
Nevada System of Higher Education

Financial Statements

For the Year Ended June 30, 2021



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

NEVADA SYSTEM OF HIGHER EDUCATION

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Nevada System of Higher Education
Financial Statements and Report of Independent Certified Public
Accountants
As of and for the Year Ended June 30, 2021

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**NEVADA SYSTEM OF HIGHER EDUCATION
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

INTRODUCTION

BACKGROUND

The Nevada System of Higher Education (NSHE) is a state-supported, land grant institution established by the Nevada State Constitution of 1864. It began instruction in 1874. NSHE is fully accredited by the Northwest Association of Schools and Colleges. Nine separate institutions comprise the NSHE and include:

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

There are eight controllers' offices within the NSHE located in Reno, Carson City, Elko, Las Vegas and Henderson.

The controllers' offices are responsible for the financial management of research grants. The Office of Contracts and Grants within the respective controllers' offices are responsible for the maintenance of financial records and compliance with terms and conditions of the grants that are generally applicable. Compliance with terms and conditions applicable to certain grants and other agreements is the specific responsibility of the relevant principal investigator.

In addition to the controllers' offices, one business center (Business Center North (BCN) in Reno) and purchasing offices at UNLV and CSN provide the purchasing and property management functions for the NSHE institutions.

The major units of UNR include the College of Agriculture, Biotechnology and Natural Resources, College of Business, College of Education and Human Development, College of Engineering, College of Liberal Arts, College of Science, Orvis School of Nursing, School of Public Health, Graduate School, Reynolds School of Journalism, School of Social Work, and the School of Medicine. UNR offers major fields of study leading to baccalaureate and advanced degrees through the academic departments in the various schools and colleges.

UNLV offers major fields of study in different academic departments leading to baccalaureate and advanced degrees through academic departments in the following colleges and schools: Business, Education, Fine Arts, Graduate, Division of Health Sciences, Honors, Hotel Administration, Liberal Arts, Sciences, University College and Urban Affairs. UNLV is also home to a Medical, Dental and Law school.

Research activities are conducted primarily at UNR, UNLV and DRI. NSHE has been awarded research grants by various Federal agencies. The primary agencies from which these funds were received during the year ended June 30, 2021, were:

- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Education
- Department of Energy
- Department of Veteran Affairs
- Environmental Protection Agency
- Department of Health and Human Services
- Department of Homeland Security

Department of Housing and Urban Development

Department of Interior

Department of Justice

National Aeronautics and Space Administration

National Endowment for the Humanities

National Science Foundation

Department of State

Department of Transportation

In addition, student financial aid funds were received under the Federal campus-based and Pell programs.

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Nevada System of Higher Education Financial Statements



June 30, 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Regents
Nevada System of Higher Education

Report on the financial statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Nevada System of Higher Education (the "System") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of: University of Nevada, Reno Foundation; Wolf Pack Athletic Association; Desert Research Institute Foundation; Desert Research Institute Research Parks LTD; Truckee Meadows Community College Foundation; Great Basin College Foundation; University of Nevada, Las Vegas Foundation; University of Nevada, Las Vegas Research Foundation; University of Nevada, Las Vegas Rebel Football Foundation; University of Nevada, Las Vegas Rebel Soccer Foundation; College of Southern Nevada Foundation; and Nevada State College Foundation, which statements collectively reflect total assets constituting 96% of the aggregate discretely presented component units' total assets as of June 30, 2021 and total operating revenues of 48% of the aggregate discretely presented component units' total operating revenues for the year then ended as described in Note 23 "System Related Organizations." Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for these organizations, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Truckee Meadows Community College Foundation; Great Basin College Foundation; University of Nevada, Las

Vegas Rebel Football Foundation; and Nevada State College Foundation were not audited in accordance with *Government Auditing Standards* for the year ended June 30, 2021.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the System as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of the System's contributions for the total net pension liability, the schedule of proportionate share of the net OPEB liability, the schedule of the System's contributions for the net OPEB liability, and the notes to the required schedules for the net OPEB liability, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 28, 2022 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Grant Thornton LLP

San Jose, California
February 28, 2022

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Nevada System of Higher Education

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Unaudited

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Nevada System of Higher Education's (the System) annual financial information presents management's discussion and analysis of the financial standing as of June 30, 2021. 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, 2021, with comparative information as of June 30, 2020.

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.

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 (the System or NSHE) entity:

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

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

Unaudited

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

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

SYSTEM FINANCIAL HIGHLIGHTS FROM 2020 TO 2021 (in \$1,000's)

- Total net position increased by 8.6% from \$1,873,007 to \$2,034,372;
- Capital assets increased by 1.9% from \$2,505,136 to \$2,551,751;
- Operating revenues decreased by -0.9% from \$1,008,366 to \$998,991;
- Nonoperating revenues increased by 16.5% from \$893,570 to \$1,040,845; and
- Operating expenses decreased by -5.6% from \$1,999,880 to \$1,887,808.

USING THIS REPORT

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

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

Unaudited

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

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

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

CONDENSED FINANCIAL INFORMATION

ASSETS AND LIABILITIES

The Combined Statements of Net Position is a point-in-time financial statement presenting the financial position of the System as of June 30, 2021, with a comparison made to June 30, 2020. This Statement presents end-of-year data for Assets (current and non-current), Deferred Outflows of Resources, Liabilities (current and non-current), Deferred Inflows of Resources, and Net Position (assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources).

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

	<u>2021</u>	<u>2020</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Assets				
Current assets	\$ 1,125,715	\$ 944,768	\$ 180,947	19.2%
Capital assets, net	2,551,751	2,505,136	46,615	1.9%
Other assets	395,462	487,373	(91,911)	-18.9%
Total Assets	<u>4,072,928</u>	<u>3,937,277</u>	<u>135,651</u>	<u>3.4%</u>
Deferred Outflows of Resources	<u>146,519</u>	<u>123,112</u>	<u>23,407</u>	<u>19.0%</u>
Liabilities				
Current liabilities	327,332	337,572	(10,240)	-3.0%
Noncurrent liabilities	1,791,527	1,781,326	10,201	0.6%
Total Liabilities	<u>2,118,859</u>	<u>2,118,898</u>	<u>(39)</u>	<u>0.0%</u>
Deferred Inflows of Resources	<u>66,216</u>	<u>68,484</u>	<u>(2,268)</u>	<u>-3.3%</u>
Net Position				
Net investment in capital assets	1,830,789	1,753,177	77,612	4.4%
Restricted - Nonexpendable	92,689	90,897	1,792	2.0%
Restricted - Expendable	353,829	392,097	(38,268)	-9.8%
Unrestricted	(242,935)	(363,164)	120,229	-33.1%
Total Net Position	<u>\$ 2,034,372</u>	<u>\$ 1,873,007</u>	<u>\$ 161,365</u>	<u>8.6%</u>

Assets

Total assets of the System are currently showing an increase of \$135.7 million, or 3.4%. The increase that occurred in current assets, capital assets and other assets was primarily driven by an increase in short-term investments of \$87 million, endowment investments of \$65 million, and current receivables increasing \$74 million and an increase in capital assets of \$47 million. There were decreases of \$13 million due from System Related Organizations, \$31 million in restricted cash and cash equivalents, and \$89 million in receivable from State of Nevada.

Liabilities

Total liabilities for the year decreased by \$39 thousand.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a future consumption of net position, increased by \$23.4 million. This increase relates to the pension-related deferred outflows of resources. Similarly, deferred inflows of resources, a future acquisition of net position, decreased by \$2.3 million. This decrease relates to the pension-related deferred inflows of resources.

Net Position

Net position is divided into three major categories. The first category, net investment in capital assets, provides the equity in property, plant, and equipment owned by the System. The next category is restricted net position, which is presented as two subcategories: nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the System but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position (deficit) which represents net assets available to the System for any lawful purpose. Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding the System's assets available to pay such obligations. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the System's reserves are allocated for academic and research initiatives or programs, for capital projects or for other purposes.

Net Investment in Capital Assets

The net investment in capital assets represents the System's capital assets net of accumulated depreciation and outstanding principal balances of debt attributed to the acquisition, construction, or improvement of those assets. The \$77.6 million increase reflects the System's expenditures for development and renewal of its capital assets, offset by depreciation expense on capital assets and increased debt associated with capital assets.

Restricted, Nonexpendable/Expendable

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

Unaudited

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.

Restricted -Nonexpendable increase by \$1.8m while Restricted - Expendable decreased by \$38.3 million. There were increases in Restricted Expendable - Scholarship, research and instruction of \$70 million and a decrease in Restricted Expendable – Capital projects of \$111 million.

Unrestricted Net Position (deficit)

Unrestricted net position (deficit) increased by \$120 million in 2021. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the System’s unrestricted net position has been designated for various academic and research programs and initiatives, as well as capital projects. Funds functioning as an endowment consist of unrestricted funds that have been allocated by the System for long-term investment purposes, although amounts are not subject to donor restrictions requiring the System to preserve the principal in perpetuity. Programs supported by the endowment include scholarships, fellowships, professorships, research efforts and other important programs and activities.

System Related Organizations

Net Position (in \$1,000’s)

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<i>Assets</i>				
Current assets	466,590	\$ 415,735	\$ 50,855	12.2%
Capital assets, net	6,854	7,541	(687)	-9.1%
Other assets	477,693	401,929	75,764	18.9%
Total Assets	<u>951,137</u>	<u>825,205</u>	<u>125,932</u>	<u>15.3%</u>
<i>Deferred Outflows of Resources</i>	<u>96</u>	<u>185</u>	<u>(89)</u>	<u>-48.1%</u>
<i>Liabilities</i>				
Current liabilities	21,469	39,236	(17,767)	-45.3%
Noncurrent liabilities	3,192	21,774	(18,582)	-85.3%
Total Liabilities	<u>24,661</u>	<u>61,010</u>	<u>(36,349)</u>	<u>-59.6%</u>
<i>Deferred Inflows of Resources</i>	<u>13,655</u>	<u>8,991</u>	<u>4,664</u>	<u>51.9%</u>
<i>Net Position</i>				
Net investment in capital assets	8,886	6,917	1,969	28.5%
Restricted - Nonexpendable	369,799	354,280	15,519	4.4%
Restricted - Expendable	473,514	355,909	117,605	33.0%
Unrestricted	60,718	38,283	22,435	58.6%
Total Net Position	<u>912,917</u>	<u>\$ 755,389</u>	<u>\$ 157,528</u>	<u>20.9%</u>

The eighteen campuses, athletic foundations, and medical practice plans, as System Related Organizations, continue to support the campuses in their long-range plans and provide support for construction of facilities as well as scholarships and other operating costs. Changes in the above schedule primarily reflect the foundations’ increase in investments and other current assets offset by decreased unearned revenue and other current liabilities.

Unaudited
REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

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

The total Change in Net Position for fiscal year ended June 30, 2021 was an increase of \$161.3 million compared with an increase of \$80.3 million for fiscal year ended June 30, 2020, an increase of \$81 million.

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

	<u>2021</u>	<u>2020</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
<i>Operating Revenues</i>				
Student tuition and fees	\$ 473,526	\$ 475,552	\$ (2,026)	-0.4%
Federal grants and contracts	227,581	182,354	45,227	24.8%
Grants and contracts, other	99,700	92,125	7,575	8.2%
Sales and services	184,436	239,975	(55,539)	-23.1%
Other	13,748	18,360	(4,612)	-25.1%
Total Operating Revenues	<u>998,991</u>	<u>1,008,366</u>	<u>(9,375)</u>	<u>-0.9%</u>
<i>Operating Expenses</i>				
Employee compensation and benefits	(1,268,037)	(1,350,549)	(82,512)	-6.1%
Utilities	(24,339)	(27,993)	(3,654)	-13.1%
Supplies and services	(345,650)	(372,594)	(26,944)	-7.2%
Scholarships and fellowships	(129,133)	(131,527)	(2,394)	-1.8%
Program expenses, System Related Organizations	-	(2,228)	(2,228)	-100.0%
Depreciation	(120,649)	(114,989)	5,660	4.9%
Total Operating Expenses	<u>(1,887,808)</u>	<u>(1,999,880)</u>	<u>(112,072)</u>	<u>-5.6%</u>
Operating Income (Loss)	<u>(888,817)</u>	<u>(991,514)</u>	<u>(102,697)</u>	<u>-10.4%</u>
<i>Nonoperating Revenues (Expenses)</i>				
State appropriations	550,638	668,289	(117,651)	-17.6%
Gifts	55,093	51,915	3,178	6.1%
Investment income (loss), net	204,357	22,240	182,117	818.9%
Gain (loss) on disposal of capital assets	2,141	18,651	(16,510)	-88.5%
Interest expense	(26,973)	(29,155)	2,182	-7.5%
Payments to System campuses and divisions	(1,696)	(1,537)	(159)	10.3%
Other nonoperating revenues	(5,046)	(1,292)	(3,754)	290.6%
Federal grants and contracts	262,331	164,459	97,872	59.5%
Total Nonoperating Revenues	<u>1,040,845</u>	<u>893,570</u>	<u>147,275</u>	<u>16.5%</u>
Total Other Revenues	<u>9,337</u>	<u>178,242</u>	<u>(168,905)</u>	<u>-94.8%</u>
Increase (Decrease) in Net Position	<u>161,365</u>	<u>80,298</u>	<u>81,067</u>	<u>-101.0%</u>
Net position - beginning of year	<u>1,873,007</u>	<u>1,792,709</u>	<u>80,298</u>	<u>4.5%</u>
Net position - end of year	<u>\$ 2,034,372</u>	<u>\$ 1,873,007</u>	<u>\$ 161,365</u>	<u>8.6%</u>

Unaudited

Operating Revenue - Student Tuition and Fees remained stable primarily from a small decrease in enrollment combined with a 4% increase in tuition and fees rates. Federal grants and contracts increase by \$45 million, or 24.8%. This was primarily from the federal resources provided by the Federal Government related to the COVID-19 pandemic. State, local, and other grants and contracts increased to \$99.7 million, or 8.2%. Sales and services decreased by \$55.5 million primarily from the reduction in auxiliary and self-supporting activities.

The decrease in operating expenses was driven by a decrease in employee compensation and benefits and supplies and services. State budget cuts and reduce on campus activities as a result of the COVID-19 pandemic contributed to the decrease in operating expenditures.

Nonoperating net revenues increased by \$147 million, or 16.5%. This was led by increases in net investment income of \$182 million and Federal Grants and Contracts of \$98 million. In 2021, the investment markets surged regardless of the pandemic. The Federal Grants and Contracts helped offset the decrease of State Appropriations of \$117.7 million primarily caused by the pandemic.

Other Revenue decreased \$169 million primarily from a decrease in state appropriations restricted for capital purposes by \$124.9 million and from a gain on impairment of an asset (Argenta and Nye Halls at UNR) that was recognized in 2020 of \$41.5 million.

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

Component entities' ending net position increased from 2020 to 2021, as shown in the following schedule.

	2021	2020	Increase (decrease)	Percent Change
<i>Operating Revenues</i>				
Patient revenue	\$ 54,918	\$ 45,957	\$ 8,961	19.5%
Contract revenue	18,812	20,913	(2,101)	-10.0%
Contributions	69,102	79,234	(10,132)	-12.8%
Campus Support	8,612	9,523	(911)	-9.6%
Special events and fundraising	725	10,494	(9,769)	-93.1%
Other operating revenues	11,215	15,910	(4,695)	-29.5%
Total Operating Revenues	<u>163,384</u>	<u>182,031</u>	<u>(18,647)</u>	<u>-10.2%</u>
<i>Operating Expenses</i>				
Employee compensation and benefits	(37,055)	(37,983)	(928)	-2.4%
Supplies and services	(15,895)	(9,076)	6,819	75.1%
Program expenses, System Related Organizations	(17,412)	(40,260)	(22,848)	-56.8%
Depreciation	(1,290)	(1,709)	(419)	-24.5%
Other operating expenses	(1,970)	(1,224)	746	60.9%
Total Operating Expenses	<u>(73,622)</u>	<u>(90,252)</u>	<u>(16,630)</u>	<u>-18.4%</u>
Operating Income (Loss)	<u>89,762</u>	<u>91,779</u>	<u>(2,017)</u>	<u>-2.2%</u>

Unaudited

Nonoperating Revenues (Expenses)

Investment income (loss), net	152,784	18,658	134,126	718.9%
Payments to System campuses and divisions	(120,345)	(121,039)	694	-0.6%
Other nonoperating revenues (expenses)	22,051	2,732	19,319	707.1%
Total Nonoperating Revenues (Expenses)	<u>54,490</u>	<u>(99,649)</u>	<u>154,139</u>	<u>-154.7%</u>

Income (Loss) before other revenue (expenses)	<u>144,252</u>	<u>(7,870)</u>	<u>152,122</u>	<u>-1932.9%</u>
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Other Revenues (Expenses)

Additions to permanent endowments	12,945	13,510	(565)	-4.2%
Other Foundation expenses	331	(50)	381	-762.0%
Total Other Revenues (Expenses)	<u>13,276</u>	<u>13,460</u>	<u>(184)</u>	<u>-1.4%</u>

Increase (Decrease) in Net Position	<u>157,528</u>	<u>5,590</u>	<u>151,938</u>	<u>2718.0%</u>
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NET POSITION

Net position - beginning of year	755,389	749,799	5,590	0.7%
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Net position - end of year	<u>\$ 912,917</u>	<u>\$ 755,389</u>	<u>\$ 157,528</u>	<u>20.9%</u>
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The accompanying notes are an integral part of these financial statements.

