

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Nevada Hospital Association, Inc. (Association) was formed in 1971 to assist its members, comprised of hospitals located in Nevada, and to work collaboratively with its associate members in fulfilling their respective missions of providing high quality, high value healthcare services to their communities. The Association strives to be an effective advocate for improving the efficiency and accessibility of the healthcare delivery systems and the health status of Nevada's population.

The Nevada Health Facilities, Education and Research Foundation, Inc. (Foundation) was formed in 1973 to develop various programs to accommodate the health needs of the populace of Nevada, and to promote the public welfare through the development of closer communication among the hospitals of Nevada. In addition, the Foundation recognizes accomplishments of nurses within Nevada's healthcare systems.

Nevada Hospital Association HealthPAC (HealthPAC) is a political action committee administered by a Board of Trustees currently comprised of the Association's board of directors. HealthPAC is a voluntary, non-profit, and unincorporated organization that is not affiliated with any political party.

Consolidation Policy

The Association, Foundation and HealthPAC, collectively called Organizations in the accompanying financial statements, although separate entities, have the same board of directors. Therefore, the consolidated financial statements include the accounts of the Association, Foundation and HealthPAC. Intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting

The Organizations present their consolidated financial statements on the accrual basis, which recognizes revenue as earned and expenses as incurred.

Basis of Presentation

The Organizations report information regarding their financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions.

The Organizations report restricted contributions whose restrictions are met in the same reporting period in which the contributions are received as unrestricted support.

Temporarily restricted net assets at December 31, 2008, consist of contributions restricted by donors to be used for political campaign contributions in the amount of \$35,233. No permanently restricted net assets exist as of December 31, 2008.

Cash and Cash Equivalents

For the purposes of financial reporting, the Organizations consider money market funds and certificates of deposit with original maturities of three months or less to be cash equivalents.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Investments

Purchased investments are stated at fair market value based upon quoted prices. Unrealized and realized gains or losses on investments are reflected in the consolidated statement of activities.

Accounts Receivable

Accounts receivable consists of various items due from members. The receivables are considered fully collectible by management. Therefore, no allowance for doubtful accounts is included in the consolidated financial statements.

Grants Receivable

Grants receivable represents amounts receivable for expenditures incurred or services provided prior to year end. These amounts are considered fully collectible by management. Therefore, no allowance for doubtful accounts is included in the consolidated financial statements.

Equipment

Equipment is recorded at cost. Additions and improvements with costs exceeding \$1,000 are capitalized, whereas costs of maintenance and repairs are expensed as incurred.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. The estimated useful life for equipment is 3 to 10 years.

Deferred Revenue and Due to Grantor

Deferred revenue represents dues received in advance, advanced grant revenue and other amounts received in advance. Dues are billed in November for the subsequent year. Accordingly, dues are recognized as revenue in the applicable membership period. Grant revenue is considered earned as funds are expended, or as services are provided in accordance with the grant terms. Other revenue is recognized as revenue in the period during which it is earned. Amounts due to grantor represent unexpended grant funds and reimbursed grant expenditures to be refunded subsequent to year end.

Contributions for Others

The Association acts as an agent for billing and collecting dues or contributions from member hospitals for non-affiliated organizations. The dues or contributions collected are not included as revenue and support in the accompanying consolidated statement of activities.

At December 31, 2008, there were amounts due from member hospitals for 2009 AHA dues totaling \$122,581. Since these funds have not yet been collected they are not reflected as an asset or liability in the accompanying consolidated financial statements.

At December 31, 2008, \$29,745 was collected from member hospitals to be utilized to support nursing projects.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Net Asset Designations

The members of the board of directors have designated unrestricted net assets for specific uses. These designations include:

- Operating reserves of \$707,126
- Nursing scholarships of \$22,973 that must be approved by the Northern Nevada Nurses of Achievement
- Equipment of \$33,361

The board members, at their discretion, can revise the intended use of the net assets as they deem necessary, although the amounts designated for scholarships must be used for these designated purposes and the amounts reflected as equipment are unavailable for use.

Advertising and Promotional Costs

Advertising and promotional costs are expensed as incurred. Advertising and promotional costs total \$8,246 for the year ended December 31, 2008.

Income Taxes

The Association and the Foundation are nonprofit organizations. The Association is exempt from federal income tax under the provisions of Internal Revenue Code Section 501(c)(6), and the Foundation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

HealthPAC is considered a political organization under Section 527(f)(3) of the Internal Revenue Code. As such, it is subject to income tax on the excess of gross income (excluding exempt function income) over deductions that are directly connected with the earning of gross income. Exempt function income is income received for the purpose of influencing the selection, nomination or election of an individual to public office. HealthPAC had no taxable income in 2008.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain items on the 2007 financial statements have been reclassified to conform to the 2008 presentation.

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2008

NOTE 2 - INVESTMENTS

Investments are recorded at market value. The carrying value of each major type of investment at December 31, 2008 is as follows:

Common stocks	\$ 504,359
Other securities	10,911
U.S. Treasury securities	20,019
Corporate bonds	81,534
Time certificates of deposit	<u>117,684</u>
Total	<u>\$ 734,507</u>

Investment return consists of the following for the year ended December 31, 2008:

Interest and dividend income	\$ 50,025
Realized loss on sale of investments	(88,356)
Unrealized loss on investments	<u>(310,509)</u>
Total	<u>\$ (348,840)</u>

NOTE 3 - EQUIPMENT

Equipment consists of the following at December 31, 2008:

Office furniture and fixtures	\$ 7,042
Office equipment	42,199
ASPR furniture and equipment	<u>56,593</u>
	105,834
Less accumulated depreciation	<u>(72,473)</u>
Total	<u>\$ 33,361</u>

NOTE 4 - OPERATING LEASE COMMITMENTS

The Association entered into a lease agreement to rent office space at the rate of \$4,632 a month effective October 1, 2009 through September 30, 2013. The lease provides for annual increases of 3%. Rent expense on this lease and the immediately preceding lease for the same space totaled \$52,869 for the year ended December 31, 2008.

The Association entered into a lease agreement for a color copier machine with monthly rental payments of \$280 from May 1, 2008 through April 30, 2013. Rent expense on this and the prior lease agreement totaled \$2,073 and \$3,360 respectively, for the year ended December 31, 2008. Additional charges may apply.

The annual minimum lease payments under the operating leases are as follows:

2009	\$ 57,729
2010	59,361
2011	61,041
2012	62,769
Thereafter	46,669

NOTE 4 - OPERATING LEASE COMMITMENTS (Continued)

The Association renewed a cancelable lease agreement to sublease space to High Sierra Area Health Education through June 30, 2009 at a monthly rent of \$582. The lease is currently operating on a month-to-month basis. For the year ended December 31, 2008, the Organization collected \$6,989.

NOTE 5 - PENSION PLAN

In 1997, the Association established a 401(k) pension plan and trust that covers all eligible employees. The plan was amended, effective January 1, 2000, to comply with the alternative (i.e., safe harbor) method of satisfying the nondiscrimination requirements of sections 401(k) and/or 401(m) of the Internal Revenue Code. The plan requires the Association to make basic matching contributions to each participant's contribution account and allows the Association to make discretionary contributions based on a percentage of each participant's salary.

The Association's contributions to the plan for the year ended December 31, 2008 were \$30,361.

NOTE 6 - COMMITMENTS

During 2000, the Budget Committee established a policy limiting the amount of reserves to be retained as net assets by the Association. The necessary reserves are comprised of the upcoming year's operating budget. If there are net assets in excess of the one year reserves, the Board of Directors will determine the use of the excess funds as either necessary to be retained for special projects or to be distributed to each member of the Association based on that member's current year contribution as a percentage of the total contributions of all members. At December 31, 2008, net assets in excess of amounts invested in equipment did not exceed the upcoming year's operating budget.

Please note the 2009 Financial Statements and Notes are marked "DRAFT" because they have not had final approval by the Board of Directors yet. They have, however, been audited.

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2009
 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2008)

	<u>2009</u>	<u>2008</u> (Memorandum Only)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,052,885	\$ 791,280
Investments	958,279	734,507
Grants receivable	76,617	48,692
Other receivables	1,014	3,684
Prepaid expenses	13,221	31,547
Total current assets	<u>2,102,016</u>	<u>1,609,710</u>
EQUIPMENT, net of accumulated depreciation of \$65,762 and \$72,473 in 2009 and 2008, respectively	26,017	33,361
OTHER ASSETS		
Deposits	<u>3,836</u>	<u>3,836</u>
Total assets	<u>\$ 2,131,869</u>	<u>\$ 1,646,907</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 95,838	\$ 60,780
Accrued payroll and payroll taxes	26,233	70,410
Accrued vacation	46,134	31,584
Due to grantor	2,035	-
Deferred dues revenue	936,346	633,199
Deferred revenue - special projects	65,576	52,241
Total current liabilities / total liabilities	<u>1,172,162</u>	<u>848,214</u>
NET ASSETS		
Unrestricted		
Designated		
Operating reserves	846,993	707,126
Scholarships	26,596	22,973
Investment in ASPR and other equipment	<u>26,017</u>	<u>33,361</u>
	899,606	763,460
Temporarily restricted	<u>60,101</u>	<u>35,233</u>
Total net assets	<u>959,707</u>	<u>798,693</u>
Total liabilities and net assets	<u>\$ 2,131,869</u>	<u>\$ 1,646,907</u>

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total (Memorandum Only)
REVENUE AND GAINS, PUBLIC AND GOVERNMENTAL SUPPORT, AND RECLASSIFICATIONS				
Revenue and Gains				
Dues	\$ 993,948	\$ -	\$ 993,948	\$ 1,142,853
Annual meeting income	59,675	-	59,675	65,345
Investment income	25,505	-	25,505	50,025
Miscellaneous	15,635	-	15,635	19,598
Special projects	37,413	-	37,413	184,325
Sublease income	25,082	-	25,082	6,989
Net realized and unrealized gains on investments	163,860	-	163,860	-
Public and Governmental Support				
Grants	1,470,039	-	1,470,039	1,279,612
Nurses of Achievement dinner	42,458	-	42,458	43,639
Operation Healthcare Bound	2,741	-	2,741	700
Contributions	-	45,056	45,056	51,433
Net assets released from restrictions - satisfaction of donor restrictions	20,188	(20,188)	-	-
Total revenue and gains, public and governmental support and reclassifications	2,856,544	24,868	2,881,412	2,844,519
EXPENSES AND LOSSES				
Program services				
Health care advocacy	787,307	-	787,307	960,300
Assistant Secretary for Preparedness and Response (ASPR)	1,139,375	-	1,139,375	1,247,741
Other grants	334,311	-	334,311	-
Nurses of Achievement	41,576	-	41,576	44,141
Political action committee	20,188	-	20,188	61,653
Total program services	2,322,757	-	2,322,757	2,313,835
Supporting services				
General and administrative	323,419	-	323,419	360,220
Fund raising and grant procurement	74,222	-	74,222	81,699
Total supporting services	397,641	-	397,641	441,919
Net realized and unrealized loss on investments	-	-	-	398,865
Total expenses and losses	2,720,398	-	2,720,398	3,154,619
INCREASE (DECREASE) IN NET ASSETS	136,146	24,868	161,014	(310,100)
NET ASSETS, beginning of year	763,460	35,233	798,693	1,108,793
NET ASSETS, end of year	\$ 899,606	\$ 60,101	\$ 959,707	\$ 798,693

See accompanying notes

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2008)

	2009	2008 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 161,014	\$ (310,100)
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities		
Depreciation	7,870	4,716
Net realized and unrealized (gain) loss on investments	(163,680)	398,865
Loss on abandonment of equipment	1,407	-
Changes in certain components of working capital		
(Increase) decrease in:		
Grants receivable	(27,925)	53,719
Other receivables	2,670	2,289
Prepaid expenses	18,326	7,430
Increase (decrease) in:		
Accounts payable	35,058	15,191
Accrued payroll and payroll taxes	(44,177)	5,818
Accrued vacation	14,550	4,476
Due to grantor	2,035	(19,635)
Deferred dues revenue	303,147	(187,298)
Deferred revenue - special projects	13,335	(128,756)
Net cash provided (used) by operating activities	323,630	(153,285)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(1,933)	(34,133)
Net (purchase) sale of investments	(60,092)	18,875
Net cash used by investing activities	(62,025)	(15,258)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	261,605	(168,543)
CASH AND CASH EQUIVALENTS, beginning of year	791,280	959,823
CASH AND CASH EQUIVALENTS, end of year	\$ 1,052,885	\$ 791,280

See accompanying notes

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor Pass-Through Grantor/ Program Title	Award Period	Pass-Through Grantor Identifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services				
Passed through the State of Nevada, Department of Human Resources, Health Division				
National Bioterrorism Hospital Preparedness Program				
	9/1/07 - 8/8/09	1U3REP070018-01-00	93.889	\$ 579,580 *
	8/9/08 - 8/8/10	1U3REP080068-01-00	93.889	465,068 *
	8/9/08 - 6/30/10	1U3REP090220-01-00	93.889	87,872 *
	7/31/09 - 7/30/10	1U3REP090211-01-00	93.889	1,276 *
Subtotal CFDA #93.889				<u>1,133,796</u>
U.S. Department of Homeland Security				
Passed through the State of Nevada, Division of Public Safety				
Emergency Management Performance Grant				
	3/1/09-7/31/09	9704208	97.042	10,000
DRAFT				
Homeland Security Grant Program				
	9/1/08-2/28/11	97067HL8	97.067	50,683
	4/1/09-3/31/10	97067HS6	97.067	40,575
Passed through a Interlocal Contract with Clark County				
Homeland Security Grant Program				
	3/1/09-2/28/11	N/A	97.067	<u>19,446</u>
Subtotal CFDA #97.067				110,704
U.S. Department of Commerce				
Passed through a Interlocal Contract with Clark County				
Public Safety Interoperable Communications Grant Program				
	1/1/09-9/30/11	N/A	11.555	<u>225,539 *</u>
Total expenditures of federal awards				<u>\$ 1,480,039</u>

* Denotes major program

See accompanying note to this schedule

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Nevada Hospital Association, Inc. (Association) was formed in 1971 to assist its members, comprised of hospitals located in Nevada, and to work collaboratively with its associate members in fulfilling their respective missions of providing high quality, high value healthcare services to their communities. The Association strives to be an effective advocate for improving the efficiency and accessibility of the healthcare delivery systems and the health status of Nevada's population.

The Nevada Health Facilities, Education and Research Foundation, Inc. (Foundation) was formed in 1973 to develop various programs to accommodate the health needs of the populace of Nevada, and to promote the public welfare through the development of closer communication among the hospitals of Nevada. In addition, the Foundation recognizes accomplishments of nurses within Nevada's healthcare systems.

Nevada Hospital Association HealthPAC (HealthPAC) is a political action committee administered by a Board of Trustees currently comprised of the Association's board of directors. HealthPAC is a voluntary, non-profit, and unincorporated organization that is not affiliated with any political party.

Consolidation Policy

The Association, Foundation and HealthPAC, collectively called Organizations in the accompanying financial statements, although separate entities, have the same board of directors. Therefore, the consolidated financial statements include the accounts of the Association, Foundation and HealthPAC. Intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting

The Organizations present their consolidated financial statements on the accrual basis, which recognizes revenue as earned and expenses as incurred.

Basis of Presentation

The Organizations report information regarding their financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions.

The Organizations report restricted contributions whose restrictions are met in the same reporting period in which the contributions are received as unrestricted support.

Temporarily restricted net assets at December 31, 2009, consist of contributions restricted by donors to be used for political campaign contributions in the amount of \$60,101. No permanently restricted net assets exist as of December 31, 2009.

Cash and Cash Equivalents

For the purposes of financial reporting, the Organizations consider money market funds and certificates of deposit with original maturities of three months or less to be cash equivalents.

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Investments

Purchased investments are stated at fair value based as discussed in Note 2. Unrealized and realized gains or losses on investments are reflected in the consolidated statement of activities.

Grants Receivable

Grants receivable represents amounts receivable for expenditures incurred or services provided prior to year end. These amounts are considered fully collectible by management. Therefore, no allowance for doubtful accounts is included in the consolidated financial statements.

Equipment

Equipment is recorded at cost. Additions and improvements with costs exceeding \$1,000 are capitalized, whereas costs of maintenance and repairs are expensed as incurred.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on a straight-line basis. The estimated useful life for equipment is 3 to 10 years.

Deferred Revenue and Due to Grantor

Deferred revenue represents dues received in advance, advanced grant revenue and other amounts received in advance. Dues are billed in November for the subsequent year. Accordingly, dues are recognized as revenue in the applicable membership period. Grant revenue is considered earned as funds are expended, or as services are provided in accordance with the grant terms. Other revenue is recognized as revenue in the period during which it is earned. Amounts due to grantor represent unexpended grant funds and reimbursed grant expenditures to be refunded subsequent to year end.

Contributions for Others

The Association acts as an agent for billing and collecting dues or contributions from member hospitals for non-affiliated organizations. The dues or contributions collected are not included as revenue and support in the accompanying consolidated statement of activities.

At December 31, 2009, \$29,745 was collected from member hospitals to be utilized to support nursing projects.

