30, 2013 and 2012 is as follows:

	Beginning <u>Balance</u>	<u>2013</u> <u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 26,909	\$ 25,303	\$ (17,449)	\$ 34,763
Land	82,627	-	-	82,627
Intangibles	808	-	-	808
Collections	<u>11,315</u>	<u>629</u>	<u>( 5)</u>	<u>11,939</u>
Total capital assets not being depreciated	<u>121,659</u>	<u>25,932</u>	<u>(17,454)</u>	<u>130,137</u>
Capital assets being depreciated:				
Buildings	2,321,115	21,615	(6,459)	2,336,271
Land improvements	113,982	4,340	-	118,322
Machinery and equipment	333,804	26,507	(17,864)	342,447
Intangibles	39,587	2,597	( 917)	41,267
Library books and media	<u>119,874</u>	<u>2,978</u>	<u>(4,162)</u>	<u>118,690</u>
Total	<u>2,928,362</u>	<u>58,037</u>	<u>(29,402)</u>	<u>2,956,997</u>
Less accumulated depreciation for:				
Buildings	(647,933)	(57,875)	6,192	(699,616)
Land improvements	(85,704)	(3,985)	-	(89,689)
Machinery and equipment	(235,420)	(25,094)	15,880	(244,634)
Intangibles	(11,276)	(4,117)	532	(14,861)
Library books and media	<u>(110,424)</u>	<u>(4,329)</u>	<u>4,103</u>	<u>(110,650)</u>
Total accumulated depreciation	<u>(1,090,757)</u>	<u>(95,400)</u>	<u>26,707</u>	<u>(1,159,450)</u>
Total capital assets being depreciated, net	<u>1,837,605</u>	<u>(37,363)</u>	<u>(2,695)</u>	<u>1,797,547</u>
Capital assets, net	<u>\$1,959,264</u>	<u>\$11,431</u>	<u>\$(20,149)</u>	<u>\$1,927,684</u>

**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

**NOTE 8 – System Capital Assets (continued):**

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

**NOTE 9 – System Long-Term Debt:**

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

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

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# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

System long-term debt activity for the years ended June 30, 2013 and 2012 is as follows:

	Annual Interest Rate	Fiscal Year Final Payment Date	2013		Additions	Reductions	Ending Balance	Current
			Original Amount	Beginning Balance				
Universities Revenue Bonds, Series 2002A	3.87% to 5.40%	2028	\$ 31,000	\$ 17,585	\$ -	\$ (17,585)	\$ -	\$ -
Taxable University Revenue Bonds, Series 2002C	4.00% to 5.50%	2013	8,150	450	-	(450)	-	-
Universities Revenue Bonds, Series 2003A	2.00% to 5.00%	2017	23,140	7,035	-	(4,980)	2,055	2,055
Universities Revenue Bonds, Series 2003B	2.00% to 5.00%	2034	50,890	15,580	-	(14,305)	1,275	1,275
Universities Revenue Bonds, Series 2004A	2.00% to 4.50%	2034	32,450	22,920	-	(19,785)	3,135	1,540
Universities Revenue Bonds, Series 2004B	3.00% to 4.75%	2035	10,000	4,105	-	(4,105)	-	-
Universities Revenue Bonds, Series 2005A	3.00% to 5.00%	2036	31,010	30,180	-	(28,045)	2,135	595
Universities Revenue Bonds, Series 2005B	3.25% to 5.00%	2036	170,360	159,500	-	(83,160)	76,340	4,605
Universities Revenue Bonds, Series 2008A	3.00% to 5.00%	2039	60,135	56,865	-	(1,110)	55,755	1,155
Universities Revenue Bonds, Series 2009A	2.00% to 5.25%	2039	18,140	17,020	-	(575)	16,445	595
Universities Revenue Bonds, Series 2010A	2.00% to 7.90%	2041	29,455	29,455	-	(595)	28,860	-
Universities Revenue Bonds, Series 2010B	4.00%	2018	3,275	3,275	-	-	3,275	605
Universities Revenue Bonds, Series 2011	3.00% to 5.00%	2025	50,470	50,470	-	(4,225)	46,245	4,875
Universities Revenue Bonds, Series 2012A	2.00% to 5.00%	2033	27,375	27,375	-	-	27,375	-
Universities Revenue Bonds, Series 2012B	2.00% to 2.75%	2023	5,010	5,010	-	-	5,010	545
Universities Revenue Bonds, Series 2013A	2.00% to 5.00%	2033	40,035	-	40,035	-	40,035	-
Universities Revenue Bonds, Series 2013B	3.00% to 5.00%	2035	105,300	-	105,300	-	105,300	-
Certificates of Participation, Series 2006A	4.00% to 5.00%	2026	11,015	10,470	-	(7,305)	3,165	570
SNSC Phase II Lease Revenue Bonds	7.58%	2023	8,460	6,155	-	(380)	5,775	405
Prepaid Interest in Advance of Refunding				(2,868)	(11,016)	612	(13,272)	(775)
Gain on refunding				-	51	(1)	50	3
Discounts				(2,145)	(828)	1,071	(1,902)	(124)
Premiums				<u>15,281</u>	<u>18,190</u>	<u>(6,048)</u>	<u>27,423</u>	<u>1,699</u>
Total Bonds Payable				473,718	151,732	(190,971)	434,479	19,623
Notes Payable				<u>23,359</u>	<u>16,250</u>	<u>(1,179)</u>	<u>38,430</u>	<u>3,640</u>
Total				<u>\$497,077</u>	<u>\$167,982</u>	<u>\$(192,150)</u>	<u>\$472,909</u>	<u>\$23,263</u>

**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

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

System notes payable activity is as follows:

	<u>2013</u>				
	Interest Rate	Date Issued	Final Payment Date	Original Amount	Outstanding Balance
Sun Trust Banks, Inc., UNLV – Refunding	3.93%	12/20/06	07/01/26	\$16,713	\$ 8,353
Bank of America, UNR Medical Learning Lab	6.12%	10/29/09	07/01/16	9,812	8,885
Bank of America, UNR Molecular Medicine Equipment	1.74%	08/07/13	06/01/17	6,250	6,250
Bank of America, CSN Promissory Note	1.88%	01/03/13	06/01/23	10,000	10,000
Other notes payable	1.60% - 6.30%	Various	Various	Various	<u>4,942</u>
					<u>\$38,430</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

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

**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

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

System notes payable activity is as follows:

	<u>2012</u>				
	Interest Rate	Date Issued	Final Payment Date	Original Amount	Outstanding Balance
Bank of America N. A. Commercial Markets, UNLV – T&M Chiller and Refunding	3.7249%	12/20/06	10/26/11	\$21,376	\$ -
Sun Trust Banks, Inc., UNLV – Refunding	3.93%	12/20/06	07/01/26	16,713	8,353
Bank of America, UNR Medical Learning Lab	6.12%	10/29/09	7/1/16	9,812	9,290
Other notes payable	1.07% - 6.30%	Various	Various	Various	<u>5,716</u>
					<u>\$23,359</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 23,263	\$ 20,008	\$ 43,271
2015	23,017	19,991	43,008
2016	22,764	19,091	41,855
2017	29,825	17,931	47,756
2018	19,940	16,947	36,887
2019-2023	100,335	71,427	171,762
2024-2028	86,328	49,993	136,321
2029-2033	93,220	29,886	123,106
2034-2038	63,894	9,515	73,409
2039-2043	<u>10,323</u>	<u>797</u>	<u>11,120</u>
Total	<u>\$472,909</u>	<u>\$255,586</u>	<u>\$728,495</u>

### NOTE 10 – System Obligations Under Capital Leases:

The System has entered into various non-cancellable lease agreements of land, buildings and improvements, and machinery and equipment expiring at various dates from fiscal year 2014 to 2018.

System obligations under capital leases were as follows for the years ended June 30, 2013 and 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>2013</u>		<u>Ending Balance</u>	<u>Current</u>
			<u>Reductions</u>			
Capital lease obligations	<u>\$1,168</u>	<u>\$2,967</u>	<u>\$(890)</u>		<u>\$3,245</u>	<u>\$822</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>2012</u>		<u>Ending Balance</u>	<u>Current</u>
Capital lease obligations	<u>\$3,670</u>	<u>\$106</u>	<u>\$(2,608)</u>		<u>\$1,168</u>	<u>\$579</u>

The following System property included in the accompanying combined financial statements was leased under capital leases as of June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Buildings and improvements	\$ -	\$5,871
Machinery and equipment	<u>6,006</u>	<u>4,257</u>
Total	6,006	10,128
Less accumulated depreciation	<u>(3,732)</u>	<u>(7,734)</u>
Total	<u>\$2,274</u>	<u>\$2,394</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

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

2014	\$ 912
2015	880
2016	747
2017	610
2018	<u>304</u>
Total minimum lease payments	3,453
Less amount representing interest	<u>(208)</u>
Obligations under capital leases	<u>\$3,245</u>

Total interest expense under the System capital leases and included in the accompanying combined financial statements was \$78 and \$78 during the years ended June 30, 2013 and 2012. Depreciation of the capital lease assets is included in depreciation expense of the Statements of Revenues, Expenses and Changes in Net Position.