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

Net cash flows decreased when compared to 2020 as discussed further below. Net operating cash flows (amount of cash from operating activities) increased 10%.

	<u>2021</u>	<u>2020</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating activities	\$ (736,101)	\$ (819,639)	\$ 83,538	10%
Noncapital financing	804,670	902,783	(98,113)	-11%
Capital financing activities	(157,147)	(136,647)	(20,500)	-15%
Investing activities	55,853	(31,485)	87,338	277%
Net increase (decrease) in cash	<u>(32,725)</u>	<u>(84,988)</u>	<u>52,263</u>	<u>61%</u>
Cash – beginning of year	232,471	317,459	(84,988)	-27%
Cash – end of year	<u>\$ 199,746</u>	<u>\$ 232,471</u>	<u>\$ (32,725)</u>	<u>-14%</u>

Cash flows from operating activities increased by \$83.5 million. The largest increases in revenue came from grants and contracts of \$12.8 million. The largest decreases in expenditures were payments to suppliers of \$88.3 million and compensation and benefits of \$55.6 million. Expenditures were offset by decreased revenues from sales and services of educational departments tuition and fees of \$39.7 million and auxiliary enterprises of \$34 million. Expenditure reductions occurred because of reduced state appropriations and decreases in sales and services revenues occurred as a result of transitioning to online courses and eliminating extracurricular activities.

Cash flows from noncapital financing decreased by \$98.1 million. This decrease was primarily related to the decrease in cash received from State appropriations of \$145.1 million. Expenditures were offset by an increase in Federal grants and contracts of \$52 million.

Unaudited

Cash flows from capital and related financing activities decreased by \$20.5 million, due to decreased purchases of capital assets of \$103 million and decreased proceeds from capital debt of \$22.3 million and bond proceeds of \$58.5 million.

Cash flows from investing activities increased by \$87.3 million as the result of investment activity.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2021, the System had invested \$2,551.8 million in a broad range of capital assets, including buildings, machinery and equipment, library books and media, art and other valuable collections, intangible assets and land. This represents a net increase (including additions and deletions) of \$46.6 million over June 30, 2020.

During fiscal year 2021, the System issued capital leases of \$532 thousand. No Long-term Debt was issued for capital projects. As of June 30, 2021, the coverage on the University Revenue Bonds (pledged revenues to maximum annual debt service) was 7.33 times, above minimum required coverage of 1.50. For statutory purposes, the coverage was 1.39 times, above the minimum required coverage of 1.10. As of June 30, 2021, the coverage on the Community College Revenue Bonds (pledged revenues to maximum annual debt service) was 18.91 times, above the minimum required coverage of 1.50. For statutory purposes, the coverage was 2.32 times, above the minimum required coverage of 1.10. Coverage for the System's Revenue Bonds is based upon two formulas. The statutory coverage ratio is based upon pledged revenues described in Nevada Revised Statutes authorizing the issuance of revenue bonds. A second, comprehensive coverage ratio, is based upon all revenues pledged to the bonds (including the statutory revenues) in the bond resolutions adopted by the Board of Regents. The statutory and comprehensive coverage ratios feature different minimum coverage thresholds that govern the issuance of additional revenue bond debt.

FUTURE FINANCIAL EFFECTS

In recent years the demand for higher education services in Nevada has generally remained flat. In fiscal year 2021, the System realized a net loss of student full time equivalent (FTE) enrollment of 3.7% or 2,683.4 average annual FTE students' system-wide compared to fiscal year 2020. Student FTE enrollments increased slightly at one university and one community colleges. Student FTE enrollments decreased slightly at the other university and the other community colleges. The State College had increased enrollments. These trends are generally consistent with those seen in other public higher education institutions nationally, and the System anticipates enrollments system-wide in fiscal year 2022 will exceed enrollments in fiscal year 2021 as the pandemic subsides.

The Legislatively approved System operating budget includes state appropriations and authorized expenditures (State Supported Operating Budget). The Operating Budget totals \$1,069.6 million for fiscal year 2022. This compares to the fiscal year 2021 Operating Budget of \$960 million and represents an 11.4% increase. General Fund revenues of \$639 million in fiscal year 2022 increased when compared to the General Fund revenues of \$579 million in fiscal year 2021 by \$60 million or by 10.3% due mainly to legislative actions that reduced state funding by almost 20% in 2021 in response to the pandemic that led to reductions in state tax revenue. The System is not aware of further reductions in state funding and expects to draw all the General Funds appropriated without further reduction or offsets.

Unaudited

Other authorized revenue sources, consisting mainly of student fee revenues, total \$431 million in fiscal year 2022, approximately \$50 million more than in fiscal year 2021, due mostly to American Rescue Plan funds of \$46.6 million used to restore positions that would otherwise have been cut to meet required general fund budget reductions. Student fees remain stable at 35% of the State Supported Operating Budget and are expected to do so for the foreseeable future.

Student enrollment system-wide is anticipated to exceed projected and budgeted enrollment in fiscal year 2022 and therefore pursuant to Senate Bill 553 of the 2019 legislative session, the System may budget and expend, in the State Supported Operating Budget, any additional collections of student fee revenues over budgeted revenues due to increased enrollments or Board of Regent authorized increases in registration or non-resident tuition fees. As before, it is expected that these funds will be expended in direct support of the increased student enrollments through instruction and related support services.

Since March 17, 2020, the spread of COVID-19 has severely impacted many state and local economies around the country. In many states, colleges and universities are being forced to cease or restructure operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to operations nationally, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. As of June 30, 2021, the date of these financial statements, the fair value of our investments have substantially returned to pre-pandemic levels; however, some non-state revenues have experienced declines this fiscal year. We anticipate state and non-state revenues will rebound slightly during the next fiscal year. The System has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended June 30, 2021 have not been adjusted to reflect their impact.

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
 COMBINED STATEMENTS OF NET POSITION (in \$1,000's)
 AS OF JUNE 30, 2021

	<u>System</u>	<u>System Related Organization</u>
<u>ASSETS</u>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 145,395	\$ 61,125
Restricted cash and cash equivalents	136	13,352
Short-term investments	719,657	340,738
Accounts receivable, net	61,673	2,339
Receivable from U.S. Government	146,824	-
Receivable from State of Nevada	17,161	-
Pledges receivable, net	-	12,610
Patient accounts receivable, net	-	10,428
Current portion of loans receivable, net	1,013	1
Due from System Related Organizations	6,044	3,075
Inventories	9,714	256
Deposits and prepaid expenditures, current	16,939	252
Other current assets	1,159	22,414
Total Current Assets	1,125,715	466,590
<i>Noncurrent Assets</i>		
Due from affiliates	2,508	-
Cash held by State Treasurer	2,313	-
Restricted cash and cash equivalents	51,902	350
Receivable from State of Nevada	27,248	-
Investments	-	74,486
Restricted investments	-	17,771
Endowment investments	306,133	338,791
Deposits and prepaid expenditures	247	-
Loans receivable, net	4,886	26
Capital assets, net	2,551,751	6,854
Pledges receivable, net	-	20,079
Other noncurrent assets	225	26,190
Total Noncurrent Assets	2,947,213	484,547
TOTAL ASSETS	4,072,928	951,137
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
OPEB related	64,434	-
Loss on bond refunding	10,255	-
Pension related	71,830	-
Intra-entity sales of future revenues	-	96
TOTAL DEFERRED OUTFLOWS OF RESOURCES	146,519	96

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

NEVADA SYSTEM OF HIGHER EDUCATION
 COMBINED STATEMENTS OF NET POSITION (in \$1,000's)
 (CONTINUED)
 AS OF JUNE 30, 2021

	<u>System</u>	<u>System Related Organization</u>
<u>LIABILITIES</u>		
<i>Current Liabilities</i>		
Accounts payable	48,909	4,619
Accrued payroll and related liabilities	93,553	1,664
Unemployment insurance and workers' compensation	4,159	-
Due to other institutions	349	-
Due to System Related Organizations	2,996	6,103
Current portion of compensated absences	42,108	-
Current portion of long-term debt	42,459	-
Current portion of obligations under capital leases	2,652	208
Accrued interest payable	13,479	-
Unearned revenue	73,021	117
Funds held in trust for others	2,399	19
Other current liabilities	1,248	8,739
Total Current Liabilities	<u>327,332</u>	<u>21,469</u>
<i>Noncurrent Liabilities</i>		
Refundable advances under federal loan programs	4,523	-
Compensated absences	29,256	-
Long-term debt	679,181	273
Obligations under capital leases	46,558	1
Unearned revenue	379	204
Net pension liability	424,237	-
Net OPEB Liability	606,769	-
Due to affiliates	-	2,099
Other noncurrent liabilities	624	615
Total Noncurrent Liabilities	<u>1,791,527</u>	<u>3,192</u>
TOTAL LIABILITIES	<u>2,118,859</u>	<u>24,661</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Service Concession Arrangements	1,531	-
OPEB Related	43,090	-
Gain on bond refunding	90	-
Pension related	21,505	-
Split-interest agreements	-	7,206
Unearned lease revenue	-	6,449
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>66,216</u>	<u>13,655</u>
<u>NET POSITION</u>		
Net investment in capital assets	1,830,789	8,886
Restricted - Nonexpendable	92,689	369,799
Restricted - Expendable - Scholarships, research and instruction	238,006	459,543
Restricted - Expendable - Loans	7,071	-
Restricted - Expendable - Capital projects	74,374	6,823
Restricted - Expendable - Debt service	34,378	-
Restricted - Expendable - Other	-	7,148
Unrestricted	(242,935)	60,718
TOTAL NET POSITION	<u>\$ 2,034,372</u>	<u>\$ 912,917</u>

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

NEVADA SYSTEM OF HIGHER EDUCATION
 COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in \$1,000's)
 AS OF JUNE 30, 2021

	<u>System</u>	<u>System Related Organization</u>
Operating Revenues		
Student tuition and fees (net of scholarship allowance of \$211,091)	\$ 473,526	\$ -
Federal grants and contracts	227,581	-
State grants and contracts	61,464	-
Local grants and contracts	4,707	-
Other grants and contracts	33,529	-
Campus support	-	8,612
Sales and services of educational departments (including \$44,804 from System Related Organizations)	141,779	-
Sales and services of auxiliary enterprises (net of scholarship allowance of \$3,886)	42,657	-
Contributions	-	69,102
Patient revenue	-	54,918
Contract revenue	-	18,812
Special events and fundraising	-	725
Interest earned on loans receivable	134	-
Other operating revenues	13,614	11,215
Total Operating Revenues	<u>998,991</u>	<u>163,384</u>
Operating Expenses		
Employee compensation and benefits	(1,268,037)	(37,055)
Utilities	(24,339)	-
Supplies and services	(345,650)	(15,895)
Scholarships and fellowships	(129,133)	-
Program expenses, System Related Organizations	-	(17,412)
Depreciation	(120,649)	(1,290)
Other operating expenses	-	(1,970)
Total Operating Expenses	<u>(1,887,808)</u>	<u>(73,622)</u>
Operating Income (Loss)	<u>(888,817)</u>	<u>89,762</u>
Nonoperating Revenues (Expenses)		
State appropriations	550,638	-
Gifts (including \$52,155 from System Related Organizations)	55,093	-
Investment income (loss), net	204,357	152,784
Gain (loss) on disposal of capital assets	2,141	-
Interest expense	(26,973)	(65)
Payments to System campuses and divisions	(1,696)	(120,345)
Other nonoperating revenues	(5,046)	22,116
Federal grants and contracts	262,331	-
Total Nonoperating Revenues	<u>1,040,845</u>	<u>54,490</u>
Loss Before Other Revenue (Expenses)	<u>152,028</u>	<u>144,252</u>
Other Revenues (Expenses)		
State reversions restricted for capital purposes	(17,345)	-
Capital grants and gifts (including \$25,434 from System Related Organizations)	26,464	-
Additions (Deductions) to permanent endowments (including \$283 to System Related Organizations)	218	12,945
Other Foundation revenues (expenses)	-	331
Total Other Revenues	<u>9,337</u>	<u>13,276</u>
Increase (Decrease) in Net Position	<u>161,365</u>	<u>157,528</u>
NET POSITION		
Net position - beginning of year	1,873,007	755,389
Net position - end of year	<u>\$ 2,034,372</u>	<u>\$ 912,917</u>

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

NEVADA SYSTEM OF HIGHER EDUCATION
 COMBINED STATEMENT OF CASH FLOWS (in \$1,000's)
 AS OF JUNE 30, 2021

	<u>System</u>
<i>Cash flows from operating activities</i>	
Tuition and fees	\$ 480,114
Grants and contracts	300,373
Payments to suppliers	(352,447)
Payments for utilities	(23,813)
Payments for compensation and benefits	(1,230,046)
Payments for scholarships and fellowships	(128,755)
Loans issued to students and employees	(842)
Collection of loans to students and employees	1,198
Sales and services of educational departments	154,610
Sales and services of auxiliary enterprises	44,208
Insurance recoveries	11,008
Receipts under federal student loan programs	117,535
Disbursements under federal student loan programs	(123,127)
Receipts under External award receipts and others	11,354
Disbursements under External award distributions and others	(11,055)
Other receipts	13,584
<i>Cash flows from operating activities</i>	<u>(736,101)</u>
<i>Cash flows from noncapital financing activities</i>	
State appropriations	543,048
Transfers from System Administration	(2,142)
Gifts and grants for other than capital purposes	55,245
Gift for endowment purposes	218
Other	1,680
Principal paid on noncapital debt	(2,891)
Federal grants and contracts	209,634
Interest paid on noncapital debt	(122)
<i>Cash flows from noncapital financing activities</i>	<u>804,670</u>
<i>Cash flows from capital and related financing activities</i>	
Other	(706)
Capital appropriations	41,300
Capital grants and gifts received	25,887
Bond issuance and refunding	59
Purchases of capital assets	(138,287)
Proceeds from sale of property and equipment	5,598
Principal paid on capital debt and leases	(67,331)
Interest paid on capital debt and leases	(29,659)
Insurance recoveries for capital assets	20,992
Return of capital gifts	(15,000)
<i>Cash flows from capital and related financing activities</i>	<u>(157,147)</u>
<i>Cash flows from investing activities</i>	
Proceeds from sales and maturities of investments	200,139
Purchase of investments	(161,157)
Interest and dividends received on investments	16,931
Net (increase) decrease in cash equivalents, noncurrent investments	(60)
<i>Cash flows from investing activities</i>	<u>55,853</u>
<i>Net decrease in cash</i>	(32,725)
<i>Cash and cash equivalents, beginning of year</i>	232,471
<i>Cash and cash equivalents, end of year</i>	<u>\$ 199,746</u>

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

NEVADA SYSTEM OF HIGHER EDUCATION
 COMBINED STATEMENT OF CASH FLOWS (in \$1,000's)
 (CONTINUED)
 AS OF JUNE 30, 2021

	System
Reconciliation of operating loss to cash flows from operating activities	
Operating loss	\$ (888,817)
Adjustments to reconcile operating loss to cash used in operating activities:	
Supplies expense related to noncash gifts	182
Depreciation and amortization expense	120,649
Change in pension related deferred outflows of resources	9,712
Change in pension related deferred inflows of resources	(10,511)
Change in OPEB related deferred outflows of resources	(33,157)
Change in OPEB related deferred inflows of resources	8,244
Change in service concession arrangements deferred inflows of resources	266
Changes in assets and liabilities:	
Accounts receivable, net	3,014
Receivable from U.S. Government	(33,948)
Receivable from State of Nevada	(1,131)
Loans receivable, net	767
Inventories	(4,493)
Due from other institutions	5,535
Due from system related organizations	3,370
Deposits and prepaid expenditures	1,898
Other assets	233
Accounts payable	8,510
Accrued payroll and related liabilities	8,817
Due to other institutions	(5,614)
Due to System Related Organizations	574
Unemployment and workers' compensation insurance liability	(280)
Unearned revenue	15,777
Compensated absences	7,487
Other liabilities	(350)
Net pension liability	9,717
Net OPEB liability	37,202
Deposits held for others	235
Other	11
Cash flows from operating activities	<u>\$ (736,101)</u>
Supplemental noncash activities information:	
Loss on disposal of capital assets	<u>\$ 1,025</u>
Capital assets acquired by gifts	<u>\$ 867</u>
Capital assets acquired by incurring capital lease obligations and accounts payable	<u>\$ 11,074</u>
Unrealized Gains (loss) on investments	<u>\$ 116,252</u>
System Related Organization debt forgiveness	<u>\$ 13,067</u>

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

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – Organization:

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

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

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

The System Related Organizations include campus foundations which are related tax-exempt organizations founded to foster and promote the growth, progress, and general welfare of the System, and are reported in separate columns to emphasize that they are Nevada not-for-profit organizations legally separate from the System. During the year ended June 30, 2021, the foundations distributed \$120,345 to the System for both restricted and unrestricted purposes. Complete financial statements for the foundations can be obtained from Rhett Vertrees, Assistant Chief Financial Officer at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

The System Related Organizations also include four legally separate non-profit organizations, together known as Integrated Clinical Services, Inc. (ICS). ICS includes the Campus Pharmacy, Inc. (Pharmacy), University of Nevada School of Medicine Multispecialty Group Practice North, Inc. (MSAN), University of Nevada School of Medicine Group Practice South, Inc. (MSAS), and Nevada Family Practice Residency Program, Inc. (NFPRP). ICS was established for the benefit of the University of Nevada School of Medicine and its faculty physicians who are engaged in patient care activities. During the year ended June 30, 2021, ICS distributed \$10,296 to the System for restricted purposes for salaries and Dean's support. Subsequent to year end, the operations of MSAN were transferred to Renown with an effective date of October 1, 2021. Complete financial statements for ICS can be obtained from Rhett Vertrees, Assistant Chief Financial Officer at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

During the year ended June 30, 2021, UNLV Med distributed \$31,845 to the System for restricted purposes for salaries and Dean's support. Complete financial statements for UNLV Med can be obtained from Rhett Vertrees, Assistant Chief Financial Officer at NSHE, 2601 Enterprise Rd., Reno, NV 89512.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 2 – Summary of Significant Accounting Policies:

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

BASIS OF PRESENTATION

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

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

BASIS OF ACCOUNTING

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

CASH AND CASH EQUIVALENTS

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Cash held by State Treasurer represents the funds from certain state appropriations, which were enacted to provide the System with the funds necessary for the construction of major assets. Such amounts are controlled by the Nevada Public Works Board. Restricted cash and cash equivalents represent the unexpended bond proceeds held for construction of major assets. These amounts are included in cash and cash equivalents in the Statements of Cash Flows.