Net Asset Designations

The members of the board of directors have designated unrestricted net assets for specific uses. These designations include:

- Operating reserves of \$846,993
- Nursing scholarships of \$26,596 that must be approved by the Northern Nevada Nurses of Achievement
- Equipment of \$26,017

The board members, at their discretion, can revise the intended use of the net assets as they deem necessary, although the amounts designated for scholarships must be used for these designated purposes and the amounts reflected as equipment are unavailable for use.

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Advertising and Promotional Costs

Advertising and promotional costs are expensed as incurred. Advertising and promotional costs total \$5,743 for the year ended December 31, 2009.

Income Taxes

The Association and the Foundation are nonprofit organizations. The Association is exempt from federal income tax under the provisions of Internal Revenue Code Section 501(c)(6), and the Foundation is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3).

HealthPAC is considered a political organization under Section 527(f)(3) of the Internal Revenue Code. As such, it is subject to income tax on the excess of gross income (excluding exempt function income) over deductions that are directly connected with the earning of gross income. Exempt function income is income received for the purpose of influencing the selection, nomination or election of an individual to public office. HealthPAC had no taxable income in 2009.

Tax positions to consider for all of the entities include but are not limited to:

- Classification of program services, administrative and fund raising
- Characterization of their activities as related or unrelated to their tax exempt purpose

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

Reclassifications

Certain items on the 2008 financial statements have been reclassified to conform to the 2009 presentation.

Memorandum Only – Total Columns

Total columns in the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, changes in net assets or cash flows in conformity with generally accepted accounting principles.

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2009

NOTE 2 - INVESTMENTS

Investments are recorded at fair value. The carrying value of each major type of investment at December 31, 2009 is as follows:

Common stocks	\$ 684,367
Other securities	16,832
U.S. Treasury securities	19,863
Corporate bonds	117,035
Time certificates of deposit	<u>120,182</u>
Total	<u>\$ 958,279</u>

Investment return consists of the following for the year ended December 31, 2009:

Interest and dividend income	\$ 25,505
Realized loss on sale of investments	(93,717)
Unrealized gain on investments	<u>257,577</u>
Total	<u>\$ 189,365</u>

The following are the major categories of assets measured at fair value on a recurring basis for the year ended December 31, 2009, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3). The Organizations do not have any Level 3 assets.

	Level 1	Level 2	Total
Common stocks	\$ 684,367	\$ -	\$ 684,367
Other securities	16,832	-	16,832
U.S. Treasury securities	19,863	-	19,863
Corporate bonds	117,035	-	117,035
Time certificates of deposit	-	120,182	120,182
	<u>\$ 838,097</u>	<u>\$ 120,182</u>	<u>\$ 958,279</u>

Level 1 Fair Value Measurements – The fair values of common stocks, other securities, government securities and corporate bonds are based on quoted market prices at December 31, 2009.

Level 2 Fair Value Measurements – The fair value of certificates of deposit are based on a computerized pricing model utilized by the brokerage firm.

NOTE 3 - EQUIPMENT

Equipment consists of the following at December 31, 2009:

Office furniture and fixtures	\$ 13,254
Office equipment	25,411
ASPR furniture and equipment	<u>53,114</u>
	91,779
Less accumulated depreciation	<u>(65,762)</u>
Total	<u>\$ 26,017</u>

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2009

NOTE 4 - OPERATING LEASE COMMITMENTS AND RELATED PARTY TRANSACTIONS

The Association entered into a lease agreement to rent office space at the rate of \$4,632 a month effective October 1, 2009 through September 30, 2013. The lease provides for annual increases of 3%. Rent expense on this lease and the immediately preceding lease for the same space totaled \$54,369 for the year ended December 31, 2009.

The Association entered into a lease agreement for a color copier machine with monthly rental payments of \$280 from May 1, 2008 through April 30, 2013. Rent expense was \$3,360 for the year ended December 31, 2009. Additional charges may apply.

The annual minimum lease payments under the operating leases are as follows:

2010	\$ 59,361
2011	61,041
2012	62,769
2013	46,669

The Association renewed a cancelable lease agreement to sublease space to High Sierra Area Health Education (HSAHEC) at the rate of \$705 a month effective July 1, 2009 through June 30, 2012. The lease provides for annual increases of 3%. For the year ended December 31, 2009, the Organization collected \$8,460. In addition, the Organization provided administrative services to HSAHEC for which it was reimbursed \$16,622 during the year ended December 31, 2009.

NOTE 5 - PENSION PLAN

In 1997, the Association established a 401(k) pension plan and trust that covers all eligible employees. The plan was amended, effective January 1, 2000, to comply with the alternative (i.e., safe harbor) method of satisfying the nondiscrimination requirements of sections 401(k) and/or 401(m) of the Internal Revenue Code. The plan requires the Association to make basic matching contributions to each participant's contribution account and allows the Association to make discretionary contributions based on a percentage of each participant's salary.

The Association's contributions to the plan for the year ended December 31, 2009 were \$25,001.

NOTE 6 - COMMITMENTS

During 2000, the Budget Committee established a policy limiting the amount of reserves to be retained as net assets by the Association. The necessary reserves are comprised of the upcoming year's operating budget. If there are net assets in excess of the one year reserves, the Board of Directors will determine the use of the excess funds as either necessary to be retained for special projects or to be distributed to each member of the Association based on that member's current year contribution as a percentage of the total contributions of all members. At December 31, 2009, net assets in excess of amounts invested in equipment did not exceed the upcoming year's operating budget.

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2007)

2

	2008	2007 (Memorandum Only)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 791,280	\$ 959,823
Investments	734,507	1,152,247
Grants receivable	48,692	102,411
Other receivables	3,684	5,973
Prepaid expenses	31,547	38,977
Total current assets	1,609,710	2,259,431
EQUIPMENT, net of accumulated depreciation of \$72,473 and \$67,757 in 2008 and 2007, respectively	33,361	3,944
OTHER ASSETS		
Deposits	3,836	3,836
Total assets	\$ 1,646,907	\$ 2,267,211
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 60,780	\$ 45,589
Accrued payroll and payroll taxes	70,410	64,592
Accrued vacation	31,584	27,108
Due to grantor	-	19,635
Deferred dues revenue	633,199	820,497
Deferred revenue - special projects	52,241	180,997
Total current liabilities / total liabilities	848,214	1,158,418
NET ASSETS		
Unrestricted		
Designated		
Operating reserves	707,126	1,036,621
Scholarships	22,973	22,775
Investment in ASPR and other equipment	33,361	3,944
	763,460	1,063,340
Temporarily restricted	35,233	45,453
Total net assets	798,693	1,108,793
Total liabilities and net assets	\$ 1,646,907	\$ 2,267,211

See accompanying notes

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007)

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total (Memorandum Only)
REVENUE AND GAINS, PUBLIC AND GOVERNMENTAL SUPPORT, AND RECLASSIFICATIONS				
Revenue and Gains				
Dues	\$ 1,142,853	\$ -	\$ 1,142,853	\$ 969,154
Annual meeting income	65,345	-	65,345	68,775
Investment income	50,025	-	50,025	47,573
Miscellaneous	19,598	-	19,598	27,309
Special projects	184,325	-	184,325	258,350
Sublease income	6,989	-	6,989	6,989
Net realized and unrealized gains on investments	-	-	-	87,142
Public and Governmental Support				
Grants	1,279,612	-	1,279,612	1,958,540
Nurses of Achievement dinner	43,639	-	43,639	36,710
Operation Healthcare Bound	700	-	700	-
Contributions	-	51,433	51,433	54,340
Net assets released from restrictions - satisfaction of donor restrictions	61,653	(61,653)	-	-
Total revenue and gains, public and governmental support and reclassifications	2,854,739	(10,220)	2,844,519	3,514,882
EXPENSES AND LOSSES				
Program services				
Health care advocacy	960,300	-	960,300	1,077,876
Assistant Secretary for Preparedness and Response (ASPR)	1,247,741	-	1,247,741	1,896,086
Nurses of Achievement	44,141	-	44,141	35,936
Political action committee	61,653	-	61,653	20,568
Total program services	2,313,835	-	2,313,835	3,030,466
Supporting services				
General and administrative	360,220	-	360,220	351,715
Fund raising and grant procurement	81,699	-	81,699	79,936
Total supporting services	441,919	-	441,919	431,651
Net realized and unrealized loss on investments	398,865	-	398,865	-
Total expenses and losses	3,154,619	-	3,154,619	3,462,117
INCREASE (DECREASE) IN NET ASSETS				
	(299,880)	(10,220)	(310,100)	52,765
NET ASSETS, beginning of year	1,063,340	45,453	1,108,793	1,056,028
NET ASSETS, end of year	\$ 763,460	\$ 35,233	\$ 798,693	\$ 1,108,793

See accompanying notes

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2007)

	2008	2007 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (310,100)	\$ 52,765
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities		
Depreciation	4,716	5,226
Net realized and unrealized (gain) loss on investments	398,865	(87,142)
Changes in certain components of working capital		
(Increase) decrease in:		
Accounts receivable	-	20,000
Grants receivable	53,719	112,588
Other receivables	2,289	53,830
Prepaid expenses	7,430	(16,025)
Increase (decrease) in:		
Accounts payable	15,191	(140,924)
Accrued payroll and payroll taxes	5,818	(18,222)
Accrued vacation	4,476	(10,256)
Due to grantor	(19,635)	12,887
Trust funds owed to others	-	(8,508)
Deferred dues revenue	(187,298)	181,222
Deferred revenue - special projects	(128,756)	123,895
Net cash provided (used) by operating activities	(153,285)	281,336
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(34,133)	-
Net change in investments	18,875	571,796
Net cash provided (used) by investing activities	(15,258)	571,796
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(168,543)	853,132
CASH AND CASH EQUIVALENTS, beginning of year	959,823	106,691
CASH AND CASH EQUIVALENTS, end of year	\$ 791,280	\$ 959,823

See accompanying notes

NEVADA HOSPITAL ASSOCIATION, INC. AND AFFILIATES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor Pass-Through Grantor/ Program Title	Award Period	Pass-Through Grantor Identifying Number	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services				
Passed through the State of Nevada, Department of Human Resources, Health Division				
National Bioterrorism Hospital Preparedness Program				
	9/01/07 - 8/08/09	1 U3REP070018-01-00	93.889	\$ 214,714 *
	9/01/07 - 8/31/08	6 U3RHS07557-01-03	93.889	930,982 *
	8/09/08 - 8/08/09	1 U3REP080068-01-00	93.889	95,366 *
	6/01/08 - 8/08/08	1 U3REP070018-01-00	93.889	<u>38,550 *</u>
Total expenditures of federal awards				\$ <u><u>1,279,612</u></u>

* Denotes major program

See accompanying note to this schedule

Attention BTOP reviewer: Financial statements start on page 15 (on written page numbers, 21 in Adobe) with notes following.

Nevada System of Higher Education Financial Statements



June 30, 2008 and 2007

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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Stephen G. Wells, Ph.D.	President Desert Research Institute

Nevada System of Higher Education
Financial Statements and Report of Independent Auditors
As of and for the Years Ended June 30, 2008 and 2007

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INDEPENDENT AUDITOR'S REPORT**The Board of Regents of the Nevada System
of Higher Education**

We have audited the accompanying financial statements of the Nevada System of Higher Education (the "System") as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Nevada System of Higher Education's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of Nevada, Reno Foundation, University of Nevada, Las Vegas Foundation, Nevada State College Foundation, College of Southern Nevada Foundation, Truckee Meadows Community College Foundation, Western Nevada College Foundation, Great Basin College Foundation, DRI Research Parks, Ltd., and the DRI Research Foundation, which represent 94 percent, 95 percent, and 47 percent at June 30, 2008 and for the year then ended, of the assets, net assets and operating revenues of the aggregate discretely presented component units, as described in Note 19 "System Related Organizations" in the accompanying financial statements. We also did not audit the financial statements of the University of Nevada, Reno Foundation, University of Nevada, Las Vegas Foundation, Nevada State College Foundation, College of Southern Nevada Foundation, Truckee Meadows Community College Foundation, Western Nevada College Foundation, Great Basin College Foundation, DRI Research Parks, Ltd., and the DRI Research Foundation, which represent 92 percent, 94 percent, and 48 percent at June 30, 2007 and for the year then ended, of the assets, net assets and operating revenues of the aggregate discretely presented component units, as described in Note 19 "System Related Organizations" in the accompanying financial statements. Those financial statements were audited or reviewed by other auditors whose reports have been furnished to us, and our opinion, insofar as they relate to the amounts included for those component units, is based solely on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Nevada System of Higher Education and its discretely presented component units as of June 30, 2008 and 2007, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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The Management's Discussion and Analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The supplemental Combining Schedules of Net Assets and Schedules of Revenues, Expenses and Changes in Net Assets are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplemental combining schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Moss Adams LLP

Eugene, Oregon
December 2, 2008

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nevada System of Higher Education's (the "System") annual financial information presents management's discussion and analysis of the financial standing as of June 30, 2008. 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, 2008, with comparative information as of June 30, 2007 and June 30, 2006.

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

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



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

Component units issue separate audited financial statements from the System.

SYSTEM FINANCIAL HIGHLIGHTS

- Total net assets increased 11% from \$1,891,921 to \$2,103,799;
- Capital Assets increased 13% from \$1,581,649 to \$1,790,276;
- Operating revenues increased 4% from \$685,127 to \$710,968;
- Non-operating revenues decreased 7% from \$690,005 to 644,461 ; and
- Operating expenses increased 6% from \$1,303,322 to \$1,376,170.

USING THIS REPORT

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

One of the most important questions asked about System finances is whether the System as a whole is better off or worse off as a result of the year's activities. There are three key components to answering this question. They are the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The System's net assets (the difference between assets and liabilities) is an important gauge of the System's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-



operating. All things being equal, a public higher education system's dependency on state appropriations will usually result in operating deficits. This is because the financial reporting model classifies State appropriations as non-operating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

CONDENSED FINANCIAL INFORMATION

ASSETS AND LIABILITIES

The Statement of Net Assets is a point-in-time financial statement presenting the financial position of the System as of June 30, 2008, with a comparison made to June 30, 2007 and June 30, 2006. This Statement presents end-of-year data for Assets (current and non-current), Liabilities (current and non-current), and Net Assets (assets minus liabilities).



System net assets (in \$1,000's)

NSHE Net Assets							
	2008	2007	Increase/ Decrease	Percent of Prior Yr	2006	Increase/ Decrease	Percent of Prior Yr
Assets							
Current Assets	\$521,497	\$570,507	(\$49,010)	91%	\$521,551	\$48,956	109%
Capital Assets	\$1,790,276	\$1,581,649	\$208,627	113%	\$1,336,860	\$244,789	118%
Other Assets	\$469,935	\$446,180	\$23,755	105%	\$601,597	(\$155,417)	74%
Total Assets	\$2,781,708	\$2,598,336	\$183,372	107%	\$2,460,008	\$138,328	106%
Liabilities							
Current Liabilities	\$192,566	\$205,607	(\$13,041)	94%	\$177,204	\$28,403	116%
Noncurrent Liabilities	\$485,343	\$500,808	(\$15,465)	97%	\$507,341	(\$6,533)	99%
Total Liabilities	\$677,909	\$706,415	(\$28,506)	96%	\$684,545	\$21,870	103%
Net Assets							
Invested in Capital Assets Net of Debt	\$1,314,351	\$1,132,657	\$181,694	116%	\$1,027,461	\$105,196	110%
Restricted, nonexpendable	\$81,554	\$62,076	\$19,478	131%	\$56,812	\$5,264	109%
Restricted, expendable	\$393,533	\$356,386	\$37,147	110%	\$403,269	(\$46,883)	88%
Unrestricted	\$314,361	\$340,802	(\$26,441)	92%	\$287,921	\$52,881	118%
Total Net Assets	\$2,103,799	\$1,891,921	\$211,878	111%	\$1,775,463	\$116,458	107%

Assets

Total assets of the System increased by \$183.4 million, or approximately 7%. This increase occurred primarily in capital assets, but offset by a significant reduction in current assets. The increase in capital assets and assets restricted for capital construction is reflective of System's ongoing priority of improving and expanding facilities to meet increases in enrollment driven student demand, and is reflective of the 2005 and 2007 Legislature's unprecedented capital appropriation to the System. The reduction of current assets is part cyclical and part due to a 4.5% operating budget recession from the state of Nevada, causing campuses to use some short-term assets for operating expenses.



Liabilities

Total liabilities for the year decreased \$28.5 million; \$13.0 million in current liabilities \$15.5 million in non-current liabilities. The decrease in current liabilities was primarily driven by a \$24.9 million decrease in accounts payable moderate increases in accrued payroll and deferred revenue, and small changes in other categories. The decrease in non-current liabilities was due primarily to a decrease of \$18.8 million in long term debt with slight offsetting increases in compensated absences and other non-current liabilities.

Net Assets

Net assets are divided into three major categories. The first category, invested in capital assets - net of debt, provides the System's equity in property, plant, and equipment owned by the System. The net asset category is restricted net assets, which is presented as two subcategories: nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the System, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets that are net assets available to the System for any lawful purpose.

Invested in Capital Assets

Net assets invested in capital assets - net of related debt, represent the System's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. The \$181.7 million or 16% increase reflects the System's expenditures for development and renewal of its capital assets in accordance with its long-range plan, offset by depreciation expense on capital assets and a net increase in long-term debt. The increase indicates a continued System and Legislature priority to provide new facilities to accommodate enrollment growth.

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.

Funds functioning as an endowment consist of amounts (restricted gifts or 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.