### NOTE 11– Operating Leases:

The System has entered into various noncancellable operating lease agreements covering certain buildings and equipment. The lease terms range from one to ten years. The expense for operating leases was \$5,628 and \$6,340 for years ended June 30, 2013 and 2012, respectively.

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

2014	\$ 4,924
2015	2,937
2016	2,536
2017	2,490
2018	<u>1,292</u>
Total future minimum obligation	<u>\$14,179</u>

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

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

Changes in unemployment and workers compensation for the years ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>			
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Unemployment insurance	\$4,331	\$ 3,287	\$ (6,552)	\$1,066
Workers compensation	<u>3,005</u>	<u>7,426</u>	<u>(7,731)</u>	<u>2,700</u>
Total	<u>\$7,336</u>	<u>\$10,713</u>	<u>\$(14,283)</u>	<u>\$3,766</u>
	<u>2012</u>			
	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Unemployment insurance	\$1,700	\$ 4,819	\$(2,188)	\$4,331
Workers compensation	<u>3,019</u>	<u>6,295</u>	<u>(6,309)</u>	<u>3,005</u>
Total	<u>\$4,719</u>	<u>\$11,114</u>	<u>\$(8,497)</u>	<u>\$7,336</u>

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

The activity with respect to System other noncurrent liabilities for the years ended June 30, 2013 and 2012 was as follows:

	2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current
Refundable advances under					
federal loans program	\$ 8,059	\$ 460	\$ (325)	\$ 8,194	\$ -
Compensated absences	46,760	29,900	(29,933)	46,727	30,583
Unearned revenue	46,883	76,470	(79,046)	44,307	44,307
Other non-current liabilities -					
Other	<u>1,241</u>	<u>-</u>	<u>(365)</u>	<u>876</u>	<u>-</u>
Total	<u>\$102,943</u>	<u>\$106,830</u>	<u>\$(109,669)</u>	<u>\$100,104</u>	<u>\$74,890</u>
	2012				
	Beginning Balance	Additions	Reductions	Ending Balance	Current
Refundable advances under					
federal loans program	\$ 7,815	\$ 532	\$ (288)	\$ 8,059	\$ -
Compensated absences	48,379	28,085	(29,704)	46,760	30,710
Unearned revenue	37,550	46,755	(37,422)	46,883	46,883
Other non-current liabilities -					
Due to State	5,360	-	(5,360)	-	-
Other	<u>-</u>	<u>1,241</u>	<u>-</u>	<u>1,241</u>	<u>-</u>
Total	<u>\$99,104</u>	<u>\$76,613</u>	<u>\$(72,774)</u>	<u>\$102,943</u>	<u>\$77,593</u>

### NOTE 14– Extinguishment of Debt:

During 2013, \$151,800 of debt was considered to be extinguished through the use of cash and the refunding of prior issues by a portion of the current issues. In prior years, NSHE defeased revenue bonds by placing the proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in NSHE's financial statements. At June 30, 2013 and 2012, \$185,860 and \$49,920, respectively of bonds outstanding are considered defeased.

During 2013, the refinancing and defeasance of existing bonds resulted in net cash flow savings of \$15,659, which will accrue to NSHE over the life of the refunding bonds. The economic gain (present value) of these cash flow savings was \$10,553. For 2012, refinancing activities produced cash flow savings and economic gain of \$4,911 and \$4,276, respectively.

### NOTE 15– Irrevocable Letter of Credit:

In connection with its worker's compensation liability coverage, the System is required to maintain a \$325 standby letter of credit. An additional letter of credit was established in April 2004 in connection with the System's self-insured workers' compensation liability; the amount as of June 30, 2013 was \$1,626. 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 years ended June 30, 2013 and 2012.

### NOTE 16– System Pension Plans:

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

All permanent System classified employees are mandated by State law to participate in PERS. PERS is a defined benefit plan. Employees who retire with 5 or more years of service at age 65, 10 or more years of service at age 60 or with 30 years or more of service at any age are entitled to a retirement benefit, payable monthly for life, equal to 2.67% of the employee's average compensation for each year of service up to 30 years, with a maximum of 75%. An employee's average compensation is the average of the employee's highest compensation for 36 consecutive months. A diminished benefit is provided to all eligible employees upon early retirement, if such employees have achieved the years of service required for regular retirement. PERS also provides death and disability benefits. Benefits for employees hired after January 1, 2010 have a slightly reduced benefit structure. Benefits are established by State statute.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

The authority for establishing and amending the obligation to make contributions is provided by statute. Contribution rates are also established by statute. Active employees contribute to PERS at a rate of either 12.25% or 0% of annual covered wages depending on the contribution option selected. The System is required to contribute to PERS at a rate of either 12.25% or 23.75% of annual covered wages, depending on the option selected by the employee. The System is not liable for any unfunded liabilities of PERS.

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

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

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

The System's contribution to all retirement plans for the years ended June 30, 2013 and 2012 was approximately \$74,856 and \$72,618, respectively, equal to the required contribution for each year.

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

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which requires accrual-based measurement, recognition and disclosure of other postemployment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets.

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

The Public Employees Benefits Program administers these benefits as a multiple employer cost sharing plan. The State Retirees' Health and Welfare Benefits Trust Fund has been created to provide benefits to retirees and their beneficiaries. The unfunded actuarial accrued liability for the trust, as of the most recent valuation on July 1, 2012, is \$1,181,000. This compares to \$947,000 on July 1, 2010. This is recorded on the financial statements of the trust and the State as a fiduciary fund, but not on the financial statements of the System.

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

The System's contribution for the retired employee group insurance assessment for the years ended June 30, 2013 and 2012 was approximately \$12,945 and \$10,091, respectively, equal to the required contribution for the year.

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

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

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

The System is self-insured for its unemployment liability. The System is billed by the State each quarter based the actual unemployment benefits paid by the State. Each year the System budgets resources to pay for the projected expenditures. The amount of future benefits payments to claimants and the resulting liability to the System cannot be reasonably determined as of June 30, 2013.

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.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

The estimated cost to complete property authorized or under construction at June 30, 2013 is \$33,456. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

The Board of Regents approved at its June 7, 2013 meeting the reimbursement of certain expenditures from proceeds of up to \$40 million of NSHE Universities Revenue bonds. It is anticipated that such bonds, which are subject to final approval by the Board, will be issued in the third quarter of fiscal year 2014.

UNR sold the Fire Science Academy in Carlin, Nevada in fiscal year 2012. As part of the lease agreement executed at the time of the sale, upon termination of said lease, UNR is obligated to remove any and all above ground props from the prop field, and assess for and remediate any contamination in accordance with provisions promulgated in Nevada Revised Statutes and Administrative Code (NAC) 445A. The notice of lease termination was executed by the Chancellor on June 30, 2012. The estimated obligation includes all the anticipated costs to close out the Fire Science Program, including disposition of assets, demolition of the prop field and related fire water supply and treatment systems, assessing for environmental contamination, and remediation of such contamination, if found. The estimated obligation amount of \$4.1 million was developed by the Senior Director for Facilities Maintenance Services in coordination with outside consultants. An obligation amount of \$3.0 million has been included in accounts payable for the year ended June 30, 2013.

### NOTE 19- Risk Management:

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

The System purchases the following commercial insurance:

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

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

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

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

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

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

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

### NOTE 20- Subsequent Events:

The Board of Regents approved at its September 6, 2013 meeting the reimbursement of certain expenditures from proceeds of up to \$85 million of State of Nevada general obligation bonds. It is anticipated that such bonds, which are subject to final approval by the Board and the State, will be issued in the fourth quarter of fiscal year 2014.

The Board of Regents approved at its September 6, 2013 meeting the form of a Lease-Purchase Agreement and related documents between the Nevada Real Property Corporation (the "Lessor") and the State of Nevada acting by and through NSHE (the "Lessee") whereby the Lessee would lease from the Lessor a not-to-exceed \$61 million project to be constructed on the principal campus of NSC. It is expected that State of Nevada Certificates of Participation, which are subject to additional approvals by the State and the Lessor, will be issued in November 2013.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

The following is the functional classifications of expenses as reported on the Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Instruction	\$ 496,729	\$ 493,264
Research	101,693	100,027
Public service	60,345	59,724
Academic support	122,238	118,083
Institutional support	121,094	144,603
Student services	152,351	104,457
Operation and maintenance of plant	109,973	118,082
Scholarships and fellowships	87,771	88,770
Auxiliary enterprises	77,685	71,218
Other expenditures	276	892
Depreciation	<u>95,383</u>	<u>95,689</u>
Total	<u>\$1,425,538</u>	<u>\$1,394,809</u>

### NOTE 22 - System Related Organizations:

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

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NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
NET POSITION AS OF JUNE 30, 2013