INVESTMENTS

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

INVENTORIES

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

PLEDGES

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

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

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

CAPITAL ASSETS

Capital assets are defined as assets with an initial unit cost of \$5 in the Fiscal year 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. No interest was capitalized during the year ended June 30, 2021. Depreciation is computed on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Year</u>
Buildings and improvements	40
Land improvements	10 to 15
Machinery and equipment	3 to 11
Library books	5
Leasehold improvements	shorter of useful life or lease term
Intangible assets	10

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

UNEARNED REVENUE

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

COMPENSATED ABSENCES

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

FEDERAL REFUNDABLE LOANS

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

PENSIONS

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

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

For purposes of measuring the net OPEB liability, deferred outflow of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of NSHE's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Plan assets are measured at fair value.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statements of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. The System has pension related, other post-employment benefits related and loss on bond refunding balances of \$71,830, \$64,434 and \$10,255, respectively, at June 30, 2021. Pension related deferred outflows of resources are discussed in depth in Note 17 and other post-employment benefits related deferred outflows of resources are discussed in depth in Note 18. A loss on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. System Related Organizations have Intra-equity sales of future revenues of \$96 at June 30, 2021.

In addition to liabilities, the Statements of Net Position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. The System has pension related, other post-employment benefits related, service concession related and gain on bond refunding balances of \$21,505, \$43,090, \$1,531 and \$90, respectively, at June 30, 2021, while the System Related Organizations have split-interest agreements and unearned lease revenue of \$7,206 and \$6,449, respectively, at June 30, 2021.

Pension related deferred inflows of resources are discussed in depth in Note 17. Other post-employment benefits and related deferred inflows of resources are discussed in Note 18. A gain on bond refunding results from the difference in the reacquisition price and the carrying value of refunded debt. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Endowment pledge donations, net, consist of future commitments to donate funds to support an endowment. Unearned lease revenue represents lease revenue that will be recognized in future periods.

NET POSITION

Net position is classified as follows:

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

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

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

Unrestricted net position: Unrestricted net position represents resources that are not subject to externally imposed restrictions. These resources are used for transactions relating to educational and general operations and may be used to meet current expenses for any purpose. Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding the System's assets available to pay such obligations. Although unrestricted net position is not subject to externally imposed restrictions, substantially all the System's reserves are allocated for academic and research initiatives or programs, for capital projects or for other purposes.

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

FAIR VALUE

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

A fair value hierarchy for disclosure that classifies inputs for valuation techniques into levels as follows:

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

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

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

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

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

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

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

OPERATING AND NONOPERATING REVENUES AND EXPENSES

SYSTEM

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

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

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

INTEGRATED CLINICAL SERVICES, INC. AND UNLV MEDICINE, INC.

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

FOUNDATIONS

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

SCHOLARSHIP ALLOWANCES

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

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

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

GRANTS-IN-AID

Student tuition and fees revenue include grants-in-aid charged to scholarships and fellowships and grants-in-aid for faculty and staff benefits charged to the appropriate expenditure programs to which the applicable personnel relate. Grants-in-aid for the year ended June 30, 2021 were \$12,917.

TAX EXEMPTION

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

USE OF ESTIMATES

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

NEW ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities (GASB 84)*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 was implemented for fiscal years beginning after June 15, 2017. The impact of this pronouncement is immaterial, and no fiduciary activities are being presented separately.

In June 2017, the GASB issued Statement No. 87, *Leases (GASB 87)*, which addresses information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 will be effective for fiscal years beginning after June 15, 2021.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations (GASB 91)*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. The anticipated impact of this pronouncement is uncertain at this time.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020 (GASB 92)*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about numerous GASB pronouncements. The requirements of this Statement are effective at various times depending on the topic but are generally effective for fiscal years beginning after June 15, 2021. The impact of this pronouncement is uncertain at this time.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (GASB 93)*. Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement were effective for reporting periods beginning after June 15, 2020. The anticipated impact of this pronouncement is considered immaterial.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (GASB 94)*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The anticipated impact of this pronouncement is uncertain at this time.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

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

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance (GASB 95)*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (GASB 96)*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The anticipated impact of this pronouncement is uncertain at this time.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32 (GASB 97)*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. GASB 97 was implemented for fiscal years beginning after June 15, 2021. The impact of this pronouncement is considered immaterial.

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, 2021, the System's deposits in money market funds totaled \$113,971 and cash in bank was \$51,575. Of these balances, \$250 each year are covered by the Federal Depository Insurance Corporation (FDIC), the remaining deposits are uncollateralized and uninsured. Restricted cash represents the unexpended bond proceeds held for construction of major assets.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 4 – Disclosures About Fair Value of Financial Instruments:

Investments at Fair Value

The System's investment holdings as of June 30, 2021 categorized in accordance with the fair value hierarchy are summarized in the following table:

	Level 1 fair value	Level 2 fair value	Level 3 fair value	NAV	Total
Cash and cash equivalents	\$ 167,922	\$ -	\$ -	\$ -	\$ 167,922
Charitable trusts	4,900	-	-	-	4,900
Domestic equity	246,786	-	-	28,556	275,342
Emerging market equity	-	-	-	13,288	13,288
Fixed income	170,655	654	-	181,286	352,595
International equity	157,965	-	-	27,863	185,828
Marketable alternatives	-	-	-	40,441	40,441
Multi-strategy	-	-	-	86,706	86,706
Private growth	-	-	-	56,830	56,830
Real assets	5,550	-	-	10,542	16,092
	<u>753,778</u>	<u>654</u>	<u>-</u>	<u>445,512</u>	<u>1,199,944</u>
Less: GBC Foundation Endowments	(9,669)	-	-	-	(9,669)
	<u>\$ 744,109</u>	<u>\$ 654</u>	<u>\$ -</u>	<u>\$ 445,512</u>	<u>\$ 1,190,275</u>

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

- *Private Growth* – Strategies consist of private equity, private venture capital and private natural resources. Assets in this category are either illiquid or have significant redemption restrictions. Unfunded commitments of \$22,109 to private equity/venture capital funds are outstanding as of June 30, 2021.
- *Marketable Alternatives* – Assets in the marketable alternative category have a broad mandate and/or incorporate hedging strategies and have significant redemptions restrictions.
- *Real Assets* – The System's holding in the real assets valued at NAV consists of funds which primarily invests in securities of publicly traded C-corporations, Master Limited Partnerships and certain private placement transactions.
- *Fixed Income* – The System's fixed income holdings valued at NAV consist of private and commingled funds with core fixed and short duration strategies.
- *Domestic Equity* – The System's holdings valued at NAV within the domestic equity category consists of one commingled fund with a broad mandate which seeks to outperform the S&P 500 index.
- *Multi-Strategy* – Assets in the multi-strategy valued at NAV consist of one fund which seeks to provide long-term capital growth by investing in domestic and foreign stocks, real assets, and bonds.
- *International Equity* – The System's holdings at NAV within the International equity category consist of private commingled funds primarily focused on value.
- *Emerging Market Equity* – The System's holdings at NAV within Emerging Market category consist of private commingled funds which look to achieve long-term capital appreciation while investing in equity securities or equity-linked instruments of companies located in emerging market countries.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021

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

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

SUMMARY OF REDEMPTION RESTRICTIONS FOR INVESTMENTS VALUED AT NAV

	<u>Redemption Frequency</u>	<u>Days' Notice (if applicable)</u>	<u>Remaining Life for Partnership</u>
Marketable Alternatives	Daily, Monthly, Quarterly, Semi-Annually, Annually	90	N/A
Private equity/venture capital	Illiquid	N/A	7 to 12 years
Domestic Equity	Daily, Monthly, Quarterly	0-3	N/A
Fixed income	Daily, Monthly	Same Day	N/A
Emerging Market Equity	Daily, Weekly, Monthly	N/A	N/A
International Equity	Daily, Monthly	N/A	N/A
Real Assets	Daily, Monthly, Quarterly	0-110 days	N/A
Multi-Strategy	Daily	N/A	N/A

NOTE 5 – System Investments:

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

Investments are stated at fair value. The historical cost and market value (fair value) of System investments at June 30, 2021 is as follows:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds publicly traded	\$375,555	\$521,209
Partnerships	50,305	81,775
Cash and cash equivalents	167,922	167,922
Trusts	3,339	4,900
Private commingled funds	<u>362,751</u>	<u>424,138</u>
	959,872	1,119,944
Less: GBC Foundation Endowments	<u>(9,669)</u>	<u>(9,669)</u>
	<u>\$ 950,203</u>	<u>\$1,190,275</u>

As of June 30, 2021, the System had entered into various investment agreements with private equity partnerships and private commingled funds. Under the terms of certain of these investment agreements, the System is obligated to make additional investments as requested by these partnerships. Generally, partnership investments do not have a ready market and ownership interests in some of these investment vehicles may not be traded without the approval of the general partner or fund management. These investments are subject to the risks generally associated with equities with additional risks due to leverage and the lack of a ready market for acquisition or disposition of ownership interests.

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

Credit risk and interest rate risk

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

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 5 – System Investments (continued):

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, 2021 is as follows:

	<u>Fair Value</u>	<u>Not Rated</u>
Mutual funds publicly traded	\$521,209	\$521,209
Partnerships	81,775	81,775
Cash and cash equivalents	167,922	167,922
Trusts	4,900	4,900
Private commingled funds	<u>424,138</u>	<u>424,138</u>
	1,199,944	1,199,944
Less: GBC Foundation Endowments	<u>(9,669)</u>	<u>(9,669)</u>
	<u>\$ 1,190,275</u>	<u>\$1,190,275</u>

Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a shorter duration to maturity tend to be more sensitive to changes in interest rates, and, therefore, more volatile than those with longer investment lives. The System's policy for reducing its exposure to interest rate risk is to have an average investment life of at least two years for fixed income securities within both the endowment and operating investment pools. With regard to the trusts included in endowment investments, the System is not the trustee of these investments and; therefore, it currently has no policies with regard to interest rate risk for these investments.

Investments included in the above table have been identified as having interest rate risk and are principally invested in mutual funds and private commingled funds. The segmented time distribution for these investments at June 30, 2021 is as follows:

Less than 1 year	\$113,971
1 to 5 year	182,853
5 to 10 year	<u>256,448</u>
	<u>\$553,272</u>

Custodial credit risk

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

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investments within any one issuer. For the fixed income portion of the endowment pool, the System's policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the fixed income portfolio, provided that issues of the U.S. Government or agencies of the U.S. Government may be held without limitation and provided further that issues of agencies of the U.S. Government shall be limited to the extent set forth in the manager-specific guidelines. The System does not have a specific policy with regard to the operating pool or the remainder of the endowment pool. At June 30, 2021, there were no investments within any one issuer in an amount that would constitute a concentration of credit risk to the System.

Foreign currency risk

Foreign currency risk is the risk of investments losing value due to fluctuations in foreign exchange rates. The System does not directly invest in foreign currency investments and is, therefore, not subject to foreign currency risk. However, the System has \$199,662 in mutual funds and commingled funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2021.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 6 – System Endowment Pool:

At June 30, 2021, \$310,903 of endowment fund investments were pooled on a unit market value basis. As of June 30, 2021, the endowment pool was comprised of investments in cash and cash equivalents (1.1%), mutual funds (5.1%), partnerships (25.9%), and private commingled (67.9%). Each individual endowment fund acquires or disposes of units based on the market value per unit on the preceding quarterly valuation date. The unit market value at June 30, 2021 was \$1,103.38. The System follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) with respect to prudent investing and spending of donor-restricted endowments.

The System utilizes a spending rule for its pooled endowments, which determines the endowment income to be distributed currently for spending. For the year ended June 30, 2021, the endowment spending policy, as approved by the Board of Regents, authorized a distribution maximum of 4.5% of the average unit market value for the previous twenty (20) calendar quarters. Under the provisions of these spending rules, during 2021, \$26.77 was distributed to each time-weighted eligible unit for a total spending rule distribution of \$9,874. The 2021 distributions were made from investment income of \$977 and from cumulative gains of pooled investments of \$10,851.

The System's policy is to retain the endowments' 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 \$154,556 at June 30, 2021, is reflected within the restricted expendable for scholarships, research and instruction net position category and is available to meet future spending needs subject to the approval of the Board of Regents.

Effective July 1, 2009 the Board of Regents has suspended distribution on all underwater accounts. At June 30, 2021, there were no accounts underwater.

NOTE 7 – System Accounts Receivable:

System accounts receivable consist primarily of amounts due from students for tuition and fees and from local and private sources for grant and contract agreements.

Accounts receivable:	
Student tuition and fees	\$69,080
Sales and services	43,535
Local and private grants and contracts	8,651
Other	<u>111</u>
	121,377
Less: Allowance for doubtful accounts	<u>(59,704)</u>
Net accounts receivable	<u>\$61,673</u>

NOTE 8 – System Loans Receivable:

Loans receivable from students bear interest primarily between 3% and 15% per annum and are generally repayable in installments to the various campuses over a five to ten-year period commencing nine months from the date of separation from the institution. Student loans made through the Federal Perkins Loan Program comprise substantially all of the loan receivables at June 30, 2021. A provision for possible uncollectible amounts is recorded on the basis of the various institution's estimated future losses for such items. The loans receivable and corresponding allowance for uncollectible loan balances as of June 30, 2021 are as follows:

Loans receivable	\$6,842
Less: Allowance for doubtful loans	<u>(943)</u>
Net loans receivable	5,899
Less current portion	<u>(1,013)</u>
Noncurrent loans receivable	<u>\$ 4,886</u>

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NOTE 9 – System Capital Assets:

System capital asset activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 182,905	\$ 85,861	\$ (151,437)	\$ 117,329
Land	167,425	5,868	(184)	173,109
Land improvements	227	-	-	227
Intangibles	703	-	-	703
Collections	12,058	141	(168)	12,031
Total	<u>363,318</u>	<u>91,870</u>	<u>(151,789)</u>	<u>303,399</u>
Capital assets being depreciated:				
Buildings	3,161,908	181,039	(4,646)	3,338,301
Land improvements	174,225	4,993	(603)	178,615
Machinery and equipment	419,466	39,850	(10,435)	448,881
Intangibles	49,301	2,964	(473)	51,792
Library books and media	123,939	1,589	(160)	125,368
Total	<u>3,928,839</u>	<u>230,435</u>	<u>(16,317)</u>	<u>4,142,957</u>
Less accumulated depreciation for:				
Buildings	(1,178,623)	(79,884)	820	(1,257,687)
Land improvements	(124,082)	(5,686)	-	(129,768)
Machinery and equipment	(320,526)	(27,322)	9,261	(338,587)
Intangibles	(43,928)	(3,529)	469	(46,988)
Library books and media	(119,862)	(1,873)	160	(121,575)
Total	<u>(1,787,021)</u>	<u>(118,294)</u>	<u>10,710</u>	<u>(1,894,605)</u>
Total assets being depreciated, net	<u>2,141,818</u>	<u>112,141</u>	<u>(5,607)</u>	<u>2,248,352</u>
Capital assets, net	<u>\$ 2,505,136</u>	<u>\$ 204,011</u>	<u>\$ (157,396)</u>	<u>\$ 2,551,751</u>

In 2021, the total amount recognized as a loss on disposal of assets was immaterial.

On July 5, 2019, two explosions occurred on the UNR campus that damaged Argenta and Nye Halls, two of UNR's residence halls, as well as the primary residence hall dining facility located in Argenta Hall. The net book value of Argenta and Nye Halls was \$23,197 at June 30, 2019. The explosions originated in the boiler room of Argenta Hall.