Unrestricted Net Assets

Unrestricted Net Assets decreased by \$26.4 million in 2008. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the System's unrestricted net assets have been designated for various academic and research programs and initiatives, as well as capital projects.

System Related Organizations

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

NSHE Component Net Assets							
	2008	2007	Increase/ Decrease	Percent of Prior Yr	2006	Increase/ Decrease	Percent of Prior Yr
Assets							
Current Assets	\$104,275	\$96,660	\$7,615	108%	\$92,962	\$3,698	104%
Capital Assets	\$5,714	\$5,246	\$468	109%	\$4,922	\$324	107%
Other Assets	\$249,552	\$238,581	\$10,971	105%	\$205,192	\$33,389	116%
Total Assets	\$359,541	\$340,487	\$19,054	106%	\$303,076	\$37,411	112%
Liabilities							
Current Liabilities	\$9,692	\$9,591	\$101	101%	\$9,177	\$414	105%
Noncurrent Liabilities	\$9,835	\$1,926	\$7,909	511%	\$2,993	(\$1,067)	64%
Total Liabilities	\$19,527	\$11,517	\$8,010	170%	\$12,170	(\$653)	95%
Net Assets							
Invested in Capital Assets Net of Debt	\$2,878	\$2,814	\$64	102%	\$2,454	\$360	115%
Restricted, nonexpendable	\$175,514	\$171,477	\$4,037	102%	\$138,173	\$33,304	124%
Restricted, expendable	\$112,690	\$113,480	(\$790)	99%	\$117,018	(\$3,538)	97%
Unrestricted	\$48,932	\$41,199	\$7,733	119%	\$33,261	\$7,938	124%
Total Net Assets	\$340,014	\$328,970	\$11,044	103%	\$290,906	\$38,064	113%

One of the critical factors in continuing the quality of the System's programs is the development and renewal of its capital assets. The eight foundations, as System Related Organizations, continue to support the campuses in their long-range plans and provide support for construction of facilities. Changes in the above schedule primarily reflect the foundations success in increasing System support. The remaining changes can be attributed to School of Medicine Practice Plans' patient care activities.

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

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

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

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

The Statement of Revenues, Expenses, and Changes in Net Assets reflect a positive year with an increase in the net assets at the end of the year.



NSHE Statement of Revenues, Expenses and Changes in Net Assets							
	2008	2007	Increase/ Decrease	Percent of Prior Yr	2008	Increase/ Decrease	Percent of Prior Yr
Operating Revenues							
Student tuition and fees, net	\$256,803	\$236,451	\$20,352	109%	\$219,833	\$16,618	108%
Grants and contracts, Federal	\$214,430	\$204,495	\$9,935	105%	\$210,569	(\$6,074)	97%
Grants and contracts, other	\$78,969	\$93,741	(\$14,772)	84%	\$87,404	\$6,337	107%
Sales and Services	\$145,953	\$140,795	\$5,158	104%	\$136,285	\$4,510	103%
Other	\$14,813	\$9,645	\$5,168	154%	\$6,422	\$3,223	150%
Total Operating Revenues	\$710,968	\$685,127	\$25,841	104%	\$660,513	\$24,614	104%
Operating Expenses							
Employee Comp / Benefits	(\$933,740)	(\$865,755)	(\$67,985)	108%	(\$792,046)	(\$73,709)	109%
Utilities	(\$37,328)	(\$35,174)	(\$2,154)	106%	(\$32,803)	(\$2,371)	107%
Supplies and Services	(\$288,419)	(\$287,506)	(\$913)	100%	(\$278,141)	(\$9,365)	103%
Scholarships and Fellowships	(\$41,176)	(\$43,296)	\$2,120	95%	(\$42,088)	(\$1,208)	103%
Depreciation	(\$75,507)	(\$71,591)	(\$3,916)	105%	(\$68,607)	(\$2,984)	104%
Total Operating Expenses	(\$1,376,170)	(\$1,303,322)	(\$72,848)	106%	(\$1,213,685)	(\$89,637)	107%
Nonoperating Revenues and Expenses							
State Appropriations	\$623,798	\$592,476	\$31,322	105%	\$557,341	\$35,135	106%
Gifts	\$35,516	\$28,248	\$7,268	126%	\$30,116	(\$1,868)	94%
Investment Income (net)	\$5,498	\$89,545	(\$84,047)	6%	\$54,805	\$34,740	163%
Disposal of Capital Assets	(\$2,795)	(\$1,709)	(\$1,086)	164%	(\$6,206)	\$4,497	28%
Interest expense	(\$17,048)	(\$18,409)	\$1,361	93%	(\$20,319)	\$1,910	91%
Other non-operating revenues	(\$508)	(\$146)	(\$362)	348%	\$4,754	(\$4,900)	-3%
Total Nonoperating Revenues and Expenses	\$644,461	\$690,005	(\$45,544)	93%	\$620,491	\$69,514	111%
Other Revenues							
Other Revenues	\$232,619	\$44,648	\$187,971	521%	\$185,028	(\$140,380)	24%
Total Other Revenues	\$232,619	\$44,648	\$187,971	521%	\$185,028	(\$140,380)	24%
Net Assets							
Increase in Net Assets	\$211,878	\$116,458	\$95,420	182%	\$252,347	(\$135,889)	46%
Net Assets, Beginning of Year	\$1,891,921	\$1,775,463	\$116,458	107%	\$1,523,116	\$252,347	117%
Total Net Assets, End of Year	\$2,103,799	\$1,891,921	\$211,878	111%	\$1,775,463	\$116,458	107%

Operating revenues increased by \$25.8 million (4%) and operating expenses increased by \$72.8 million (6%), resulting in an increase in the operating loss of \$47 million (8%).



Operating Revenue - Student Tuition and Fees increased 9% to \$256.8 million as a result of Board of Regents approved tuition and fee increases and, to a lesser extent, enrollment growth. Federal grants and contracts experienced an increase of 5% to \$214 million while State, local, and other grants and contracts decreased 16% to \$79.0 million.

The increase in operating expenses was due in large part to increases in Employee Compensation and Benefits, which rose by 8% to \$933.7 million. This was driven by increases in Faculty FTE, benefit costs, and a statewide 2% cost of living adjustment for eligible employees that was approved by the 2007 Legislature. Utilities increases were much less dramatic than expected at 6%, due in major part to a mild winter. Supplies and services remained constant.

Non-operating net revenues decreased by \$45.5 million. This was led by a significant decrease in investment income-net (\$84.0 million) offset by increases in state appropriations (\$31.3 million) and gifts (\$7.3 million).

Total other revenues increased significantly, as is common during the first year of the State's biennial budget cycle. The increase is primarily due to fact that there are new capital appropriations available to draw in the first year.

Component entities remained relative stable from 2007 to 2008, as shown in the following schedule.



System Related Organizations

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

NSHE Component Revenues, Expenses and Changes in Net Assets							
	2008	2007	Increase/ Decrease	Percent of Prior Yr	2006	Increase/ Decrease	Percent of Prior Yr
Operating Revenues							
Patient Revenue	\$63,408	\$48,761	\$14,647	130%	\$45,203	\$3,558	108%
Contract Revenue	\$2,613	\$8,050	(\$5,437)	32%	\$6,963	\$1,087	116%
Contributions	\$58,739	\$53,428	\$5,311	110%	\$54,787	(\$1,359)	98%
Campus Support	\$2,539	\$2,284	\$255	111%	\$2,214	\$70	103%
Other	\$10,613	\$8,191	\$2,422	130%	\$5,756	\$2,435	142%
Total Operating Revenues	\$137,912	\$120,714	\$17,198	114%	\$114,923	\$5,791	105%
Operating Expenses							
Program Expenses	(\$55,178)	(\$41,272)	(\$13,906)	134%	(\$32,339)	(\$8,933)	128%
Other Operating Expenses	(\$29,252)	(\$29,358)	\$106	100%	(\$25,090)	(\$4,268)	117%
Depreciation	(\$948)	(\$985)	\$37	96%	(\$720)	(\$265)	137%
Total Operating Expenses	(\$85,378)	(\$71,615)	(\$13,763)	119%	(\$58,149)	(\$13,466)	123%
Nonoperating Revenues and Expenses							
Investment Income	(\$2,386)	\$17,113	(\$19,499)	-14%	\$518	\$16,595	3304%
Payments to NSHE System	(\$53,610)	(\$56,053)	\$2,443	96%	(\$33,664)	(\$22,389)	167%
Other Non-Operating Revenues	(\$784)	\$13,731	(\$14,515)	-6%	\$15,861	(\$2,130)	87%
Total Nonoperating Revenues and Expenses	(\$56,780)	(\$25,209)	(\$31,571)	225%	(\$17,285)	(\$7,924)	146%
Other Revenues							
Other Revenues	\$15,290	\$14,174	\$1,116	108%	\$10,141	\$4,033	140%
Total Other Revenues	\$15,290	\$14,174	\$1,116	108%	\$10,141	\$4,033	140%
Net Assets							
Increase in Net Assets	\$11,044	\$38,064	(\$27,020)	29%	\$48,113	(\$10,049)	79%
Net Assets, June 30	\$328,970	\$290,906	\$38,064	113%	\$242,793	\$48,113	120%
Total Net Assets	\$340,014	\$328,970	\$11,044	103%	\$290,906	\$38,064	113%

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

Net cash flows decreased - primarily due to an operating budget recission from the State of Nevada and a significant decrease in investment income. Cash used in operating activities increased, reflecting the previously mentioned increases in payments for employee compensation and benefits and other operating expenses. Net operating cash flows (amount of cash used in operating activities) increased 9%.



Cash flows from capital financing activities indicated an increase of \$51.9 million, reflecting the expenditure of cash on capital assets. Cash generated through investing activities decreased by \$119.7 million. This category generally reflects the System's liquidation of investment instruments to finance capital acquisitions, which occurred on a much smaller scale than in 2007.

NSHE Statement of Cash Flows							
	2008	2007	Increase/ Decrease	Percent of Prior Yr	2006	Increase/ Decrease	Percent of Prior Yr
Operating activities	(\$580,597)	(\$530,563)	(\$50,034)	109%	(\$484,758)	(\$45,805)	109%
Non-capital financing	\$675,332	\$593,707	\$81,625	114%	\$575,833	\$17,874	103%
Capital and related financing activities	(\$139,304)	(\$191,251)	\$51,947	73%	\$72,639	(\$263,890)	-263%
Investing activities	\$22,967	\$142,665	(\$119,698)	16%	(\$118,148)	\$260,813	-121%
Net Increase/ (decrease) in cash	(\$21,602)	\$14,558			\$45,566		
Cash - Beginning of the year	\$269,038	\$254,480			\$208,914		
Cash - End of the year	\$247,436	\$269,038			\$254,480		

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2008, the System invested \$1.790 billion in a broad range of capital assets, including equipment, buildings, machinery and equipment, library books and media, art and other valuable collections and land. This represents a net increase (including additions and deletions) of \$208.6 million over the June 30, 2007, total of \$1.582 billion.

During fiscal year 2008, no bonds were issued by NSHE. As of June 30, 2008, the coverage on the University Revenue Bonds (pledged revenues to maximum annual debt service) was 4.35 times. For statutory purposes, the coverage was 1.95 times, above the minimum coverage of 1.10. The System issued \$6.0 million in notes during fiscal year 2008.

These coverages do not include the issuance of the 2008A bonds for UNR. Additionally, the noted figure does not include the taxable draw-down LOC for UNR.

FUTURE FINANCIAL EFFECTS

The increasing population of the State of Nevada generally indicates a stable demand for higher education services, although FY 08 totals indicate that overall the record growth in enrollment seen by the System in prior years has returned to or is below normal historical levels. From FY 07 to FY 08, the System realized a growth of 3.3% student full time equivalent (SFTE) enrollments that are recognized by the State for funding purposes. SFTE is only one indicator of System growth, but is representative of trends seen throughout the System and account for the majority of State appropriated non-capital funding.

Funding appropriations for both FY 08 and FY 09 were made by the 2007 Legislature. Enrollment based funding levels and were calculated for projected enrollments using a 3-year weighted average. The appropriated FY 08 operating budget for State Appropriations and Authorized Expenditures (State-Supported Operating Budget) increased by 6.4% from \$779.3 million to \$829.2 million. In FY 08, direct State appropriations were \$641.5 million, an increase of 7.3% over the FY 07 amount of \$597.9 million. Other revenue sources in the state budget,



including registration fees and non-resident tuition, increased in FY 08 from \$181.4 million to \$187.8 million.

Early in FY 08, the Governor announced operating budget recissions in an amount equal to 4.5% of the appropriated operating budget for both FY 08 and 09. The initial FY 08 and 09 reduction for NSHE was \$57.6 million, although a substantial amount was able to be covered through the recission of one-time appropriations. The most significant of these was \$10.0 million appropriated for a new student services computer system. A second operating budget cut totaling \$1.2 million was made through a rate reduction in the Retired Employee Group Insurance Assessment late in FY 08. Recissions of capital appropriations also occurred.

Indications are that the budget shortfall will continue through FY 09. Additional operating budget cuts of 3.42% for FY 09 were made in a special session of the Nevada Legislature in June, 2008 and further cuts may be required as the year progresses. Ultimate impacts of these cuts is unknown at this time, however the Board of Regents has indicated its priority is to protect the instructional function.

Additionally, in 2008, there has been significant volatility in the domestic and international investment markets, primarily as a result of liquidity issues in credit markets. Consequently, the fair value of the System's investments is exposed to non-typical price volatility which could result in a substantial reduction in the fair value of certain investments from the amounts reported as of June 30, 2008. The System has already undertaken a number of steps to monitor the fair market value of its investments. The System regularly monitors its risk profile, working in concert with Cambridge Associates to rebalance the operating and endowment pools, within the strategic ranges recommended by Cambridge and approved by the Board, as market conditions warrant. At the September 26, 2008 meeting of the Investment Committee a rebalancing of the endowment pool to cash and selected equities was approved. In addition, at a specially called meeting of the Investment Committee, held on October 10, 2008 the Board of Regents Investment Committee suspended regularly scheduled disbursements to the campuses from the NSHE operating pool income until conditions warrant a resumption of such payments.

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.

**NEVADA SYSTEM OF HIGHER EDUCATION
STATEMENTS OF NET ASSETS (in \$1,000's)
AS OF JUNE 30, 2008 AND 2007**

ASSETS	System		System Related Organizations	
	2008	2007	2008	2007
Current Assets				
Cash and cash equivalents	\$ 76,128	\$ 108,036	\$ 52,093	\$ 50,485
Restricted cash and cash equivalents	2,466	162	1,704	1,660
Short-term investments	343,459	341,955	30,783	22,955
Accounts receivable, net	30,950	28,493	666	1
Receivable from U.S. Government	38,238	37,511	-	-
Receivable from State of Nevada	16,121	36,665	-	-
Current portion of pledges receivable, net	-	-	6,571	4,292
Patient accounts receivable, net	-	-	8,852	8,477
Current portion of loans receivable, net	2,305	2,515	97	-
Inventories	6,471	6,281	3	13
Deposits and deferred expenditures	4,475	7,023	327	7
Other	884	1,866	3,179	8,770
Total Current Assets	<u>521,497</u>	<u>570,507</u>	<u>104,275</u>	<u>96,660</u>
Noncurrent Assets				
Cash held by State Treasurer	149,922	129,231	-	-
Restricted cash and cash equivalents	18,922	31,609	569	-
Receivable from State of Nevada	62,214	45,473	-	-
Restricted investments	-	13,758	-	-
Endowment investments	206,690	211,825	188,904	197,932
Deposits and deferred expenditures	4,597	4,999	-	-
Pledges receivable, net	-	-	36,941	6,329
Loans receivable, net	8,933	8,917	-	-
Capital assets, net	1,790,276	1,581,649	5,714	5,246
Other noncurrent asset	357	368	23,138	34,320
Other assets	18,300	-	-	-
Total Noncurrent Assets	<u>2,260,211</u>	<u>2,027,829</u>	<u>255,266</u>	<u>243,827</u>
TOTAL ASSETS	<u>2,781,708</u>	<u>2,598,336</u>	<u>359,541</u>	<u>340,487</u>
LIABILITIES				
Current Liabilities				
Accounts payable	46,649	71,503	2,143	2,546
Accrued payroll and related liabilities	30,625	26,725	1,851	1,779
Unemployment insurance and workers' compensation liability	5,934	4,422	-	-
Current portion of compensated absences	30,948	28,906	12	-
Current portion of long-term debt	17,150	16,215	-	170
Current portion of obligations under capital leases	3,036	2,666	332	262
Accrued interest payable	9,921	9,769	-	-
Deferred revenue	37,384	35,936	447	60
Funds held in trust for others	8,400	6,919	-	-
Due to affiliates	-	-	3,648	1,816
Other	2,519	2,546	1,259	2,958
Total Current Liabilities	<u>192,566</u>	<u>205,607</u>	<u>9,692</u>	<u>9,591</u>
Noncurrent Liabilities				
Refundable advances under federal loan programs	7,442	7,654	-	-
Compensated absences	14,392	12,666	-	-
Deferred revenue	543	758	2,804	-
Long-term debt	449,227	467,990	-	1,292
Obligations under capital leases	7,564	9,817	717	-
Due to State	6,175	-	-	-
Other noncurrent liabilities	-	1,923	6,314	634
Total Noncurrent Liabilities	<u>485,343</u>	<u>500,808</u>	<u>9,835</u>	<u>1,926</u>
TOTAL LIABILITIES	<u>677,909</u>	<u>706,415</u>	<u>19,527</u>	<u>11,517</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,314,351	1,132,657	2,878	2,814
Restricted:				
Nonexpendable	81,554	62,076	175,514	171,477
Expendable:				
Scholarships, research and instruction	162,817	165,783	111,967	113,480
Loans	6,211	5,914	-	-
Capital projects	213,819	180,781	723	-
Debt service	10,686	3,908	-	-
Unrestricted	314,361	340,802	48,932	41,199
TOTAL NET ASSETS	<u>\$2,103,799</u>	<u>\$1,891,921</u>	<u>\$340,014</u>	<u>\$328,970</u>