	<u>UNR</u> <u>Foundation</u>	<u>UNR</u> <u>AAUN</u>	<u>Integrated</u> <u>Clinical</u> <u>Services, Inc.</u>	<u>DRI</u> <u>Foundation</u>	<u>DRI</u> <u>Research</u> <u>Park</u>	<u>TMCC</u> <u>Foundation</u>	<u>WNC</u> <u>Foundation</u>	<u>GBC</u> <u>Foundation</u>
<b><u>ASSETS</u></b>								
<i>Current Assets</i>								
Cash and cash equivalents	\$ 14,016	\$ 799	\$ 5,621	\$ 148	\$ 1	\$ 1,078	\$ 82	\$ 1,787
Short-term investments	132,638	6,471	5,961	-	-	-	889	-
Other	4,724	484	9,340	12	-	145	54	215
<b>Total Current Assets</b>	<u>151,378</u>	<u>7,754</u>	<u>20,922</u>	<u>160</u>	<u>1</u>	<u>1,223</u>	<u>1,025</u>	<u>2,002</u>
<i>Noncurrent Assets</i>								
Restricted investments	-	-	-	-	-	-	-	-
Endowment investments	25,975	-	-	-	-	408	1,879	4,558
Capital assets, net	22	58	1,541	486	-	-	-	44
Other noncurrent assets	17,325	573	-	-	-	55	48	139
<b>Total Noncurrent Assets</b>	<u>43,322</u>	<u>631</u>	<u>1,541</u>	<u>486</u>	<u>-</u>	<u>463</u>	<u>1,927</u>	<u>4,741</u>
<b>TOTAL ASSETS</b>	<u>194,700</u>	<u>8,385</u>	<u>22,463</u>	<u>646</u>	<u>1</u>	<u>1,686</u>	<u>2,952</u>	<u>6,743</u>
<b><u>LIABILITIES</u></b>								
<i>Current Liabilities</i>								
Due to affiliates	5,574	350	1,285	18	-	-	-	7
Current portion of long-term debt	-	-	203	12	-	-	-	-
Other	491	281	5,079	4	3	960	-	-
<b>Total Current Liabilities</b>	<u>6,065</u>	<u>631</u>	<u>6,567</u>	<u>34</u>	<u>3</u>	<u>960</u>	<u>-</u>	<u>7</u>
<i>Noncurrent Liabilities</i>								
Long-term debt	-	-	-	-	-	-	-	-
Other noncurrent liabilities	1,880	-	-	-	120	-	-	-
<b>Total Noncurrent Liabilities</b>	<u>1,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>7,945</u>	<u>631</u>	<u>6,567</u>	<u>34</u>	<u>123</u>	<u>960</u>	<u>-</u>	<u>7</u>
<b><u>NET POSITION</u></b>								
Net investment in capital assets	22	58	1,334	486	-	-	-	33
Restricted - Nonexpendable	110,906	3,497	-	-	-	417	-	3,595
Restricted - Expendable	60,627	3,554	-	-	-	-	2,866	2,071
Unrestricted	15,200	645	14,562	126	(122)	309	86	1,037
<b>TOTAL NET POSITION</b>	<u>\$ 186,755</u>	<u>\$ 7,754</u>	<u>\$ 15,896</u>	<u>\$ 612</u>	<u>\$ (122)</u>	<u>\$ 726</u>	<u>\$ 2,952</u>	<u>\$ 6,736</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
NET POSITION AS OF JUNE 30, 2013 (continued)

	UNLV Foundation	UNLV Research Foundation	Rebel Golf Foundation	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Singapore Unlimited	CSN Foundation	NSC Foundation	Total System Related Organizations
<b>ASSETS</b>									
<i>Current Assets</i>									
Cash and cash equivalents	\$ 13,222	\$ 2	\$ 55	\$ 265	\$ 44	\$ 6,240	\$ 566	\$ 1,259	\$ 45,185
Short-term investments	13,793	-	5,316	1,826	820	-	2,744	-	170,458
Other	6,287	3	5	39	-	337	281	35	21,961
<b>Total Current Assets</b>	<b>33,302</b>	<b>5</b>	<b>5,376</b>	<b>2,130</b>	<b>864</b>	<b>6,577</b>	<b>3,591</b>	<b>1,294</b>	<b>237,604</b>
<i>Noncurrent Assets</i>									
Restricted investments	39,241	-	-	-	-	-	-	-	39,241
Endowment investments	137,720	-	-	-	84	-	2,316	569	173,509
Capital assets, net	361	4,754	-	171	-	169	-	-	7,606
Other noncurrent assets	37,691	-	-	110	-	581	150	295	56,967
<b>Total Noncurrent Assets</b>	<b>215,013</b>	<b>4,754</b>	<b>-</b>	<b>281</b>	<b>84</b>	<b>750</b>	<b>2,466</b>	<b>864</b>	<b>277,323</b>
<b>TOTAL ASSETS</b>	<b>248,315</b>	<b>4,759</b>	<b>5,376</b>	<b>2,411</b>	<b>948</b>	<b>7,327</b>	<b>6,057</b>	<b>2,158</b>	<b>514,927</b>
<b>LIABILITIES</b>									
<i>Current Liabilities</i>									
Due to affiliates	-	-	-	-	-	-	-	-	7,234
Current portion of long-term debt	-	-	-	-	-	2,170	-	-	2,385
Other	2,216	166	-	2	-	1,595	1	-	10,798
<b>Total Current Liabilities</b>	<b>2,216</b>	<b>166</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>3,765</b>	<b>1</b>	<b>-</b>	<b>20,417</b>
<i>Noncurrent Liabilities</i>									
Long-term debt	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities	3,227	806	-	-	-	543	-	-	6,576
<b>Total Noncurrent Liabilities</b>	<b>3,227</b>	<b>806</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>543</b>	<b>-</b>	<b>-</b>	<b>6,576</b>
<b>TOTAL LIABILITIES</b>	<b>5,443</b>	<b>972</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>4,308</b>	<b>1</b>	<b>-</b>	<b>26,993</b>
<b>NET POSITION</b>									
Net investment in capital assets	42	3,782	-	171	-	169	-	-	6,097
Restricted - Nonexpendable	123,438	-	-	-	47	-	2,348	569	244,817
Restricted - Expendable	118,685	-	-	15	37	-	2,345	1,442	191,642
Unrestricted	707	5	5,376	2,223	864	2,850	1,363	147	45,378
<b>TOTAL NET POSITION</b>	<b>\$ 242,872</b>	<b>\$ 3,787</b>	<b>\$ 5,376</b>	<b>\$ 2,409</b>	<b>\$ 948</b>	<b>\$ 3,019</b>	<b>\$ 6,056</b>	<b>\$ 2,158</b>	<b>\$ 487,934</b>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

NOTE 22 - System Related Organizations (continued):

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

	<u>UNR Foundation</u>	<u>UNR AAUN</u>	<u>Integrated Clinical Services, Inc.</u>	<u>DRI Foundation</u>	<u>DRI Research Park</u>	<u>TMCC Foundation</u>	<u>WNC Foundation</u>	<u>GBC Foundation</u>
<b><u>ASSETS</u></b>								
<i>Current Assets</i>								
Cash and cash equivalents	\$ 23,618	\$ 1,002	\$ 4,811	\$ 162	\$ 1	\$ 683	\$ 53	\$ 308
Short-term investments	86,519	5,653	5,424	-	-	245	877	1,272
Other	6,087	301	7,454	6	-	198	97	198
<b>Total Current Assets</b>	<u>116,224</u>	<u>6,956</u>	<u>17,689</u>	<u>168</u>	<u>1</u>	<u>1,126</u>	<u>1,027</u>	<u>1,778</u>
<i>Noncurrent Assets</i>								
Restricted investments	-	-	-	-	-	-	-	-
Endowment investments	41,441	-	-	-	-	298	1,727	4,021
Capital assets, net	33	60	2,064	486	-	-	-	45
Other noncurrent assets	16,689	768	-	-	-	-	89	659
<b>Total Noncurrent Assets</b>	<u>58,163</u>	<u>828</u>	<u>2,064</u>	<u>486</u>	<u>-</u>	<u>298</u>	<u>1,816</u>	<u>4,725</u>
<b>TOTAL ASSETS</b>	<u>174,387</u>	<u>7,784</u>	<u>19,753</u>	<u>654</u>	<u>1</u>	<u>1,424</u>	<u>2,843</u>	<u>6,503</u>
<b><u>LIABILITIES</u></b>								
<i>Current Liabilities</i>								
Due to affiliates	3,558	162	1,325	-	-	-	-	38
Current portion of long-term debt	-	-	452	87	-	-	-	-
Other	31	17	3,644	-	3	807	-	-
<b>Total Current Liabilities</b>	<u>3,589</u>	<u>179</u>	<u>5,421</u>	<u>87</u>	<u>3</u>	<u>807</u>	<u>-</u>	<u>38</u>
<i>Noncurrent Liabilities</i>								
Long-term debt	-	-	28	12	-	-	-	-
Other noncurrent liabilities	1,944	1,724	-	-	123	-	-	-
<b>Total Noncurrent Liabilities</b>	<u>1,944</u>	<u>1,724</u>	<u>28</u>	<u>12</u>	<u>123</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>5,533</u>	<u>1,903</u>	<u>5,449</u>	<u>99</u>	<u>126</u>	<u>807</u>	<u>-</u>	<u>38</u>
<b><u>NET POSITION</u></b>								
Net investment in capital assets	33	60	1,821	486	-	-	-	45
Restricted - Nonexpendable	107,178	3,625	-	-	-	306	499	3,458
Restricted - Expendable	48,183	1,591	-	-	-	-	2,291	1,999
Unrestricted	13,460	605	12,483	69	(125)	311	53	963
<b>TOTAL NET POSITION</b>	<u>\$ 168,854</u>	<u>\$ 5,881</u>	<u>\$ 14,304</u>	<u>\$ 555</u>	<u>\$ (125)</u>	<u>\$ 617</u>	<u>\$ 2,843</u>	<u>\$ 6,465</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
NET POSITION AS OF JUNE 30, 2012 (continued)