UNR is covered by both casualty and business interruption insurance. Based on assurances from UNR's insurers with respect to casualty and business interruption coverages, the System does not expect the July 5th incident to have materially adverse consequences to UNR's overall financial position or operations. However, while the System would characterize the current status of negotiations with UNR's insurers as generally positive and the payments of claims as timely, it is not possible for the System to predict with certainty at this time whether issues might arise in the future that could negatively impact UNR's liquidity of financial resources.

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NOTE 10 – System Long-Term Debt:

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

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

System long-term debt activity for the year ended June 30, 2021 is as follows:

	Annual Interest Rate	Fiscal Year Final Payment Date	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Universities Revenue Bonds, Series 2009A	3.00% to 5.25%	2021	\$ 18,140	\$ 730	\$ -	\$ (730)	\$ -	\$ -
Universities Revenue Bonds, Series 2010A	2.00% to 7.90%	2021	29,455	790	-	(790)	-	-
Universities Revenue Bonds, Series 2010A	2.00% to 7.90%	2021	26,575	26,575	-	(26,575)	-	-
Universities Revenue Bonds, Series 2011A	2.25% to 5.00%	2025	50,470	10,035	-	(4,865)	5,170	3,150
Universities Revenue Bonds, Series 2012A	2.00% to 5.00%	2033	27,375	25,965	-	-	25,965	-
Universities Revenue Bonds, Series 2012B	2.00% to 2.75%	2023	5,010	950	-	(630)	320	160
Universities Revenue Bonds, Series 2013A	2.00% to 5.00%	2034	40,035	30,075	-	(1,435)	28,640	1,510
Universities Revenue Bonds, Series 2013B	3.00% to 5.00%	2036	105,300	88,105	-	(5,875)	82,230	6,105
Universities Revenue Bonds, Series 2014A	4.00% to 5.00%	2044	49,995	43,720	-	(1,535)	42,185	1,610
Universities Revenue Bonds, Series 2015A	3.00% to 5.00%	2036	61,455	61,285	-	(1,045)	60,240	2,390
Universities Revenue Bonds, Series 2015B	2.00% to 3.00%	2027	7,480	5,395	-	(720)	4,675	735
Universities Revenue Bonds, Series 2016A	2.00% to 5.00%	2039	57,750	57,450	-	(1,630)	55,820	2,440
Universities Revenue Bonds, Series 2016B	2.50% to 5.00%	2037	13,580	12,595	-	(530)	12,065	555
Universities Revenue Bonds, Series 2017A	3.25% to 5.00%	2041	25,905	25,905	-	-	25,905	825
Universities Revenue Bonds, Series 2019A	3.00% to 5.00%	2050	18,640	18,640	-	-	18,640	330
C. College Revenue Bonds, Series 2017A	3.00% to 5.00%	2048	70,915	67,480	-	(1,300)	66,180	1,365
Certificates of Participation, Series 2014A	2.00% to 5.00%	2045	34,220	30,640	-	(775)	29,865	810
Certificates of Participation, Series 2016A	2.00% to 5.00%	2047	63,095	56,400	-	(2,755)	53,645	1,685
Certificates of Participation, Series 2016B	1.65% to 4.72%	2047	50,405	47,380	-	(1,045)	46,335	1,070
Certificates of Participation, Series 2017A	3.00% to 5.00%	2048	28,890	27,525	-	(530)	26,995	555
Certificates of Participation, Series 2018A	3.00% to 5.00%	2049	12,475	12,365	-	(230)	12,135	240
Certificates of Participation, Series 2020A	3.00% to 5.00%	2051	52,620	52,620	-	-	52,620	445
SNSC Phase II Lease Revenue Bonds	7.58%	2023	\$ 8,460	2,195	-	(680)	1,515	730
Discounts				(2)	-	1	(1)	(1)
Premiums				42,754	-	(3,342)	39,412	2,996
Total Bonds Payable				747,572	-	(57,016)	690,556	29,705
Notes Payable				43,389	-	(12,305)	31,084	12,754
Total				\$ 790,961	\$ -	\$ (69,321)	\$ 721,640	\$ 42,459

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

System notes payable activity for the year ended June 30, 2021 is as follows:

	Interest Rate	Date Issued	Final Payment Date	Original Amount	Ending Balance
Bank of America, CSN Promissory Note	1.88%	1/3/2013	6/1/2023	\$10,000	\$2,152
Wells Fargo Bank, UNLV Hotel College Academic Bldg	Variable***	12/15/2015	1/3/2023	Maximum \$19,900	1,344
Wells Fargo Bank, UNR MEBD Refunding	1.80%	4/21/2016	1/2/2026	\$7,570	4,314
Key Government Finance, Inc., UNR Fine Arts Bldg	2.02%	4/20/2017	7/1/2022	\$11,326	5,738
US Bank, UNLV SOM funding	Variable****	6/28/2017	6/28/2024	Maximum \$19,000	7,642
ZionsBankcorp, UNLV Football facility	1.98%	11/9/2017	7/1/2023	\$15,297	6,616
ZionsBankcorp, UNR Football facility	2.25%	1/9/2020	7/1/2029	\$3,200	3,050
Other notes payable	1.74% - 5.16%	Various	Various	Various	228
					<u>\$31,084</u>

***The variable interest rate is calculated based on 70% of one-month LIBOR plus a spread of 0.75%. The rate is reset monthly, and interest only accrues based on the outstanding principal.

**** The variable interest rate is equal to the one-month LIBOR rate plus a spread of 0.54%. The rate is reset monthly, and interest only accrues based on the outstanding principal.

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 39,464	\$ 25,999	\$ 65,463
2023	37,444	24,605	62,049
2024	33,053	23,193	56,246
2025	30,340	21,797	52,137
2026	31,068	20,373	51,441
2027-2031	142,940	83,288	226,228
2032-2036	151,950	53,125	205,075
2037-2041	96,175	30,383	126,558
2042-2046	82,400	13,634	96,034
2047-2051	37,395	1,904	39,299
Thereafter	-	-	-
	<u>682,229</u>	<u>298,301</u>	<u>980,530</u>
Discounts	(1)	-	(1)
Premiums	39,412	-	39,412
	<u>\$ 721,640</u>	<u>\$ 298,301</u>	<u>\$ 1,019,941</u>

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

Various outstanding notes from direct borrowings and direct placements of the System in the combined amount of \$2,320 contain provisions that in an event of default, the outstanding amounts become immediately due. An outstanding note from direct borrowings and direct placements of the System in the amount of \$713 is secured by an office building as collateral. Various outstanding notes from direct borrowings and direct placements of the System in the combined amount of \$2,219 are secured by computers and network equipment as collateral. An outstanding note from direct borrowings and direct placements of the System in the amount of \$1,077 is secured by instructional equipment as collateral. Various outstanding notes from direct borrowings and direct placements of the System in the combined amount of \$23,110 contain provisions that in an event of default, the respective interest rates are reset to a higher default rate.

Obligation	Maturity	Outstanding (\$)	Unused Line of Credit (\$)	Pledged Assets?	Finance-Related EOD Consequences?		Finance-Related Termination Events?	Subjective Acceleration Clause(s)?
					Interest Rate/Other	Acceleration		
DRI – Citrix Lease	08/01/21	\$65	n/a	Yes-Note IX	No	No	No	No
DRI – CRVB	09/01/21	66	n/a	No	Yes-Note VIII	Yes-Note VIII	No	No
GBC – Apartment Complex Note	11/01/21	82	n/a	No	Yes-Note VIII	Yes-Note VIII	No	No
DRI – Southern Nevada Science Park Note	12/01/21	79	n/a	No	Yes-Note VIII	Yes-Note VIII	No	No
UNR – Fine Arts Bldg. Note	07/01/22	5,738	n/a	No	Yes-Note III	No	No	No
UNLV – HAB Note	07/01/22	1,344	n/a	No	Yes-Note IV	No	No	No
CSN – Cisco Equipment Lease	10/14/22	1,692	n/a	Yes-Note VII	Yes-Note VII	Yes-Note VII	No	No
CSN – Las Vegas “A” & “B” Note	06/01/23	2,152	n/a	No	Yes-Note VI	No	No	No
UNLV – UNLV Medicine Note	07/01/23	7,642	n/a	No	Yes-Note V	No	No	No
UNLV – Football Complex Note	07/01/23	6,616	n/a	No	No	No	No	No
DRI - Arrow Capital Lease	11/01/23	399	n/a	Yes-Note XII	No	Yes-Note XII	Yes-Note XII	No
DRI - Dell Equipment Lease	01/31/24	62	n/a	Yes-Note X	Yes-Note X	No	No	No
NSC - Laerdal Equipment Lease	02/01/25	1,077	n/a	Yes-Note XI	Yes-Note XI	No	No	No
UNR – MEB Refunding Note	01/02/26	4,314	n/a	No	Yes-Note II	No	No	No
UNR – 450 Sinclair Lease	01/01/27	713	n/a	Yes-Note I	No	No	No	No
UNR - Athletics Note	07/01/29	\$3,050	n/a	No	No	No	No	No

- I. Property located at 450 Sinclair Street represents additional security for the lease.
- II. Upon the occurrence and continuance of an Event of Default, the Note will bear interest at the Default Rate, which consists of the summation of the following: (A) three percent (3.0%), and (B) the greatest of (i) the Prime Rate (as defined in Exhibit A of the Note) plus one percent (1.0%), (ii) the Federal Funds Rate (as defined in Exhibit A of the Note) plus two percent (2.0%), and (iii) seven percent (7.0%).
- III. Upon the occurrence and continuance of an Event of Default, the Note will bear interest at a rate of 6.02%.
- IV. Upon the occurrence and continuance of an Event of Default, the Note will bear interest at the Default Rate, which is defined Continuing Covenant Agreement as the summation of the following: (A) three percent (3.0%), and (B) the greatest of (i) the Prime Rate (as defined in the Continuing Covenant Agreement) plus one percent (1.0%), (ii) the Federal Funds Rate (as defined in the Continuing Covenant Agreement) plus two percent (2.0%), and (iii) seven percent (7.0%).
- V. Upon the occurrence of an Event of Default, the interest rate shall increase to the Default Rate, which is the summation of the following: (A) four hundred basis point (4.0%), and (B) the greatest of (i) the Prime Rate (as defined in the Credit Agreement) plus two percent (2.0%), the Monthly Reset LIBOR Rate (as defined in the Credit Agreement) plus two percent (2.0%), and (iii) five percent (5.0%).
- VI. Upon occurrence of an Event of Default, the interest rate on the Note may be increased by three hundred basis points (3.0%) per annum.
- VII. Assets pledged include equipment purchased with proceeds of the lease, as described in Exhibit A to the lease agreement. Upon Event of Default, payments due in the current fiscal year are accelerated and immediately due. Interest rate increases to lesser of 12% or maximum allowed by law.
- VIII. If an Event of Default shall have occurred, the owner may declare the unpaid principal balance of the Note, together with interest thereon, to be then fully due and payable.
- IX. Assets pledged include equipment purchased with proceeds of the lease, as described in Exhibit A to the lease agreement.
- X. Assets pledged include equipment purchased with proceeds of the lease. Upon an event of default, the Lessor may declare immediately due and payable as a pre-estimate of liquidated damages for loss of bargain and not as a penalty, the Stipulated Loss Value of the Products in lieu of any further Rent.
- XI. Assets pledged include equipment purchased with proceeds of the lease. Upon an event of default, the Lessor may by notice in writing to Lessee, as liquidated damages for the loss of bargain and not as a penalty, accelerate and declare to be immediately due and payable the Stipulated Loss Value.
- XII. Assets pledged include equipment purchased with proceeds of the lease. Upon an event of default, the Originator may terminate the Customer’s rights to use the product and require the Customer to return the product in accordance with the terms and conditions of the Agreement. An Event of Default has occurred if NSHE’s Senior-most Revenue Backed rating assigned by Moody’s falls below “A3”. Upon an Event of Default, all payments then due and the present value of all remaining payments to become due in the future plus the anticipated purchase price, both discounted at a rate of 2% per annum, are immediately due.

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NOTE 11 – System Obligations Under Capital Leases:

The System has entered into various non-cancellable lease agreements of land, buildings and improvements, and machinery and equipment expiring at various dates from fiscal year 2022 to 2043.

System obligations under capital leases were as follows for the year ended June 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current</u>
Capital lease obligations	<u>\$51,409</u>	<u>\$ 532</u>	<u>\$(2,731)</u>	<u>\$49,210</u>	<u>\$2,652</u>

The following System property included in the accompanying combined financial statements was leased under capital leases as of June 30, 2021:

Construction in progress	\$1,354
Buildings and improvements	46,355
Machinery and equipment	<u>4,707</u>
Total	52,416
Less accumulated depreciation	<u>(6,552)</u>
Total	<u>\$45,864</u>

Future net minimum rental payments, which are required under the System leases for the years ending June 30, 2021 are as follows:

2022	\$ 5,029
2023	4,961
2024	3,119
2025	3,782
2026	3,589
2027-2031	17,049
Thereafter	<u>38,320</u>
Total minimum lease payments	75,849
Less amount representing interest	<u>(26,639)</u>
Obligations under capital leases	<u>\$49,210</u>

Total interest expense under the System capital leases and included in the accompanying combined financial statements was \$2,436 during the year ended June 30, 2021. Depreciation of the capital lease assets is included in depreciation expense of the Statement of Revenues, Expenses and Changes in Net Position. Included in the capital lease obligations is a building lease for NSC with the State of Nevada. NSC has entered into a ground lease and a lease purchase agreement for certain facilities, and in the event of a default on the lease purchase agreement all leasehold improvements will become property of the leaseholder. Upon termination of the ground lease, which will occur no later than November 2048, the encumbrance upon the leasehold improvements is extinguished and the leasehold improvements revert to the ownership of NSC.

NOTE 12 – Operating Leases:

The System has entered into various noncancellable operating lease agreements covering certain buildings and equipment. The lease terms range from one to ten years. The expense for operating leases was \$14,384 for year ended June 30, 2021.

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

2022	\$ 13,639
2023	8,964
2024	5,295
2025	4,101
2026	3,082
2027-2031	13,464
2032-2036	<u>507</u>
Total future minimum obligation	<u>\$ 49,052</u>

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NOTE 13 – Unemployment Insurance and Workers Compensation:

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

Changes in unemployment and workers compensation for the year ended June 30, 2021 are as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Unemployment insurance	\$1,232	\$586	\$(586)	\$1,232
Workers compensation	<u>3,383</u>	<u>322</u>	<u>(778)</u>	<u>2,927</u>
Total	<u>\$4,615</u>	<u>\$908</u>	<u>\$(1,364)</u>	<u>\$4,159</u>

NOTE 14 – System Other Noncurrent Liability Activity:

The activity with respect to System other noncurrent liabilities for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current
Refundable advances under federal loan program	\$ 5,370	\$ 320	\$ (1,167)	\$ 4,523	\$ -
Compensated Absences	63,879	46,131	(38,646)	71,364	42,108
Unearned Revenue	54,861	74,135	(55,596)	73,400	73,021
Other noncurrent liabilities	624	-	-	624	-
Total	<u>\$ 124,734</u>	<u>\$ 120,586</u>	<u>\$ (95,409)</u>	<u>\$ 149,911</u>	<u>\$ 115,129</u>

NOTE 15 – Extinguishment of Debt:

In prior years, the System defeased outstanding bonds and obligations by placing the proceeds of new bonds into an irrevocable escrow account to provide for all future debt service payments on the old bonds. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the System's financial statements. At June 30, 2021, no bonds outstanding were considered defeased.

In prior years, the System refinanced or defeased existing bonds for net cash flow savings or economic gain (present value of cash flow savings). There were no new refinancing activities for the year ended June 30, 2021.

NOTE 16 – Irrevocable Letter of Credit:

In connection with its self-insured workers' compensation liability, the System is required to maintain a letter of credit for the State of Nevada in the amount of \$1,473 as of April 10, 2021. A letter of credit for workers' compensation liability is also required by beneficiary, Arrowood Indemnity Co., in the amount of \$120 as of September 9, 2021. A letter of credit was established in July 2003 in connection with the SNSC Phase II Lease Revenue Bonds in the amount of \$2,100. No advances were made under the letters of credit during the year ended June 30, 2021.

NOTE 17 – System Pension Plans:

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

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

System employees may elect to participate in the System Supplemental Retirement Plan, a defined contribution plan qualified under

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NOTE 17 – System Pension Plans (continued):

Section 403(b) of the Internal Revenue Code, subject to maximum contribution limits established annually by the Internal Revenue Service. The employee contributions are not matched by the System.

The System's contribution to all retirement plans for the year ended June 30, 2021, was \$138,323, equal to the required contribution for the year.

General Information about the PERS Cost Sharing Pension Plan

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

Benefits Provided

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

Monthly benefit allowances for members are computed as 2.50% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this factor is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.50% service time factor and for regular members entering the System on or after July 1, 2015, there is a 2.25% factor. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

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

Vesting

Members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Members entering PERS on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service. Regular members who entered the System on or after July 1, 2015, are eligible for retirement at age 65 with 5 years of service, or at age 62 with 10 years of service or at age 55 with 30 years of service or any age with 33 1/3 years of service.

