
Nevada System of Higher Education Financial Statements For the Year Ended June 30, 2022



NEVADA SYSTEM OF HIGHER EDUCATION

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**NEVADA SYSTEM OF HIGHER EDUCATION
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022
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**NEVADA SYSTEM OF HIGHER EDUCATION
FINANCIAL STATEMENT
FOR THE YEAR ENDED JUNE 30, 2022**

INTRODUCTION

BACKGROUND

The Nevada System of Higher Education (NSHE), established by the Nevada State Constitution of 1864, is state supported, and controlled by the Board of Regents whose duties are prescribed by Law. Instruction began at the University of Nevada in 1874. NSHE teaching institutions are fully accredited by the Northwest Association of Schools and Colleges. Eight separate institutions and a system administration office comprise 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. In addition to the controllers' offices, two business centers (Business Center North (BCN) in Reno, Business Center South (BCN) in Las Vegas) and purchasing offices at UNLV and CSN provide the purchasing and property management functions for the NSHE institutions and administration.

The controllers' offices are responsible for the financial management of the institutions. The Office of Contracts and Grants or Sponsored Programs within the respective institutions 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.

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.

The major units of UNLV include the Lee Business School, College of Education, Howard R. Hughes College of Engineering, College of Fine Arts, Graduate College, Honors College, William F. Harrah College of Hospitality, School of Integrated Health Sciences, College of Liberal Arts, School of Nursing, School of Public Health, College of Sciences, Greenspun College of Urban Affairs, William S. Boyd School of Law, School of Dental Medicine, and the Kirk Kerkorian School of Medicine. UNLV offers major fields of study leading to baccalaureate and advanced degrees through academic departments in the various schools and colleges

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, 2022, 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, 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Regents
Nevada System of Higher Education

Report on the financial statements**Opinions**

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Nevada System of Higher Education (the Entity), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Entity as of June 30, 2022, 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.

Basis for opinions

We conducted our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of matter

As discussed in Note 2 to the financial statements, the Entity has adopted new accounting guidance on July 1, 2021 related to the accounting for leases under GASB Statement No.87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

We did not audit the financial statements of: University of Nevada, Reno Foundation; Wolf Pack Athletic Association (formerly Athletic Association, University of Nevada Inc.); Desert Research Institute Foundation; Desert Research Institute Research Parks LTD; Western Nevada College Foundation; Great Basin College Foundation; University of Nevada, Las Vegas Foundation; University of Nevada, Las Vegas Research Foundation; Rebel Golf Foundation; University of Nevada, Las Vegas Alumni Association; College of Southern Nevada Foundation; and Nevada State College Foundation, which statements collectively reflect total assets constituting 95% of the aggregate discretely presented component units' total assets as of June 30,

2022 and total operating revenues of 50% 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.

The financial statements of Great Basin College Foundation; Rebel Golf Foundation; University of Nevada, Las Vegas Alumni Association; and Nevada State College Foundation were not audited in accordance with Government Auditing Standards for the year ended June 30, 2022.

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 is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with US GAAS. 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 Entity's basic financial statements. The combining schedule of net position and the combining schedule of revenues, expenses and changes in net position 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 such 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 US GAAS. In our opinion, the accompanying 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 March 31, 2023 on our consideration of the Entity'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 Entity'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 Entity's internal control over financial reporting and compliance.

Grant Thornton LLP

San Jose, California
March 31, 2023

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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, 2022. 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, 2022, with comparative information as of June 30, 2021.

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, which 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 UNLV Medicine, to facilitate patient care activities. The System component units are as follows:

- University of Nevada, Reno Foundation
- Wolf Pack Athletic Association (formerly Athletic Association, University of Nevada Inc.)
- Desert Research Institute Foundation
- Desert Research Institute Research Parks LTD
- Truckee Meadows Community College Foundation

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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 Medicine, Inc.
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 2021 TO 2022 (in \$1,000's)

- Total net position increased by 0.2% from \$2,034,372 to \$2,037,539;
- Capital assets increased by 3.5% from \$2,551,751 to \$2,639,908;
- Operating revenues increased by 10.8% from \$998,991 to \$1,107,003;
- Nonoperating revenues decreased by 9.9% from \$1,040,845 to \$938,010; and
- Operating expenses increased by 8.7% from \$1,887,808 to \$2,052,428.

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.

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

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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, 2022, with a comparison made to June 30, 2021. 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>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Assets				
Current assets	\$ 1,096,457	\$ 1,125,715	\$ (29,258)	-2.6%
Capital assets, net	2,639,908	2,551,751	88,157	3.5%
Other assets	402,686	395,462	7,224	1.8%
Total Assets	<u>4,139,051</u>	<u>4,072,928</u>	<u>66,123</u>	<u>1.6%</u>
Deferred Outflows of Resources	<u>215,711</u>	<u>146,519</u>	<u>69,192</u>	<u>47.2%</u>
Liabilities				
Current liabilities	342,241	327,332	14,909	4.6%
Noncurrent liabilities	1,669,197	1,791,527	(122,330)	-6.8%
Total Liabilities	<u>2,011,438</u>	<u>2,118,859</u>	<u>(107,421)</u>	<u>-5.1%</u>
Deferred Inflows of Resources	<u>305,785</u>	<u>66,216</u>	<u>239,569</u>	<u>361.8%</u>
Net Position				
Net investment in capital assets	1,850,785	1,830,789	19,996	1.1%
Restricted - Nonexpendable	92,763	92,689	74	0.1%
Restricted - Expendable	331,194	353,829	(22,635)	-6.4%
Unrestricted	(237,203)	(242,935)	5,732	-2.4%
Total Net Position	<u>\$ 2,037,539</u>	<u>\$ 2,034,372</u>	<u>\$ 3,167</u>	<u>0.2%</u>

Assets

Total assets of the System are currently showing an increase of \$66.1 million, or 1.6%. The increase that occurred in current assets, capital assets and other assets was primarily driven by an increase in net capital assets of \$88.2 million. Due to the adoption on July 1, 2021 of GASB 87, net

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capital assets include Right-of-Use (ROU) assets and a net restatement of \$39.1 million was the result. Current assets decreased by \$29.3 million primarily driven by a decrease of cash and cash equivalents of \$73.9 million, decrease in net accounts receivable of \$12.5 million, decrease in receivable from the State of Nevada of \$10.4 million being offset by an increase in short-term investments of \$57.7 million and leases receivables of \$7.8 million.