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

NEVADA SYSTEM OF HIGHER EDUCATION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>System</u>		<u>System Related Organizations</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$53,502 and \$48,892)	\$ 256,803	\$ 236,451	\$ -	\$ -
Federal grants and contracts	214,430	204,495	-	-
State grants and contracts	37,699	55,247	-	-
Local grants and contracts	24,826	19,666	-	-
Other grants and contracts	16,444	18,828	-	-
Campus support	-	-	2,539	2,284
Sales and services of educational departments (including \$2,627 and \$2,127 from System related organizations)	69,945	61,838	-	-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$6,183 and \$3,089)	76,008	78,957	-	-
Contributions	-	-	58,739	53,428
Patient revenue	-	-	63,408	48,761
Contract revenue	-	-	2,613	8,050
Special events and fundraising	-	-	-	1,519
Interest earned on loans receivable	151	141	-	-
Other operating revenues	<u>14,662</u>	<u>9,504</u>	<u>10,613</u>	<u>6,672</u>
Total operating revenues	<u>710,968</u>	<u>685,127</u>	<u>137,912</u>	<u>120,714</u>
Operating Expenses				
Employee compensation and benefits	933,740	865,755	26,020	22,745
Utilities	37,328	35,174	-	-
Supplies and services	288,419	287,506	2,030	1,059
Scholarships and fellowships	41,176	43,296	-	-
Program expenses, System related organizations	-	-	55,178	41,272
Depreciation	75,507	71,591	948	985
Other operating	-	-	1,202	5,554
Total operating expenses	<u>1,376,170</u>	<u>1,303,322</u>	<u>85,378</u>	<u>71,615</u>
Operating (loss) income	<u>(665,202)</u>	<u>(618,195)</u>	<u>52,534</u>	<u>49,099</u>
Nonoperating Revenues (Expenses)				
State appropriations	621,765	592,476	-	-
Refund to State	(82)	-	-	-
Gifts (including \$26,695 and \$24,347 from System related organizations)	37,631	28,248	-	-
Investment income (loss), net	5,498	89,545	(2,386)	17,113
Disposal of capital assets	(2,795)	(1,709)	(10)	-
Interest expense	(17,048)	(18,409)	(252)	55
Payments to System campuses and divisions	-	-	(53,610)	(56,053)
Other nonoperating revenues (expenses)	<u>(508)</u>	<u>(146)</u>	<u>(522)</u>	<u>13,676</u>
Net nonoperating revenues (expenses)	<u>644,461</u>	<u>690,005</u>	<u>(56,780)</u>	<u>(25,209)</u>
Income (loss) before other revenue, expenses, gains or losses	<u>(20,741)</u>	<u>71,810</u>	<u>(4,246)</u>	<u>23,890</u>
State appropriations restricted for capital purposes	185,987	2,478	-	-
Capital grants and gifts (including \$25,590 and \$6,090 from System related organizations)	26,439	38,409	-	-
Additions to permanent endowments (including \$188 and \$321 from System related organizations)	20,543	3,761	15,290	14,174
Other expenses	<u>(350)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other revenues	<u>232,619</u>	<u>44,648</u>	<u>15,290</u>	<u>14,174</u>
Increase in net assets	<u>211,878</u>	<u>116,458</u>	<u>11,044</u>	<u>38,064</u>
Net Assets				
Net assets – beginning of year	<u>1,891,921</u>	<u>1,775,463</u>	<u>328,970</u>	<u>290,906</u>
Net assets – end of year	<u>\$2,103,799</u>	<u>\$1,891,921</u>	<u>\$340,014</u>	<u>\$328,970</u>

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

**NEVADA SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	System	
	2008	2007
<i>Cash Flows from Operating Activities</i>		
Student tuition and fees	\$258,773	\$237,505
Grants and contracts	317,030	313,668
Payments for supplies and services	(313,117)	(293,840)
Payments for utilities	(37,338)	(34,508)
Payments for employee compensation and benefits	(926,481)	(856,897)
Payments for scholarships and fellowships	(41,443)	(43,233)
Loans issued to students and employees	(2,041)	(3,790)
Collection of loans to students and employees	2,160	2,945
Sales and services of educational departments	75,861	76,519
Sales and services of auxiliary enterprises	71,343	61,335
Other receipts	<u>14,656</u>	<u>9,733</u>
Net cash used by operating activities	<u>(580,597)</u>	<u>(530,563)</u>
<i>Cash Flows from Noncapital Financing Activities</i>		
State appropriations	637,965	565,265
State appropriations refunded	(82)	(24)
Gifts and grants for other than capital purposes	34,107	26,712
Gifts for endowment purposes	2,243	3,761
Receipts under federal student loan programs	98,203	87,004
Disbursements under federal student loan programs	(98,202)	(87,095)
Other	(387)	(208)
Agency transactions	<u>1,485</u>	<u>(1,708)</u>
Net cash provided by noncapital financing activities	<u>675,332</u>	<u>593,707</u>
<i>Cash Flows from Capital Financing Activities</i>		
Proceeds from capital debt	12,400	46,863
Other	361	492
Payments for debt issuance costs	252	(625)
Capital appropriations	168,311	100,497
Capital grants and gifts received	25,391	39,047
Purchases of capital assets	(298,324)	(298,405)
Proceeds from sale of property and equipment	48	47
Principal paid on capital debt and leases	(24,790)	(49,725)
Net proceeds on sale of land	-	-
Interest paid on capital debt and leases	(21,786)	(25,236)
Deposits for the acquisition of property and equipment	<u>(1,169)</u>	<u>(4,206)</u>
Net cash used by capital financing activities	<u>(139,302)</u>	<u>(191,251)</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from sales and maturities of investments	56,965	211,495
Purchase of investments	(74,473)	(88,041)
Interest and dividends on investments	23,103	33,081
Net decrease in cash equivalents, noncurrent investments	<u>17,372</u>	<u>(13,870)</u>
Net cash provided by investing activities	<u>22,967</u>	<u>142,665</u>
Net increase in cash and cash equivalents	(21,600)	14,558
Cash and cash equivalents, beginning of year	<u>269,038</u>	<u>254,480</u>
Cash and cash equivalents, end of year	<u>\$247,438</u>	<u>\$269,038</u>

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

**NEVADA SYSTEM OF HIGHER EDUCATION
STATEMENTS OF CASH FLOWS (in \$1,000's) (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2008 and 2007**

	<u>2008</u>	<u>System</u>	<u>2007</u>
<i>Reconciliation of Operating Loss to Net Cash Used by Operating Activities</i>			
Operating loss	\$(665,202)		\$(618,195)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Supplies expense related to noncash gifts	776		157
Depreciation expense	75,506		71,591
Changes in assets and liabilities:			
Accounts receivable, net	4,183		1,316
Loans receivable, net	138		(799)
Inventories	2		(113)
Deposits and deferred expenditures	(349)		(1,044)
Accounts payable	(5,801)		7,002
Accrued payroll and related liabilities	4,217		3,611
Unemployment insurance and workers' compensation liability	1,390		673
Deferred revenue	1,240		3,051
Refundable advances under federal loan program	(241)		(20)
Compensated absences	3,544		2,207
Net cash used by operating activities	<u>\$(580,597)</u>		<u>\$(530,563)</u>
<i>Supplemental Noncash Activities Information</i>			
Capital assets acquired by incurring capital lease obligations and accounts payable	<u>\$8,177</u>		<u>\$25,581</u>
Loss on disposal of capital assets	<u>\$2,477</u>		<u>\$2,178</u>
Capital assets acquired by gifts	<u>\$1,165</u>		<u>\$789</u>

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

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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”), formerly known as the University and Community College System of Nevada, which include:

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

The System is an agency of the State of Nevada (the “State”) and receives significant support from, and has significant assets held by, the State, as set forth in the accompanying financial statements. The System is a component unit of the State of Nevada in accordance with the provisions of the Governmental Accounting Standards Board (“GASB”) Statement No. 14, *The Financial Reporting Entity*. The System Related Organizations’ columns in these financial statements are comprised of data from the System’s discretely presented campus foundations and medical school practice plans (see Note 19). These System Related Organizations are included as part of the System’s financial statements because of the nature and the significance of their financial relationship with the System.

The System Related Organizations include campus foundations which are related tax exempt organizations founded to foster and promote the growth, progress, and general welfare of the System, and are reported in separate columns to emphasize that they are Nevada not-for-profit organizations legally separate from the System. During the years ended June 30, 2008 and 2007 the foundations distributed \$53,610 and \$54,669 respectively, to the System for both restricted and unrestricted purposes. Complete financial statements for the foundations can be obtained from Mike Reed, Vice Chancellor for Finance at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

The System Related Organizations also include three legally separate non-profit organizations, together known as the medical school practice plans. The practice plans include the University of Nevada School of Medicine Multispecialty Group Practice North, Inc., University of Nevada School of Medicine Group Practice South, Inc., and Nevada Family Practice Residency Program, Inc. The practice plans were established for the benefit of the University of Nevada School of Medicine and its faculty physicians who are engaged in patient care activities. During the years ended June 30, 2008 and 2007 the practice plans distributed \$817 and \$1,241, respectively, to the System for restricted purposes. Complete financial statements for the practice plans can be obtained from Mike Reed, Vice Chancellor for Finance at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

NOTE 2 – Summary of Significant Accounting Policies:

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

BASIS OF PRESENTATION

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

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

BASIS OF ACCOUNTING

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

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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

eliminated. The System has the option to apply all Financial Accounting Standards Board (“FASB”) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The System has elected not to apply FASB pronouncements issued after the applicable date. The financial statements are presented using the economic resources measurement focus.

CASH EQUIVALENTS

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

INVESTMENTS

Investments are primarily 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 are based upon valuations provided by the general partners of the respective partnerships as of March 31, 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 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 either cost or 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 or more during the year ended June 30, 2008 and \$2 or more in the year ended June 30, 2007 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. Accumulated 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

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 FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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

DEFERRED REVENUE

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

COMPENSATED ABSENCES

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

FEDERAL REFUNDABLE LOANS

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

NET ASSETS

Net Assets are classified as follows:

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

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

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

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

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

OPERATING AND NONOPERATING REVENUES AND EXPENSES

SYSTEM

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

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

FOUNDATIONS

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

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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

SCHOLARSHIP ALLOWANCES

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

GRANTS-IN-AID

Student tuition and fees revenue include grants-in-aid charged to scholarships and fellowships and grants-in-aid for faculty and staff benefits charged to the appropriate expenditure programs to which the applicable personnel relate. Grants-in-aid for fiscal years 2008 and 2007 were \$7,176 and \$6,787, respectively.

TAX EXEMPTION

The System and its discretely presented System related organizations are qualified tax-exempt organizations under the provisions of Section 501(c) (3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income.

USE OF ESTIMATES

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

COMPARATIVE INFORMATION

Certain reclassifications have been made to the 2007 financial information in order to conform to the 2008 presentation.

NEW ACCOUNTING PRONOUNCEMENTS

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance for recording and disclosing activities related to pollution remediation which becomes effective for years beginning after December 15, 2007. The anticipated impact of this pronouncement is uncertain at this time.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which requires most identifiable intangibles be classified as capital assets and gives guidance on amortization, when appropriate. The Statement is effective for years beginning after June 15, 2009. The anticipated impact of this pronouncement is uncertain at this time.

In November 2007, the GASB issued Statement No.52, *Land and Other Real Estate Held as Investments by Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purposes of generating income. The Statement is effective for years beginning after June 15, 2008. 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, 2008 and 2007 the System's deposits in money market funds totaled \$73,313 and \$87,733, respectively, and cash in bank was \$10,609 and \$16,521, respectively. Of these balances, \$100 and \$200 at June 30, 2008 and 2007, respectively, 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. 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. All of the above are included in cash and cash equivalents in the Statements of Cash Flows.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 4 – System Investments:

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

Investments are stated at fair value. The historical cost and market value (fair value) of System investments at June 30, 2008 and 2007 is as follows:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Mutual funds	\$353,456	\$386,691	\$319,747	\$378,920
Guaranteed investment contracts	-	-	13,758	13,758
Other partnerships	40,000	93,634	40,000	90,462
Private equity partnerships	32,701	55,113	27,832	48,101
Stocks	9,399	10,715	9,818	12,403
Endowment cash and cash equivalents	1,970	1,970	21,409	21,409
Other investments (including corporate and U.S. government bonds)	<u>2,047</u>	<u>2,026</u>	<u>2,495</u>	<u>2,485</u>
	<u>\$439,573</u>	<u>\$550,149</u>	<u>\$435,059</u>	<u>\$567,538</u>

Mutual funds consist of investments in shares of mutual funds with six separate fund managers. Investments held by the various mutual funds, in the approximate proportions of the System's ownership of such mutual funds, are summarized as follows:

	<u>2008</u>	<u>2007</u>
Stocks	34%	36%
U.S. government bonds	14%	16%
International securities	26%	29%
Cash and cash equivalents	9%	7%
Corporate bonds	17%	12%

As of June 30, 2008, the System had entered into various investment agreements with private equity partnerships. Under the terms of certain of these investment agreements, the System is obligated to make additional investments in these private equity partnerships of \$7,146.

In 2008, there has been significant volatility in the domestic and international investment markets, primarily as a result of liquidity issues in credit markets. Consequently, the fair value of the System's investments is exposed to non-typical price volatility which has resulted in a substantial reduction in the fair value of certain investments from the amounts reported as of June 30, 2008. An estimate of the fair value loss cannot be made at this time. The System has already undertaken a number of steps to monitor the fair value of its investments. The System regularly monitors its risk profile, working in concert with Cambridge Associates to rebalance the operating and endowment pools, within the strategic ranges recommended by Cambridge and approved by the Board, as market conditions warrant. At the September 26, 2008 meeting of the Investment Committee a rebalancing of the endowment pool to cash and selected equities was approved. In addition, at a specially called meeting of the Investment Committee, held on October 10, 2008 the Board of Regents Investment Committee suspended regularly scheduled disbursements to the campuses from the NSHE operating pool income until conditions warrant a resumption of such payments.

For purposes of applying GASB Statement No. 40, certain of the System's operating and endowment investments are subject to risks as follows:

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. 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

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 4 – System Investments (continued):

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, 2008 is as follows:

U.S. Government - Guaranteed	\$ 808
Corporate Bonds:	
AAA	\$ 51
AA	\$ 733
A	\$ 344
Not Rated	\$ 78
Commingled Funds:	
U.S. Bond Funds – Not Rated	\$55,324
Non U.S. Bond Funds – Not Rated	\$63,825
Money Market Funds – Not Rated	\$ 1,970

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. The segmented time distribution for these investments at June 30, 2008 is as follows:

Less than 1 year	\$14,162
1 to 5 years	\$45,168
6 to 10 years	\$44,508
More than 10 years	\$19,327

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. Currently, the System does not have a formal policy for custodial credit risk. At June 30, 2008 the System's operating and endowment investments that were held by custodial banks, Wells Fargo, Bank of America, and the State of Nevada and are represented by the following types of investments:

Mutual Funds	\$ 2,198
Stocks	\$ 10,715
International	\$ 11
US Government Bonds	\$ 808
Corporate Bonds	\$ 1,206
Cash held by State Treasurer	\$149,922

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. 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 System's total operating and endowment investments. At June 30, 2008 there were no investments within any one issuer in an amount that would constitute a concentration of credit risk to the System.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 4 – System Investments (continued):

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair market value of an investment. At June 30, 2008 the System had \$85,950 of investments in international mutual funds subject to foreign currency risk in both the operating and endowment investment pools. The U.S. dollar balances of international mutual funds organized by the respective foreign currencies are as follows:

Euro	\$26,564
British Pound	\$15,653
Japanese Yen	\$13,978
Swiss Franc	\$ 4,585
South Korean Won	\$ 2,654
Canadian Dollar	\$ 4,348
Taiwan New Dollar	\$ 2,419
Brazilian Reai	\$ 1,792
Chinese Renminbi	\$ 1,831
Denmark Dollar	\$ 1,107
Australian Dollar	\$ 1,159
Other	\$23,463

NOTE 5 – System Endowment Pool:

Approximately \$198,725 and \$203,028 of endowment fund investments at June 30, 2008 and 2007, respectively, are pooled on a unit market value basis. As of June 30, 2008, the endowment pool is comprised of investments in mutual funds (68%), stocks (4%), private equity partnerships (27%), and cash and cash equivalents (1%). As of June 30, 2007, the endowment pool is comprised of investments in mutual funds (65%), stocks (4%), private equity partnerships (22%) and other investments (9%). 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, 2008 and 2007 was \$515.56 and \$530.31, respectively.