	UNLV Foundation	UNLV Research Foundation	Rebel Golf Foundation	UNLV Alumni Association	CSN Foundation	NSC Foundation	Total System Related Organizations
<b>ASSETS</b>							
<i>Current Assets</i>							
Cash and cash equivalents	\$ 12,089	\$ 11	\$ 182	\$ 281	\$ 732	\$ 1,281	\$ 45,214
Short-term investments	25,208	-	4,725	1,715	2,482	-	134,120
Other	6,579	3	5	15	325	14	21,282
<b>Total Current Assets</b>	<u>43,876</u>	<u>14</u>	<u>4,912</u>	<u>2,011</u>	<u>3,539</u>	<u>1,295</u>	<u>200,616</u>
<i>Noncurrent Assets</i>							
Restricted investments	28,886	-	-	-	-	-	28,886
Endowment investments	121,056	-	-	-	2,151	569	171,263
Capital assets, net	198	4,880	-	171	-	-	7,937
Other noncurrent assets	39,590	-	-	30	127	1,182	59,134
<b>Total Noncurrent Assets</b>	<u>189,730</u>	<u>4,880</u>	<u>-</u>	<u>201</u>	<u>2,278</u>	<u>1,751</u>	<u>267,220</u>
<b>TOTAL ASSETS</b>	<u>233,606</u>	<u>4,894</u>	<u>4,912</u>	<u>2,212</u>	<u>5,817</u>	<u>3,046</u>	<u>467,836</u>
<b>LIABILITIES</b>							
<i>Current Liabilities</i>							
Due to affiliates	-	-	-	-	-	-	5,083
Current portion of long-term debt	-	-	-	-	-	-	539
Other	2,027	166	-	62	1	-	6,758
<b>Total Current Liabilities</b>	<u>2,027</u>	<u>166</u>	<u>-</u>	<u>62</u>	<u>1</u>	<u>-</u>	<u>12,380</u>
<i>Noncurrent Liabilities</i>							
Long-term debt	-	-	-	-	-	-	40
Other noncurrent liabilities	3,504	967	-	-	-	-	8,262
<b>Total Noncurrent Liabilities</b>	<u>3,504</u>	<u>967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,302</u>
<b>TOTAL LIABILITIES</b>	<u>5,531</u>	<u>1,133</u>	<u>-</u>	<u>62</u>	<u>1</u>	<u>-</u>	<u>20,682</u>
<b>NET POSITION</b>							
Net investment in capital assets	45	3,752	-	170	-	-	6,412
Restricted - Nonexpendable	122,560	-	-	-	2,151	569	240,346
Restricted - Expendable	104,006	-	-	36	2,231	2,346	162,683
Unrestricted	1,464	9	4,912	1,944	1,434	131	37,713
<b>TOTAL NET POSITION</b>	<u>\$ 228,075</u>	<u>\$ 3,761</u>	<u>\$ 4,912</u>	<u>\$ 2,150</u>	<u>\$ 5,816</u>	<u>\$ 3,046</u>	<u>\$ 447,154</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000s)  
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>UNR Foundation</u>	<u>UNR AAUN</u>	<u>Integrated Clinical Services, Inc.</u>	<u>DRI Foundation</u>	<u>DRI Research Park</u>	<u>TMCC Foundation</u>	<u>WNC Foundation</u>	<u>GBC Foundation</u>
<b>Operating Revenues</b>								
Patient revenue	\$ -	\$ -	\$ 54,105	\$ -	\$ -	\$ -	\$ -	\$ -
Contract revenue	-	-	6,495	-	-	-	-	-
Contributions	20,785	102	-	947	-	720	290	178
Campus support	1,895	-	-	249	58	131	195	305
Other operating revenues	1,542	1,670	3,280	43	3	122	75	78
<b>Total operating revenues</b>	<u>24,222</u>	<u>1,772</u>	<u>63,880</u>	<u>1,239</u>	<u>61</u>	<u>973</u>	<u>560</u>	<u>561</u>
<b>Operating Expenses</b>								
Program expenses	(348)	(774)	(34,980)	-	-	(715)	(337)	(63)
Depreciation	(11)	-	(664)	-	-	-	-	-
Other operating expenses	(3,019)	(47)	(23,507)	(1,180)	(58)	(261)	(274)	(368)
<b>Total operating expenses</b>	<u>(3,378)</u>	<u>(821)</u>	<u>(59,151)</u>	<u>(1,180)</u>	<u>(58)</u>	<u>(976)</u>	<u>(611)</u>	<u>(431)</u>
<b>Operating income (loss)</b>	<u>20,844</u>	<u>951</u>	<u>4,729</u>	<u>59</u>	<u>3</u>	<u>(3)</u>	<u>(51)</u>	<u>130</u>
<b>Nonoperating Revenues (Expenses)</b>								
Payments to System campuses and divisions	(20,893)	-	(3,660)	-	-	-	-	(616)
Other nonoperating revenues (expenses)	13,693	922	523	(2)	-	112	160	593
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(7,200)</u>	<u>922</u>	<u>(3,137)</u>	<u>(2)</u>	<u>-</u>	<u>112</u>	<u>160</u>	<u>(23)</u>
<b>Income (loss) before other revenue (expenses)</b>	<u>13,644</u>	<u>1,873</u>	<u>1,592</u>	<u>57</u>	<u>3</u>	<u>109</u>	<u>109</u>	<u>107</u>
<b>Other Revenues (Expenses)</b>								
Additions to permanent endowments	4,257	-	-	-	-	-	-	164
Other revenues	-	-	-	-	-	-	-	-
<b>Total Other Revenues (Expenses)</b>	<u>4,257</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>164</u>
<b>Increase (Decrease) in Net Position</b>	<u>17,901</u>	<u>1,873</u>	<u>1,592</u>	<u>57</u>	<u>3</u>	<u>109</u>	<u>109</u>	<u>271</u>
<b>NET POSITION</b>								
Net position - beginning of year	168,854	5,881	14,304	555	(125)	617	2,843	6,465
Net position - end of year	<u>\$ 186,755</u>	<u>\$ 7,754</u>	<u>\$ 15,896</u>	<u>\$ 612</u>	<u>\$ (122)</u>	<u>\$ 726</u>	<u>\$ 2,952</u>	<u>\$ 6,736</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000s)  
FOR THE YEAR ENDED JUNE 30, 2013 and 2012

NOTE 22 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013 (continued)

	UNLV Foundation	UNLV Research Foundation	Rebel Golf Foundation	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Singapore Unlimited	CSN Foundation	NSC Foundation	Total System Related Organizations
<b>Operating Revenues</b>									
Patient revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,105
Contract revenue	-	-	-	-	-	-	-	-	6,495
Contributions	14,802	73	107	629	11	-	956	520	40,120
Campus support	1,526	-	-	-	-	-	-	-	4,359
Other operating revenues	1,003	-	38	511	70	7,728	481	163	16,807
<b>Total operating revenues</b>	<b>17,331</b>	<b>73</b>	<b>145</b>	<b>1,140</b>	<b>81</b>	<b>7,728</b>	<b>1,437</b>	<b>683</b>	<b>121,886</b>
<b>Operating Expenses</b>									
Program expenses	-	-	(265)	(748)	(88)	-	-	(304)	(38,622)
Depreciation	(20)	(126)	-	(25)	-	(111)	-	-	(957)
Other operating expenses	(5,654)	(82)	(79)	(343)	(8)	(4,666)	(908)	(1,267)	(41,721)
<b>Total operating expenses</b>	<b>(5,674)</b>	<b>(208)</b>	<b>(344)</b>	<b>(1,116)</b>	<b>(96)</b>	<b>(4,777)</b>	<b>(908)</b>	<b>(1,571)</b>	<b>(81,300)</b>
<b>Operating income (loss)</b>	<b>11,657</b>	<b>(135)</b>	<b>(199)</b>	<b>24</b>	<b>(15)</b>	<b>2,951</b>	<b>529</b>	<b>(888)</b>	<b>40,586</b>
<b>Nonoperating Revenues (Expenses)</b>									
Payments to System campuses and divisions	(19,419)	-	-	-	-	-	(806)	-	(45,394)
Other nonoperating revenues (expenses)	16,574	(54)	663	235	130	-	366	-	33,915
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(2,845)</b>	<b>(54)</b>	<b>663</b>	<b>235</b>	<b>130</b>	<b>-</b>	<b>(440)</b>	<b>-</b>	<b>(11,479)</b>
<b>Income (loss) before other revenue (expenses)</b>	<b>8,812</b>	<b>(189)</b>	<b>464</b>	<b>259</b>	<b>115</b>	<b>2,951</b>	<b>89</b>	<b>(888)</b>	<b>29,107</b>
<b>Other Revenues (Expenses)</b>									
Additions to permanent endowments	5,985	-	-	-	-	-	151	-	10,557
Other revenues	-	215	-	-	833	68	-	-	1,116
<b>Total Other Revenues (Expenses)</b>	<b>5,985</b>	<b>215</b>	<b>-</b>	<b>-</b>	<b>833</b>	<b>68</b>	<b>151</b>	<b>-</b>	<b>11,673</b>
<b>Increase (Decrease) in Net Position</b>	<b>14,797</b>	<b>26</b>	<b>464</b>	<b>259</b>	<b>948</b>	<b>3,019</b>	<b>240</b>	<b>(888)</b>	<b>40,780</b>
<b>NET POSITION</b>									
Net position - beginning of year	228,075	3,761	4,912	2,150	-	-	5,816	3,046	447,154
Net position - end of year	<u>\$ 242,872</u>	<u>\$ 3,787</u>	<u>\$ 5,376</u>	<u>\$ 2,409</u>	<u>\$ 948</u>	<u>\$ 3,019</u>	<u>\$ 6,056</u>	<u>\$ 2,158</u>	<u>\$ 487,934</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000s)  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 22 - System Related Organizations (continued):