Liabilities

Total liabilities for the year decreased by \$107.4 million primarily driven by a decrease in net pension liability of \$151 million and short-term unearned revenue of \$8.3 million being offset by increase in accounts payable of \$8.8 million, accrued payroll and related liabilities of \$9.2 million, lease payables of \$37 million, and net OPEB liability of \$14.8 million. Due to the adoption on July 1, 2021 of GASB 87, the restatement of ROU assets at the beginning of the year resulted in a restatement of leases payable at the beginning of the year of \$39.1 million.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a future consumption of net position, increased by \$69.2 million. This increase relates to the pension-related deferred outflows of resources. Similarly, deferred inflows of resources, a future acquisition of net position, increased by \$239.6 million. This relates to increases in pension-related inflows of \$203.2 million and leases of \$45 million due to the adoption of GASB 87, partially being offset by a decrease in other post-employment benefits of \$17.7 million.

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 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 \$20 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.

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Restricted, Nonexpendable/Expendable

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

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

Net investment in capital assets increased by \$20 million while Restricted - Expendable decreased by \$22.6 million.

Unrestricted Net Position (deficit)

Unrestricted net position (deficit) decreased by \$5.7 million in 2022. Although unrestricted net position is not subject to externally imposed stipulations, substantially all 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>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Assets				
Current assets	\$ 415,667	\$ 466,590	\$ (50,923)	-10.9%
Capital assets, net	7,462	6,854	608	8.9%
Other assets	528,301	477,693	50,608	10.6%
Total Assets	<u>951,430</u>	<u>951,137</u>	<u>293</u>	<u>0.0%</u>
Deferred Outflows of Resources	<u>7</u>	<u>96</u>	<u>(89)</u>	<u>-92.7%</u>
Liabilities				
Current liabilities	22,646	21,469	1,177	5.5%
Noncurrent liabilities	15,716	3,192	12,524	392.4%
Total Liabilities	<u>38,362</u>	<u>24,661</u>	<u>13,701</u>	<u>55.6%</u>
Deferred Inflows of Resources	<u>18,844</u>	<u>13,655</u>	<u>5,189</u>	<u>38.0%</u>
Net Position				
Net investment in capital assets	7,121	8,886	(1,765)	-19.9%
Restricted - Nonexpendable	392,671	369,799	22,872	6.2%
Restricted - Expendable	439,453	473,514	(34,061)	-7.2%
Unrestricted	54,986	60,718	(5,732)	-9.4%
Total Net Position	<u>\$ 894,231</u>	<u>\$ 912,917</u>	<u>\$ (18,686)</u>	<u>-2.0%</u>

The campus foundations, athletic foundations, and medical practice plan, as System Related Organizations, continue to support the campuses in their long-range plans and provide support for

Unaudited

construction of facilities as well as scholarships and other operating costs. Changes in the above schedule primarily reflect the foundations' decrease in investments and increases in liabilities.

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, 2022, was an increase of \$3.2 million compared with an increase of \$161.4 million for fiscal year ended June 30, 2021, a decrease of \$158.2 million.

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

	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating Revenues				
Student tuition and fees	\$ 477,348	\$ 473,526	\$ 3,822	0.8%
Federal grants and contracts	268,295	227,581	40,714	17.9%
Grants and contracts, other	95,560	99,700	(4,140)	-4.2%
Sales and services	254,583	184,436	70,147	38.0%
Other	11,217	13,748	(2,531)	-18.4%
Total Operating Revenues	<u>1,107,003</u>	<u>998,991</u>	<u>108,012</u>	<u>10.8%</u>
Operating Expenses				
Employee compensation and benefits	(1,245,173)	(1,268,037)	(22,864)	-1.8%
Utilities	(30,109)	(24,339)	5,770	23.7%
Supplies and services	(448,976)	(345,650)	103,326	29.9%
Scholarships and fellowships	(195,329)	(129,133)	66,196	51.3%
Depreciation	(132,841)	(120,649)	12,192	10.1%
Total Operating Expenses	<u>(2,052,428)</u>	<u>(1,887,808)</u>	<u>164,620</u>	<u>8.7%</u>
Operating Income (Loss)	<u>(945,425)</u>	<u>(888,817)</u>	<u>56,608</u>	<u>6.4%</u>
Nonoperating Revenues (Expenses)				
State appropriations	639,655	550,638	89,017	16.2%
Gifts	52,702	55,093	(2,391)	-4.3%
Investment income (loss), net	(79,347)	204,357	(283,704)	-138.8%
Gain (loss) on disposal of capital assets	(5,189)	2,141	(7,330)	-342.4%
Interest expense	(26,577)	(26,973)	396	-1.5%
Intergovernmental revenue	50	-	50	0.0%
Payments to System campuses and divisions	(3,465)	(1,696)	(1,769)	104.3%
Other nonoperating revenues	6,115	(5,046)	11,161	-221.2%
Federal grants and contracts	354,066	262,331	91,735	35.0%
Total Nonoperating Revenues	<u>938,010</u>	<u>1,040,845</u>	<u>(102,835)</u>	<u>-9.9%</u>
Total Other Revenues	<u>10,582</u>	<u>9,337</u>	<u>1,245</u>	<u>13.3%</u>
Increase (Decrease) in Net Position	<u>3,167</u>	<u>161,365</u>	<u>(158,198)</u>	<u>-98.0%</u>
Net position - beginning of year	<u>2,034,372</u>	<u>1,873,007</u>	<u>161,365</u>	<u>8.6%</u>
Net position - end of year	<u>\$ 2,037,539</u>	<u>\$ 2,034,372</u>	<u>\$ 3,167</u>	<u>0.2%</u>

Unaudited

Operating Revenue – Student Tuition and Fees remained stable. A four percent increase in tuition and fee rates offset the small reductions in student enrollment. Federal grants and contracts increased by \$40.7 million, or 17.9%. This was primarily from the federal resources provided by the Federal Government related to the COVID-19 pandemic. Sales and services increased by \$70 million primarily from the increase in auxiliary and self-supporting activities that rebounded after the COVID-19 pandemic.

The increase in operating expenses was driven by an increase in supplies and services and scholarships and fellowships. Partial restoration of the prior year State budget cuts and restoration of most campus activities, reduced as a resulting of the COVID-19 pandemic, contributed to the increase in operating expenditures.

Nonoperating net revenues decreased by \$103 million, or 9.9%. This was led by a net investment loss of \$284 million. In 2021, the investment markets surged. In FY22 the markets took a down-turn. The restoration of state appropriations of \$89 million and increases in federal grants and contracts of \$92 million helped offset the decrease of investment losses in fiscal year 2022.

Other Revenue remained steady.

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

Component entities' ending net position decreased \$17.2 million from 2021 to 2022, as shown in the following schedule.