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

Contributions

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

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

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

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

For the fiscal year ended June 30, 2021, the Statutory Employer/employee matching rate was 15.25%. The Employer-pay contribution (EPC) rate was 29.25%.

NEVADA SYSTEM OF HIGHER EDUCATION
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NOTE 17 – System Pension Plans (continued):

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

At June 30, 2021 the System reported a liability of \$424,237 for its proportionate share of the net pension liability. The System's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2020. The System's proportionate share is 3.05%.

For the year ended June 30, 2021, the System recognized pension expense of \$50,000. At June 30, 2021, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$13,181	\$5,478
Net difference between projected and actual investment earnings on pension plan investments	0	16,026
Changes in assumptions	11,916	0
Changes in proportion	15,447	1
System contributions subsequent to the measurement date	31,286	0
	<u>\$71,830</u>	<u>\$21,505</u>

In 2021 \$31,286 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability. Other amounts reported as deferred inflows and outflows of resources will be recognized in pension expense as follows for the years ended June 30:

2022	\$35,545
2023	(17,685)
2024	(20,424)
2025	(14,290)
2026	(2,041)
Thereafter	<u>(144)</u>
	<u>(\$19,039)</u>

Actuarial Assumptions

The PERS net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.75%
Investment Rate of Return	7.50%
Productivity pay increase	0.50%
Projected salary increases	4.25% to 9.15%, depending on service
	Rates include inflation and productivity increases
Other assumptions	Same as those used in the June 30, 2020, funding actuarial valuation

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of the experience study for the period July 1, 2012 through June 30, 2016.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed plan contributions will be made in amounts consistent with statutory provisions and recognizing the plan's current funding policy and cost-sharing mechanism between employers and members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except those projected contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
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NOTE 17 – System Pension Plans (continued):

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

The following was the PERS Board adopted policy target asset allocation as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>	Long-Term Geometric Expected <u>Real Rate of Return*</u>
Domestic Equity	42%	5.50%
International Equity	18%	5.50%
Domestic Fixed Income	28%	0.75%
Private Markets	12%	6.65%

*As of June 30, 2020, PERS’ long-term inflation assumption was 2.75%

Pension Liability Discount Rate Sensitivity

The following represents the System’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the System’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
NSHE’s proportional share of the net pension liability	\$661,647	\$424,237	\$226,850

Pension plan fiduciary net position

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

NOTE 18 – System Postemployment Benefits Other than Pensions:

Officers and employees of NSHE are provided with OPEB through the Nevada Public Employees’ Benefits Program (PEBP) - a cost-sharing multiple-employer defined benefit OPEB plan. The program is administered by the PEBP Board, whose ten members are appointed by the governor. NRS 287.023 provides officers and employees eligible to be covered by any group insurance, plan of benefits or medical and hospital service established pursuant to NRS 287 the option upon retirement to cancel or continue any such coverage. The cost to administer the program is financed through the contributions and investment earnings of the plan. The PEBP Board is granted the authority to establish and amend the benefit terms of the program. (NRS 287.043) PEBP issues a publicly available financial report that includes financial statements and the required supplementary information for the plan. That report may be obtained from Public Employees’ Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, NV 89701.

Benefits provided

Benefits other than pensions are provided to eligible retirees and their dependents through the payment of subsidies by the PEBP. Benefits include health, prescription drug, dental, and life insurance coverage. The “base” subsidy rates are set by PEBP and approved by the Legislature and vary depending on the number of dependents and the medical plan selected. These subsidy rates are subtracted from the premium to arrive at the “participant premium”. The “years of service” subsidy rates are then used to adjust the “participant premium” based on years of service. The current subsidy rates can be found at pebp.state.nv.us. As required by statute, benefits are determined by the number of years of service at the time of retirement and the individual’s initial date of hire. Officers and employees hired after December 31, 2011 are not eligible to receive subsidies to reduce premiums.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
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NOTE 18 – System Postemployment Benefits Other than Pensions (continued):

The following individuals and their dependents are eligible to receive benefits from the Retirees' Fund:

Any PEBP covered retiree with state service whose last employer was the state or a participating local government entity and who:

- Was initially hired by the state prior to January 1, 2010 and has at least five years of public service, or
- Was initially hired by the state on or after January 1, 2010, but before January 1, 2012 and has at least fifteen years of public service, or
- Was initially hired by the state on or after January 1, 2010, but before January 1, 2012 and has at least five years of public service and has a disability, or
- Any PEBP covered retiree with state service whose last employer was not the state or a participating local government entity and who has been continuously covered under PEBP as a retiree since November 30, 2008.

State service is defined as employment with any Nevada State agency, the Nevada System of Higher Education and any State Board or Commission. Participating local government agency is defined as a county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency that has an agreement in effect with PEBP to obtain group insurance.

Contributions

The State Retirees' Health and Welfare Benefits Fund (Retirees' Fund) was established in 2007 by the Nevada Legislature as an irrevocable trust fund to account for the financial assets designated to offset the portion of current and future costs of health and welfare benefits paid on behalf of state retirees (NRS 287.0436). The money in the Retirees' Fund belongs to the officers, employees and retirees of the State of Nevada in aggregate; neither the State nor the governing body of any county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency of the State, nor any single officer, employee or retiree of any such entity has any right to the money in the Retirees' Fund.

The authority for establishing an assessment to pay for a portion of the cost of premiums or contributions for the program is in statute. The Office of Finance shall establish an assessment that is to be used to pay for a portion of the cost of premiums or contributions for the Program for persons who were initially hired before January 1, 2012 and have retired with state service. The money assessed must be deposited into the Retirees' Fund and must be based upon a base amount approved by the Legislature each session to pay for a portion of the current and future health and welfare benefits for persons who retired before January 1, 1994, or for persons who retire on or after January 1, 1994, as adjusted by the years of service subsidy rates. (NRS 287.046) The required contribution rate for employers (the retired employees group insurance rate), as a percentage of covered payroll, for the fiscal year ended June 30, 2020 was 2.34%. NSHE contributions recognized as part of OPEB expense for the current fiscal year ended June 30, 2021 were \$17,715.

OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2021, NSHE reported a liability of \$606,769 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of July 1, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of January 1, 2020. NSHE's proportion of the collective net OPEB liability was based on the NSHE's share of contributions in the OPEB plan relative to the total contributions of all participating OPEB employers and members. On June 30, 2021, the NSHE's proportion was 40.3514%.

For the year ended June 30, 2021, NSHE recognized OPEB expense of \$27,672. On June 30, 2021, NSHE reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Experience	\$ -	\$ 30,691
Changes in assumption	48,577	12,272
Net difference between projected and actual earnings in OPEB plan investments	-	127
System contributions subsequent to the measurement date	15,857	-
Total	\$ 64,434	\$ 43,090

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 18 – System Postemployment Benefits Other than Pensions (continued):

Of the total amount reported as deferred outflows of resources related to OPEB, \$15,857 results from NSHE contributions subsequent to the measurement date and before the end of the fiscal year which are included as a reduction of the collective net OPEB liability in the year at June 30, 2021. This deferred outflow will be recognized as expense in fiscal 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2022	\$	(5,030)
2023		2,403
2024		4,718
2025		3,396
Thereafter		-
Total	\$	<u>5,487</u>

Actuarial assumptions

Methods and assumptions to determine contribution rates:

Actuarial Cost Method	Entry Age Normal Level % of Salary
Asset Valuation Method	Market Value of Assets
Salary Increases	2.75%
Investment Rate of Return	3.51%, net of OPEB plan investment expense, including inflation.
Retirement Rates	Varies by age and service
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Table weighted by Headcount, projected by MP-2019 (See Actuarial Assumptions and Methods section for additional details)

The actuarial assumptions and methods used in the June 30, 2021 valuation are stated below.

Valuation Date	January 1, 2020
Census Date	January 1, 2020
Measurement Date	June 30, 2020
Actuarial Method	Entry Age Normal Level % of Pay
Inflation (CPI)	2.50%
Discount Rate	Based on Bond Buyer General Obligation 20-Bond Municipal Bond Index: <ul style="list-style-type: none"> ▪ Measurement Date June 30, 2019: 3.51% ▪ Measurement Date June 30, 2020: 2.21%
Dental	4.00%
Admin	3.00%
HRA Accounts	0.00%
Life insurance Administrative Load	10%

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
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NOTE 18 – System Postemployment Benefits Other than Pensions (continued):

Investment rate of return	3.51%, net of OPEB plan investment expense, including inflation
Salary Increases	2.75%
Health Care Trend Rates	For medical and prescription drug benefits, this amount initially is at 6.25% and decreases to a 5.25% long-term trend rate after six years. For dental benefits and Part B Premiums, the trend rate is 4.50%, respectively.
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Table weighted by Headcount, projected by MP-2019 (See Actuarial Assumptions and Methods section for additional details)

The actuarial assumptions used in the January 1, 2020 valuation were based upon certain demographic and other actuarial assumptions as recommended by Aon, in conjunction with the State and guidance from the GASB statement.

Sensitivity of the NSHE's proportionate share of the collective net OPEB liability to changes in the discount rate

The following presents the NSHE's proportionate share of the collective net OPEB liability, as well as what the NSHE's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 1.21% or 1-percentage-point higher 3.21% than the current discount rate:

	<u>1% Decrease 1.21%</u>	<u>Discount Rate 2.21%</u>	<u>1% Increase 3.21%</u>
NSHE's proportionate share of the collective net OPEB liability	\$679,004	\$606,769	\$545,734

Sensitivity of NSHE's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates

The following presents NSHE's proportionate share of the collective net OPEB liability, as well as what NSHE's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Trend Rates</u>	<u>1% Increase</u>
NSHE's proportionate share of the collective net OPEB liability	\$567,531	\$606,769	\$653,742

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PEBP financial report.

Payables to the OPEB plan

At June 30, 2021, NSHE reported payables to the defined benefit OPEB plan of \$121 for statutorily required employer contributions which had been assessed on employee salaries but not yet remitted to the Retirees' Fund.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 19 – System Commitments and Contingent Liabilities:

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

The System and the State of Nevada are defendants in various lawsuits, collectively referred to as the Little Valley Fire Cases. The cases relate to a prescribed burn conducted by the Nevada Division of Forestry in October 2017 on land partially owned by UNR. Embers from the fire escaped and burned 23 structures. The System and the State of Nevada share an excess liability policy. At this point it is difficult to estimate the likelihood of an unfavorable outcome and the likely exposure, but the excess liability carrier has been placed on notice of these cases.

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

The System is self-insured for its unemployment insurance liability. The System is billed by the State each quarter based on the actual unemployment benefits paid by the State. Each year the System budgets resources to pay for the projected expenditures. The amount of future benefits payments to claimants and the resulting liability to the System cannot be reasonably determined as of June 30, 2020 but no significant reduction in force or staffing cuts are anticipated.

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

The estimated cost to complete property authorized or under construction at June 30, 2021 is \$204,385. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings.

NOTE 20 – Risk Management:

The System is an entity created by the Constitution of the State of Nevada. The System transfers its tort liabilities to the Tort Claims Fund of the State. The State purchases an excess liability policy in the amount of \$5,000 excess of a \$5,000 self-insured retention (SIR).

The System purchases the following commercial insurance:

- Coverage for direct physical loss or damage to the System's property with limits of \$500,000 per occurrence and a \$500 per occurrence deductible with an aggregate deductible of \$1,000.
- Worker's compensation (foreign and domestic) with statutory limits excess of a \$750 SIR.
- Crime & Fidelity (employee dishonesty) with limits of \$1,250 and a deductible of \$100.
- Cyber Liability with limits of \$30,000 and a deductible of \$100
- Medical malpractice with limits of \$1,000 per occurrence and \$3,000 aggregate.
- Allied health malpractice with limits of \$1,000 per occurrence and \$3,000 aggregate.

The System purchases other commercial insurance for incidental exposures where prudent. The System is charged an assessment to cover its portion of the State's cost of the Tort Claims fund.

**NEVADA SYSTEM OF HIGHER EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
 FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 21 – Subsequent Events:

The System evaluated subsequent events through February 28, 2022, the date of issuance, and has determined the following subsequent events to report.

Subsequent to year-end, the Board of Regents of the Nevada System of Higher Education (NSHE), o.b.o, the University of Nevada, Reno (UNR) entered into an agreement with Sierra Nevada University (SNU) to transfer the operations of SNU to UNR and to gift the assets of SNU to the UNR Foundation. Under the Agreement, the SNU Board will remain in control of SNU until approvals of the transfer are received by the Northwest commission on Colleges and Universities (NWCCU) and the Department of Education (DOE). UNR does not anticipate this transaction having a material impact on its operations. Approvals are anticipated to be received in FY2022.

On August 26, 2021, NSHE closed on university revenue bonds series 2021A with a par amount of \$35,705. Proceeds of the 2021A Bonds will be used to: (i) finance construction of improvements on the campus of UNLV; (ii) refinance NSHE's outstanding 2011A Bonds for debt service savings, and (iii) pay the costs of issuing the 2021A Bonds. The 2021A Bonds are issued solely as fully registered bond certificates in the denomination of \$5,000, or any integral multiple thereof. The 2021A Bonds bear interest (calculated based on a 360-day year consisting of twelve 30-day months) from 2.375% to 5.000% and is payable semi-annually on January 1 and July 1 of each year, commencing January 1, 2022 and maturing on July 1, 2051. The payment of principal is payable annually on July 1 of each year, commencing July 1, 2022.

NOTE 22– Functional Classification of System Expenses:

The following is the functional classifications of expenses as reported on the Statement of Combined Revenues, Expenses and Changes in Net Position for the year ended June 30, 2021.

Instruction	\$	667,336
Research		137,791
Public service		99,709
Academic support		178,539
Institutional support		208,252
Student services		162,132
Operation and maintenance of plant		120,223
Scholarships and fellowships		131,755
Auxiliary enterprises		61,422
Depreciation		120,649
Total	<u>\$</u>	<u>1,887,808</u>

NOTE 23 – System Related Organizations:

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

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NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 23 - System Related Organizations
(Continued)

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET POSITION AS OF JUNE 30, 2021

	CSN	DRI	DRI	GBC	NSC	TMCC	UNLV	UNLV
	Foundation	Foundation	Research	Foundation	Foundation	Foundation	Foundation	Research
			Park					Foundation
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 245	\$ 989	\$ 1	\$ 500	\$ 568	\$ 573	\$ 24,848	\$ 332
Restricted cash and cash equivalents	3,993	-	-	4,628	2,154	2,349	-	-
Short-term investments	4,258	-	-	166	1,327	750	69,295	2,234
Accounts receivable, net	-	-	-	-	588	30	-	-
Pledges receivable, net	249	-	-	2,073	-	37	9,178	-
Patient accounts receivable, net	-	-	-	-	-	-	-	-
Current portion of loans receivable, net	1	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Deposits and prepaid expenditures, current	4	-	-	-	3	-	55	3
Due from affiliates (SROs)	-	-	-	-	-	-	2,654	-
Other current assets	-	-	-	-	1	19	608	182
Total Current Assets	8,750	989	1	7,367	4,641	3,758	106,638	2,751
Noncurrent Assets								
Restricted cash and cash equivalents	350	-	-	-	-	-	-	-
Investments	-	1,692	-	880	-	-	71,914	-
Restricted investments	2,457	-	-	8,906	1,325	-	-	-
Endowment investments	-	-	-	-	-	683	245,596	-
Loans receivable, net	26	-	-	-	-	-	-	-
Capital assets, net	-	413	-	-	-	-	369	3,868
Pledges receivable, net	443	-	-	2,370	1,579	30	14,154	-
Other noncurrent assets	-	-	-	-	-	-	13,908	2,728
Total Noncurrent Assets	3,276	2,105	-	12,156	2,904	713	345,941	6,596
TOTAL ASSETS	12,026	3,094	1	19,523	7,545	4,471	452,579	9,347
DEFERRED OUTFLOWS OF RESOURCES								
Intra-entity sales of future revenues	-	-	-	-	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-	-
LIABILITIES								
Current Liabilities								
Accounts payable	54	-	-	962	-	6	934	137
Accrued payroll and related liabilities	-	-	-	38	-	-	-	-
Current portion of obligations under capital leases	-	-	-	-	-	-	-	-
Unearned revenue	-	-	3	-	-	-	-	114
Funds held in trust for others	-	-	-	-	-	19	-	-
Due to affiliates (SROs)	-	3	-	-	-	153	-	-
Other current liabilities	-	-	-	-	13	-	34	-
Total Current Liabilities	54	3	3	1,000	13	178	968	251
Noncurrent Liabilities								
Unearned revenue	-	-	-	-	-	-	-	-
Long-term debt	-	-	-	-	-	-	-	-
Obligations under capital leases	-	-	-	-	-	-	-	-
Due to affiliates (SROs)	-	-	-	-	-	-	-	-
Other noncurrent liabilities	-	-	95	-	-	-	520	-
Total Noncurrent Liabilities	-	-	95	-	-	-	520	-
TOTAL LIABILITIES	54	3	98	1,000	13	178	1,488	251
DEFERRED INFLOWS OF RESOURCES								
Split-interest agreements	-	-	-	-	-	-	1,038	-
Unearned lease revenue	-	-	-	-	-	-	-	6,449
TOTAL DEFERRED INFLOW OF RESOURCES	-	-	-	-	-	-	1,038	6,449
NET POSITION								
Net investment in capital assets	2,484	413	-	-	-	-	369	3,869
Restricted - Nonexpendable	7,989	-	-	4,925	1,324	3,697	173,355	-
Restricted - Expendable - Scholarships, research and instruction	-	434	-	5,436	-	-	265,767	-
Restricted - Expendable - Capital projects	-	-	-	6,823	-	-	-	-
Restricted - Expendable - Other	1,499	-	-	-	5,649	-	-	-
Unrestricted	-	2,244	(97)	1,339	559	596	10,562	(1,222)
TOTAL NET ASSETS	\$ 11,972	\$ 3,091	\$ (97)	\$ 18,523	\$ 7,532	\$ 4,293	\$ 450,053	\$ 2,647