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

	<u>UNR Foundation</u>	<u>UNR AAUN</u>	<u>Integrated Clinical Services, Inc.</u>	<u>DRI Foundation</u>	<u>DRI Research Park</u>	<u>TMCC Foundation</u>	<u>WNC Foundation</u>	<u>GBC Foundation</u>
<b>Operating Revenues</b>								
Patient revenue	\$ -	\$ -	\$ 51,198	\$ -	\$ -	\$ -	\$ -	\$ -
Contract revenue	-	-	6,277	-	-	-	-	-
Contributions	18,369	212	-	729	-	776	409	1,458
Campus support	2,047	500	-	222	61	122	181	346
Other operating revenues	969	255	3,435	47	3	-	39	30
<b>Total operating revenues</b>	<u>21,385</u>	<u>967</u>	<u>60,910</u>	<u>998</u>	<u>64</u>	<u>898</u>	<u>629</u>	<u>1,834</u>
<b>Operating Expenses</b>								
Program expenses	(322)	-	(33,082)	-	-	(708)	(332)	(27)
Depreciation	(14)	-	(712)	-	-	-	-	-
Other operating expenses	(3,177)	(397)	(22,261)	(414)	(61)	(160)	(235)	(1,032)
<b>Total operating expenses</b>	<u>(3,513)</u>	<u>(397)</u>	<u>(56,055)</u>	<u>(414)</u>	<u>(61)</u>	<u>(868)</u>	<u>(567)</u>	<u>(1,059)</u>
<b>Operating income (loss)</b>	<u>17,872</u>	<u>570</u>	<u>4,855</u>	<u>584</u>	<u>3</u>	<u>30</u>	<u>62</u>	<u>775</u>
<b>Nonoperating Revenues (Expenses)</b>								
Payments to System campuses and divisions	(18,572)	(437)	(3,773)	(525)	-	-	-	-
Other nonoperating revenues (expenses)	5,731	131	81	(4)	-	(89)	66	55
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(12,841)</u>	<u>(306)</u>	<u>(3,692)</u>	<u>(529)</u>	<u>-</u>	<u>(89)</u>	<u>66</u>	<u>55</u>
<b>Income (loss) before other revenue (expenses)</b>	<u>5,031</u>	<u>264</u>	<u>1,163</u>	<u>55</u>	<u>3</u>	<u>(59)</u>	<u>128</u>	<u>830</u>
<b>Other Revenues (Expenses)</b>								
Additions to permanent endowments	3,543	-	-	-	-	-	-	182
Other revenues	-	-	-	-	-	-	-	-
<b>Total Other Revenues (Expenses)</b>	<u>3,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182</u>
<b>Increase (Decrease) in Net Position</b>	<u>8,574</u>	<u>264</u>	<u>1,163</u>	<u>55</u>	<u>3</u>	<u>(59)</u>	<u>128</u>	<u>1,012</u>
<b>NET POSITION</b>								
Net position - beginning of year	160,280	5,617	13,141	500	(128)	676	2,715	5,453
Net position - end of year	<u>\$ 168,854</u>	<u>\$ 5,881</u>	<u>\$ 14,304</u>	<u>\$ 555</u>	<u>\$ (125)</u>	<u>\$ 617</u>	<u>\$ 2,843</u>	<u>\$ 6,465</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO THE FINANCIAL STATEMENTS (in \$1,000s)  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

NOTE 22 - System Related Organizations (continued):

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

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

UNR Foundation:

Cash and cash equivalents at June 30, 2013 and 2012, consists of:

	<u>2013</u>	<u>2012</u>
Cash	\$ 1,099	\$ 1,527
Money market funds	1,098	1,986
Commingled funds	11,569	8,154
Certificates of deposit	250	350
Treasury bills and notes	<u>-</u>	<u>11,601</u>
	<u>\$14,016</u>	<u>\$23,618</u>

The fair value of investments at June 30, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Equity Investments	\$ 763	\$ 471
Bonds	-	13,547
Commingled funds	129,666	94,162
Certificates of deposit	3,639	3,461
U.S. Government Securities	<u>24,545</u>	<u>16,319</u>
	<u>\$158,613</u>	<u>\$127,960</u>

At June 30, 2013, the Foundation investments had the following maturities:

	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>
Equity investments	\$ 763	\$ 763	\$ -	\$ -
Commingled funds	129,666	105,025	18,617	6,024
Certificates of deposit	3,639	2,905	734	-
U.S. Government securities	<u>24,545</u>	<u>23,945</u>	<u>600</u>	<u>-</u>
	<u>\$158,613</u>	<u>\$132,638</u>	<u>\$19,951</u>	<u>\$6,024</u>

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

The cumulative net appreciation (depreciation) of investments at June 30, 2013 and 2012 was \$8,403 and \$(879), respectively.

#### *Investment Risk Factors*

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

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

#### *Concentration of Credit Risk*

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

#### *Credit Risk*

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

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

#### *Interest Rate Risk*

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

#### *Foreign Currency Risk*

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

#### *Custodial Credit Risk – Deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the Foundation's deposits exceed FDIC limits and as a result may not be returned to the Foundation. All cash deposits are primarily on deposit with two financial institutions and several investment companies. The Foundation does not have a deposit policy for custodial credit risk. As of June 30, 2013, the Foundation's bank balances totaled \$13,811. Of this balance, \$825 was covered by depository insurance and/or collateralized and \$11,462 is held by State Street Government Securities and subject to their investment policies. The remaining \$1,523 was uninsured and uncollateralized and, as a result, was subject to custodial credit risk at June 30, 2013.

#### *Custodial Credit Risk – Investments*

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

#### *Commitments*

As of June 30, 2013, the Foundation has committed to acquire approximately \$8.5 million in new commingled funds.

# NEVADA SYSTEM OF HIGHER EDUCATION

## NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2013 and 2012

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

#### UNLV Foundation:

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

During the year ended June 30, 2013, the UNLV Foundation recognized \$16,638, in investment gains. Earnings included \$2,432 from interest and dividends, \$3,079 from net realized gains on the sale of investments, and \$11,792 from the change in investment fair value. The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior years. Investment expenses of \$664 and amortization of bond discounts of \$0 were netted against earnings.

Investments include the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Mutual funds	\$ 13,366	\$ 12,985
Certificates of deposit	1,845	1,316
Equities	19,779	16,506
U.S. government obligations	16,920	19,181
U.S. corporate bonds	25,433	28,920
Collateralized securities	20,233	18,546
Alternative investments	85,879	74,392
Non-U.S. corporate bonds	<u>7,299</u>	<u>3,304</u>
Total marketable securities at fair value	<u>\$190,754</u>	<u>\$175,150</u>

#### 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, 2013, the total balance for the UNLV Foundations cash and money market funds was \$13,222. Of this balance, \$475 was covered by the Federal Deposit Insurance Corporation, and \$12,747 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, 2013 follow:

	<u>Total</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Below Investment Grade</u>
Collateralized securities	\$ 20,233	\$ 18,009	\$ 1,643	\$ 357	\$ 224	\$ -
U.S. corporate bonds	25,433	180	451	4,848	19,863	91
Non-U.S. corporate bonds	7,299	-	1,097	2,610	3,592	-

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.

**NEVADA SYSTEM OF HIGHER EDUCATION**

**NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)  
FOR THE YEARS ENDED JUNE 30, 2013 and 2012**

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

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, 2013, was 7.34 years. The fixed-income portfolio's average maturity was 8.94 years. Interest rates range from 1.43% to 2.6%.

For investments in donor-restricted expendable funds, the UNLV Foundation uses the Barclays Aggregate Index average as the benchmark; maturity as of June 30, 2013, was 5.3 years. The fixed income-portfolio's average maturity was 7.3 years. Interest rates range from 0% to 10.75%.