	<u>2022</u>	<u>2021</u>	<u>Increase (decrease)</u>	<u>Percent Change</u>
<i>Operating Revenues</i>				
Patient revenue	\$ 40,490	\$ 54,918	\$ (14,428)	-26.3%
Contract revenue	14,725	18,812	(4,087)	-21.7%
Contributions	64,866	69,102	(4,236)	-6.1%
Campus Support	6,831	8,612	(1,781)	-20.7%
Special events and fundraising	1,879	725	1,154	159.2%
Other operating revenues	14,866	11,215	3,651	32.6%
Total Operating Revenues	<u>143,657</u>	<u>163,384</u>	<u>(19,727)</u>	<u>-12.1%</u>
<i>Operating Expenses</i>				
Employee compensation and benefits	(29,425)	(37,055)	(7,630)	-20.6%
Supplies and services	(6,710)	(15,895)	(9,185)	-57.8%
Program expenses, System Related Organizations	(16,040)	(17,412)	(1,372)	-7.9%
Depreciation	(4,533)	(1,290)	3,243	251.4%
Other operating expenses	(2,656)	(1,970)	686	34.8%
Total Operating Expenses	<u>(59,364)</u>	<u>(73,622)</u>	<u>(14,258)</u>	<u>-19.4%</u>
Operating Income (Loss)	<u>84,293</u>	<u>89,762</u>	<u>(5,469)</u>	<u>-6.1%</u>

Unaudited

Nonoperating Revenues (Expenses)

Investment income (loss), net	(39,345)	152,784	(192,129)	-125.8%
Payments to System campuses and divisions	(96,486)	(120,345)	23,859	-19.8%
Other nonoperating revenues (expenses)	<u>1,748</u>	<u>22,051</u>	<u>(20,303)</u>	<u>-92.1%</u>
Total Nonoperating Revenues (Expenses)	<u>(134,083)</u>	<u>54,490</u>	<u>(188,573)</u>	<u>-346.1%</u>

Income (Loss) before other revenue (expenses)	<u>(49,790)</u>	<u>144,252</u>	<u>(194,042)</u>	<u>-134.5%</u>
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Other Revenues (Expenses)

Additions to permanent endowments	32,767	12,945	19,822	153.1%
Other Foundation expenses	<u>(189)</u>	<u>331</u>	<u>(520)</u>	<u>-157.1%</u>
Total Other Revenues (Expenses)	<u>32,578</u>	<u>13,276</u>	<u>19,302</u>	<u>145.4%</u>

Increase (Decrease) in Net Position	<u>(17,212)</u>	<u>157,528</u>	<u>(174,740)</u>	<u>-110.9%</u>
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NET POSITION

Net position - beginning of year	912,917	755,389	157,528	20.9%
ICS/Renown transfer	<u>(1,474)</u>	<u>-</u>	<u>(1,474)</u>	<u>0.0%</u>
Net position - end of year	<u>\$ 894,231</u>	<u>\$ 912,917</u>	<u>\$ (18,686)</u>	<u>-2.0%</u>

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

Net cash flows decreased when compared to 2021 as discussed further below. Net operating cash flows (amount of cash from operating activities) decreased 14%.

	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>	<u>Percent Change</u>
Operating activities	\$ (839,839)	\$ (736,101)	\$ (103,738)	-14%
Noncapital financing	1,052,137	804,670	247,467	31%
Capital financing activities	(159,730)	(157,147)	(2,583)	-2%
Investing activities	<u>(121,153)</u>	<u>55,853</u>	<u>(177,006)</u>	<u>-317%</u>
Net increase (decrease) in cash	(68,585)	(32,725)	(35,860)	-110%
Cash – beginning of year	<u>199,746</u>	<u>232,471</u>	<u>(32,725)</u>	<u>-14%</u>
Cash – end of year	<u>\$ 131,161</u>	<u>\$ 199,746</u>	<u>\$ (68,585)</u>	<u>-34%</u>

Cash flows from operating activities decreased by \$103.7 million. The largest increases in revenue came from grants and contracts of \$60.2 million, sales and services of educational departments of \$14.3 million, and sales and services of auxiliary departments of \$35.9 million. The largest increases in expenditures were payments to suppliers of \$107.5 million, compensation and benefits of \$35.5 million, and payments for scholarships and fellowships of \$66.8 million.

Cash flows from noncapital financing increased by \$247.5 million. This increase was primarily related to the increase in cash received from State appropriations of \$103.6 million and Federal grants and contracts of \$144.3 million.

Cash flows from capital and related financing activities decreased by \$2.6 million.

Unaudited

Cash flows from investing activities decreased by \$177 million as the result of investment activity.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2022, the System had invested \$2,639.9 million in a broad range of capital assets, including buildings, machinery and equipment, library books and media, art and other valuable collections, intangible assets, leased assets and land. This represents a net increase (including additions and deletions) of \$88.2 million over June 30, 2021.

During fiscal year 2022, no Long-term Debt was issued for capital projects. As of June 30, 2022, the coverage on the University Revenue Bonds (pledged revenues to maximum annual debt service) was 7.34 times, above minimum required coverage of 1.50. For statutory purposes, the coverage was 1.60 times, above the minimum required coverage of 1.10. As of June 30, 2022, the coverage on the Community College Revenue Bonds (pledged revenues to maximum annual debt service) was 18.11 times, above the minimum required coverage of 1.50. For statutory purposes, the coverage was 2.42 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 2022, the System realized a net loss of student full time equivalent (FTE) enrollment of 2.3% or 1,587.97 average annual FTE students' system-wide compared to fiscal year 2021. Student FTE enrollments increased slightly at the state college and one community college. Student FTE enrollments decreased slightly at the universities and the other community colleges. 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 2023 will exceed enrollments in fiscal year 2022 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 10.3% due mainly to legislative actions that restored state funding after a reduction of almost 20% in 2021 in response to the pandemic that led to reductions in state tax revenue.

Other authorized revenue sources, consisting mainly of student fee revenues, total \$438 million in fiscal year 2023, approximately \$7 million more than in fiscal year 2022, remaining relatively flat with American Rescue Plan funds of \$46.5 million used to restore positions that would otherwise have been cut to meet required general fund budget reductions. Student fees remain stable at approximately 35% of the State Supported Operating Budget and are expected to do so for the foreseeable future.