The System utilizes a spending rule for its pooled endowments, which determines the endowment income to be distributed currently for spending. For the years ended June 30, 2008 and 2007, 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 2008, \$18.28 was distributed to each time-weighted unit for a total spending rule distribution of \$11,948 and, during 2007, \$17.32 was distributed to each time-weighted unit for a total spending rule distribution of \$7,569. The 2008 and 2007 distributions were made from investment income of \$3,599 and \$7,569, respectively, and \$8,349 and \$0, 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 \$132,768 and \$124,488 at June 30, 2008 and 2007, respectively, and is available to meet future spending needs subject to the approval of the Board of Regents.

Nevada State law provides that a portion of total estate tax revenues collected by the State are appropriated to the System. During the years ended June 30, 2008 and 2007 the System received \$0 and \$379, respectively, from such appropriations.

NOTE 6 – System Accounts Receivable:

System accounts receivable consist primarily of amounts due from students for tuition and fees and from local and private sources for grant and contract agreements. System accounts receivable are presented on the accompanying Statements of Net Assets net of allowances for uncollectible amounts of \$5,539 and \$8,948, respectively, as of June 30, 2008 and 2007.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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, 2008 and 2007. 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, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Loans receivable	\$11,778	\$11,923
Less: Allowance for doubtful loans	<u>(540)</u>	<u>(491)</u>
Net loans receivable	11,238	11,432
Less current portion	<u>(2,305)</u>	<u>(2,515)</u>
Noncurrent loans receivable	<u>\$ 8,933</u>	<u>\$ 8,917</u>

NOTE 8 – System Capital Assets:

System capital asset activity for the year ended June 30, 2008 and 2007 is as follows:

	<u>Beginning Balance</u>	<u>2008</u>		<u>Ending Balance</u>
		<u>Increases</u>	<u>Decreases</u>	
Capital assets not being depreciated:				
Construction in progress	\$ 345,647	\$234,298	\$(196,342)	\$ 383,603
Land	64,601	806	-	65,407
Collections	<u>8,796</u>	<u>982</u>	<u>-</u>	<u>9,778</u>
Total capital assets not being depreciated	<u>419,044</u>	<u>236,086</u>	<u>(196,342)</u>	<u>458,788</u>
Capital assets being depreciated:				
Buildings	1,432,501	214,746	(8,618)	1,638,629
Land improvements	82,171	6,986	(146)	89,011
Machinery and equipment	281,320	27,083	(14,763)	293,640
Library books and media	<u>102,605</u>	<u>6,447</u>	<u>(903)</u>	<u>108,149</u>
Total cost	<u>1,898,597</u>	<u>255,262</u>	<u>(24,430)</u>	<u>2,129,429</u>
Less accumulated depreciation for:				
Buildings	(414,809)	(38,460)	577	(452,692)
Land improvements	(63,325)	(4,054)	80	(67,299)
Machinery and equipment	(170,247)	(26,963)	12,500	(184,710)
Library books and media	<u>(87,611)</u>	<u>(6,530)</u>	<u>901</u>	<u>(93,240)</u>
Total accumulated depreciation	<u>(735,992)</u>	<u>(76,007)</u>	<u>14,058</u>	<u>(797,941)</u>
Total capital assets being depreciated, net	<u>1,162,605</u>	<u>179,255</u>	<u>(10,372)</u>	<u>1,331,488</u>
Capital assets, net	<u>\$1,581,649</u>	<u>\$415,341</u>	<u>\$(206,714)</u>	<u>\$1,790,276</u>

NEVADA SYSTEM OF HIGHER EDUCATION

**NOTES TO FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 8 – System Capital Assets (continued):

	Beginning Balance	<u>2007</u>		Ending Balance
		<u>Increases</u>	<u>Decreases</u>	
Capital assets not being depreciated:				
Construction in progress	\$ 136,581	\$261,164	\$(52,098)	\$ 345,647
Land	60,221	4,380	-	64,601
Collections	<u>8,723</u>	<u>115</u>	<u>(42)</u>	<u>8,796</u>
Total capital assets not being depreciated	<u>205,525</u>	<u>265,659</u>	<u>(52,140)</u>	<u>419,044</u>
Capital assets being depreciated:				
Buildings	1,370,791	66,764	(5,054)	1,432,501
Land improvements	80,187	1,984	-	82,171
Machinery and equipment	264,228	29,753	(12,661)	281,320
Library books and media	<u>96,801</u>	<u>6,803</u>	<u>(999)</u>	<u>102,605</u>
Total cost	<u>1,812,007</u>	<u>105,304</u>	<u>(18,714)</u>	<u>1,898,597</u>
Less accumulated depreciation for:				
Buildings	(384,371)	(35,208)	4,770	(414,809)
Land improvements	(59,384)	(3,941)	-	(63,325)
Machinery and equipment	(155,088)	(25,854)	10,695	(170,247)
Library books and media	<u>(81,829)</u>	<u>(6,775)</u>	<u>993</u>	<u>(87,611)</u>
Total accumulated depreciation	<u>(680,672)</u>	<u>(71,778)</u>	<u>16,458</u>	<u>(735,992)</u>
Total capital assets being depreciated, net	<u>1,131,335</u>	<u>33,526</u>	<u>(2,256)</u>	<u>1,162,605</u>
Capital assets, net	<u>\$1,336,860</u>	<u>\$299,185</u>	<u>\$(54,396)</u>	<u>\$1,581,649</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 9 – System Long-Term Debt:

System long-term debt activity for the year ended June 30, 2008 and 2007 is as follows:

		2008					
	Annual Interest Rate	Fiscal Year Final Payment Due	Beginning Balance	Additions	Reductions	Ending Balance	Current
Universities Subordinate Lien Revenue Bonds, Series 1992	3.95% to 6.70%	2008	315	-	(315)	-	-
Certificates of Participation, Series 2006B	4.81% to 4.98%	2010	1,925	-	(450)	1,475	470
Universities Revenue Bonds, Series 1995	3.95% to 5.25%	2011	475	-	(110)	365	115
Universities Revenue Bonds, Series 1998	4.00% to 5.25%	2014	5,200	-	(640)	4,560	675
Universities Revenue Bonds, Series 2003A	2.00% to 5.00%	2017	17,825	-	(3,795)	14,030	1,620
Universities Revenue Bonds, Series 2000	5.10% to 5.88%	2021	2,040	-	(645)	1,395	680
Universities Revenue Bonds, Series December 2000	5.00% to 5.375%	2021	4,900	-	(1,140)	3,760	1,195
Taxable University Revenue Bonds, Series 2002C	4.00% to 5.50%	2022	7,225	-	(220)	7,005	375
SNSC Phase II Lease Revenue Bonds	7.58%	2023	7,690	-	(265)	7,425	285
Certificates of Participation, Series 2006A	4.00% to 5.00%	2025	11,015	-	-	11,015	-
Universities Revenue Bonds, Series April 2000	5.00% to 5.88%	2030	1,315	-	(305)	1,010	320
Shadow Lane – Dental School Bond, Series 2001	4.25% to 5.25%	2032	2,065	-	(380)	1,685	395
Universities Revenue Bonds, Series 2002A	3.87% to 5.40%	2032	27,110	-	-	27,110	715
Universities Revenue Bonds, Series 2002B	4.75% to 5.00%	2032	10,905	-	-	10,905	-
Universities Revenue Bonds, Series 2003B	2.00% to 5.00%	2034	50,030	-	(865)	49,165	1,080
Universities Revenue Bonds, Series 2004A	2.00% to 4.50%	2034	29,860	-	(1,330)	28,530	1,355
Universities Revenue Bonds, Series 2004B	3.00% to 4.75%	2035	10,000	-	-	10,000	215
Universities Revenue Bonds, Series 2005A	3.00% to 5.00%	2035	31,010	-	-	31,010	-
Universities Revenue Bonds, Series 2005B	3.25% to 5.00%	2035	170,360	-	(725)	169,635	1,620
Prepaid Interest in Advance of Refunding			(2,066)	-	253	(1,813)	(253)
Premiums			12,057	-	(471)	11,586	471
Total Bonds Payable			401,256	-	(11,403)	389,853	11,333
Notes Payable			82,949	11,200	(17,625)	76,524	5,817
Total			<u>\$484,205</u>	<u>\$11,200</u>	<u>\$(29,028)</u>	<u>\$466,377</u>	<u>\$17,150</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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

		2007					
	Annual Interest Rate	Fiscal Year Final Payment Due	Beginning Balance	Additions	Reductions	Ending Balance	Current
University Superior Lien Refunding Revenue Bonds, Series 1997	4.50% to 6.00%	2007	1,125	-	(1,125)	-	-
Universities Subordinate Lien Revenue Bonds, Series 1992	3.95% to 6.70%	2008	610	-	(295)	315	315
Certificates of Participation, Series 2006B	4.81% to 4.98%	2010	1,925	-	-	1,925	450
Universities Revenue Bonds, Series 1995	3.95% to 5.25%	2011	580	-	(105)	475	110
Universities Revenue Bonds, Series 1998	4.00% to 5.25%	2014	5,810	-	(610)	5,200	640
Community College Revenue Bonds, Series 1996	3.80% to 5.70%	2017	795	-	(795)	-	-
Universities Revenue Bonds, Series 2003A	2.00% to 5.00%	2017	20,305	-	(2,480)	17,825	3,795
Universities Revenue Bonds, Series 2000	5.10% to 5.88%	2021	2,650	-	(610)	2,040	645
Universities Revenue Bonds, Series December 2000	5.00% to 5.375%	2021	23,475	-	(18,575)	4,900	1,140
Taxable University Revenue Bonds, Series 2002C	4.00% to 5.50%	2022	7,485	-	(260)	7,225	220
SNSC Phase II Lease Revenue Bonds	7.58%	2023	7,935	-	(245)	7,690	265
Certificates of Participation, Series 2006A	4.00% to 5.00%	2025	11,015	-	-	11,015	-
Universities Revenue Bonds, Series April 2000	5.00% to 5.88%	2030	1,605	-	(290)	1,315	305
Shadow Lane – Dental School Bond, Series 2001	4.25% to 5.25%	2032	18,160	-	(16,095)	2,065	380
Universities Revenue Bonds, Series 2002A	3.87% to 5.40%	2032	27,110	-	-	27,110	-
Universities Revenue Bonds, Series 2002B	4.75% to 5.00%	2032	10,905	-	-	10,905	-
Universities Revenue Bonds, Series 2003B	2.00% to 5.00%	2034	50,890	-	(860)	50,030	865
Universities Revenue Bonds, Series 2004A	2.00% to 4.50%	2034	31,170	-	(1,310)	29,860	1,330
Universities Revenue Bonds, Series 2004B	3.00% to 4.75%	2035	10,000	-	-	10,000	-
Universities Revenue Bonds, Series 2005A	3.00% to 5.00%	2035	31,010	-	-	31,010	-
Universities Revenue Bonds, Series 2005B	3.25% to 5.00%	2035	170,360	-	-	170,360	725
Prepaid Interest in Advance of Refunding			(603)	(1,716)	253	(2,066)	(253)
Premiums			12,527	-	(470)	12,057	470
Total Bonds Payable			446,844	(1,716)	(43,872)	401,256	11,402
Notes Payable			40,726	47,556	(5,333)	82,949	4,813
Total			<u>\$487,570</u>	<u>\$45,840</u>	<u>\$(49,205)</u>	<u>\$484,205</u>	<u>\$16,215</u>

NEVADA SYSTEM OF HIGHER EDUCATION

**NOTES TO FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

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.

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.

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

	<u>Principal</u>	<u>Interest</u>
2009	\$ 17,150	\$ 20,689
2010	17,828	20,009
2011	18,820	19,264
2012	18,045	18,544
2013	18,465	17,783
2014-2018	93,663	76,576
2019-2023	84,725	56,023
2024-2028	77,863	36,891
2029-2033	81,537	18,100
2034-2038	38,281	2,167
Total	<u>\$466,377</u>	<u>\$286,046</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 2008 to 2019.

System obligations under capital leases were as follows for the year ending June 30, 2008 and 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>2008 Reductions</u>	<u>Ending Balance</u>	<u>Current</u>
Capital lease obligations	<u>\$12,483</u>	<u>\$1,027</u>	<u>(\$2,910)</u>	<u>\$10,600</u>	<u>\$3,036</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>2007 Reductions</u>	<u>Ending Balance</u>	<u>Current</u>
Capital lease obligations	<u>\$15,475</u>	<u>\$ 193</u>	<u>(\$3,185)</u>	<u>\$12,483</u>	<u>\$2,666</u>

The following System property included in the accompanying financial statements was leased under capital leases as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Buildings and improvements	\$55,836	\$10,421
Construction in progress	489	-
Machinery and equipment	<u>15,170</u>	<u>12,178</u>
Total	71,495	22,599
Less accumulated depreciation	<u>(3,655)</u>	<u>(7,530)</u>
Total	<u>\$67,840</u>	<u>\$15,069</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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

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

2009	\$ 3,463
2010	2,384
2011	2,111
2012	976
2013	981
2014-2017	<u>1,928</u>
Total minimum lease payments	11,843
Less amount representing interest	<u>(1,243)</u>
Obligations under capital leases	<u>\$10,600</u>

Total interest expense under the System capital leases and included in the accompanying financial statements was \$596 and \$663, respectively, during the years ended June 30, 2008 and 2007.

NOTE 11 – System Other Noncurrent Liability Activity:

The activity with respect to System other noncurrent liabilities for the years ended June 30, 2008 and 2007 was as follows:

	Beginning Balance	2008		Ending Balance	Current
		Additions	Reductions		
Refundable advances under federal loans program	\$ 7,654	\$ 518	\$ (730)	\$ 7,442	\$ -
Compensated absences	41,572	32,015	(28,247)	45,340	30,948
Retentions payable	1,923	375	(2,005)	293	293
Deferred revenue	<u>36,694</u>	<u>36,765</u>	<u>(35,532)</u>	<u>37,927</u>	<u>37,384</u>
Total	<u>\$87,843</u>	<u>\$69,673</u>	<u>\$(66,514)</u>	<u>\$91,002</u>	<u>\$68,625</u>

	Beginning Balance	2007		Ending Balance	Current
		Additions	Reductions		
Refundable advances under federal loans program	\$ 7,692	\$ 727	\$ (765)	\$ 7,654	\$ -
Compensated absences	39,247	29,254	(26,929)	41,572	28,906
Retentions payable	515	2,763	(1,355)	1,923	-
Deferred revenue	<u>33,648</u>	<u>35,750</u>	<u>(32,704)</u>	<u>36,694</u>	<u>35,936</u>
Total	<u>\$81,102</u>	<u>\$68,494</u>	<u>\$(61,753)</u>	<u>\$87,843</u>	<u>\$64,842</u>

NOTE 12 – Extinguishment of Debt:

At June 30, 2008, debt in the amount of \$56,230 is considered to be extinguished through refunding of prior issues by a portion of the current issues. Sufficient proceeds were invested in state and local government securities and placed in escrow to assure the timely payment of the maturities of prior issues. Neither the debt nor the escrowed assets are reflected on the financial statements.

NOTE 13 – Irrevocable Letter of Credit:

In connection with its workers compensation liability coverage, the System is required to maintain a \$679 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 coverage in the amount of \$2,290; however, effective April 10, 2008, this has been reduced to \$1,373. A letter of credit was established in July 2003 in connection with the DRI Lease Revenue Bond in the amount of \$2,100. No advances were made under the letters of credit during the years ended June 30, 2008 and 2007.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 14 – System Pension Plans:

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

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

The authority for establishing and amending the obligation to make contributions is provided by statute. Contribution rates are also established by statute. Active employees contribute to PERS at a rate of either 10.5% 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 10.5% or 19.75% 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.

The System’s contribution to all retirement plans for the years ended June 30, 2008, 2007 and 2006 was approximately (in thousands) \$73,589, \$68,358 and \$60,369, respectively, equal to the required contribution for each year.

NOTE 15 – 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. The provisions of GASB Statement No. 45 for governments that were phase 1 governments, such as the Nevada System of Higher Education, for the purpose of implementation of Statement 34—those with annual revenues of \$100 million or more—are effective for fiscal years beginning after December 15, 2006.

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

The Public Employees’ Benefits Program administers these benefits as a multiple employer cost sharing plan. The State Retirees’ Health and Welfare Benefits Trust Fund has been created to provide benefits to retirees and their beneficiaries. The State has contributed \$19.7 million to the irrevocable trust as a multiple employer cost sharing plan. The unfunded liability for the trust is estimated at \$4.0 billion, which is recorded as a liability of the trust and not of the State or 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.

NOTE 16 – System Commitments and Contingent Liabilities:

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

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 16 – System Commitments and Contingent Liabilities (continued):

The System has an actuarial study of its workers' compensation losses completed annually. The study addresses the reserves necessary to pay open claims from prior years and projects the rates needed for the coming year. Based on this year's study, the System's reserves exceed the actuary's most pessimistic projections. 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, 2008.

The estimated cost to complete property authorized or under construction at June 30, 2008 is \$317,298. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

NOTE 17 – 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.
- Workers 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 and excess liability insurance.