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 23 - System Related Organizations
(Continued)

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET POSITION AS OF JUNE 30, 2021

	Rebel Golf Foundation	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Rebel Soccer Foundation	UNLV Singapore Limited	UNLV MED	UNR Foundation	UNR WPAA	Integrated Clinical Services, Inc.	WNC Foundation	Total System Related Organizations
ASSETS											
Current Assets											
Cash and cash equivalents	\$ 361	\$ 582	\$ 85	\$ 192	\$ 3,245	\$ 3,616	\$ 19,426	\$ 66	\$ 4,079	\$ 1,417	\$ 61,125
Restricted cash and cash equivalents	-	-	-	-	-	10	-	-	-	218	13,352
Short-term investments	6,662	2,449	1,995	416	2,601	-	236,756	9,893	1,936	-	340,738
Accounts receivable, net	-	77	-	-	-	1,644	-	-	-	-	2,339
Pledges receivable, net	-	-	-	-	-	-	1,073	-	-	-	12,610
Patient accounts receivable, net	-	-	-	-	-	8,902	-	-	1,526	-	10,428
Current portion of loans receivable, net	-	-	-	-	-	-	-	-	-	-	1
Inventories	-	-	-	-	-	256	-	-	-	-	256
Deposits and prepaid expenditures, current	-	9	-	-	2	176	-	-	-	-	252
Due from affiliates (SROs)	-	-	-	-	-	104	247	70	-	-	3,075
Other current assets	-	-	-	-	6	-	20,892	-	706	-	22,414
Total Current Assets	7,023	3,117	2,080	608	5,854	14,708	278,394	10,029	8,247	1,635	466,590
Noncurrent Assets											
Restricted cash and cash equivalents	-	-	-	-	-	-	-	-	-	-	350
Investments	-	-	-	-	-	-	-	-	-	-	74,486
Restricted investments	-	-	-	-	-	-	-	-	-	5,083	17,771
Endowment investments	-	-	-	992	-	-	91,520	-	-	-	338,791
Loans receivable, net	-	-	-	-	-	-	-	-	-	-	26
Capital assets, net	-	23	-	-	-	1,580	2	42	557	-	6,854
Pledges receivable, net	-	-	-	-	-	-	1,503	-	-	-	20,079
Other noncurrent assets	-	33	-	-	-	-	9,521	-	-	-	26,190
Total Noncurrent Assets	-	56	-	992	-	1,580	102,546	42	557	5,083	484,547
TOTAL ASSETS	7,023	3,173	2,080	1,600	5,854	16,288	380,940	10,071	8,804	6,718	951,137
DEFERRED OUTFLOWS OF RESOURCES											
Intra-entity sales of future revenues	-	-	-	-	-	96	-	-	-	-	96
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	96	-	-	-	-	96
LIABILITIES											
Current Liabilities											
Accounts payable	145	2	-	-	-	2,014	52	-	313	-	4,619
Accrued payroll and related liabilities	-	-	-	-	-	1,477	-	-	149	-	1,664
Current portion of obligations under capital leases	-	-	-	-	-	208	-	-	-	-	208
Unearned revenue	-	-	-	-	-	-	-	-	-	-	117
Funds held in trust for others	-	-	-	-	-	-	-	-	-	-	19
Due to affiliates (SROs)	-	-	-	-	-	2,249	454	-	3,244	-	6,103
Other current liabilities	-	-	-	-	16	1,131	-	2	1,252	6,291	8,739
Total Current Liabilities	145	2	-	-	16	7,079	506	2	4,958	6,291	21,469
Noncurrent Liabilities											
Unearned revenue	-	-	-	-	-	-	204	-	-	-	204
Long-term debt	-	-	-	-	-	-	-	-	273	-	273
Obligations under capital leases	-	-	-	-	-	1	-	-	-	-	1
Due to affiliates (SROs)	-	-	-	-	-	-	-	-	2,099	-	2,099
Other noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	615
Total Noncurrent Liabilities	-	-	-	-	-	1	204	-	2,372	-	3,192
TOTAL LIABILITIES	145	2	-	-	16	7,080	710	2	7,330	6,291	24,661
DEFERRED INFLOWS OF RESOURCES											
Split-interest agreements	-	-	-	-	-	-	6,168	-	-	-	7,206
Unearned lease revenue	-	-	-	-	-	-	-	-	-	-	6,449
TOTAL DEFERRED INFLOW OF RESOURCES	-	-	-	-	-	-	6,168	-	-	-	13,655
NET POSITION											
Net investment in capital assets	-	23	-	-	-	1,483	2	42	201	-	8,886
Restricted - Nonexpendable	-	-	47	751	-	-	174,851	2,860	-	-	369,799
Restricted - Expendable - Scholarships, research and instruction	-	2	105	241	-	10	181,451	6,097	-	-	459,543
Restricted - Expendable - Capital projects	-	-	-	-	-	-	-	-	-	-	6,823
Restricted - Expendable - Other	-	-	-	-	-	-	-	-	-	-	7,148
Unrestricted	6,878	3,146	1,928	608	5,838	7,811	17,758	1,070	1,273	427	60,718
TOTAL NET ASSETS	\$ 6,878	\$ 3,171	\$ 2,080	\$ 1,600	\$ 5,838	\$ 9,304	\$ 374,062	\$ 10,069	\$ 1,474	\$ 427	\$ 912,917

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

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 23 - System Related Organizations
(Continued)

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 20, 2021

	CSN	DRI	DRI	GBC	NSC	TMCC	UNLV	UNLV
	Foundation	Foundation	Research Park	Foundation	Foundation	Foundation	Foundation	Research Foundation
Operating Revenues								
Patient revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract revenue	-	-	-	-	-	-	-	-
Contributions	1,690	883	-	3,873	915	2,971	16,745	202
Campus support	-	283	31	17	-	224	3,547	-
Special events and fundraising	-	-	-	-	-	-	-	-
Other operating revenues	2	-	3	-	725	129	802	309
Total Operating Revenues	<u>1,692</u>	<u>1,166</u>	<u>34</u>	<u>3,890</u>	<u>1,640</u>	<u>3,324</u>	<u>21,094</u>	<u>511</u>
Operating Expenses								
Employee compensation and benefits	-	(263)	(24)	-	-	-	(3,683)	(151)
Supplies and services	(365)	(153)	(7)	-	-	-	(13,126)	(214)
Program expenses, System Related Organizations	-	-	-	(20)	-	(2,024)	-	-
Depreciation	-	-	-	-	-	-	(63)	(126)
Other operating expenses	-	(5)	-	(173)	(1,419)	(334)	-	-
Total Operating Expenses	<u>(365)</u>	<u>(421)</u>	<u>(31)</u>	<u>(193)</u>	<u>(1,419)</u>	<u>(2,358)</u>	<u>(16,872)</u>	<u>(491)</u>
Operating Income (Loss)	<u>1,327</u>	<u>745</u>	<u>3</u>	<u>3,697</u>	<u>221</u>	<u>966</u>	<u>4,222</u>	<u>20</u>
Nonoperating Revenues (Expenses)								
Investment Income, net	1,351	-	-	2,376	-	129	76,762	165
Payments to System campuses and divisions	(509)	(365)	-	(4,177)	-	-	(32,597)	-
Interest expense	-	-	-	-	-	-	-	-
Other nonoperating revenues (expenses)	-	892	-	-	10	-	1,153	-
Total Nonoperating Revenues (Expenses)	<u>842</u>	<u>527</u>	<u>-</u>	<u>(1,801)</u>	<u>10</u>	<u>129</u>	<u>45,318</u>	<u>165</u>
Income (Loss) Before Other Revenue (Expenses)	<u>2,169</u>	<u>1,272</u>	<u>3</u>	<u>1,896</u>	<u>231</u>	<u>1,095</u>	<u>49,540</u>	<u>185</u>
Other Revenues (Expenses)								
Additions to permanent endowments	-	-	-	161	-	-	7,604	-
Other Foundation revenues (expenses)	-	-	-	-	-	-	-	-
Total Other Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>161</u>	<u>-</u>	<u>-</u>	<u>7,604</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>2,169</u>	<u>1,272</u>	<u>3</u>	<u>2,057</u>	<u>231</u>	<u>1,095</u>	<u>57,144</u>	<u>185</u>
NET POSITION								
Net position - beginning of year	9,803	1,819	(100)	16,466	7,301	3,198	392,909	2,462
Net position - end of year	<u>\$ 11,972</u>	<u>\$ 3,091</u>	<u>\$ (97)</u>	<u>\$ 18,523</u>	<u>\$ 7,532</u>	<u>\$ 4,293</u>	<u>\$ 450,053</u>	<u>\$ 2,647</u>

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

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 23 - System Related Organizations
(continued)

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Rebel Golf Foundation	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Rebel Soccer Foundation	UNLV Singapore Unlimited	UNR UNLV MED	UNR Foundation	UNR WPAA	Integrated Clinical Services, Inc.	WNC Foundation	Total System Related Organizations
Operating Revenues											
Patient revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,486	\$ -	\$ -	\$ 9,432	\$ -	\$ 54,918
Contract revenue	-	-	-	-	-	13,940	-	-	4,872	-	18,812
Contributions	82	904	1	44	-	-	39,707	2	-	1,083	69,102
Campus support	-	-	-	-	-	-	4,305	-	-	205	8,612
Special events and fundraising	7	3	-	-	-	-	668	-	-	47	725
Other operating revenues	81	234	21	61	-	8,681	-	-	114	53	11,215
Total Operating Revenues	170	1,141	22	105	-	68,107	44,680	2	14,418	1,388	163,384
Operating Expenses											
Employee compensation and benefits	-	(878)	-	-	(45)	(22,792)	(4,433)	-	(4,520)	(266)	(37,055)
Supplies and services	(42)	(134)	(26)	(46)	(28)	(960)	(794)	-	-	-	(15,895)
Program expenses, System Related Organizations	(106)	(70)	(55)	(65)	(146)	(11,244)	(73)	(439)	(2,087)	(1,083)	(17,412)
Depreciation	-	(6)	-	-	-	(971)	(1)	(2)	(121)	-	(1,290)
Other operating expenses	-	-	-	-	-	-	-	(23)	-	(16)	(1,970)
Total Operating Expenses	(148)	(1,088)	(81)	(111)	(219)	(35,967)	(5,301)	(464)	(6,728)	(1,365)	(73,622)
Operating Income (Loss)	22	53	(59)	(6)	(219)	32,140	39,379	(462)	7,690	23	89,762
Nonoperating Revenues (Expenses)											
Investment Income, net	1,449	644	499	258	52	-	66,490	2,047	386	176	152,784
Payments to System campuses and divisions	(145)	-	-	-	-	(31,845)	(40,411)	-	(10,296)	-	(120,345)
Interest expense	-	-	-	-	-	(65)	-	-	-	-	(65)
Other nonoperating revenues (expenses)	-	-	-	-	-	18,168	-	-	1,893	-	22,116
Total Nonoperating Revenues (Expenses)	1,304	644	499	258	52	(13,742)	26,079	2,047	(8,017)	176	54,490
Income (Loss) Before Other Revenue (Expenses)	1,326	697	440	252	(167)	18,398	65,458	1,585	(327)	199	144,252
Other Revenues (Expenses)											
Additions to permanent endowments	-	-	-	-	-	-	5,180	-	-	-	12,945
Other Foundation revenues (expenses)	-	-	-	-	211	-	-	120	-	-	331
Total Other Revenues (Expenses)	-	-	-	-	211	-	5,180	120	-	-	13,276
Increase (Decrease) in Net Position	1,326	697	440	252	44	18,398	70,638	1,705	(327)	199	157,528
NET POSITION											
Net position - beginning of year	5,552	2,474	1,640	1,348	5,794	(9,094)	303,424	8,364	1,801	228	755,389
Net position - end of year	\$ 6,878	\$ 3,171	\$ 2,080	\$ 1,600	\$ 5,838	\$ 9,304	\$ 374,062	\$ 10,069	\$ 1,474	\$ 427	\$ 912,917

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

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 23 - System Related Organizations (continued):

UNR Foundation:

Cash and cash equivalents consist of the following as of June 30:

	2021
Cash and cash equivalents	\$ 578
Money market funds	18,848
	<u>\$ 19,426</u>

The fair value of investments consists of the following as of June 30:

	2021
Equity investments	\$ 1,210
Commingled funds	290,543
Certificates of deposits	402
Corporate bonds	4,730
U.S. Government securities	31,391
	<u>\$ 328,276</u>

At June 30, 2021, the Foundation's investments had the following maturities:

	Investment Maturities (in years)			Fair Value
	Less than 1	1-5	6-21	
Certificates of deposits	\$ 402	\$ -	\$ -	\$ 402
Corporate bonds	200	4,530	-	4,730
U.S. Government securities	26,093	5,298	-	31,391
	<u>\$ 26,695</u>	<u>\$ 9,828</u>	<u>\$ -</u>	<u>\$ 36,523</u>

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

The Foundation's policy for the endowment pool is to invest according to an asset allocation strategy that is designed to meet the goals of the Endowment Investment Objective. The strategy will be based on a number of factors, including:

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

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

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 23 - System Related Organizations (continued):

Investment Program Strategy

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

	<u>Min Wt.</u>	<u>Target Wt.</u>	<u>Max Wt.</u>
Global Equity	17%	20%	23%
Global Low Volatility Equity	7%	9%	11%
Private Equity	5%	12%	15%
Fixed Income	22%	27%	32%
Real Estate	8%	12%	15%
Real Assets	10%	15%	20%
Diversifying Strategies	2%	5%	8%
Cash	0%	0%	5%

Although the Board adopted these ranges, the investment portfolio can't get to these allocations quickly and may be overweight or underweight based on the available investments at any given point in time.

Investment Risk Factors

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

Concentration of Credit Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Fixed income securities or obligations of the U.S. Government are not considered to have credit risk.

At June 30, 2021, the Foundation's investments had the following quality ratings:

	Quality Ratings			
	Fair Value	AAA - A-	BBB+ - B-	Unrated
Corporate Bonds	\$ 4,730	\$ 4,620	\$ 111	\$ -

Interest Rate Risk

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

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 23 - System Related Organizations (continued):

Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the Foundation's deposits exceed FDIC limits and as a result may not be insured and returned to the Foundation. All cash deposits are primarily on deposit with two financial institutions and several investment companies. The Foundation does not have a deposit policy for custodial credit risk. As of June 30, 2021, the Foundation's bank balances totaled \$19,400. Of this balance, \$500 was covered by depository insurance and \$18,800 is held in US Government Money Market Funds and the remaining \$60 was uninsured and uncollateralized and, as a result, was subject to custodial credit risk at June 30, 2021.

Custodial Credit Risk – Investments

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

Redemption Notice

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

Commitments

As of June 30, 2021, the Foundation has commitments to acquire approximately \$35,200, in commingled funds.

Fair Value Measurements

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

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

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

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

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

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 23 - System Related Organizations (continued):

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

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

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

Assets measured at fair value on a recurring basis at June 30, 2021 are:

	Level 1	NAV	Total
Investments			
Equity investments	\$ 1,209	\$ -	\$ 1,209
Commingled funds	103,098	187,445	290,543
Certificate of deposit	402	-	402
Corporate bonds	4,730	-	4,730
U.S. Government securities	31,391	-	31,391
	<u>\$ 140,830</u>	<u>\$ 187,445</u>	<u>\$ 328,275</u>
Residual interest in trusts			
Commingled funds	<u>\$ -</u>	<u>\$ 698</u>	<u>\$ 698</u>

The Foundation did not hold any investments fair valued using Level 2 or 3 inputs for the year ended June 30, 2021.

UNLV Foundation:

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

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior years. Investment expenses of \$743 for the year ended June 30, 2021 and was netted against interest and dividends on the accompanying Statements of Support and Revenues, Expenses and Changes in Net Position. Investments are recorded on the date of settlement.

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 23 - System Related Organizations (continued):

Investments consist of the following at June 30:	2021
Mutual funds	\$ 48,016
Certificates of deposits	2,576
Equities	20,690
Collateralized securities	13,251
U.S. government obligations	54,654
U.S. corporate bonds	38,740
Alternative investments	196,602
Non-U.S. corporate bonds	12,276
Investment in securities at fair value	\$ 386,805

Investment in securities at fair value	2021
Investment in securities - Current	\$ 69,295
Investment in securities - Non-Current	317,510
Investment in securities at fair value	\$ 386,805

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the UNLV Foundation will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2021, the total balance for the UNLV Foundation's cash and money market funds was \$24,848. Of this balance, \$502 at June 30, 2021 were covered by the Federal Deposit Insurance Corporation, and \$24,346 was uninsured at June 30, 2021. Cash balances in United States banks are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250 per bank.