Unaudited

Student enrollment system-wide is not anticipated to exceed projected and budgeted enrollment in fiscal year 2023; however individual institutions may exceed projected enrollment and therefore pursuant to Senate Bill 459 of the 2021 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 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, 2022, the date of these financial statements, operations have substantially returned to pre-pandemic levels. State and non-state revenues have rebounded substantially, and we anticipate they will continue to improve in Fiscal 2023. 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, 2022, 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, 2022

	<u>System</u>	<u>System Related Organization</u>
<u>ASSETS</u>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 71,513	\$ 92,291
Restricted cash and cash equivalents	133	8,269
Short-term investments	777,364	286,712
Accounts receivable, net	49,173	3,855
Receivable from U.S. Government	145,887	1,401
Receivable from State of Nevada	6,772	-
Pledges receivable, net	-	6,143
Patient accounts receivable, net	-	6,909
Current portion of loans receivable, net	918	27
Due from System Related Organizations	4,873	1,910
Leases Receivable	4,852	-
Leases Receivable Due from Related Organizations	2,927	-
Inventories	10,341	383
Deposits and prepaid expenditures, current	20,422	246
Other current assets	1,282	7,521
Total Current Assets	1,096,457	415,667
<i>Noncurrent Assets</i>		
Cash held by State Treasurer	31,506	-
Restricted cash and cash equivalents	28,009	-
Receivable from State of Nevada	209	-
Investments	-	80,487
Restricted investments	-	16,098
Endowment investments	290,590	359,603
Deposits and prepaid expenditures	1,308	-
Loans receivable, net	4,770	93
Leases Receivable	31,157	-
Leases Receivable Due from Related Organizations	14,987	-
Capital assets, net	2,639,908	7,462
Pledges receivable, net	-	22,758
Other noncurrent assets	150	49,262
Total Noncurrent Assets	3,042,594	535,763
TOTAL ASSETS	4,139,051	951,430
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
OPEB related	50,742	-
Loss on bond refunding	8,730	-
Pension related	156,239	-
Intra-entity sales of future revenues	-	7
TOTAL DEFERRED OUTFLOWS OF RESOURCES	215,711	7

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, 2022

	<u>System</u>	<u>System Related Organization</u>
<u>LIABILITIES</u>		
<i>Current Liabilities</i>		
Accounts payable	57,748	6,109
Accrued payroll and related liabilities	102,797	1,199
Unemployment insurance and workers' compensation	4,159	-
Due to other institutions	91	-
Due to System Related Organizations	1,910	4,873
Current portion of compensated absences	41,058	-
Current portion of long-term debt	42,124	-
Current portion of leases payable	8,538	84
Leases Payable Due to Related Organizations	-	2,927
Accrued interest payable	12,719	-
Unearned revenue	64,735	1,222
Funds held in trust for others	3,143	43
Other current liabilities	3,219	6,189
Total Current Liabilities	342,241	22,646
<i>Noncurrent Liabilities</i>		
Refundable advances under federal loan programs	4,146	-
Compensated absences	23,558	-
Long-term debt	717,913	-
Lease Payable Due to Related Organizations, LT	-	14,987
Leases payable	28,439	14
Unearned revenue	-	287
Net pension liability	272,974	-
Net OPEB Liability	621,544	-
Other noncurrent liabilities	623	428
Total Noncurrent Liabilities	1,669,197	15,716
TOTAL LIABILITIES	2,011,438	38,362
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Service Concession Arrangements	1,210	-
Deferred Inflows on Leases	53,971	11,751
OPEB Related	25,351	-
Gain on bond refunding	594	-
Pension related	224,659	-
Split-interest agreements	-	7,093
TOTAL DEFERRED INFLOWS OF RESOURCES	305,785	18,844
<u>NET POSITION</u>		
Net investment in capital assets	1,850,785	7,121
Restricted - Nonexpendable	92,763	392,671
Restricted - Expendable - Scholarships, research and instruction	229,778	433,038
Restricted - Expendable - Loans	6,435	-
Restricted - Expendable - Capital projects	55,343	1,271
Restricted - Expendable - Debt service	39,638	-
Restricted - Expendable - Other	-	5,144
Unrestricted	(237,203)	54,986
TOTAL NET POSITION	\$ 2,037,539	\$ 894,231

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, 2022

	<u>System</u>	<u>System Related Organization</u>
Operating Revenues		
Student tuition and fees (net of scholarship allowance of \$209,511)	\$ 477,348	\$ -
Federal grants and contracts	268,295	-
State grants and contracts	52,260	-
Local grants and contracts	3,645	-
Other grants and contracts	39,655	-
Campus support	-	6,831
Sales and services of educational departments (including \$32,010 from System Related Organizations)	174,138	-
Sales and services of auxiliary enterprises (net of scholarship allowance of \$10,516)	80,445	-
Contributions	-	64,866
Patient revenue	-	40,490
Contract revenue	-	14,725
Special events and fundraising	-	1,879
Interest earned on loans receivable	171	-
Other operating revenues	11,046	14,866
Total Operating Revenues	<u>1,107,003</u>	<u>143,657</u>
Operating Expenses		
Employee compensation and benefits	(1,245,173)	(29,425)
Utilities	(30,109)	-
Supplies and services	(448,976)	(6,710)
Scholarships and fellowships	(195,329)	-
Program expenses, System Related Organizations	-	(16,040)
Depreciation and amortization	(132,841)	(4,533)
Other operating expenses	-	(2,656)
Total Operating Expenses	<u>(2,052,428)</u>	<u>(59,364)</u>
Operating Income (Loss)	<u>(945,425)</u>	<u>84,293</u>
Nonoperating Revenues (Expenses)		
State appropriations	639,655	-
Gifts (including \$50,185 from System Related Organizations)	52,702	-
Investment loss, net	(79,347)	(39,345)
Loss on disposal of capital assets	(5,189)	-
Interest expense	(26,577)	(192)
Intergovernmental revenue	50	-
Payments to System campuses and divisions	(3,465)	(96,486)
Other nonoperating revenues	6,115	1,940
Federal grants and contracts	354,066	-
Total Nonoperating Revenues	<u>938,010</u>	<u>(134,083)</u>
Loss Before Other Revenue (Expenses)	<u>(7,415)</u>	<u>(49,790)</u>
Other Revenues (Expenses)		
State reversions restricted for capital purposes	(5,627)	-
Capital grants and gifts (including \$15,467 from System Related Organizations)	15,591	-
Return of Capital Gifts	(29)	-
Additions to permanent endowments (including \$611 to System Related Organizations)	647	32,767
Other Foundation expenses	-	(189)
Total Other Revenues	<u>10,582</u>	<u>32,578</u>
Increase (Decrease) in Net Position	3,167	(17,212)
NET POSITION		
Net position - beginning of year	<u>2,034,372</u>	<u>911,443</u>
Net position - end of year	<u>\$2,037,539</u>	<u>\$ 894,231</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, 2022