NOTE 18 – Functional Classification of System Expenses:

The following is the functional classifications of expenses as reported on the Statements of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Instruction	\$ 497,967	\$ 459,757
Research	122,972	133,667
Public service	58,871	58,490
Academic support	125,145	115,820
Institutional support	145,919	137,140
Student services	117,560	107,366
Operation and maintenance of plant	118,435	104,897
Scholarships and fellowships	41,176	43,296
Auxiliary enterprises	72,618	71,298
Depreciation	<u>75,507</u>	<u>71,591</u>
Total	<u>\$1,376,170</u>	<u>\$1,303,322</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 19 - 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. Condensed combining financial data of the System related organizations is as follows:

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS NET ASSETS AS OF JUNE 30, 2008 (in \$1,000)

<u>ASSETS</u>	UNR Foundation	Practice Plans	DRI Foundation	DRI Research Park	TMCC Foundation
<i>Current Assets</i>					
Cash and cash equivalents	\$ 20,870	\$ 6,027	\$ 696	\$ 10	\$ 1,015
Short-term investments	22,395	2,669	-	-	-
Other current assets	<u>3,407</u>	<u>10,849</u>	<u>8</u>	<u>-</u>	<u>79</u>
Total Current Assets	<u>46,672</u>	<u>19,545</u>	<u>704</u>	<u>10</u>	<u>1,094</u>
<i>Noncurrent Assets</i>					
Capital assets, net	21	3,788	16	12	-
Endowment investments	92,419	-	-	-	319
Other noncurrent assets	<u>9,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>101,885</u>	<u>3,788</u>	<u>16</u>	<u>12</u>	<u>319</u>
TOTAL ASSETS	<u>148,557</u>	<u>23,333</u>	<u>720</u>	<u>22</u>	<u>1,413</u>
<u>LIABILITIES</u>					
<i>Current Liabilities</i>					
Due to affiliates	3,015	537	11	-	-
Current portion of long-term debt	-	-	-	-	-
Other current liabilities	<u>25</u>	<u>4,430</u>	<u>646</u>	<u>3</u>	<u>463</u>
Total Current Liabilities	<u>3,040</u>	<u>4,967</u>	<u>657</u>	<u>3</u>	<u>463</u>
<i>Noncurrent Liabilities</i>					
Long-term debt	-	717	-	-	-
Other noncurrent liabilities	<u>2,669</u>	<u>-</u>	<u>-</u>	<u>135</u>	<u>-</u>
Total Noncurrent Liabilities	<u>2,669</u>	<u>717</u>	<u>-</u>	<u>135</u>	<u>-</u>
TOTAL LIABILITIES	<u>5,709</u>	<u>5,684</u>	<u>657</u>	<u>138</u>	<u>463</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	21	2,740	16	12	-
Restricted:					
Nonexpendable	99,623	-	-	-	324
Expendable:	35,606	-	52	-	-
Unrestricted	<u>7,598</u>	<u>14,909</u>	<u>(5)</u>	<u>(128)</u>	<u>626</u>
TOTAL NET ASSETS	<u>\$142,848</u>	<u>\$ 17,649</u>	<u>\$ 63</u>	<u>(\$116)</u>	<u>\$ 930</u>

NEVADA SYSTEM OF HIGHER EDUCATION

**NOTES TO FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

WNC Foundation	GBC Foundation	UNLV Foundation	CSN Foundation	NSC Foundation	Total System Related Organizations
\$1,003	\$ 3,198	\$ 18,030	\$2,629	\$ 575	\$ 54,053
-	903	4,559	-	-	30,526
<u>129</u>	<u>266</u>	<u>4,620</u>	<u>206</u>	<u>132</u>	<u>19,696</u>
<u>1,132</u>	<u>4,367</u>	<u>27,209</u>	<u>2,835</u>	<u>707</u>	<u>104,275</u>
-	4	1,884	10	-	5,735
1,412	2,990	91,764	-	-	188,904
<u>216</u>	<u>50</u>	<u>44,281</u>	<u>61</u>	<u>6,574</u>	<u>60,627</u>
<u>1,628</u>	<u>3,044</u>	<u>137,929</u>	<u>71</u>	<u>6,574</u>	<u>255,266</u>
<u>2,760</u>	<u>7,411</u>	<u>165,138</u>	<u>2,906</u>	<u>7,281</u>	<u>359,541</u>
-	11	-	85	-	3,659
-	-	-	-	-	-
<u>-</u>	<u>20</u>	<u>401</u>	<u>45</u>	<u>-</u>	<u>6,033</u>
<u>-</u>	<u>31</u>	<u>401</u>	<u>130</u>	<u>-</u>	<u>9,692</u>
-	-	-	-	-	717
<u>-</u>	<u>-</u>	<u>6,314</u>	<u>-</u>	<u>-</u>	<u>9,118</u>
<u>-</u>	<u>-</u>	<u>6,314</u>	<u>-</u>	<u>-</u>	<u>9,835</u>
<u>-</u>	<u>31</u>	<u>6,715</u>	<u>130</u>	<u>-</u>	<u>19,527</u>
-	4	75	10	-	2,878
611	2,795	71,592	-	569	175,514
2,070	1,521	65,884	1,099	6,458	112,690
<u>79</u>	<u>3,060</u>	<u>20,872</u>	<u>1,667</u>	<u>254</u>	<u>48,932</u>
<u>\$2,760</u>	<u>\$7,380</u>	<u>\$158,423</u>	<u>\$2,776</u>	<u>\$7,281</u>	<u>\$340,014</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 19 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS NET ASSETS AS OF JUNE 30, 2007 (in \$1,000)

<u>ASSETS</u>	UNR Foundation	Practice Plans	DRI Foundation	DRI Research Park	TMCC Foundation
<i>Current Assets</i>					
Cash and cash equivalents	\$ 22,944	\$ 8,454	\$ 954	\$ 17	\$ 687
Short-term investments	14,134	3,592	-	-	-
Other current assets	<u>4,502</u>	<u>10,878</u>	<u>9</u>	<u>-</u>	<u>88</u>
Total Current Assets	<u>41,580</u>	<u>22,924</u>	<u>963</u>	<u>17</u>	<u>775</u>
<i>Noncurrent Assets</i>					
Capital assets, net	12	3,259	16	22	-
Endowment investments	96,903	-	-	-	407
Other noncurrent assets	<u>9,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>106,287</u>	<u>3,259</u>	<u>16</u>	<u>22</u>	<u>407</u>
TOTAL ASSETS	<u>147,867</u>	<u>26,183</u>	<u>979</u>	<u>39</u>	<u>1,182</u>
<u>LIABILITIES</u>					
<i>Current Liabilities</i>					
Due to affiliates	1,799	-	17	-	-
Current portion of long-term debt	-	-	-	-	-
Other current liabilities	<u>1,642</u>	<u>4,632</u>	<u>872</u>	<u>3</u>	<u>263</u>
Total Current Liabilities	<u>3,441</u>	<u>4,632</u>	<u>889</u>	<u>3</u>	<u>263</u>
<i>Noncurrent Liabilities</i>					
Long-term debt	-	342	-	-	-
Other noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>139</u>	<u>-</u>
Total Noncurrent Liabilities	<u>-</u>	<u>342</u>	<u>-</u>	<u>139</u>	<u>-</u>
TOTAL LIABILITIES	<u>3,441</u>	<u>4,974</u>	<u>889</u>	<u>142</u>	<u>263</u>
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	12	2,655	16	22	-
Restricted:					
Nonexpendable	102,614	-	-	-	410
Expendable:	34,086	-	(460)	-	-
Unrestricted	<u>7,714</u>	<u>18,554</u>	<u>534</u>	<u>(125)</u>	<u>509</u>
TOTAL NET ASSETS	<u>\$144,426</u>	<u>\$21,209</u>	<u>\$ 90</u>	<u>(\$103)</u>	<u>\$ 919</u>

NEVADA SYSTEM OF HIGHER EDUCATION

**NOTES TO FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

WNC Foundation	GBC Foundation	UNLV Foundation	CSN Foundation	NSC Foundation	Total System Related Organizations
\$ 412	\$ 3,915	\$ 11,903	\$2,365	\$ 494	\$ 52,145
-	-	5,121	-	108	22,955
<u>1,518</u>	<u>283</u>	<u>3,773</u>	<u>410</u>	<u>99</u>	<u>21,560</u>
<u>1,930</u>	<u>4,198</u>	<u>20,797</u>	<u>2,775</u>	<u>701</u>	<u>96,660</u>
-	7	1,914	16	-	5,246
2,127	3,307	94,611	-	577	197,932
<u>247</u>	<u>214</u>	<u>23,845</u>	<u>741</u>	<u>6,230</u>	<u>40,649</u>
<u>2,374</u>	<u>3,528</u>	<u>120,370</u>	<u>757</u>	<u>6,807</u>	<u>243,827</u>
<u>4,304</u>	<u>7,726</u>	<u>141,167</u>	<u>3,532</u>	<u>7,508</u>	<u>340,487</u>
-	-	-	-	-	1,816
-	-	170	-	-	170
<u>-</u>	<u>36</u>	<u>157</u>	<u>-</u>	<u>-</u>	<u>7,605</u>
<u>-</u>	<u>36</u>	<u>327</u>	<u>-</u>	<u>-</u>	<u>9,591</u>
-	-	950	-	-	1,292
<u>-</u>	<u>-</u>	<u>495</u>	<u>-</u>	<u>-</u>	<u>634</u>
<u>-</u>	<u>-</u>	<u>1,445</u>	<u>-</u>	<u>-</u>	<u>1,926</u>
<u>-</u>	<u>36</u>	<u>1,772</u>	<u>-</u>	<u>-</u>	<u>11,517</u>
-	7	86	16	-	2,814
646	2,755	64,475	-	577	171,477
2,388	1,828	67,551	1,404	6,683	113,480
<u>1,270</u>	<u>3,100</u>	<u>7,283</u>	<u>2,112</u>	<u>248</u>	<u>41,199</u>
<u>\$ 4,304</u>	<u>\$ 7,690</u>	<u>\$ 139,395</u>	<u>\$ 3,532</u>	<u>\$ 7,508</u>	<u>\$ 328,970</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 19– System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in \$1,000) FOR THE YEAR ENDED JUNE 30, 2008

	<u>UNR Foundation</u>	<u>Practice Plans</u>	<u>DRI Foundation</u>	<u>DRI ResearchPark</u>	<u>TMCC Foundation</u>
<i>Operating Revenues</i>					
Patient revenue	\$ -	\$63,408	\$ -	\$ -	\$ -
Contract revenue	-	2,613	-	-	-
Contributions	31,966	-	670	-	562
Campus support	2,037	-	233	59	143
Other operating revenue	<u>1,058</u>	<u>7,167</u>	<u>156</u>	<u>3</u>	<u>26</u>
Total operating revenues	<u>35,061</u>	<u>73,188</u>	<u>1,059</u>	<u>62</u>	<u>731</u>
<i>Operating Expenses</i>					
Program expenses	374	54,069	-	-	369
Depreciation	10	866	-	10	-
Other operating expenses	<u>3,233</u>	<u>20,787</u>	<u>534</u>	<u>65</u>	<u>258</u>
Total operating expenses	<u>3,617</u>	<u>75,722</u>	<u>534</u>	<u>75</u>	<u>627</u>
Operating income	<u>31,444</u>	<u>(2,534)</u>	<u>525</u>	<u>(13)</u>	<u>104</u>
<i>Nonoperating Revenues (Expenses)</i>					
Payments to System campuses and divisions	(35,463)	(817)	(509)	-	-
Other nonoperating revenues (expenses)	<u>358</u>	<u>(209)</u>	<u>(43)</u>	<u>-</u>	<u>-</u>
Total nonoperating expenses	<u>(35,105)</u>	<u>(1,026)</u>	<u>(552)</u>	<u>-</u>	<u>-</u>
Income (loss) before other revenue, expenses gains or losses	<u>(3,661)</u>	<u>(3,560)</u>	<u>(27)</u>	<u>(13)</u>	<u>104</u>
Additions to permanent endowments	2,083	-	-	-	1
Other revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74)</u>
Total other revenues	<u>2,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(73)</u>
Increase (decrease) in net assets	(1,578)	(3,560)	(27)	(13)	31
Net assets - beginning of year	<u>144,426</u>	<u>21,209</u>	<u>90</u>	<u>(103)</u>	<u>919</u>
Net assets - end of year	<u>\$142,848</u>	<u>\$17,649</u>	<u>\$ 63</u>	<u>(\$116)</u>	<u>\$950</u>

NEVADA SYSTEM OF HIGHER EDUCATION

**NOTES TO FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

<u>WNC Foundation</u>	<u>GBC Foundation</u>	<u>UNLV Foundation</u>	<u>CSN Foundation</u>	<u>NSC Foundation</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,408
-	-	-	-	-	2,613
739	191	23,425	1,011	175	58,739
-	67	-	-	-	2,539
<u>117</u>	<u>148</u>	<u>1,500</u>	<u>401</u>	<u>37</u>	<u>10,613</u>
<u>856</u>	<u>406</u>	<u>24,925</u>	<u>1,412</u>	<u>212</u>	<u>137,912</u>
-	113	63	-	190	55,178
-	3	53	6	-	948
<u>510</u>	<u>266</u>	<u>2,975</u>	<u>624</u>	<u>-</u>	<u>29,252</u>
<u>510</u>	<u>382</u>	<u>3,091</u>	<u>630</u>	<u>190</u>	<u>85,378</u>
<u>346</u>	<u>24</u>	<u>21,834</u>	<u>782</u>	<u>22</u>	<u>52,534</u>
(1,763)	(535)	(13,158)	(1,114)	(251)	(53,610)
<u>(127)</u>	<u>168</u>	<u>(2,893)</u>	<u>(424)</u>	<u>-</u>	<u>(3,170)</u>
<u>(1,890)</u>	<u>(367)</u>	<u>(16,051)</u>	<u>(1,538)</u>	<u>(251)</u>	<u>(56,780)</u>
<u>(1,544)</u>	<u>(343)</u>	<u>5,783</u>	<u>(756)</u>	<u>(229)</u>	<u>(4,246)</u>
-	-	13,245	-	2	15,331
<u>-</u>	<u>33</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41)</u>
<u>-</u>	<u>33</u>	<u>13,245</u>	<u>-</u>	<u>2</u>	<u>15,290</u>
(1,544)	(310)	19,028	(756)	(227)	11,044
<u>4,304</u>	<u>7,690</u>	<u>139,395</u>	<u>3,532</u>	<u>7,508</u>	<u>328,970</u>
<u>\$ 2,760</u>	<u>\$ 7,380</u>	<u>\$ 158,423</u>	<u>\$ 2,776</u>	<u>\$ 7,281</u>	<u>\$ 340,014</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 19 - System Related Organizations (continued):

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in \$1,000) FOR THE YEAR ENDED JUNE 30, 2007

	<u>UNR Foundation</u>	<u>Practice Plans</u>	<u>DRI Foundation</u>	<u>DRI ResearchPark</u>	<u>TMCC Foundation</u>
<i>Operating Revenues</i>					
Patient revenue	\$ -	\$ 48,761	\$ -	\$ -	\$ -
Contract revenue	-	8,050	-	-	-
Contributions	11,070	-	871	-	721
Campus support	1,828	-	197	69	127
Other operating revenue	<u>1,333</u>	<u>5,669</u>	<u>186</u>	<u>3</u>	<u>254</u>
Total operating revenues	<u>14,231</u>	<u>62,480</u>	<u>1,254</u>	<u>72</u>	<u>1,102</u>
<i>Operating Expenses</i>					
Program expenses	349	40,737	-	-	-
Depreciation	27	868	-	10	-
Other operating expenses	<u>2,495</u>	<u>20,506</u>	<u>565</u>	<u>70</u>	<u>244</u>
Total operating expenses	<u>2,871</u>	<u>62,111</u>	<u>565</u>	<u>80</u>	<u>244</u>
Operating income	<u>11,360</u>	<u>369</u>	<u>689</u>	<u>(8)</u>	<u>858</u>
<i>Nonoperating Revenues (Expenses)</i>					
Payments to System campuses and divisions	(10,779)	(1,241)	(1,090)	-	(478)
Other nonoperating revenues (expenses)	<u>16,674</u>	<u>447</u>	<u>(17)</u>	<u>(95)</u>	<u>149</u>
Total nonoperating expenses	<u>5,895</u>	<u>(794)</u>	<u>(1,107)</u>	<u>(95)</u>	<u>(329)</u>
Income (loss) before other revenue, expenses gains or losses	<u>17,255</u>	<u>(425)</u>	<u>(418)</u>	<u>(103)</u>	<u>529</u>
Additions to permanent endowments	-	-	-	-	49
Other revenues	<u>10,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other revenues	<u>10,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49</u>
Increase (decrease) in net assets	28,085	(425)	(418)	(103)	578
Net assets - beginning of year	<u>116,341</u>	<u>21,634</u>	<u>508</u>	<u>-</u>	<u>341</u>
Net assets - end of year	<u>\$144,426</u>	<u>\$21,209</u>	<u>\$ 90</u>	<u>(\$103)</u>	<u>\$919</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's)
 FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

<u>WNC</u> <u>Foundation</u>	<u>GBC</u> <u>Foundation</u>	<u>UNLV</u> <u>Foundation</u>	<u>CSN</u> <u>Foundation</u>	<u>NSC</u> <u>Foundation</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,761
-	-	-	-	-	8,050
1,464	3,290	33,580	1,497	935	53,428
-	63	-	-	-	2,284
-	<u>127</u>	<u>104</u>	<u>515</u>	-	<u>8,191</u>
<u>1,464</u>	<u>3,480</u>	<u>33,684</u>	<u>2,012</u>	<u>935</u>	<u>120,714</u>
-	92	94	-	-	41,272
-	2	75	3	-	985
<u>408</u>	<u>266</u>	<u>3,031</u>	<u>550</u>	<u>1,223</u>	<u>29,358</u>
<u>408</u>	<u>360</u>	<u>3,200</u>	<u>553</u>	<u>1,223</u>	<u>71,615</u>
<u>1,056</u>	<u>3,120</u>	<u>30,484</u>	<u>1,459</u>	<u>(288)</u>	<u>49,099</u>
(755)	(573)	(40,079)	(951)	(107)	(56,053)
<u>238</u>	<u>546</u>	<u>12,705</u>	<u>125</u>	<u>72</u>	<u>30,844</u>
<u>(517)</u>	<u>(27)</u>	<u>(27,374)</u>	<u>(826)</u>	<u>(35)</u>	<u>(25,209)</u>
<u>539</u>	<u>3,093</u>	<u>3,110</u>	<u>633</u>	<u>(323)</u>	<u>23,890</u>
-	60	3,233	-	2	3,344
-	-	-	-	-	10,830
-	<u>60</u>	<u>3,233</u>	-	<u>2</u>	<u>14,174</u>
539	3,153	6,343	633	(321)	38,064
<u>3,765</u>	<u>4,537</u>	<u>133,052</u>	<u>2,899</u>	<u>7,829</u>	<u>290,906</u>
<u>\$ 4,304</u>	<u>\$ 7,690</u>	<u>\$ 139,395</u>	<u>\$ 3,532</u>	<u>\$ 7,508</u>	<u>\$ 328,970</u>

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 19– System Related Organizations (continued):

UNR Foundation:

The UNR Foundation cash deposits are primarily on deposit with two financial institutions and several investment companies and are carried at fair value at \$20,870 and \$22,944, respectively, at June 30, 2008 and 2007, of which \$643 and \$922, respectively, is insured by the FDIC. The remaining balance is uncollateralized and is a category 3 level of risk, based on risk categories established by GASB.