The custodial credit risk for investments is the risk that, in the event of a failure of the custodian, the UNLV Foundation may not be able to recover the value of the investments held by the custodian as these investments are uninsured. The UNLV Foundation does not have a specific policy with regard to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer will not fulfill its obligations. The UNLV Foundation reduces its exposure to credit risk with policy guidelines that instruct money managers to purchase securities rated investment grade or better. However, up to 25% of the fixed-income portfolios may be allocated to below investment grade. The credit ratings of fixed income investments at June 30, 2021 follows:

June 30, 2021	Total	AAA	AA	AA	BBB	Below Investment Grade
Collateralized securities	\$ 13,251	\$ 10,846	\$ 2,268	\$ 122	\$ -	\$ 15
U.S. corporate bonds	38,740	-	168	7,957	26,828	3,787
Non-U.S. corporate bonds	12,276	-	215	4,475	6,022	1,564
Total	\$ 64,267	\$ 10,846	\$ 2,651	\$ 12,554	\$ 32,850	\$ 5,366

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 23 - System Related Organizations (continued):

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures — an amendment of GASB Statement No. 3*, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality and they are not rated. The UNLV Foundation's mutual funds and certificates of deposit are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investments within any one issuer. For the fixed income portion of the endowment pool, the Foundation's policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the fixed income portfolio, provided that issues of the U.S. Government or agencies of the U.S. Government may be held without limitation and provided further that issues of agencies of the U.S. Government shall be limited to the extent set forth in the manager-specific guidelines. The Foundation does not have a specific policy with regard to the operating pool or the remainder of the endowment pool. At June 30, 2021, there were no investments over 5% within any one issuer in an amount that would constitute a concentration of credit risk to the Foundation.

Interest Rate Risk

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

For investments in donor-restricted endowment funds, the UNLV Foundation uses the Bloomberg Barclays Aggregate U.S. Bond Index average as the benchmark; maturity as of June 30, 2021 was 8.38. The fixed-income portfolio's average maturity was 7.30 at June 30, 2021. Interest rates range from 1.19% to 2.45% for the year ended June 30, 2021.

For investments in donor-restricted expendable funds, the UNLV Foundation uses the Bloomberg Barclays Aggregate U.S. Bond Index average as the benchmark; maturity as of June 30, 2021 was 8.40. The fixed-income portfolio's average maturity was 8.40 at June 30, 2021. Interest rates range from 0.00% to 9.00% at June 30, 2021.

Investments at June 30, 2021	Maturity under 1 Year	Maturity 1 -5 Years	Maturity 6 - 10 Years	Maturity over 10 Years	Total
Mutual funds	\$ 44,177	\$ 3,838	\$ -	\$ -	\$ 48,015
Certificates of deposits	714	1,862	-	-	2,576
Collateralized securities	-	7,318	373	5,560	13,251
U.S. Government obligations	22,245	21,029	5,673	5,707	54,654
U.S corporate bonds	1,939	17,715	10,075	9,012	38,741
Non-U.S. corporate bonds	220	4,968	4,336	2,752	12,276
Investment in Securities at Fair Value	\$ 69,295	\$ 56,730	\$ 20,457	\$ 23,031	\$ 169,513

Foreign Currency Risk

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

Fair Value Measurements

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

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

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 23 - System Related Organizations (continued):

Level 2 – Observable inputs, other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs which are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

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

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

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

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

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

Assets measured at fair value on a recurring basis at June 30, 2021 are:

Investments at June 30, 2021	Level 1	Level 2	Level 3	NAV	Total
Alternative investment	\$ -	\$ -	\$ -	\$ 196,602	\$ 196,602
Mutual funds	48,016	-	-	-	48,016
Collateralized securities	-	13,251	-	-	13,251
U.S corporate bonds	38,740	-	-	-	38,740
Non-U.S. corporate bonds	12,276	-	-	-	12,276
Equities	20,690	-	-	-	20,690
Certificates of deposits	2,576	-	-	-	2,576
U.S. Government obligations	54,654	-	-	-	54,654
	\$ 176,952	\$ 13,251	\$ -	\$ 196,602	\$ 386,805
Investments in real estate	\$ -	\$ -	\$ 10,430	\$ -	\$ 10,430
Assets held in charitable remainder trusts					
Equities	\$ -	\$ -	\$ 1,375	\$ -	\$ 1,375

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 23 - System Related Organizations (continued):

UNLV Medicine Inc.:

Patient Accounts Receivable

Patient accounts receivable represents receivables under various payment agreements with third-party commercial insurance companies, governmental payors, individual patients and others for services already rendered, and includes an allowance for contractual adjustments and uncollectible accounts which are charged to operations based upon management's estimates. Contractual adjustments result from the difference between gross charges and the established or negotiated rates for physician services performed and amounts management estimates to be collected by certain third-party commercial insurance companies, government sponsored health care programs and other third parties (not including personal guarantors of patients). Bad debt adjustments include amounts deemed uncollectible by management. Provisions for contractual adjustments and uncollectible amounts are estimated and recorded in the same period services are rendered.

The provisions for contractual adjustments and uncollectible accounts are determined based upon an evaluation of historical collection experience, anticipated reimbursement levels and other relevant factors. Adjustments and changes in estimates are recorded in the period in which they are determined.

Operating Revenues and Expenses

Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result directly or indirectly from providing patient care in connection with the Organization's ongoing operations. The principal operating revenues of the Organization are net patient service revenue and contract revenue. Other revenue is consistent with pharmaceuticals and non-exchange transactions in which the Organization receives value without directly giving equal value in return, including federal, state, local grants and other contributions. Revenue from grants and other contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, matching requirements and expense requirements.

Operating expenses include the cost of the faculty, staff, administration, medical fees, supply expenses, and depreciation of property and equipment. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Net Patient Services Revenue

The Organization has agreements with third-party payors that provide for payments at amounts different from the Organization's established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare is a federal health insurance program that provides coverage for people 65 years and older, for certain disabled people, and for some people with End Stage Renal Disease. Medicare reimburses physician claims based on a resource based relative value scale ("RBRVS") that assigns values to procedures in relation to one another and is used to establish the Medicare fee schedule. The Medicare fee schedule determines how the Organization is paid.
- Medicaid is a medical coverage program jointly funded by both the states and the federal government for residents who qualify based on annual income that falls below the state or nationally indicted poverty level. The Organization is paid according to the Medicaid fee schedule.
- Commercial and Other Insurance – The Organization has entered into agreements with numerous nongovernmental third-party payors to provide patient care to beneficiaries under a variety of payment arrangements. These include contracts with commercial insurance companies and workers' compensation plans, which reimburse the Organization on a fee schedule, a percentage of billed charges, or a percentage of RBRVS.

Net patient service revenue is reported when services are provided to patients, including capitation payment arrangements, at the estimated net realizable amounts from patients, third-party payors including Medicare and Medicaid, and others for services rendered, including estimated retroactive audit adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Contractual adjustments include differences between established billing rates and amounts reimbursable under various contractual agreements. Contractual adjustments are recorded as deductions from professional fee revenue to arrive at net patient service revenue. Contractual adjustments were \$45,739 during the fiscal year ended June 30, 2021. The Organization also treats patients without insurance or provides elective surgery services that are not covered by third-party payors. Bad debt expenses of \$11,054 were incurred during the fiscal year ended June 30, 2021.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 23 - System Related Organizations (continued):

Contract Revenue

Contract revenue includes agreements the Organization has with various local hospitals and other organizations for on-call services and medical directorship. These agreements are based on specified rates. Contract revenue is recognized when services are performed.

NOTE 24 – COVID-19:

Since March 17, 2020, the spread of COVID-19 has severely impacted our state economy and resulted in reductions in state appropriations and revenues generated from operations. Measures taken to contain the spread of the virus included placing capital projects on hold, furloughs, travel bans, quarantines, social distancing, and closures of non-essential services. The U.S. Government has responded with monetary and fiscal interventions to stabilize the economic conditions. In Fiscal 2021 the universities and colleges have received direct awards for student financial aid and essential services. Those funds are reported in the financial statements as of June 30, 2021. The U.S. Government also provided direct awards to the State of Nevada.

REQUIRED SUPPLEMENTARY INFORMATION

Unaudited

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
System's proportion of the net pension liability	3.00%	3.00%	2.92%	2.88%	2.89%	2.83%	2.81%			
System's proportionate share of the net pension liability	\$ 424,237	\$ 414,036	\$ 398,883	\$ 383,226	\$ 389,352	\$ 324,708	\$ 292,841			
System's covered-employee payroll*	\$ 200,838	\$ 196,183	\$ 187,737	\$ 179,694	\$ 171,007	\$ 165,653	\$ 162,250			
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	211.23%	211.05%	212.47%	213.27%	227.68%	196.02%	180.49%			
PERS fiduciary net position as a percentage of the total net pension liability	77.04%	76.46%	75.24%	74.42%	72.23%	75.13%	75.13%			

(Historical information prior to the implementation of GASB 67/68 is not required)

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

The accompanying notes are an integral part of these financial statements

Unaudited

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractual required contribution	\$ 31,286	\$ 30,564	\$ 28,549	\$ 27,030	\$ 34,456	\$ 33,124	\$ 29,901			
Contributions in relation to contractually required contribution	(31,286)	(30,564)	(28,549)	(27,030)	(43,152)	(35,756)	(29,901)			
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ (8,696)	\$ (2,632)	\$ -			
System's covered-employee payroll	\$ 205,049	\$ 200,838	\$ 196,183	\$ 187,737	\$ 179,694	\$ 171,007	\$ 165,653			
Contributions as a percentage of covered-employee payroll	15.26%	15.22%	14.55%	14.40%	19.17%	19.37%	18.05%			

(Historical information prior to the implementation of GASB 67/68 is not required)

The accompanying notes are an integral part of these financial statements

Unaudited

NEVADA SYSTEM OF HIGHER EDUCATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (in \$1,000's) BASED ON MEASUREMENT DATE
State of Nevada Retirees' Health Welfare Benefits Plan
Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
System's proportion of the net OPEB liability	40.35%	40.85%	39.13%	(Historical information prior to the implementation of GASB 74/75 is not required)						
System's proportionate share of the net OPEB liability	606,769	569,268	518,254							
System's covered-employee payroll	\$ 757,182	\$ 711,803	\$ 667,622							
System's proportion share of the net OPEB liability as a percentage of its covered-employee payroll	80.14%	79.98%	77.63%							
State of Nevada Retirees' Health and Welfare Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%							

The accompanying notes are an integral part of these financial statements

Unaudited

NEVADA SYSTEM OF HIGHER EDUCATION
 SCHEDULE OF SYSTEMS CONTRIBUTIONS FOR THE NET OPEB LIABILITY (in \$1,000's)
 State of Nevada Retirees' Health Welfare Benefits Plan
 Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractual required contributions	\$ 17,426	\$ 17,794	\$ 16,727	\$ 15,689	(Historical information prior to the implementation of GASB 74/75 is not required)					
Contributions in relation to the contractual required contribution	(15,857)	(17,716)	(16,656)	(15,702)						
Contribution deficiency(excess)	<u>\$ 1,569</u>	<u>\$ 78</u>	<u>\$ 71</u>	<u>\$ (13)</u>						
System's covered-employee payroll	\$ 744,695	\$ 757,182	\$ 711,803	\$ 667,622						
Contributions as a percentage of covered-employee payroll	2.34%	2.35%	2.35%	2.35%						

The accompanying notes are an integral part of these financial statements

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE REQUIRED SCHEDULES FOR THE NET OPEB LIABILITY
State of Nevada Retirees' Health Welfare Benefits Plan

Valuation date	January 1, 2020
Methods used to determine contribution rates:	
Actuarial Cost Method	Entry Age Normal Level % of Pay
Asset Valuation Method	Market Value of Assets
Retirement Age**	68
Mortality	Civilians: Pub-2010 Public Retirement Plans General Mortality Table weighted by Headcount, projected by MP-2019

** Weighted average retirement age based on January 1, 2020 census data and retirement rates provided in the "Actuarial Assumptions and Methods" section of the report for State Inactive Participants

The accompanying notes are an integral part of these financial statements

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SUPPLEMENTAL INFORMATION

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING STATEMENTS OF NET POSITION (in \$1,000's)
AS OF JUNE 30, 2021

	<u>CSN</u>	<u>DRI</u>	<u>GBC</u>	<u>NSC</u>	<u>SA</u>	<u>TMCC</u>
ASSETS						
<i>Current Assets</i>						
Cash and cash equivalents	\$ 3,436	\$ 3,010	\$ 8	\$ 3,715	\$ 79,821	\$ 2,660
Restricted cash and cash equivalents	-	136	-	-	-	-
Short-term investments	61,199	32,950	6,108	17,674	30,434	29,412
Accounts receivable, net	4,885	1,424	1,688	492	220	1,664
Receivable from U.S. Government	5,441	3,501	364	742	492	11,442
Receivable from State of Nevada	2,776	171	523	305	348	1,014
Receivable from other institutions	-	28	-	35	139	-
Current portion of loans receivable, net	-	-	-	-	-	-
Due from System Related Organizations	-	3	-	-	-	153
Inventories	773	-	-	-	-	29
Deposits and prepaid expenditures, current	2,978	151	163	(2)	445	11
Other current assets	-	-	-	-	-	84
Total Current Assets	81,488	41,374	8,854	22,961	111,899	46,469
<i>Noncurrent Assets</i>						
Due from System Related Organizations	-	-	-	-	-	-
Cash held by State Treasurer	1,028	-	516	104	137	-
Restricted cash and cash equivalents	18	-	-	-	-	-
Receivable from State of Nevada	13,514	-	-	13,734	-	-
Endowment investments	7,318	41,603	899	-	11,557	13,640
Deposits and prepaid expenditures	-	87	-	-	-	-
Loans receivable, net	-	-	-	-	-	-
Capital assets, net	289,836	51,718	36,505	111,871	7,958	76,444
Other noncurrent assets	-	-	-	-	-	-
Total Noncurrent Assets	311,714	93,408	37,920	125,709	19,652	90,084
TOTAL ASSETS	393,202	134,782	46,774	148,670	131,551	136,553
DEFERRED OUTFLOWS OF RESOURCES						
OPEB related	6,997	1,923	1,059	1,672	1,121	2,539
Loss on bond refunding	-	-	-	-	-	-
Pension related	10,278	2,138	1,512	1,127	2,033	3,440
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,275	4,061	2,571	2,799	3,154	5,979
LIABILITIES						
<i>Current Liabilities</i>						
Accounts payable	2,524	813	210	972	391	610
Accrued payroll and related liabilities	8,821	2,208	1,096	2,336	12,324	2,925
Unemployment insurance and workers' compensation	406	83	169	44	20	187
Due to other institutions	1,559	450	164	422	(14,216)	812
Due to System Related Organizations	-	-	-	-	-	-
Current portion of compensated absences	4,103	3,390	509	697	1,097	1,678
Current portion of long-term debt	2,577	876	82	-	-	475
Current portion of obligations under capital leases	830	218	-	1,497	-	-
Accrued interest payable	1,268	15	-	44	-	319
Unearned revenue	5,679	3,719	614	2,259	235	1,088
Deposits held for others	221	-	56	18	-	152
Other current liabilities	4	-	-	-	-	-
Total Current Liabilities	27,992	11,772	2,900	8,289	(149)	8,246
<i>Noncurrent Liabilities</i>						
Refundable advances under federal loan programs	-	-	-	-	-	-
Compensated absences	1,597	969	260	1,194	1,055	643
Long-term debt	69,642	785	-	-	-	15,831
Obligations under capital leases	863	309	-	44,780	-	-
Unearned revenue	-	-	-	-	-	-
Net pension liability	57,697	13,490	9,150	6,579	11,830	20,659
Net OPEB Liability	65,892	18,111	9,971	15,745	10,561	23,913
Other noncurrent liabilities	-	-	-	624	-	-
Total Noncurrent Liabilities	195,691	33,664	19,381	68,922	23,446	61,046
TOTAL LIABILITIES	223,683	45,436	22,281	77,211	23,297	69,292
DEFERRED INFLOWS OF RESOURCES						
Service Concession Arrangements	-	-	-	-	-	-
OPEB Related	4,679	1,286	708	1,118	750	1,698
Gain on bond refunding	-	-	-	-	-	-
Pension related	2,283	811	547	230	759	1,300
TOTAL DEFERRED INFLOWS OF RESOURCES	6,962	2,097	1,255	1,348	1,509	2,998
NET POSITION						
Net investment in capital assets	215,925	49,830	36,422	59,691	7,958	60,138
Restricted - Nonexpendable	2,222	23,586	900	-	7,158	5,513
Restricted - Expendable - Scholarships, research and instruction	9,599	26,479	29	2,541	5,694	19,133
Restricted - Expendable - Loans	-	-	220	(107)	28	52
Restricted - Expendable - Capital projects	14,560	425	1,293	7,309	143	-
Restricted - Expendable - Debt service	2,336	-	634	6,695	-	425
Unrestricted	(64,810)	(9,010)	(13,689)	(3,219)	88,918	(15,019)
TOTAL NET POSITION	\$ 179,832	\$ 91,310	\$ 25,809	\$ 72,910	\$ 109,899	\$ 70,242