	<u>System</u>
<i>Cash flows from operating activities</i>	
Tuition and fees	\$ 470,639
Grants and contracts	360,543
Payments to suppliers	(459,958)
Payments for utilities	(29,363)
Payments for compensation and benefits	(1,265,587)
Payments for scholarships and fellowships	(195,518)
Loans issued to students and employees	(794)
Collection of loans to students and employees	947
Sales and services of educational departments	168,948
Sales and services of auxiliary enterprises	80,115
Insurance recoveries	11,458
Receipts under third party events	8,267
Disbursements under third party event disbursements	(6,338)
Receipts under federal student loan programs	116,630
Disbursements under federal student loan programs	(111,237)
Receipts under External award receipts and others	12,227
Disbursements under External award distributions and others	(11,437)
Other receipts	<u>10,619</u>
<i>Cash flows from operating activities</i>	<u>(839,839)</u>
<i>Cash flows from noncapital financing activities</i>	
State appropriations	646,609
Transfers from System Administration	(3,465)
Gifts and grants for other than capital purposes	51,947
Gift for endowment purposes	547
Other	5,932
Principal paid on noncapital debt	(2,984)
Federal grants and contracts	353,905
Interest paid on noncapital debt	<u>(354)</u>
<i>Cash flows from noncapital financing activities</i>	<u>1,052,137</u>
<i>Cash flows from capital and related financing activities</i>	
Payments for debt issuance costs	(446)
Capital appropriations	21,917
Capital grants and gifts received	14,581
Bond issuance and refunding	74,503
Purchases of capital assets	(176,649)
Proceeds from sale of property and equipment	1,340
Principal paid on capital debt	(85,455)
Interest paid on capital debt	(29,661)
Insurance recoveries for capital assets	20,042
Deposits for the acquisition of property and equipment	<u>98</u>
<i>Cash flows from capital and related financing activities</i>	<u>(159,730)</u>
<i>Cash flows from investing activities</i>	
Proceeds from sales and maturities of investments	230,410
Purchase of investments	(359,146)
Interest and dividends received on investments	11,128
Net (increase) decrease in cash equivalents, noncurrent investments	<u>(3,545)</u>
<i>Cash flows from investing activities</i>	<u>(121,153)</u>
<i>Net decrease in cash</i>	(68,585)
<i>Cash and cash equivalents, beginning of year</i>	<u>199,746</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 131,161</u>

NEVADA SYSTEM OF HIGHER EDUCATION
COMBINED STATEMENT OF CASH FLOWS (in \$1,000's)
(CONTINUED)
AS OF JUNE 30, 2022

	<u>System</u>
Reconciliation of operating loss to cash flows from operating activities	
Operating loss	\$ (945,425)
Adjustments to reconcile operating loss to cash used in operating activities:	
Supplies expense related to noncash gifts	518
Depreciation and amortization expense	132,841
Change in pension related deferred outflows of resources	(80,608)
Change in pension related deferred inflows of resources	194,007
Change in OPEB related deferred outflows of resources	12,955
Change in OPEB related deferred inflows of resources	(16,941)
Change in service concession arrangements deferred inflows of resources	(321)
Change in lease related deferred inflows of resources	949
Changes in assets and liabilities:	
Accounts receivable, net	(7,805)
Receivable from U.S. Government	(1,263)
Receivable from State of Nevada	2,350
Loans receivable, net	295
Inventories	(629)
Due from other institutions	(6,458)
Due from system related organizations	(1,278)
Deposits and prepaid expenditures	(4,826)
Other assets	(14)
Accounts payable	3,685
Accrued payroll and related liabilities	6,249
Due to other institutions	6,687
Due to System Related Organizations	3,954
Unemployment and workers' compensation insurance liability	(100)
Unearned revenue	(7,049)
Refundable advances under federal loan program	153
Compensated absences	(6,750)
Other liabilities	2,001
Net pension liability	(144,452)
Net OPEB liability	16,621
Deposits held for others	764
Other	51
Cash flows from operating activities	<u>\$ (839,839)</u>
Supplemental noncash activities information:	
Loss on disposal of capital assets	<u>\$ (4,620)</u>
Capital assets acquired by gifts	<u>\$ 2,134</u>
Capital assets acquired by incurring lease obligations and accounts payable	<u>\$ 13,909</u>
University Revenue Refunding Bond Series 2022	<u>\$ 24,053</u>
Unrealized gains (loss) on investments	<u>\$ (156,324)</u>
Right-of-use assets obtained in exchange for lease obligations	<u>\$ 36,977</u>
System Related Organization debt forgiveness	<u>\$ 1,992</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, 2022**

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, 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 Medicine Incorporated, 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, 2022, the foundations distributed \$96,486 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.

In prior years, the System Related Organizations also include four legally separate non-profit organizations, together known as Integrated Clinical Services, Inc. (ICS). The financial statements of ICS were discretely presented on the System's financial statements. On October 1, 2021 ICS entered into a joint affiliation agreement with Renown Health designed to improve access to care. ICS became a blended component unit of the System and the prior year net position \$1,474 is reported within the System's financial statements.

During the year ended June 30, 2022, UNLV Med distributed \$28,747 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.

NOTE 2 – Summary of Significant Accounting Policies:

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

BASIS OF PRESENTATION

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

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

**NEVADA SYSTEM OF HIGHER EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
 FOR THE YEAR ENDED JUNE 30, 2022**

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

BASIS OF ACCOUNTING

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

CASH AND CASH EQUIVALENTS

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Cash held by State Treasurer represents the funds from certain state appropriations, which were enacted to provide the System with the funds necessary for the construction of major assets. Such amounts are controlled by the Nevada Public Works Board. 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 receivables are recorded at net present value using the appropriate discount rate. An allowance for uncollectible pledges is estimated based on collection history and is netted against the gross pledges' receivable.

CAPITAL ASSETS

Capital assets are defined as assets with an initial unit cost of \$5 in the 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, 2022. 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.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2022**

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

LEASE RECEIVABLE

Lease receivables are recorded by the System as the present value of lease payments expected to be received under all leases other than short term. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. Short term leases, those with a maximum period of 12 months, are recognized as collected.

RIGHT OF USE ASSET

Right-of-Use (ROU) assets are recognized at the lease commencement date and represent the System's right to use an underlying asset for the lease term. ROU assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement and initial direct costs. ROU assets are included in net capital assets on the Combined Statement of Net Position.

LEASE LIABILITY

Lease liabilities represent the System's obligation to make lease payments arising from leases other than short term leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments over the remaining lease term. Present value of lease payments are discounted based on a borrowing rate determined by the System. Short term leases, those with a maximum period of 12 months, are expensed as incurred.

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.

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

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2022**

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

until then. The System has pension related, other post-employment benefits related and loss on bond refunding balances of \$156,239, \$50,742 and \$8,730 respectively, at June 30, 2022. 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 \$7 at June 30, 2022.