Investments consist primarily of open-ended mutual funds through a single custodian. Debt and equity securities other than open-ended mutual funds are uncollateralized and are a category 3 level of risk, based on risk categories established by GASB.

Cash and cash equivalents at June 30, 2008 and 2007, consists of:

	<u>2008</u>	<u>2007</u>
Cash	\$ 1,449	\$ 197
Money Funds	-	608
Common Fund Short-term Investments	18,362	21,854
Certificates of Deposit	130	285
Treasury Bills and Notes	<u>929</u>	<u>-</u>
	<u>\$20,870</u>	<u>\$22,944</u>

The fair value of investments at June 30, 2008 and 2007, are as follows:

	<u>2008</u>	<u>2007</u>
Equity Investments	\$ 503	\$ 698
Commonfund Bond	24,947	25,395
Commonfund Equity	62,624	70,997
Commonfund Capital Partners	2,036	1,249
Commonfund Realty Investors	5,303	2,393
Commonfund Global Distress	1,491	822
Commonfund international commodities	6,921	2,976
Commonfund intermediate	3,623	-
Certificates of Deposit	2,450	944
U.S. Government Securities	<u>4,916</u>	<u>6,121</u>
	<u>\$114,814</u>	<u>\$111,595</u>

At June 30, 2008, 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	\$ 503	\$ 503	\$ -	\$ -
Open ended mutual funds	106,945	106,945	-	-
Certificates of deposit	2,450	1,979	377	94
U.S. Government securities	<u>4,916</u>	<u>4,916</u>	<u>-</u>	<u>-</u>
	<u>\$114,814</u>	<u>\$114,343</u>	<u>\$377</u>	<u>\$94</u>

The Foundation's investment policy allows for investments of money market funds, certificates of deposit, commercial paper (rated P-1 and/or A-1 or better up to 10% maximum of the total cash balance), United States treasury bills or notes, mortgage backed securities, or internal loans to the University of Nevada, Reno (secured by a promissory note, with appropriate interest). Investments outside of the Commonfund are staggered in 30, 60 and 90 day investments. All investments in excess of the 90 day limit are approved individually. Justification for the time period of the investment would be that our liquid cash needs didn't exceed \$10 million and the rate of return justifies the investment.

The cumulative net appreciation of investments at June 30, 2008 and 2007 was \$10,129 and \$27,729, respectively.

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 19 - System Related Organizations (continued):

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk and concentrations of credit risk may affect fixed income securities, which are particularly sensitive to credit risks and changes in interest rates.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The Foundation restricts investment of cash and cash equivalents and investments to financial institutions with high credit standing and The Commonfund, a nonprofit membership corporation operated by and for its member colleges, universities and independent schools. The Foundation currently purchases certificates of deposit of less than one hundred thousand dollars 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

Fixed income securities are subject to credit risk, which is the chance an issuer or other counterparty to an investment will not fulfill its obligations. It is the policy of the Foundation to manage its credit risk by limiting its fixed income securities to obligations of the U.S. Government, which are not considered to have credit risk, and to pooled fixed income funds with the Commonfund. The Commonfund is unrated by recognized statistical rating organizations.

Interest Rate Risk

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

Foreign Currency Risk

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

Custodial Credit Risk – Investments

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

Practice Plans:

Net patient service revenue is reported when services are provided to patients at the estimated net realizable amounts from patients, third-party payors including Medicare and Medicaid, and others for services rendered, including estimated retroactive audit adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Contractual allowances are recorded as deductions from professional fee revenue to arrive at net professional revenues. Contractual allowances 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 allowances.

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

UNLV Foundation:

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

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the UNLV Foundation will not be able to recover deposits or collateral securities that are in the possession of an outside party. The UNLV Foundation does not have a deposit policy for custodial credit risk. Of the cash balances held by custodians at June 30, 2008 and 2007, \$200 and \$204, respectively was covered by the FDIC and \$1,447 and \$2,991, respectively, was uninsured. Of the cash equivalent balance, \$200 was covered by Securities Investor Protection Corporation ("SIPC") and \$5,271 and \$2,053, respectively, was covered by the Customer Asset

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 19 - System Related Organizations (continued):

Protection Company ("CAPCO"), excess protection provided by two brokerages. In addition, \$616 and \$736, respectively, was held in a bank and was uninsured, however, the cash and cash equivalents are invested in a money market account that is backed by the full faith and credit of the U.S. Government.

Investments in the custody of two brokerages are covered by CAPCO. Investments in the custody of the bank are in the nominee name of the bank and held by the Depository Trust Company.

Investments include the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Mutual funds	\$ 2,355	\$ 2,309
Equities	49,328	45,968
U.S. government obligations	13,123	11,761
Corporate obligations	21,482	12,420
Mortgage-backed securities	15,896	19,934
Alternative investments	<u>705</u>	<u>-</u>
Total marketable securities at cost	102,889	92,392
Net unrealized gain (loss) on noncurrent investments	<u>2,039</u>	<u>11,368</u>
Total fair value of noncurrent investments	<u>\$104,928</u>	<u>\$103,760</u>

Included in U.S. Government obligations are cash and cash equivalents of \$10.1 million and \$5.4 million as of June 30, 2008 and 2007, respectively.

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% (+/-5%) of the fixed-income portfolios may be allocated to below-investment-grade securities.

Corporate Bonds	Total	AAA	AA	A	BBB	Below Investment Grade
Restricted fund –						
Schater Cullen	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ 20
Payden & Rygel	8,062	457	1,248	2,860	3,450	47
Endowment fund:						
Wachovia	1,635	-	921	614	100	-
Loomis Sayles	10,650	1,670	749	1,723	3,817	2,691
Tradewinds-NWQ	394	-	-	-	-	394

Note: U.S. Government obligations, mortgage-backed securities, and mutual funds are not included.

Interest Rate Risk

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

For the endowment fund, the Lehman Aggregate Index average maturity as of June 30, 2008, was 7.17 years. The fixed-income portfolio's average maturity was 9.60 years. Interest rates range from 2.625% to 8.875%.

Maturity Under 1 Year	Maturity 1-5 Years	Maturity 5-10 Years	Maturity Over 10 Years	Total
\$995	\$5,918	\$8,795	\$4,178	\$19,886

NEVADA SYSTEM OF HIGHER EDUCATION

NOTES TO FINANCIAL STATEMENTS (in \$1,000's) FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

NOTE 19 - System Related Organizations (continued):

For the restricted fund, the Lehman Aggregate Bond Index average maturity as of June 30, 2008, was 7.81 years. The fixed-income portfolio's average maturity was 7.93 years. Interest rates range from 3.25% to 9.875%.

Maturity Under 1 Year	Maturity 1-5 Years	Maturity 5-10 Years	Maturity Over 10 Years	Total
\$1,614	\$5,992	\$4,540	\$11,774	\$23,920

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. The UNLV Foundation's policy guidelines instruct managers to purchase sovereign debt rated "A" or better and may not invest in excess of 20% of the total fixed-income portfolio, of which no more than 5% of the total fixed-income portfolio may be invested in the debt of any one foreign country.

At June 30, 2008 and 2007, the UNLV Foundation had \$1,417 and \$808, respectively in foreign bonds.

During the year ended June 30, 2008 and 2007, the UNLV Foundation recognized \$(2,838) and \$12,377, respectively, in investment (loss) income. Earnings included \$3,853 and \$3,758, respectively, from interest and dividends, \$3,259 and \$4,546, respectively, from net realized gains on the sale of investments, and \$(9,329) and \$4,678, respectively, from the change in investment fair value. Investment expenses of \$609 and \$589, respectively, and amortization of bond discounts of \$12 and \$16, respectively, were netted against earnings.

NOTE 20 - Subsequent Events:

On July 22, 2008, the System delivered \$60,135 of Universities Revenues Bonds (the "2008 Bonds") to finance certain costs associated with the Center for Molecular Medicine on the UNR campus. The 2008 Bonds are secured by a pledge of certain revenues generated at UNLV and UNR and are on parity with existing Universities Revenues Bonds.

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SUPPLEMENTAL INFORMATION

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING SCHEDULES OF NET ASSETS (in \$1,000's)
AS OF JUNE 30, 2008

ASSETS	UNR	System	DRI	TMCC	WNC
Current Assets					
Cash and cash equivalents	\$ 19,277	\$ 2,383	\$ 3,686	\$ 3,531	\$ 1,303
Restricted cash and cash equivalents	2,299	-	167	-	-
Short-term investments	91,268	41,939	12,718	14,181	5,326
Accounts receivable, net	20,348	209	3,417	692	172
Receivable from U.S. Government	19,744	946	3,443	142	94
Receivable from State of Nevada	6,456	579	582	1,060	355
Current portion of loans receivable, net	1,739	-	-	11	-
Inventories	3,105	157	-	214	-
Deposits and deferred expenditures	3,447	401	-	-	4
Other	-	-	827	57	-
Total Current Assets	167,683	46,614	24,840	19,888	7,254
Noncurrent Assets					
Cash held by State Treasurer	61,652	-	7,744	4,318	3,349
Restricted cash and cash equivalents	-	-	-	-	-
Receivable from State of Nevada	20,313	-	-	-	-
Endowment investments	124,881	7,181	7,661	8,940	234
Deposits and deferred expenditures	2,221	622	-	-	-
Loans receivable, net	5,711	-	-	302	-
Capital assets, net	558,953	9,418	66,899	64,882	36,476
Other assets	-	-	18,300	-	-
Other noncurrent assets	-	353	-	-	-
Total Noncurrent Assets	773,731	17,574	100,604	78,442	40,059
TOTAL ASSETS	941,414	64,188	125,444	98,330	47,313
LIABILITIES					
Current Liabilities					
Accounts payable	22,278	3,155	734	1,179	225
Accrued payroll and related liabilities	9,710	570	778	1,764	1,016
Unemployment insurance and workers' compensation liability	1,675	66	112	354	127
Current portion of compensated absences	11,336	1,436	3,231	1,585	610
Current portion of long-term debt	6,514	-	611	328	137
Current portion of obligations under capital leases	446	813	60	-	-
Accrued interest payable	4,878	41	99	99	-
Deferred revenue	12,280	1,545	2,085	781	182
Funds held in trust for others	1,684	-	700	101	42
Other	1,493	-	580	446	-
Total Current Liabilities	72,294	7,626	8,990	6,637	2,339
Noncurrent Liabilities					
Refundable advances under federal loan programs	4,716	-	-	249	-
Compensated absences	7,432	306	393	117	183
Deferred revenue	307	-	-	-	-
Long-term debt	199,179	-	10,429	1,783	1,360
Obligations under capital leases	3,419	-	104	-	-
Due to State	-	-	-	6,175	-
Total Noncurrent Liabilities	215,053	306	10,926	8,324	1,543
TOTAL LIABILITIES	287,347	7,932	19,916	14,961	3,882
NET ASSETS					
Invested in capital assets, net of related debt	347,481	8,564	55,862	56,210	34,978
Restricted:					
Nonexpendable	38,005	3,979	20,688	4,819	147
Expendable:					
Scholarships, research and instruction	81,804	21,959	6,124	4,655	235
Loans	5,005	-	-	76	(1)
Capital projects	62,513	-	7,970	7,872	4,773
Debt service	4,259	-	-	(72)	137
Unrestricted	115,000	21,754	14,884	9,809	3,162
TOTAL NET ASSETS	\$654,067	\$ 56,256	\$105,528	\$83,369	\$43,431

<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Total</u>
\$ 948	\$ 37,335	\$ 6,913	\$ 752	\$ 76,128
-	-	-	-	2,466
1,790	147,107	25,224	3,906	343,459
407	2,853	2,551	301	30,950
162	12,637	387	683	38,238
266	4,700	1,790	333	16,121
5	465	85	-	2,305
-	1,869	751	375	6,471
47	395	23	158	4,475
-	-	-	-	884
<u>3,625</u>	<u>207,361</u>	<u>37,724</u>	<u>6,508</u>	<u>521,497</u>
5,592	52,282	10,858	4,127	149,922
-	18,922	-	-	18,922
-	41,655	246	-	62,214
220	52,513	5,060	-	206,690
-	1,754	-	-	4,597
-	2,895	25	-	8,933
42,302	771,745	214,675	24,926	1,790,276
-	-	-	-	18,300
-	-	-	4	357
<u>48,114</u>	<u>941,766</u>	<u>230,864</u>	<u>29,057</u>	<u>2,260,211</u>
<u>51,739</u>	<u>1,149,127</u>	<u>268,588</u>	<u>35,565</u>	<u>2,781,708</u>
153	14,954	2,203	1,768	46,649
392	14,490	1,826	79	30,625
136	2,836	628	-	5,934
438	9,600	2,465	247	30,948
112	9,448	-	-	17,150
-	1,305	412	-	3,036
15	4,789	-	-	9,921
95	17,432	2,812	172	37,384
54	5,507	304	8	8,400
-	-	-	-	2,519
<u>1,395</u>	<u>80,361</u>	<u>10,650</u>	<u>2,274</u>	<u>192,566</u>
-	2,470	7	-	7,442
193	4,253	1,173	342	14,392
-	236	-	-	543
1,830	234,646	-	-	449,227
-	3,819	222	-	7,564
-	-	-	-	6,175
<u>2,023</u>	<u>245,424</u>	<u>1,402</u>	<u>342</u>	<u>485,343</u>
<u>3,418</u>	<u>325,785</u>	<u>12,052</u>	<u>2,616</u>	<u>677,909</u>
40,360	531,929	214,041	24,926	1,314,351
48	11,631	2,237	-	81,554
311	43,511	4,218	-	162,817
12	1,115	-	4	6,211
5,675	109,785	11,104	4,127	213,819
-	6,362	-	-	10,686
<u>1,915</u>	<u>119,009</u>	<u>24,936</u>	<u>3,892</u>	<u>314,361</u>
<u>\$48,321</u>	<u>\$ 823,342</u>	<u>\$256,536</u>	<u>\$32,949</u>	<u>\$2,103,799</u>

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING SCHEDULES OF NET ASSETS (in \$1,000's)
AS OF JUNE 30, 2007