	<u>Maturity</u> <u>Under 1 Year</u>	<u>Maturity</u> <u>1 – 5 Years</u>	<u>Maturity</u> <u>5 – 10 Years</u>	<u>Maturity</u> <u>Over 10 Years</u>	<u>Total</u>
Mutual funds	\$ 13,366	\$ -	\$ -	\$ -	\$ 13,366
Certificates of deposit	100	1,745	-	-	1,845
Collateralized securities	-	924	1,005	18,304	20,233
U.S. government obligations	9,671	-	4,943	2,306	16,920
U.S. corporate bonds	632	9,178	9,847	5,776	25,433
Non-U.S. corporate bonds	<u>81</u>	<u>1,514</u>	<u>4,510</u>	<u>1,194</u>	<u>7,299</u>
Investment in securities at fair value	<u>\$ 23,850</u>	<u>\$ 13,361</u>	<u>\$ 20,305</u>	<u>\$ 27,580</u>	<u>\$ 85,096</u>

*Foreign Currency Risk*

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

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## SUPPLEMENTAL INFORMATION

NEVADA SYSTEM OF HIGHER EDUCATION  
COMBINING SCHEDULE OF NET POSITION (in \$1,000's)  
AS OF JUNE 30, 2013

	<u>UNR</u>	<u>System Admin</u>	<u>DRI</u>	<u>TMCC</u>
<b><u>ASSETS</u></b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 18,134	\$ 82,414	\$ 6,224	\$ 5,102
Restricted cash and cash equivalents	-	-	144	-
Short-term investments	110,596	24,419	25,854	24,053
Accounts receivable, net	29,265	389	3,181	2,466
Receivable from U.S. Government	20,296	1,837	2,998	1,771
Receivable from State of Nevada	1,145	-	253	34
Current portion of loans receivable, net	950	98	-	51
Due from other institutions	-	1,919	-	-
Inventories	3,942	75	-	15
Deposits and prepaid expenditures, current	1,173	378	144	104
Other	-	-	-	-
<b>Total Current Assets</b>	<u>185,501</u>	<u>111,529</u>	<u>38,798</u>	<u>33,596</u>
<i>Noncurrent Assets</i>				
Cash held by State Treasurer	840	100	-	314
Restricted cash and cash equivalents	2,462	-	-	-
Endowment investments	121,793	10,843	28,119	9,125
Deposits and prepaid expenditures	1,570	441	540	-
Loans receivable, net	6,845	1,659	-	135
Capital assets, net	689,501	23,757	70,826	57,317
Pledges receivable	525	-	-	-
Other noncurrent assets	-	248	-	-
<b>Total Noncurrent Assets</b>	<u>823,536</u>	<u>37,048</u>	<u>99,485</u>	<u>66,891</u>
<b>TOTAL ASSETS</b>	<u>1,009,037</u>	<u>148,577</u>	<u>138,283</u>	<u>100,487</u>
<b><u>LIABILITIES</u></b>				
<i>Current Liabilities</i>				
Accounts payable	15,960	4,178	1,172	894
Accrued payroll and related liabilities	23,118	3,205	2,385	3,060
Unemployment insurance and workers compensation	1,600	30	93	137
Due to State of Nevada	37	-	-	6
Due to related institutions	1,457	342	130	192
Current portion of compensated absences	11,301	1,433	3,364	1,125
Current portion of long-term debt	9,781	-	671	-
Current portion of obligations under capital leases	-	-	579	-
Accrued interest payable	4,915	-	73	-
Unearned revenue	16,936	1,633	2,189	791
Funds held in trust for others	2,307	-	144	86
Other	-	-	-	-
<b>Total Current Liabilities</b>	<u>87,412</u>	<u>10,821</u>	<u>10,800</u>	<u>6,291</u>
<i>Noncurrent Liabilities</i>				
Refundable advances under federal loan programs	4,829	-	-	283
Compensated absences	6,732	287	834	639
Long-term debt	234,762	-	7,284	-
Obligations under capital leases	-	-	2,077	-
Other noncurrent liabilities	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<u>246,323</u>	<u>287</u>	<u>10,195</u>	<u>922</u>
<b>TOTAL LIABILITIES</b>	<u>333,735</u>	<u>11,108</u>	<u>20,995</u>	<u>7,213</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	448,345	23,706	61,042	57,317
Restricted - Nonexpendable	38,336	7,264	20,704	4,839
Restricted - Expendable - Scholarships, research and instruction	73,898	6,360	10,391	5,151
Restricted - Expendable - Loans	5,573	1,757	-	(37)
Restricted - Expendable - Capital projects	11,384	106	267	7,136
Restricted - Expendable - Debt service	8,291	-	-	-
Unrestricted	89,475	98,276	24,884	18,868
<b>TOTAL NET POSITION</b>	<u>\$ 675,302</u>	<u>\$ 137,469</u>	<u>\$ 117,288</u>	<u>\$ 93,274</u>

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>TOTAL</u>
\$ 2,071	\$ 1,814	\$ 54,641	\$ 10,224	\$ 1,751	\$ -	\$ 182,375
-	-	-	-	-	-	144
5,724	5,467	268,951	52,567	7,699	-	525,330
1,040	1,033	2,794	2,709	577	-	43,454
419	320	10,182	1,906	514	-	40,243
-	205	577	74	-	-	2,288
5	18	302	21	-	-	1,445
-	-	357	-	-	(2,276)	-
-	-	1,938	545	-	-	6,515
-	122	8,246	741	130	-	11,038
18	-	-	-	-	-	18
<u>9,277</u>	<u>8,979</u>	<u>347,988</u>	<u>68,787</u>	<u>10,671</u>	<u>(2,276)</u>	<u>812,850</u>
2	-	4,320	194	7	-	5,777
-	-	5,556	10,153	-	-	18,171
232	223	49,954	5,373	-	-	225,662
-	-	-	389	-	-	2,940
1	-	3,013	-	-	-	11,653
34,260	40,659	777,766	204,763	28,835	-	1,927,684
-	-	-	-	-	-	525
-	-	-	-	-	-	248
<u>34,495</u>	<u>40,882</u>	<u>840,609</u>	<u>220,872</u>	<u>28,842</u>	<u>-</u>	<u>2,192,660</u>
<u>43,772</u>	<u>49,861</u>	<u>1,188,597</u>	<u>289,659</u>	<u>39,513</u>	<u>(2,276)</u>	<u>3,005,510</u>
538	358	11,856	2,808	735	-	38,499
1,024	1,117	24,303	7,641	1,322	-	67,175
91	114	1,345	322	34	-	3,766
-	-	-	-	-	-	43
82	73	-	-	-	(2,276)	-
638	437	9,336	2,404	545	-	30,583
-	146	11,747	918	-	-	23,263
-	-	211	32	-	-	822
-	3	3,420	16	-	-	8,427
-	635	17,694	3,516	913	-	44,307
159	13	4,091	519	42	-	7,361
-	-	-	-	-	-	-
<u>2,532</u>	<u>2,896</u>	<u>84,003</u>	<u>18,176</u>	<u>3,591</u>	<u>(2,276)</u>	<u>224,246</u>
-	-	3,082	-	-	-	8,194
110	241	5,706	1,224	371	-	16,144
-	1,171	197,347	9,082	-	-	449,646
-	-	346	-	-	-	2,423
-	-	876	-	-	-	876
<u>110</u>	<u>1,412</u>	<u>207,357</u>	<u>10,306</u>	<u>371</u>	<u>-</u>	<u>477,283</u>
<u>2,642</u>	<u>4,308</u>	<u>291,360</u>	<u>28,482</u>	<u>3,962</u>	<u>(2,276)</u>	<u>701,529</u>
34,260	39,343	568,115	204,731	28,835	-	1,465,694
232	223	12,031	2,392	-	-	86,021
(198)	800	41,070	6,221	523	-	144,216
-	33	884	-	-	-	8,210
2	257	9,860	10,347	3,452	-	42,811
-	779	10,800	-	-	-	19,870
6,834	4,118	254,477	37,486	2,741	-	537,159
<u>\$ 41,130</u>	<u>\$ 45,553</u>	<u>\$ 897,237</u>	<u>\$ 261,177</u>	<u>\$ 35,551</u>	<u>\$ -</u>	<u>\$2,303,981</u>