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, gain on bond refunding and unrecognized revenues from other than short term lease balances of \$224,659, \$25,351, \$1,210, \$594 and \$53,971, respectively, at June 30, 2022, while the System Related Organizations have split-interest agreements and unearned lease revenue of \$7,093 and \$11,751, respectively, at June 30, 2022.

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. Leases are discussed in depth in Note 11 and 12.

NET POSITION

Net position is classified as follows:

Net investment in capital assets: This represents the total investment in capital assets and right-of-use assets net of outstanding debt obligations related to those capital assets and lease liabilities related to the right-of-use 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:

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.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2022**

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

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.

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

FOUNDATIONS

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

SCHOLARSHIP ALLOWANCES

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

GRANTS-IN-AID

Student tuition and fees revenue include grants-in-aid charged to scholarships and fellowships and grants-in-aid for faculty and staff benefits charged to the appropriate expenditure programs to which the applicable personnel relate. Grants-in-aid for the year ended June 30, 2022, were \$14,027.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2022**

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

TAX EXEMPTION

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

USE OF ESTIMATES

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

GASB STATEMENTS IMPLEMENTED IN FISCAL YEAR 2022

GASB Statement No. 87, *Leases*, effective 2022, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the earliest period presented. Leases are discussed in depth in Note 11 and 12.

Changes adopted to conform to the provisions of this Statement were applied retroactively by restating the financial statements for the earliest period presented, July 1, 2021. The cumulative effect of implementation was the recognition of lease receivable of \$45,101 and an offset deferred inflow of resources of \$45,101, and the recognition of a lease liability of \$39,122 and intangible right-to-use assets of \$39,122. There was no change in beginning net position.

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 June 30, 2021. The impact of this pronouncement is immaterial, and no fiduciary activities are being presented separately.

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. There is no anticipated impact from this pronouncement as NSHE does not issue conduit debt on behalf of unaffiliated entities.

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. GASB 92 was implemented for fiscal years beginning after June 15, 2021. The 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.

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

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2022**

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

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.

GASB Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The System is required to implement this portion of GASB Statement No. 99 in the fiscal year beginning July 1, 2023.

The practice issues addressed by this Statement are as follows: Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset; and clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument. The Department is required to implement this portion of GASB Statement No. 99 in the fiscal year beginning July 1, 2024.

The System has not completed its assessment of the impact of the adoption of these statements and the impact is unknown at this time.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which addresses informational needs of the financial statement users by improving the accounting and financial reporting for compensated absences, such as PTO. GASB 101 is effective for years beginning after December 31, 2023. The Company has not adopted this statement and is in the process of determining the impact to its financial statements.

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, 2022, the System's deposits in money market funds totaled \$218,232 and cash in bank was \$1,732. 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, 2022

NOTE 4 – Disclosures About Fair Value of Financial Instruments:

Investments at Fair Value

The System's investment holdings as of June 30, 2022, 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	\$ 225,014	\$ -	\$ -	\$ -	\$ 225,014
Charitable trusts	4,105	-	-	-	4,105
Domestic equity	160,255	-	-	91,258	251,513
Emerging market equity	-	-	-	19,191	19,191
Fixed income	180,624	2,149	-	154,127	336,900
International equity	98,494	-	-	97,748	196,242
Marketable alternatives	-	-	-	46,407	46,407
Multi-strategy	-	-	-	-	-
Private growth	-	-	-	70,394	70,394
Real assets	9,326	-	-	7,867	17,193
	677,818	2,149	-	486,992	1,166,959
Less: GBC Foundation Endowments	(8,941)	-	-	-	(8,941)
	<u>\$ 668,877</u>	<u>\$ 2,149</u>	<u>\$ -</u>	<u>\$ 486,992</u>	<u>\$ 1,158,018</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 \$25,702 to private equity/venture capital funds are outstanding as of June 30, 2022.
- *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.

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

SUMMARY OF REDEMPTION RESTRICTIONS FOR INVESTMENTS VALUED AT NAV

	Redemption Frequency	Days' Notice (If applicable)	Remaining Life for Partnership
Marketable Alternatives	Daily, Monthly, Quarterly, Semi-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

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, is as follows:

	<u>Cost</u>	<u>Market Value</u>
Mutual funds publicly traded	\$384,604	\$439,166
Partnerships	64,334	109,163
Cash and cash equivalents	225,014	225,014
Trusts	3,824	4,105
Private commingled funds	<u>406,787</u>	<u>389,511</u>
	1,084,563	1,166,959
Less: GBC Foundation Endowments	<u>(8,941)</u>	<u>(8,941)</u>
	<u>\$ 1,075,622</u>	<u>\$1,158,018</u>

As of June 30, 2022, 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.

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, 2022, is as follows:

	<u>Fair Value</u>	<u>Not Rated</u>
Mutual funds publicly traded	\$439,166	\$439,166
Partnerships	109,163	109,163
Cash and cash equivalents	225,014	225,014
Trusts	4,105	4,105
Private commingled funds	<u>389,511</u>	<u>389,511</u>
	1,166,959	1,166,959
Less: GBC Foundation Endowments	<u>(8,941)</u>	<u>(8,941)</u>
	<u>\$ 1,158,018</u>	<u>\$1,158,018</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.

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NOTE 5 – System Investments (continued):

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, 2022, is as follows:

Less than 1 year	\$88,333
1 to 5 year	151,736
5 to 10 year	<u>181,978</u>
	<u>\$422,047</u>

Custodial credit risk

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

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System’s investments within any one issuer. For the fixed income portion of the endowment pool, the System’s policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the fixed income portfolio, provided that issues of the U.S. Government or agencies of the U.S. Government may be held without limitation and provided further that issues of agencies of the U.S. Government shall be limited to the extent set forth in the manager-specific guidelines. The System does not have a specific policy with regard to the operating pool or the remainder of the endowment pool. At June 30, 2022, 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 \$211,460 in mutual funds and commingled funds in both the operating and endowment pools that are primarily invested in international equities at June 30, 2022.

NOTE 6 – System Endowment Pool:

At June 30, 2022, \$290,590 of endowment fund investments were pooled on a unit market value basis. As of June 30, 2022, the endowment pool was comprised of investments in cash and cash equivalents (1.7%), mutual funds (11.5%), partnerships (36.5%), and private commingled (50.3%). 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, 2022, was \$1.087. 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, 2022, 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 2022, \$29.57 was distributed to each time-weighted eligible unit for a total spending rule distribution of \$10,421. The 2022 distributions were made from investment income of \$7,939 and from cumulative gains of pooled investments of \$18,360.

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 \$183,902 at June 30, 2022, 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, 2022, there were eight accounts underwater, but the total amount is considered immaterial.