<u>ASSETS</u>	<u>UNR</u>	<u>System</u>	<u>DRI</u>	<u>TMCC</u>	<u>WNC</u>
Current Assets					
Cash and cash equivalents	\$ 43,352	\$21,551	\$ 5,104	\$ 1,894	\$ 21
Restricted cash and cash equivalents	-	-	162	-	-
Short-term investments	74,726	68,861	20,170	13,486	4,014
Accounts receivable, net	15,372	629	3,878	605	175
Receivable from U.S. Government	20,861	586	4,670	170	184
Receivable from State of Nevada	11,826	497	498	1,810	1,281
Current portion of loans receivable, net	1,911	-	-	31	2
Inventories	3,106	187	-	22	-
Deposits and deferred expenditures	5,914	336	89	-	81
Other	-	-	1,813	53	-
Total Current Assets	<u>177,068</u>	<u>92,647</u>	<u>36,384</u>	<u>18,071</u>	<u>5,758</u>
Noncurrent Assets					
Cash held by State Treasurer	13,639	-	804	1,389	303
Restricted cash and cash equivalents	246	-	-	-	-
Receivable from State of Nevada	26,166	-	-	-	-
Restricted investments	13,758	-	-	-	-
Endowment investments	128,395	7,082	7,604	9,054	230
Deposits and deferred expenditures	2,496	658	-	-	-
Loans receivable, net	5,584	-	-	308	2
Capital assets, net	483,724	9,525	54,205	65,316	35,760
Other noncurrent assets	-	368	-	-	-
Total Noncurrent Assets	<u>674,008</u>	<u>17,633</u>	<u>62,613</u>	<u>76,067</u>	<u>36,295</u>
TOTAL ASSETS	<u>851,076</u>	<u>110,280</u>	<u>98,997</u>	<u>94,138</u>	<u>42,053</u>
LIABILITIES					
Current Liabilities					
Accounts payable	28,706	2,525	1,279	855	471
Accrued payroll and related liabilities	9,420	513	888	1,310	578
Unemployment insurance and workers' compensation liability	1,175	40	71	260	100
Current portion of compensated absences	10,707	1,260	3,032	1,620	577
Current portion of long-term debt	5,139	-	580	683	175
Current portion of obligations under capital leases	410	775	82	-	-
Accrued interest payable	4,885	79	103	107	-
Deferred revenue	12,844	1,588	1,124	835	136
Funds held in trust for others	2,038	-	959	81	71
Other	-	-	2,258	288	-
Total Current Liabilities	<u>75,324</u>	<u>6,780</u>	<u>10,376</u>	<u>6,039</u>	<u>2,108</u>
Noncurrent Liabilities					
Refundable advances under federal loan programs	4,718	-	-	261	-
Compensated absences	6,141	368	369	120	223
Deferred revenue	351	-	-	-	-
Long-term debt	203,346	-	11,040	8,671	1,497
Obligations under capital leases	3,865	813	164	-	-
Other noncurrent liabilities	1,923	-	-	-	-
Total Noncurrent Liabilities	<u>220,344</u>	<u>1,181</u>	<u>11,573</u>	<u>9,052</u>	<u>1,720</u>
TOTAL LIABILITIES	<u>295,668</u>	<u>7,961</u>	<u>21,949</u>	<u>15,091</u>	<u>3,828</u>
NET ASSETS					
Invested in capital assets, net of related debt	281,323	7,937	42,501	55,961	34,087
Restricted:					
Nonexpendable	37,498	3,642	2,125	5,001	137
Expendable:					
Scholarships, research and instruction	83,592	22,142	6,063	4,653	248
Loans	5,036	-	-	86	9
Capital projects	30,000	-	14,909	4,521	1,194
Debt service	3,265	-	-	(80)	175
Unrestricted	114,694	68,598	11,450	8,905	2,375
TOTAL NET ASSETS	<u>\$555,408</u>	<u>\$102,319</u>	<u>\$77,048</u>	<u>\$79,047</u>	<u>\$38,225</u>

<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Total</u>
\$ (61)	\$ 31,864	\$ 4,419	\$ (108)	\$ 108,036
-	-	-	-	162
2,290	130,300	26,692	1,416	341,955
371	4,915	2,275	273	28,493
185	10,158	667	30	37,511
707	16,294	3,526	226	36,665
5	478	88	-	2,515
-	1,844	745	377	6,281
39	369	62	133	7,023
-	-	-	-	1,866
<u>3,536</u>	<u>196,222</u>	<u>38,474</u>	<u>2,347</u>	<u>570,507</u>
13,571	64,382	25,697	9,446	129,231
-	31,363	-	-	31,609
-	19,307	-	-	45,473
-	-	-	-	13,758
226	54,285	4,949	-	211,825
-	1,845	-	-	4,999
-	2,991	28	4	8,917
30,032	692,799	201,042	9,246	1,581,649
-	-	-	-	368
<u>43,829</u>	<u>866,972</u>	<u>231,716</u>	<u>18,696</u>	<u>2,027,829</u>
<u>47,365</u>	<u>1,063,194</u>	<u>270,190</u>	<u>21,043</u>	<u>2,598,336</u>
261	33,581	3,576	249	71,503
469	11,514	2,033	-	26,725
83	2,208	485	-	4,422
413	8,746	2,321	230	28,906
108	9,530	-	-	16,215
-	1,026	373	-	2,666
16	4,579	-	-	9,769
155	16,813	2,145	296	35,936
28	3,483	251	8	6,919
-	-	-	-	2,546
<u>1,533</u>	<u>91,480</u>	<u>11,184</u>	<u>783</u>	<u>205,607</u>
-	2,661	14	-	7,654
178	4,001	1,069	197	12,666
-	407	-	-	758
1,942	241,494	-	-	467,990
-	4,342	633	-	9,817
-	-	-	-	1,923
<u>2,120</u>	<u>252,905</u>	<u>1,716</u>	<u>197</u>	<u>500,808</u>
<u>3,653</u>	<u>344,385</u>	<u>12,900</u>	<u>980</u>	<u>706,415</u>
27,982	473,584	200,036	9,246	1,132,657
48	11,632	1,993	-	62,076
266	42,858	5,961	-	165,783
12	767	-	4	5,914
13,853	81,161	25,697	9,446	180,781
-	548	-	-	3,908
<u>1,551</u>	<u>108,259</u>	<u>23,603</u>	<u>1,367</u>	<u>340,802</u>
<u>\$43,712</u>	<u>\$ 718,809</u>	<u>\$257,290</u>	<u>\$20,063</u>	<u>\$1,891,921</u>

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in
\$1,000's)
FOR THE YEAR ENDED JUNE 30, 2008

	<u>UNR</u>	<u>System</u>	<u>DRI</u>	<u>TMCC</u>	<u>WNC</u>
Operating Revenues					
Student tuition and fees (net of scholarship allowances of \$53,502)	\$ 71,977	\$ -	\$ -	\$12,644	\$ 3,725
Federal grants and contracts	101,606	1,906	30,370	6,164	1,801
State grants and contracts	14,712	-	144	1,417	1,412
Local grants and contracts	22,620	-	819	-	-
Other grants and contracts	11,134	623	2,749	249	104
Sales and services of educational departments (including \$27,243 from System related organizations)	36,518	4,282	-	839	397
Sales and services of auxiliary enterprises (net of scholarship allowances of \$6,143)	27,674	-	-	1,411	656
Interest earned on loans receivable	107	-	-	2	-
Other operating revenues	2,890	534	5,965	285	-
Total operating revenues	<u>289,238</u>	<u>7,345</u>	<u>40,047</u>	<u>23,011</u>	<u>8,095</u>
Operating Expenses					
Employee compensation and benefits	331,109	19,899	30,917	47,203	22,668
Utilities	12,260	2,005	1,289	1,601	696
Supplies and services	130,968	12,655	10,161	9,107	4,264
Scholarships and fellowships	12,360	145	-	3,817	1,258
Depreciation	24,071	1,354	4,214	3,089	1,310
Total operating expenses	<u>510,768</u>	<u>36,058</u>	<u>46,581</u>	<u>64,817</u>	<u>30,196</u>
Operating (loss) income	<u>(221,530)</u>	<u>(28,713)</u>	<u>(6,534)</u>	<u>(41,806)</u>	<u>(22,101)</u>
Nonoperating Revenues (Expenses)					
State appropriations	203,758	28,900	10,021	39,277	20,545
Refund to the State	-	-	(82)	-	-
Transfers to/from System Administration	12,462	(48,259)	1,398	1,356	630
Gifts (including \$26,695 from System related organizations)	18,106	776	433	198	330
Investment income, net	268	1,332	32	547	(9)
Disposal of capital assets	(481)	(364)	(346)	(48)	(3)
Interest expense	(6,412)	(41)	(700)	(403)	(80)
Other nonoperating revenues	(972)	(6)	-	-	120
Net nonoperating revenues (expenses)	<u>226,729</u>	<u>(17,662)</u>	<u>10,756</u>	<u>40,927</u>	<u>21,533</u>
Income before other revenue, expenses, gains or losses	<u>5,199</u>	<u>(46,375)</u>	<u>4,222</u>	<u>(879)</u>	<u>(568)</u>
State appropriations restricted for capital purposes	68,885	-	5,694	5,167	4,691
Capital grants and gifts (including \$25,590 from System related organizations)	23,235	-	-	-	1,433
Additions to permanent endowments (including \$188 from System related organizations)	1,340	312	18,564	34	-
Gain on sale of land	-	-	-	-	-
Other expenses	-	-	-	-	(350)
Total other revenues	<u>93,460</u>	<u>312</u>	<u>24,258</u>	<u>5,201</u>	<u>5,774</u>
Increase (decrease) in net assets	<u>98,659</u>	<u>(46,063)</u>	<u>28,480</u>	<u>4,322</u>	<u>5,206</u>
Net Assets					
Net assets – beginning of year	555,408	102,319	77,048	79,047	38,225
Net assets – end of year	<u>\$654,067</u>	<u>\$ 56,256</u>	<u>\$105,528</u>	<u>\$83,369</u>	<u>\$43,431</u>

<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>Total</u>
\$ 2,730	\$122,063	\$ 39,767	\$ 3,897	\$ -	\$ 256,803
2,011	81,293	10,275	1,119	(22,115)	214,430
273	13,254	5,985	502	-	37,699
-	1,318	51	18	-	24,826
-	1,584	1	-	-	16,444
544	24,616	2,735	14	-	69,945
674	43,174	1,393	1,026	-	76,008
-	42	-	-	-	151
-	4,489	451	48	-	14,662
<u>6,232</u>	<u>291,833</u>	<u>60,658</u>	<u>6,624</u>	<u>(22,115)</u>	<u>710,968</u>
18,135	344,234	106,316	13,259	-	933,740
816	13,896	4,483	282	-	37,328
3,457	94,157	39,083	6,682	(22,115)	288,419
859	14,494	7,207	1,036	-	41,176
1,558	29,074	10,478	359	-	75,507
<u>24,825</u>	<u>495,855</u>	<u>167,567</u>	<u>21,618</u>	<u>(22,115)</u>	<u>1,376,170</u>
<u>(18,593)</u>	<u>(204,022)</u>	<u>(106,909)</u>	<u>(14,994)</u>	<u>-</u>	<u>(665,202)</u>
16,089	195,667	92,671	14,837	-	621,765
-	-	-	-	-	(82)
249	14,210	8,630	9,324	-	-
1,287	13,547	839	2,115	-	37,631
45	2,781	500	2	-	5,498
(419)	(983)	(151)	-	-	(2,795)
(96)	(9,232)	(84)	-	-	(17,048)
3,830	386	(3,830)	(36)	-	(508)
<u>20,985</u>	<u>216,376</u>	<u>98,575</u>	<u>26,242</u>	<u>-</u>	<u>644,461</u>
<u>2,392</u>	<u>12,354</u>	<u>(8,334)</u>	<u>11,248</u>	<u>-</u>	<u>(20,741)</u>
2,017	90,625	7,270	1,638	-	185,987
200	1,519	52	-	-	26,439
-	35	258	-	-	20,543
-	-	-	-	-	-
-	-	-	-	-	(350)
<u>2,217</u>	<u>92,179</u>	<u>7,580</u>	<u>1,638</u>	<u>-</u>	<u>232,619</u>
<u>4,609</u>	<u>104,533</u>	<u>(754)</u>	<u>12,886</u>	<u>-</u>	<u>211,878</u>
<u>43,712</u>	<u>718,809</u>	<u>257,290</u>	<u>20,063</u>	<u>-</u>	<u>1,891,921</u>
<u>\$48,321</u>	<u>\$823,342</u>	<u>\$256,536</u>	<u>\$32,949</u>	<u>\$ -</u>	<u>\$2,103,799</u>

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (in
\$1,000's)
FOR THE YEAR ENDED JUNE 30, 2007

	<u>UNR</u>	<u>System</u>	<u>DRI</u>	<u>TMCC</u>	<u>WNC</u>
Operating Revenues					
Student tuition and fees (net of scholarship allowances of \$49,209)	\$ 65,235	\$ -	\$ -	\$11,750	\$ 3,623
Federal grants and contracts	97,340	2,148	28,481	5,372	1,688
State grants and contracts	13,954	-	35	1,295	1,305
Local grants and contracts	16,784	-	776	-	-
Other grants and contracts	9,310	782	3,939	122	22
Sales and services of educational departments (including \$1,485 from System related organizations)	28,331	4,130	-	814	480
Sales and services of auxiliary enterprises (net of scholarship allowances of \$3,212)	29,162	-	-	1,368	584
Interest earned on loans receivable	91	-	-	5	-
Other operating revenues	2,310	422	4,564	307	-
Total operating revenues	<u>262,517</u>	<u>7,482</u>	<u>37,795</u>	<u>21,033</u>	<u>7,702</u>
Operating Expenses					
Employee compensation and benefits	310,624	17,968	30,351	43,056	21,456
Utilities	11,757	1,859	1,208	1,620	729
Supplies and services	115,237	14,406	9,435	8,845	4,568
Scholarships and fellowships	14,336	177	-	3,083	1,370
Depreciation	23,027	1,679	3,885	3,115	1,290
Total operating expenses	<u>474,981</u>	<u>36,089</u>	<u>44,879</u>	<u>59,719</u>	<u>29,413</u>
Operating (loss) income	<u>(212,464)</u>	<u>(28,607)</u>	<u>(7,084)</u>	<u>(38,686)</u>	<u>(21,711)</u>
Nonoperating Revenues (Expenses)					
State appropriations	196,852	27,240	8,707	38,087	19,660
Transfers to/from System Administration	(11,868)	14,452	11,948	(1,211)	(518)
Gifts (including \$21,404 from System related organizations)	14,219	22	1,041	732	740
Investment income, net	37,031	7,631	2,507	3,000	834
Disposal of capital assets	(498)	-	(55)	(113)	(19)
Interest expense	(7,043)	(624)	(720)	(439)	(95)
Other nonoperating revenues	(111)	(79)	-	-	106
Net nonoperating revenues (expenses)	<u>228,582</u>	<u>48,642</u>	<u>23,428</u>	<u>40,056</u>	<u>20,708</u>
Income before other revenue, expenses, gains or losses	<u>16,118</u>	<u>20,035</u>	<u>16,344</u>	<u>1,370</u>	<u>(1,003)</u>
State appropriations restricted for capital purposes	1,293	-	44	-	-
Capital grants and gifts (including \$31,109 from System related organizations)	1,383	-	-	-	-
Additions to permanent endowments (including \$264 from System related organizations)	510	2,863	63	177	-
Total other revenues	<u>3,186</u>	<u>2,863</u>	<u>107</u>	<u>177</u>	<u>-</u>
Increase (decrease) in net assets	<u>19,304</u>	<u>22,898</u>	<u>16,451</u>	<u>1,547</u>	<u>(1,003)</u>
Net Assets					
Net assets – beginning of year	536,104	79,421	60,597	77,500	39,228
Net assets – end of year	<u>\$555,408</u>	<u>\$102,319</u>	<u>\$77,048</u>	<u>\$79,047</u>	<u>\$38,225</u>

<u>GBC</u>	<u>UNLV</u>	<u>CSN</u>	<u>NSC</u>	<u>Eliminations</u>	<u>Total</u>
\$ 2,541	\$112,984	\$ 36,821	\$ 3,497	\$ -	\$ 236,451
2,296	65,050	10,125	804	(8,809)	204,495
119	31,503	6,245	791	-	55,247
-	1,987	119	-	-	19,666
-	4,651	2	-	-	18,828
1,366	23,969	2,734	14	-	61,838
674	44,930	1,364	875	-	78,957
-	44	1	-	-	141
-	1,499	258	144	-	9,504
<u>6,996</u>	<u>286,617</u>	<u>57,669</u>	<u>6,125</u>	<u>(8,809)</u>	<u>685,127</u>
16,748	316,323	98,533	10,696	-	865,755
801	12,559	4,498	143	-	35,174
3,826	100,668	34,042	5,288	(8,809)	287,506
774	15,391	7,273	892	-	43,296
1,531	26,787	9,884	393	-	71,591
<u>23,680</u>	<u>471,728</u>	<u>154,230</u>	<u>17,412</u>	<u>(8,809)</u>	<u>1,303,322</u>
<u>(16,684)</u>	<u>(185,111)</u>	<u>(96,561)</u>	<u>(11,287)</u>	<u>-</u>	<u>(618,195)</u>
14,734	185,026	92,415	9,755	-	592,476
(227)	(14,257)	1,924	(243)	-	-
902	9,233	1,058	301	-	28,248
358	32,685	5,201	298	-	89,545
7	(969)	(62)	-	-	(1,709)
(96)	(9,273)	(119)	-	-	(18,409)
-	(39)	-	(23)	-	(146)
<u>15,678</u>	<u>202,406</u>	<u>100,417</u>	<u>10,088</u>	<u>-</u>	<u>690,005</u>
<u>(1,006)</u>	<u>17,295</u>	<u>3,856</u>	<u>(1,199)</u>	<u>-</u>	<u>71,810</u>
-	61	-	1,080	-	2,478
411	32,408	1,050	3,157	-	38,409
-	44	104	-	-	3,761
411	32,513	1,154	4,237	-	44,648
<u>(595)</u>	<u>49,808</u>	<u>5,010</u>	<u>3,038</u>	<u>-</u>	<u>116,458</u>
<u>44,307</u>	<u>669,001</u>	<u>252,280</u>	<u>17,025</u>	<u>-</u>	<u>1,775,463</u>
<u>\$43,712</u>	<u>\$718,809</u>	<u>\$257,290</u>	<u>\$20,063</u>	<u>\$ -</u>	<u>\$1,891,921</u>

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