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

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING STATEMENTS OF NET POSITION (in \$1,000's)
(CONTINUED)
AS OF JUNE 30, 2021

	<u>UNLV</u>	<u>UNR</u>	<u>WNC</u>	<u>Eliminations</u>	<u>TOTAL</u>
ASSETS					
<i>Current Assets</i>					
Cash and cash equivalents	\$ 23,803	\$ 27,619	\$ 1,323	\$ -	\$ 145,395
Restricted cash and cash equivalents	-	-	-	-	136
Short-term investments	379,901	156,504	5,475	-	719,657
Accounts receivable, net	9,968	40,498	834	-	61,673
Receivable from U.S. Government	68,088	55,505	1,249	-	146,824
Receivable from State of Nevada	6,075	5,635	314	-	17,161
Receivable from other institutions	44	163	-	(409)	-
Current portion of loans receivable, net	232	780	1	-	1,013
Due from System Related Organizations	2,249	3,639	-	-	6,044
Inventories	1,675	7,237	-	-	9,714
Deposits and prepaid expenditures, current	6,398	6,797	(2)	-	16,939
Other current assets	1,075	-	-	-	1,159
Total Current Assets	<u>499,508</u>	<u>304,377</u>	<u>9,194</u>	<u>(409)</u>	<u>1,125,715</u>
<i>Noncurrent Assets</i>					
Due from System Related Organizations	-	2,099	-	409	2,508
Cash held by State Treasurer	453	-	75	-	2,313
Restricted cash and cash equivalents	26,393	25,491	-	-	51,902
Receivable from State of Nevada	-	-	-	-	27,248
Endowment investments	66,583	164,209	324	-	306,133
Deposits and prepaid expenditures	160	-	-	-	247
Loans receivable, net	1,874	3,012	-	-	4,886
Capital assets, net	932,437	1,021,710	23,272	-	2,551,751
Other noncurrent assets	225	-	-	-	225
Total Noncurrent Assets	<u>1,028,125</u>	<u>1,216,521</u>	<u>23,671</u>	<u>409</u>	<u>2,947,213</u>
TOTAL ASSETS	<u>1,527,633</u>	<u>1,520,898</u>	<u>32,865</u>	<u>-</u>	<u>4,072,928</u>
DEFERRED OUTFLOWS OF RESOURCES					
OPEB related	26,729	21,581	813	-	64,434
Loss on bond refunding	3,577	6,678	-	-	10,255
Pension related	25,101	24,441	1,760	-	71,830
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>55,407</u>	<u>52,700</u>	<u>2,573</u>	<u>-</u>	<u>146,519</u>
LIABILITIES					
<i>Current Liabilities</i>					
Accounts payable	18,491	24,781	117	-	48,909
Accrued payroll and related liabilities	35,342	27,575	926	-	93,553
Unemployment insurance and workers' compensation	1,588	1,512	150	-	4,159
Due to other institutions	6,209	4,729	220	-	349
Due to System Related Organizations	2,758	238	-	-	2,996
Current portion of compensated absences	17,492	12,461	681	-	42,108
Current portion of long-term debt	21,187	17,262	-	-	42,459
Current portion of obligations under capital leases	-	107	-	-	2,652
Accrued interest payable	4,454	7,379	-	-	13,479
Unearned revenue	34,651	24,761	15	-	73,021
Deposits held for others	618	1,170	164	-	2,399
Other current liabilities	670	574	-	-	1,248
Total Current Liabilities	<u>143,460</u>	<u>122,549</u>	<u>2,273</u>	<u>-</u>	<u>327,332</u>
<i>Noncurrent Liabilities</i>					
Refundable advances under federal loan programs	2,264	2,259	-	-	4,523
Compensated absences	13,649	9,778	111	-	29,256
Long-term debt	213,049	379,874	-	-	679,181
Obligations under capital leases	-	606	-	-	46,558
Unearned revenue	379	-	-	-	379
Net pension liability	141,085	153,311	10,436	-	424,237
Net OPEB Liability	251,701	203,219	7,656	-	606,769
Other noncurrent liabilities	-	-	-	-	624
Total Noncurrent Liabilities	<u>622,127</u>	<u>749,047</u>	<u>18,203</u>	<u>-</u>	<u>1,791,527</u>
TOTAL LIABILITIES	<u>765,587</u>	<u>871,596</u>	<u>20,476</u>	<u>-</u>	<u>2,118,859</u>
DEFERRED INFLOWS OF RESOURCES					
Service Concession Arrangements	1,531	-	-	-	1,531
OPEB Related	17,875	14,432	544	-	43,090
Gain on bond refunding	-	90	-	-	90
Pension related	5,634	9,272	669	-	21,505
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>25,040</u>	<u>23,794</u>	<u>1,213</u>	<u>-</u>	<u>66,216</u>
NET POSITION					
Net investment in capital assets	729,435	647,962	23,428	-	1,830,789
Restricted - Nonexpendable	12,147	40,821	342	-	92,689
Restricted - Expendable - Scholarships, research and instruction	61,245	112,761	525	-	238,006
Restricted - Expendable - Loans	615	6,774	(511)	-	7,071
Restricted - Expendable - Capital projects	3,927	47,055	(338)	-	74,374
Restricted - Expendable - Debt service	12,603	11,685	-	-	34,378
Unrestricted	(27,559)	(188,850)	(9,697)	-	(242,935)
TOTAL NET POSITION	<u>\$ 792,413</u>	<u>\$ 678,208</u>	<u>\$ 13,749</u>	<u>\$ -</u>	<u>\$ 2,034,372</u>

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

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in \$1,000's)
AS OF JUNE 30, 2021

	<u>CSN</u>	<u>DRI</u>	<u>GBC</u>	<u>NSC</u>	<u>SA</u>	<u>TMCC</u>
Operating Revenues						
Student tuition and fees (net of scholarship allowance of \$211,091)	\$ 53,647	\$ -	\$ 7,587	\$ 15,875	\$ -	\$ 17,278
Federal grants and contracts	7,373	23,543	1,844	5,802	862	4,897
State grants and contracts	6,942	848	1,577	1,595	266	2,268
Local grants and contracts	-	28	-	-	-	-
Other grants and contracts	110	9,460	979	17	410	137
Sales and services of educational departments (including \$44,804 from System Related Organizations)	1,153	205	107	-	2,448	494
Sales and services of auxiliary enterprises (net of scholarship allowance of \$3,886)	662	-	171	63	-	1,131
Interest earned on loans receivable	-	-	-	-	-	-
Other operating revenues	1,177	1,341	175	176	792	228
Total Operating Revenues	<u>71,064</u>	<u>35,425</u>	<u>12,440</u>	<u>23,528</u>	<u>4,778</u>	<u>26,433</u>
Operating Expenses						
Employee compensation and benefits	(135,834)	(32,975)	(20,484)	(37,962)	(14,874)	(49,534)
Utilities	(2,742)	(794)	(625)	(468)	(32)	(731)
Supplies and services	(43,003)	(6,251)	(3,865)	(13,604)	(11,343)	(8,989)
Scholarships and fellowships	(34,710)	-	(3,268)	(6,615)	(335)	(10,145)
Depreciation	(15,153)	(4,370)	(2,125)	(2,834)	(2,944)	(4,609)
Other operating expenses	-	-	-	-	-	-
Total Operating Expenses	<u>(231,442)</u>	<u>(44,390)</u>	<u>(30,367)</u>	<u>(61,483)</u>	<u>(29,528)</u>	<u>(74,008)</u>
Operating Income (Loss)	<u>(160,378)</u>	<u>(8,965)</u>	<u>(17,927)</u>	<u>(37,955)</u>	<u>(24,750)</u>	<u>(47,575)</u>
Nonoperating Revenues (Expenses)						
State appropriations	89,294	7,188	11,522	18,536	19,192	31,765
Gifts (including \$52,155 from System Related Organizations)	596	198	356	1,038	-	1,244
Investment income (loss), net	16,251	15,545	1,424	2,369	4,717	8,660
Gain (loss) on disposal of capital assets	(47)	(68)	-	-	(208)	9
Interest expense	(2,565)	(184)	(2)	(2,200)	-	(585)
Payments to System campuses and divisions	(22)	440	491	446	(12,603)	497
Other nonoperating revenues	-	(20)	150	5,127	59	-
Federal grants and contracts	54,119	214	4,975	15,156	32	20,685
Total Nonoperating Revenues	<u>157,626</u>	<u>23,313</u>	<u>18,916</u>	<u>40,472</u>	<u>11,189</u>	<u>62,275</u>
Loss Before Other Revenue (Expenses)	<u>(2,752)</u>	<u>14,348</u>	<u>989</u>	<u>2,517</u>	<u>(13,561)</u>	<u>14,700</u>
Other Revenues (Expenses)						
State appropriations restricted for capital purposes	(15,689)	-	125	30	33	-
Capital grants and gifts (including \$25,434 from System Related Organizations)	232	-	2,063	4	-	-
Additions (Deductions) to permanent endowments (including \$283 to System Related Organizations)	(173)	67	-	-	8	208
Total Other Revenues	<u>(15,630)</u>	<u>67</u>	<u>2,188</u>	<u>34</u>	<u>41</u>	<u>208</u>
Increase (Decrease) in Net Position	<u>(18,382)</u>	<u>14,415</u>	<u>3,177</u>	<u>2,551</u>	<u>(13,520)</u>	<u>14,908</u>
NET POSITION						
Net position - beginning of year	198,214	76,895	22,632	70,359	123,419	55,334
Net position - end of year	<u>\$ 179,832</u>	<u>\$ 91,310</u>	<u>\$ 25,809</u>	<u>\$ 72,910</u>	<u>\$ 109,899</u>	<u>\$ 70,242</u>

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

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (in \$1,000's)
(CONTINUED)
AS OF JUNE 30, 2021

	<u>UNLV</u>	<u>UNR</u>	<u>WNC</u>	<u>Eliminations</u>	<u>TOTAL</u>
Operating Revenues					
Student tuition and fees (net of scholarship allowance of \$211,091)	\$ 221,380	\$ 152,314	\$ 5,504	\$ (59)	\$ 473,526
Federal grants and contracts	49,318	141,731	2,004	(9,793)	227,581
State grants and contracts	28,597	20,787	239	(1,655)	61,464
Local grants and contracts	460	4,219	-	-	4,707
Other grants and contracts	2,443	20,079	41	(147)	33,529
Sales and services of educational departments (including \$44,804 from System Related Organizations)	79,443	59,394	30	(1,495)	141,779
Sales and services of auxiliary enterprises (net of scholarship allowance of \$3,886)	13,534	26,245	895	(44)	42,657
Interest earned on loans receivable	28	106	-	-	134
Other operating revenues	5,448	4,550	314	(587)	13,614
Total Operating Revenues	<u>400,651</u>	<u>429,425</u>	<u>9,027</u>	<u>(13,780)</u>	<u>998,991</u>
Operating Expenses					
Employee compensation and benefits	(533,146)	(425,362)	(17,866)	-	(1,268,037)
Utilities	(10,426)	(8,055)	(473)	7	(24,339)
Supplies and services	(125,118)	(140,690)	(6,870)	14,083	(345,650)
Scholarships and fellowships	(39,681)	(30,963)	(3,769)	353	(129,133)
Depreciation	(44,443)	(42,685)	(1,486)	-	(120,649)
Other operating expenses	-	-	-	-	-
Total Operating Expenses	<u>(752,814)</u>	<u>(647,755)</u>	<u>(30,464)</u>	<u>14,443</u>	<u>(1,887,808)</u>
Operating Income (Loss)	<u>(352,163)</u>	<u>(218,330)</u>	<u>(21,437)</u>	<u>663</u>	<u>(888,817)</u>
Nonoperating Revenues (Expenses)					
State appropriations	203,898	156,923	12,555	(235)	550,638
Gifts (including \$52,155 from System Related Organizations)	23,511	27,247	941	(38)	55,093
Investment income (loss), net	83,275	71,129	1,305	(318)	204,357
Gain (loss) on disposal of capital assets	(400)	2,840	15	-	2,141
Interest expense	(7,466)	(13,971)	-	-	(26,973)
Payments to System campuses and divisions	8,819	(202)	438	-	(1,696)
Other nonoperating revenues	(12,932)	751	1,891	(72)	(5,046)
Federal grants and contracts	105,593	54,955	6,602	-	262,331
Total Nonoperating Revenues	<u>404,298</u>	<u>299,672</u>	<u>23,747</u>	<u>(663)</u>	<u>1,040,845</u>
Loss Before Other Revenue (Expenses)	<u>52,135</u>	<u>81,342</u>	<u>2,310</u>	<u>-</u>	<u>152,028</u>
Other Revenues (Expenses)					
State appropriations restricted for capital purposes	-	(1,927)	83	-	(17,345)
Capital grants and gifts (including \$25,434 from System Related Organizations)	7,982	16,183	-	-	26,464
Additions (Deductions) to permanent endowments (including \$283 to System Related Organizations)	8	100	-	-	218
Total Other Revenues	<u>7,990</u>	<u>14,356</u>	<u>83</u>	<u>-</u>	<u>9,337</u>
Increase (Decrease) in Net Position	<u>60,125</u>	<u>95,698</u>	<u>2,393</u>	<u>-</u>	<u>161,365</u>
NET POSITION					
Net position - beginning of year	732,288	582,510	11,356	-	1,873,007
Net position - end of year	<u>\$ 792,413</u>	<u>\$ 678,208</u>	<u>\$ 13,749</u>	<u>\$ -</u>	<u>\$ 2,034,372</u>

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Regents
Nevada System of Higher Education

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of the Nevada System of Higher Education (the "System") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated February 28, 2022.

Our report includes a reference to other auditors who audited the financial statements of: University of Nevada, Reno Foundation; Wolf Pack Athletic Association; Desert Research Institute Foundation; Desert Research Institute Research Parks LTD; Truckee Meadows Community College Foundation; Great Basin College Foundation; University of Nevada, Las Vegas Foundation; University of Nevada, Las Vegas Research Foundation; University of Nevada, Las Vegas Rebel Football Foundation; University of Nevada, Las Vegas Rebel Soccer Foundation; College of Southern Nevada Foundation; and Nevada State College Foundation, as described in our report on the System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Truckee Meadows Community College Foundation; Great Basin College Foundation; University of Nevada, Las Vegas Rebel Football Foundation; and Nevada State College Foundation were not audited in accordance with *Government Auditing Standards* for the year ended June 30, 2021.

Internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies,

in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies in the System's internal control.

Compliance and other matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

System's Response to Findings

The System's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and in management's corrective action plan. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Intended purpose

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



San Jose, California
February 28, 2022

Nevada System of Higher Education
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2021

SECTION I — SUMMARY OF INDEPENDENT ACCOUNTANTS' RESULTS

Financial Statements

Type of independent accountants' report issued: unmodified

Internal control over financial reporting:

- Material weakness identified? none
- Significant deficiencies identified that are not considered to be material weaknesses? yes

Noncompliance material to financial statements noted? none reported

Nevada System of Higher Education
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING 2021-001 – Internal Control over the Estimates of Fair Value of Alternative Investments

Criteria

Internal control environments that operate optimally provide for the timely and accurate support of accounting estimates in the financial statements. Accounting estimates generally involve subjective assumptions and measurement uncertainty. A fair value measure is a form of accounting estimate.

Condition

Nevada System of Higher Education (NSHE) reflects its investment portfolio at estimated fair value in its June 30, 2021 financial statements. The portfolio is comprised of traded investments where fair value is determined by active exchange trades of the underlying securities. The portfolio also includes alternative investments which are non-traded investments commonly structured as partnerships or limited liability companies whereby NSHE is a limited partner and partial owner of those partnerships. The estimated fair value of NSHE's ownership is computed by the general partner/manager of that partnership and is provided to NSHE who records the figure in its own financial statements. Unlike exchange trade investments where NSHE can corroborate fair values at June 30 based on trades of the same investment on an active exchange, corroborating fair value of an alternative investment involves other measures including understanding the general partner's methodology and assumptions and evaluating those against other data including the fair value figures reported in the partnership's own audited financial statements. For the year ended June 30, 2021 NSHE's process of corroborating fair values of alternative investments was delayed well into October 2021 and experienced some quality issues. The supervisory review was, in turn, delayed as was the identification and correction of the quality matters.

Context

At June 30, 2021, NSHE reflected ownership interest in 90 alternative investments with a fair value of \$286 million in its financial statements. These alternative investments represented 7% of NSHE's total assets.

Cause

Changes in personnel assigned to verify 2021 fair value figures resulted in a steep learning curve for the new individuals tasked with the process. There were delays in gathering the assumptions used and other core data needed for the analysis.

Effect

Supervisory review of the analysis was delayed until the project was complete. This, in turn, delayed the annual audit process which involves testing management's process.

Recommendation

We recommend appropriate training and oversight be provided to those individuals tasked with the process along with starting the process earlier in the fiscal year.

Views of Responsible Officials (unaudited)

Management concurs.