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

	<u>UNR</u>	<u>System</u>	<u>DRI</u>	<u>TMCC</u>
<b><u>ASSETS</u></b>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 35,066	\$ 47,420	\$ 7,958	\$ 7,118
Restricted cash and cash equivalents	-	-	150	-
Short-term investments	107,847	22,110	22,852	22,990
Accounts receivable, net	19,495	372	3,865	2,234
Receivable from U.S. Government	18,267	773	3,436	1,020
Receivable from State of Nevada	833	-	159	244
Current portion of loans receivable, net	936	79	-	13
Inventories	3,676	89	-	15
Deposits and prepaid expenditures, current	566	36	7	55
Other	-	-	-	-
<b>Total Current Assets</b>	<u>186,686</u>	<u>70,879</u>	<u>38,427</u>	<u>33,689</u>
<i>Noncurrent Assets</i>				
Cash held by State Treasurer	4,968	100	42	109
Restricted cash and cash equivalents	1,843	-	-	-
Receivable from State of Nevada	1,007	-	-	-
Endowment investments	114,964	10,166	26,217	8,590
Deposits and prepaid expenditures	4,123	477	-	-
Loans receivable, net	6,561	1,161	-	198
Capital assets, net	694,269	28,123	68,776	58,483
Pledges receivable	1,724	-	-	-
Other noncurrent assets	-	273	-	-
<b>Total Noncurrent Assets</b>	<u>829,459</u>	<u>40,300</u>	<u>95,035</u>	<u>67,380</u>
<b>TOTAL ASSETS</b>	<u>1,016,145</u>	<u>111,179</u>	<u>133,462</u>	<u>101,069</u>
<b><u>LIABILITIES</u></b>				
<i>Current Liabilities</i>				
Accounts payable	19,106	2,646	593	1,399
Accrued payroll and related liabilities	23,506	1,413	2,545	3,739
Unemployment insurance and workers compensation	2,681	123	237	293
Current portion of compensated absences	11,368	1,512	3,323	1,105
Current portion of long-term debt	8,325	-	649	-
Current portion of obligations under capital leases	9	-	-	-
Accrued interest payable	6,710	-	78	-
Unearned revenue	16,337	1,808	2,620	989
Funds held in trust for others	2,480	-	158	96
Other	-	-	270	6
<b>Total Current Liabilities</b>	<u>90,522</u>	<u>7,502</u>	<u>10,473</u>	<u>7,627</u>
<i>Noncurrent Liabilities</i>				
Refundable advances under federal loan programs	4,775	-	-	283
Compensated absences	7,544	210	872	584
Long-term debt	258,811	-	7,955	-
Obligations under capital leases	-	-	-	-
Other noncurrent liabilities	-	-	-	-
<b>Total Noncurrent Liabilities</b>	<u>271,130</u>	<u>210</u>	<u>8,827</u>	<u>867</u>
<b>TOTAL LIABILITIES</b>	<u>361,652</u>	<u>7,712</u>	<u>19,300</u>	<u>8,494</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	429,653	28,072	60,322	58,483
Restricted - Nonexpendable	37,881	7,023	20,668	4,342
Restricted - Expendable - Scholarships, research and instruction	65,158	4,090	7,876	5,116
Restricted - Expendable - Loans	5,270	1,456	-	(41)
Restricted - Expendable - Capital projects	10,277	139	765	7,518
Restricted - Expendable - Debt service	9,637	-	-	7
Unrestricted	96,617	62,687	24,531	17,150
<b>TOTAL NET POSITION</b>	<u>\$ 654,493</u>	<u>\$ 103,467</u>	<u>\$ 114,162</u>	<u>\$ 92,575</u>

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>TOTAL</u>
\$ 2,408	\$ 2,018	\$ 63,259	\$ 14,377	\$ 2,417	\$ 182,041
-	-	-	-	-	150
5,408	4,904	236,233	50,312	7,855	480,511
506	763	3,509	3,180	402	34,326
489	309	10,187	1,778	687	36,946
102	43	623	185	17	2,206
7	51	289	53	-	1,428
-	-	2,126	659	303	6,868
-	125	9,631	887	308	11,615
79	-	-	-	-	79
<u>8,999</u>	<u>8,213</u>	<u>325,857</u>	<u>71,431</u>	<u>11,989</u>	<u>756,170</u>
564	-	2,831	1,017	2,352	11,983
-	-	9,114	1,050	-	12,007
-	-	3,444	206	-	4,657
218	208	47,188	4,992	-	212,543
-	-	-	243	-	4,843
-	-	2,966	16	-	10,902
35,179	42,022	792,364	211,485	28,563	1,959,264
-	-	-	-	-	1,724
-	-	-	-	-	273
<u>35,961</u>	<u>42,230</u>	<u>857,907</u>	<u>219,009</u>	<u>30,915</u>	<u>2,218,196</u>
<u>44,960</u>	<u>50,443</u>	<u>1,183,764</u>	<u>290,440</u>	<u>42,904</u>	<u>2,974,366</u>
563	477	8,525	2,516	940	36,765
1,100	1,028	24,596	7,587	1,086	66,600
135	354	2,611	828	74	7,336
683	436	9,124	2,462	697	30,710
-	143	10,758	-	-	19,875
-	-	202	368	-	579
-	4	4,883	-	-	11,675
-	145	15,750	8,191	1,043	46,883
166	54	4,759	516	-	8,229
-	-	-	-	-	276
<u>2,647</u>	<u>2,641</u>	<u>81,208</u>	<u>22,468</u>	<u>3,840</u>	<u>228,928</u>
-	-	3,001	-	-	8,059
86	245	5,252	1,173	84	16,050
-	1,317	209,119	-	-	477,202
-	-	557	32	-	589
-	-	1,241	-	-	1,241
<u>86</u>	<u>1,562</u>	<u>219,170</u>	<u>1,205</u>	<u>84</u>	<u>503,141</u>
<u>2,733</u>	<u>4,203</u>	<u>300,378</u>	<u>23,673</u>	<u>3,924</u>	<u>732,069</u>
35,179	40,562	571,729	211,084	28,563	1,463,647
218	208	11,989	2,366	-	84,695
654	996	38,453	5,632	339	128,314
-	26	932	-	-	7,643
666	15	15,353	2,274	2,583	39,590
-	640	10,276	-	-	20,560
5,510	3,793	234,654	45,411	7,495	497,848
<u>\$ 42,227</u>	<u>\$ 46,240</u>	<u>\$ 883,386</u>	<u>\$ 266,767</u>	<u>\$ 38,980</u>	<u>\$2,242,297</u>

**NEVADA SYSTEM OF HIGHER EDUCATION**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in \$1,000's)**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<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 \$121,080)	\$ 115,857	\$ -	\$ -	\$ 14,385
Federal grants and contracts	98,644	2,030	23,279	4,294
State grants and contracts	13,710	342	68	819
Local grants and contracts	26,001	-	644	-
Other grants and contracts	11,603	225	1,547	95
Campus support	-	-	-	-
Sales and services of educational departments (including \$4,251 from System Related Organizations)	58,123	3,103	-	864
Sales and services of auxiliary enterprises (net of scholarship allowance of \$6,946)	29,468	-	-	1,230
Interest earned on loans receivable	157	-	-	5
Other operating revenues	3,354	7,350	13,643	275
<b>Total Operating Revenues</b>	<u>356,917</u>	<u>13,050</u>	<u>39,181</u>	<u>21,967</u>
<b>Operating Expenses</b>				
Employee compensation and benefits	(328,716)	(16,688)	(32,214)	(43,504)
Utilities	(12,313)	(1,103)	(1,041)	(1,008)
Supplies and services	(144,387)	(18,502)	(9,743)	(10,291)
Scholarships and fellowships	(10,164)	(495)	-	(9,213)
Depreciation	(31,588)	(4,149)	(4,821)	(3,220)
Other operating expenses	(7)	-	-	-
<b>Total Operating Expenses</b>	<u>(527,175)</u>	<u>(40,937)</u>	<u>(47,819)</u>	<u>(67,236)</u>
<b>Operating Income (Loss)</b>	<u>(170,258)</u>	<u>(27,887)</u>	<u>(8,638)</u>	<u>(45,269)</u>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	145,427	23,144	7,814	30,577
Transfers to/from System Administration	(8,831)	35,138	(1,730)	(1,690)
Gifts (including \$32,416 from System Related Organizations)	13,927	-	1,268	582
Investment income, net	23,604	3,887	5,412	3,243
Gain (loss) on disposal of capital assets	8,256	(330)	(435)	(219)
Loss on early extinguishment of debt	(490)	-	-	-
Interest expense	(12,054)	-	(600)	-
Other nonoperating revenues (expenses)	260	-	-	-
Federal grants and contracts	17,072	-	-	13,419
<b>Total Nonoperating Revenues (Expenses)</b>	<u>187,171</u>	<u>61,839</u>	<u>11,729</u>	<u>45,912</u>
<b>Income (Loss) Before Other Revenue (Expenses)</b>	<u>16,913</u>	<u>33,952</u>	<u>3,091</u>	<u>643</u>
<b>Other Revenues (Expenses)</b>				
State appropriations (returns) restricted for capital purposes	-	-	-	-
Capital grants and gifts (including \$5,713 from System Related Organizations)	3,668	-	-	-
Additions to permanent endowments (including \$155 from System Related Organizations)	228	50	35	56
<b>Total Other Revenues (Expenses)</b>	<u>3,896</u>	<u>50</u>	<u>35</u>	<u>56</u>
<b>Increase (Decrease) in Net Position</b>	<u>20,809</u>	<u>34,002</u>	<u>3,126</u>	<u>699</u>
<b>NET POSITION</b>				
<b>Net position - beginning of year</b>	654,493	103,467	114,162	92,575
<b>Net position - end of year</b>	<u>\$ 675,302</u>	<u>\$ 137,469</u>	<u>\$ 117,288</u>	<u>\$ 93,274</u>