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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. The accounts receivable balances as of June 30, 2022, are as follows:

Accounts receivable:	
Student tuition and fees	\$73,068
Sales and services	31,351
Local and private grants and contracts	7,864
Other	<u>153</u>
	112,436
Less: Allowance for doubtful accounts	<u>(63,263)</u>
Net accounts receivable	<u>\$49,173</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, 2022. 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, 2022, are as follows:

Loans receivable	\$6,532
Less: Allowance for doubtful loans	<u>(844)</u>
Net loans receivable	5,688
Less current portion	<u>(918)</u>
Noncurrent loans receivable	<u>\$ 4,770</u>

NOTE 9 – System Capital Assets:

System capital asset activity for the year ended June 30, 2022, is as follows:

	Beginning Balance	GASB 87 Restatement	Increases	Decreases	Ending Balance
Capital assets not being depreciated:					
Construction in progress	\$ 116,726	\$ -	\$ 118,544	\$ (52,124)	\$ 183,146
Land	173,109	-	6,109	(38)	179,180
Land improvements	288	-	-	-	288
Intangibles	642	-	-	(642)	-
Collections	12,031	-	1,272	(33)	13,270
Total	<u>302,796</u>	<u>-</u>	<u>125,925</u>	<u>(52,837)</u>	<u>375,884</u>
Capital assets being depreciated:					
Buildings	3,338,301	-	71,207	(4,858)	3,404,650
Land improvements	179,218	-	2,866	-	182,084
Machinery and equipment	448,881	-	29,363	(27,884)	450,360
Intangibles	51,799	-	1,960	-	53,759
Library books and media	125,368	-	2,168	(648)	126,888
	-	-	-	-	-
Total	<u>4,143,567</u>	<u>-</u>	<u>107,564</u>	<u>(33,390)</u>	<u>4,217,741</u>
Less accumulated depreciation for:					
Buildings	(1,257,694)	-	(85,057)	839	(1,341,912)
Land improvements	(129,768)	-	(5,402)	-	(135,170)
Machinery and equipment	(338,587)	-	(28,977)	26,080	(341,484)
Intangibles	(46,988)	-	(1,865)	-	(48,853)
Library books and media	(121,575)	-	(1,813)	678	(122,710)
	-	-	-	-	-
Total	<u>(1,894,612)</u>	<u>-</u>	<u>(123,114)</u>	<u>27,597</u>	<u>(1,990,129)</u>

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NOTE 9 – System Capital Assets (continued):

	Beginning Balance	GASB 87 Restatement	Increases	Decreases	Ending Balance
Right-of-Use assets being amortized:					
ROU Buildings/Offices	-	37,086	4,406	-	41,492
ROU Equipment	-	2,036	2,611	-	4,647
Total	-	39,122	7,017	-	46,139
Less accumulated amortization for:					
ROU Buildings/Offices	-	-	(8,592)	-	(8,592)
ROU Equipment	-	-	(1,135)	-	(1,135)
Total	-	-	(9,727)	-	(9,727)
Total assets being depreciated/amortized, net	2,248,955	39,122	(18,260)	(5,793)	2,264,024
Capital assets, net	\$ 2,551,751	\$ 39,122	\$ 107,665	\$ (58,630)	2,639,908

GASB Statement No. 87, Leases, effective 2022, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. NSHE recognized intangible right-to-use lease assets of \$46,139 of which \$39,122 was a restatement from fiscal year 2021. The associated leases liabilities are discussed in Note 12.

In 2022, the total amount recognized as a loss on disposal of assets was immaterial.

NOTE 10 – System Long-Term Debt:

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

The Board of Regents issues revenue bonds and certificates of participation 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.

The Board of Regents has entered into various long-term financed purchase obligations to acquire real estate and equipment. These purchases transfers ownership by the end of the contract, do not contain termination options, but may contain a fiscal funding or cancellation clause that is not reasonably certain to be exercised.

System long-term debt activity for the year ended June 30, 2022, 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 2011A	2.25% to 5.00%	2025	\$ 50,470	\$ 5,170	\$ -	\$ (5,170)	\$ -	\$ -
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	320	-	(160)	160	160
Universities Revenue Bonds, Series 2013A	2.00% to 5.00%	2034	40,035	28,640	-	(1,510)	27,130	1,580
Universities Revenue Bonds, Series 2013B	3.00% to 5.00%	2036	105,300	82,230	-	(6,105)	76,125	6,405
Universities Revenue Bonds, Series 2014A	4.00% to 5.00%	2044	49,995	42,185	-	(1,610)	40,575	1,690
Universities Revenue Bonds, Series 2015A	3.00% to 5.00%	2036	61,455	60,240	-	(2,390)	57,850	3,190
Universities Revenue Bonds, Series 2015B	2.00% to 3.00%	2027	7,480	4,675	-	(735)	3,940	750
Universities Revenue Bonds, Series 2016A	2.00% to 5.00%	2039	57,750	55,820	-	(2,440)	53,380	2,545
Universities Revenue Bonds, Series 2016B	2.50% to 5.00%	2037	13,580	12,065	-	(555)	11,510	585
Universities Revenue Bonds, Series 2017A	3.25% to 5.00%	2041	25,905	25,905	-	(825)	25,080	870
Universities Revenue Bonds, Series 2019A	3.00% to 5.00%	2050	18,640	18,640	-	(330)	18,310	345
Universities Revenue Bonds, Series 2021	2.38% to 5.00%	2052	35,705	-	35,704	-	35,704	1,139
Universities Revenue Bonds, Series 2022	3.00% to 5.00%	2033	21,905	-	21,905	-	21,905	-
C. College Revenue Bonds, Series 2017A	3.00% to 5.00%	2048	70,915	66,180	-	(1,365)	64,815	1,435
Certificates of Participation, Series 2014A	2.00% to 5.00%	2045	34,220	29,865	-	(810)	29,055	850
Certificates of Participation, Series 2016A	2.00% to 5.00%	2047	63,095	53,645	-	(1,685)	51,960	1,770
Certificates of Participation, Series 2016B	1.65% to 4.72%	2047	50,405	46,335	-	(1,070)	45,265	1,100
Certificates of Participation, Series 2017A	3.00% to 5.00%	2048	28,890	26,995	-	(555)	26,440	585
Certificates of Participation, Series 2018A	3.00% to 5.00%	2049	12,475	12,135	-	(240)	11,895	255
Certificates of Participation, Series 2020A	3.00% to 5.00%	2051	52,620	52,620	-	(445)	52,175	465
SNSC Phase II Revenue Bonds	7.58%	2023	\$ 8,460	1,515	-	(730)	785	785
Discounts				(1)	-	1	-	-
Premiums				39,413	5,702	(3,981)	41,134	3,243
Total Bonds Payable				690,557	63,311	(58,675)	695,193	29,747
Notes Payable				31,084	-	(12,754)	18,330	9,704
Financed purchase obligations				49,081	-	(2,567)	46,514	2,673
Total				\$ 770,722	\$ 63,311	\$ (73,996)	\$ 760,037	\$ 42,124