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>TOTAL</u>
\$ 3,680	\$ 4,498	\$ 158,324	\$ 45,575	\$ 7,851	\$ -	\$ 350,170
115	1,270	41,266	5,359	1,234	(8,769)	168,722
862	619	11,660	2,406	389	-	30,875
3	692	144	-	10	-	27,494
-	93	1,908	137	127	-	15,735
11	-	-	-	-	-	11
168	404	23,115	1,941	28	-	87,746
839	604	46,034	2,278	741	-	81,194
-	-	51	-	-	-	213
156	7	9,686	1,004	812	-	36,287
<u>5,834</u>	<u>8,187</u>	<u>292,188</u>	<u>58,700</u>	<u>11,192</u>	<u>(8,769)</u>	<u>798,447</u>
(17,866)	(17,188)	(314,453)	(103,886)	(14,547)	-	(889,062)
(551)	(464)	(12,029)	(3,526)	(333)	-	(32,368)
(5,263)	(1,373)	(97,694)	(39,075)	(8,212)	8,769	(325,771)
(4,515)	(5,352)	(21,921)	(28,646)	(2,533)	-	(82,839)
(1,365)	(2,066)	(35,444)	(11,724)	(1,023)	-	(95,400)
(91)	-	-	-	-	-	(98)
<u>(29,651)</u>	<u>(26,443)</u>	<u>(481,541)</u>	<u>(186,857)</u>	<u>(26,648)</u>	<u>8,769</u>	<u>(1,425,538)</u>
<u>(23,817)</u>	<u>(18,256)</u>	<u>(189,353)</u>	<u>(128,157)</u>	<u>(15,456)</u>	<u>-</u>	<u>(627,091)</u>
15,030	14,032	149,386	77,588	9,111	-	472,109
(161)	(410)	(18,122)	(3,635)	(559)	-	-
328	593	17,613	823	294	-	35,428
574	574	29,937	5,667	741	-	73,639
(11)	-	(495)	(16)	-	-	6,750
-	-	-	-	-	-	(490)
-	(26)	(8,918)	(16)	-	-	(21,614)
11	203	385	-	-	-	859
6,412	2,603	31,235	42,970	4,440	-	118,151
<u>22,183</u>	<u>17,569</u>	<u>201,021</u>	<u>123,381</u>	<u>14,027</u>	<u>-</u>	<u>684,832</u>
<u>(1,634)</u>	<u>(687)</u>	<u>11,668</u>	<u>(4,776)</u>	<u>(1,429)</u>	<u>-</u>	<u>57,741</u>
537	-	(798)	(869)	(2,338)	-	(3,468)
-	-	2,948	30	338	-	6,984
-	-	33	25	-	-	427
<u>537</u>	<u>-</u>	<u>2,183</u>	<u>(814)</u>	<u>(2,000)</u>	<u>-</u>	<u>3,943</u>
<u>(1,097)</u>	<u>(687)</u>	<u>13,851</u>	<u>(5,590)</u>	<u>(3,429)</u>	<u>-</u>	<u>61,684</u>
42,227	46,240	883,386	266,767	38,980	-	2,242,297
<u>\$ 41,130</u>	<u>\$ 45,553</u>	<u>\$ 897,237</u>	<u>\$ 261,177</u>	<u>\$ 35,551</u>	<u>\$ -</u>	<u>\$2,303,981</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, 2012**

	<u>UNR</u>	<u>System</u>	<u>DRI</u>	<u>TMCC</u>
<b>Operating Revenues</b>				
Student tuition and fees (net of scholarship allowance of \$115,276)	\$ 104,476	\$ -	\$ -	\$ 13,166
Federal grants and contracts	87,192	2,491	27,666	4,158
State grants and contracts	12,271	-	8	912
Local grants and contracts	23,847	-	390	-
Other grants and contracts	8,820	648	2,370	55
Campus support	-	-	-	-
Sales and services of educational departments (including \$4,308 from System Related Organizations)	41,561	3,123	-	996
Sales and services of auxiliary enterprises (net of scholarship allowance of \$5,083)	30,275	-	-	1,297
Interest earned on loans receivable	164	-	-	3
Other operating revenues	2,884	7,473	10,838	220
<b>Total Operating Revenues</b>	<u>311,490</u>	<u>13,735</u>	<u>41,272</u>	<u>20,807</u>
<b>Operating Expenses</b>				
Employee compensation and benefits	(321,350)	(17,950)	(33,416)	(41,273)
Utilities	(10,081)	(1,415)	(1,107)	(1,411)
Supplies and services	(131,871)	(17,062)	(10,377)	(10,196)
Scholarships and fellowships	(16,494)	(688)	-	(10,186)
Depreciation	(31,641)	(4,938)	(4,525)	(3,149)
Other operating expenses	-	-	-	-
<b>Total Operating Expenses</b>	<u>(511,437)</u>	<u>(42,053)</u>	<u>(49,425)</u>	<u>(66,215)</u>
<b>Operating Income (Loss)</b>	<u>(199,947)</u>	<u>(28,318)</u>	<u>(8,153)</u>	<u>(45,408)</u>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	146,580	24,730	8,043	30,590
Transfers to/from System Administration	(590)	3,273	(150)	(13)
Gifts (including \$31,263 from System Related Organizations)	13,219	5	506	624
Investment income, net	3,106	2,229	667	613
Gain (loss) on disposal of capital assets	(8,092)	(222)	38	(72)
Interest expense	(13,353)	-	(609)	(305)
Other nonoperating revenues (expenses)	(1,176)	-	-	-
Federal grants and contracts	16,306	-	-	14,996
<b>Total Nonoperating Revenues (Expenses)</b>	<u>156,000</u>	<u>30,015</u>	<u>8,495</u>	<u>46,433</u>
<b>Income (Loss) Before Other Revenue (Expenses)</b>	<u>(43,947)</u>	<u>1,697</u>	<u>342</u>	<u>1,025</u>
<b>Other Revenues (Expenses)</b>				
State appropriations restricted for capital purposes	2,383	100	373	1,025
Capital grants and gifts (including \$13,803 from System Related Organizations)	2,692	-	-	-
Additions to permanent endowments (including \$79 from System Related Organizations)	375	19	20	10
<b>Total Other Revenues (Expenses)</b>	<u>5,450</u>	<u>119</u>	<u>393</u>	<u>1,035</u>
<b>Increase (Decrease) in Net Position</b>	<u>(38,497)</u>	<u>1,816</u>	<u>735</u>	<u>2,060</u>
<b>NET POSITION</b>				
<b>Net position - beginning of year</b>	692,990	101,651	113,427	90,515
<b>Net position - end of year</b>	<u>\$ 654,493</u>	<u>\$ 103,467</u>	<u>\$ 114,162</u>	<u>\$ 92,575</u>

<u>WNC</u>	<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>TOTAL</u>
\$ 3,836	\$ 2,946	\$ 159,960	\$ 43,976	\$ 6,827	\$ -	\$ 335,187
678	1,278	42,107	5,290	1,498	(8,231)	164,127
870	415	11,513	2,494	428	-	28,911
14	649	252	-	15	-	25,167
-	74	1,425	55	126	-	13,573
13	-	-	-	40	-	53
526	395	23,220	2,022	949	-	72,792
834	580	41,643	2,267	-	-	76,896
-	-	50	-	-	-	217
350	-	6,600	1,035	16	-	29,416
<u>7,121</u>	<u>6,337</u>	<u>286,770</u>	<u>57,139</u>	<u>9,899</u>	<u>(8,231)</u>	<u>746,339</u>
(18,322)	(16,633)	(302,730)	(109,155)	(13,112)	-	(873,941)
(613)	(713)	(12,506)	(3,751)	(357)	-	(31,954)
(4,187)	(3,923)	(92,278)	(35,330)	(7,432)	8,231	(304,425)
(3,853)	(956)	(23,437)	(30,314)	(2,842)	-	(88,770)
(1,365)	(1,603)	(35,810)	(11,619)	(1,039)	-	(95,689)
(30)	-	-	-	-	-	(30)
<u>(28,370)</u>	<u>(23,828)</u>	<u>(466,761)</u>	<u>(190,169)</u>	<u>(24,782)</u>	<u>8,231</u>	<u>(1,394,809)</u>
<u>(21,249)</u>	<u>(17,491)</u>	<u>(179,991)</u>	<u>(133,030)</u>	<u>(14,883)</u>	<u>-</u>	<u>(648,470)</u>
15,030	14,032	149,310	77,578	9,111	-	475,004
14	(43)	(2,441)	(9)	(41)	-	-
337	547	15,263	853	179	-	31,533
211	213	8,293	1,399	242	-	16,973
(20)	-	(225)	(55)	-	-	(8,648)
-	(54)	(9,593)	(41)	-	-	(23,955)
-	34	151	-	-	-	(991)
6,188	2,850	32,651	44,874	4,464	-	122,329
<u>21,760</u>	<u>17,579</u>	<u>193,409</u>	<u>124,599</u>	<u>13,955</u>	<u>-</u>	<u>612,245</u>
<u>511</u>	<u>88</u>	<u>13,418</u>	<u>(8,431)</u>	<u>(928)</u>	<u>-</u>	<u>(36,225)</u>
571	-	3,115	44	100	-	7,711
-	-	14,392	31	81	-	17,196
-	-	39	26	-	-	489
<u>571</u>	<u>-</u>	<u>17,546</u>	<u>101</u>	<u>181</u>	<u>-</u>	<u>25,396</u>
<u>1,082</u>	<u>88</u>	<u>30,964</u>	<u>(8,330)</u>	<u>(747)</u>	<u>-</u>	<u>(10,829)</u>
41,145	46,152	852,422	275,097	39,727	-	2,253,126
<u>\$ 42,227</u>	<u>\$ 46,240</u>	<u>\$ 883,386</u>	<u>\$ 266,767</u>	<u>\$ 38,980</u>	<u>\$ -</u>	<u>\$2,242,297</u>