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

System notes payable activity for the year ended June 30, 2022, 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	\$1,087
Wells Fargo Bank, UNR MEBD Refunding	1.80%	4/21/2016	1/2/2026	\$7,570	3,483
Key Government Finance, Inc., UNR Fine Arts Bldg	2.02%	4/20/2017	7/1/2022	\$11,326	2,421
US Bank, UNLV SOM funding	Variable****	6/28/2017	6/28/2024	Maximum \$19,000	4,658
ZionsBankcorp, UNLV Football facility	1.98%	11/9/2017	7/1/2023	\$15,297	3,941
ZionsBankcorp, UNR Football facility	2.25%	1/9/2020	7/1/2029	\$3,200	2,740
					<u>\$18,330</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:

	Principal	Interest	Total
2023	\$ 38,881	\$ 27,666	\$ 66,547
2024	35,175	26,287	61,462
2025	32,436	24,793	57,229
2026	33,059	23,241	56,300
2027	36,283	28,533	64,816
2028-2032	159,499	87,493	246,992
2033-2037	166,930	54,277	221,207
2038-2042	98,655	29,032	127,687
2043-2047	87,940	11,797	99,737
2048-2052	30,045	1,373	31,418
	718,903	314,492	1,033,395
Premiums	41,134	-	41,134
	<u>\$ 760,037</u>	<u>\$ 314,492</u>	<u>\$ 1,074,529</u>

Various outstanding notes from direct borrowings and direct placements of the System in the combined amount of \$2,525 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 \$606 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 \$1,129 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 \$790 is secured by instructional equipment as collateral. Various outstanding notes from direct borrowings and direct placements of the System in the combined amount of \$12,512 contain provisions that in an event of default, the respective interest rates are reset to a higher default rate.

Maturity	Outstanding (\$)	Unused Line of Credit (\$)	Pledged Assets?	Finance-Related EOD Consequences?		Finance-Related Termination Events?	Subjective Acceleration Clause(s)?
				Interest Rate/Other	Acceleration		
07/01/22	2,421	n/a	No	Yes-Note III	No	No	No
10/14/22	863	n/a	Yes-Note VI	Yes-Note VI	Yes-Note VI	No	No
06/01/23	1,087	n/a	No	Yes-Note V	No	No	No
07/01/23	4,658	n/a	No	Yes-Note IV	No	No	No

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

07/01/23	3,941	n/a	No	No	No	No	No
11/01/23	266	n/a	Yes-Note VIII	No	Yes-Note VIII	Yes-Note VIII	No
02/01/25	790	n/a	Yes-Note VII	Yes-Note VII	No	No	No
01/02/26	3,483	n/a	No	Yes-Note II	No	No	No
01/01/27	606	n/a	Yes-Note I	No	No	No	No
07/01/29	2,740	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 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%).
- V. 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.
- VI. Assets pledged include equipment purchased with proceeds of the lease, as described in Exhibit A to the lease agreement. Upon an 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.
- VII. 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.
- VIII. 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.

NOTE 11 – Lessor Leases:

Lease Receivables

The System leases real estate and equipment to independent third parties. The income under these lease agreements was approximately \$6,200 in 2022. The System had current lease receivables and lease receivables due from related organizations of \$4,852 and \$2,927, respectively, and long-term lease receivables and long-term lease receivables due from related organizations of \$31,157 and \$14,987, respectively, as of June 30, 2022. Deferred inflows of resources of \$53,971 are associated with these leases as of June 30, 2022.

The System had a total of 19 leases of which call for payments that are partially or completely variable and were not included in lease receivables or deferred inflows of resources. These variable payments were a result of the underlying lease measured not on a fixed rate, but rather variable due to the underlying payments derived from a percentage of sales, use of a Capital Asset, or changes in an index rate. A total of \$289 was recognized as revenue from these variable payments for the year ended June 30, 2022.

	Beginning Balance	GASB 87 Restatement	Additions	Deletions	Ending Balance	Current	LT Portion
System Lease Receivable Total	\$ -	\$ 45,101	\$ 15,019	\$ 6,197	\$ 53,923	\$ 7,779	\$ 46,144

The principal and interest revenue for the next five years and beyond are projected below for lease receivables:

	Principal	Interest	Total
2023	\$ 7,779	\$ 718	\$ 8,497
2024	6,528	633	7,161
2025	5,457	565	6,022
2026	5,144	488	5,632
2027	3,542	426	3,968
2028-2032	10,730	1,461	12,191
2033-2037	2,967	1,019	3,986
2038-2042	2,822	809	3,631
2043-2047	3,220	573	3,793
2048-2052	3,208	319	3,527
2053-2057	2,526	78	2,604
Total	\$ 53,923	\$ 7,089	\$ 61,012

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NOTE 12 – Lessee Leases:

The System has entered into various leases for land, building, equipment, infrastructure, facilities and improvements. Of these leases, a total of 22 agreements call for payments that are partially or completely variable and therefore were not included in lease assets or lease liabilities. These variable payments are a result of the underlying lease measured not on a fixed rate, but rather variable due to the underlying payments derived from a percentage of sales, use from a Capital Asset, or changes in index rates. A total of \$1,497 was recognized as expenses from these variable payments for the years ended June 30, 2022.

A summary of changes in the Right-of-Use Assets, displayed by the nature of underlying assets, is as follows for the year ended June 30, 2022:

	Beginning Balance	GASB 87 Restatement	Additions	Retirements	Ending Balance
Right-of-Use Assets:					
ROU Building	\$ -	\$ 37,086	\$ 4,406	\$ -	\$ 41,492
ROU Equipment	-	2,036	2,611	-	4,647
Total	-	39,122	7,017	-	46,139
Less accumulated depreciation for:					
ROU Building	-	-	(6,556)	-	(6,556)
Equipment	-	-	(3,171)	-	(3,171)
Total	-	-	(9,727)	-	(9,727)
Total Carrying Value of Right-of-Use Assets	\$ -	\$ 39,122	\$ (2,710)	\$ -	\$ 36,412

Lease Liabilities

GASB Statement No. 87, Leases, effective 2022, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. NSHE restated fiscal year 2021 leases of \$39,122 to right-to-use lease assets.

Long-term Liability activity for the year ended June 30, 2022, is summarized as follows:

	Beginning Balance	GASB 87 Restatement	Additions	Deletions	Ending Balance	Current
System Long-term Liability Total	\$ -	\$ 39,122	\$ 6,830	\$ (8,975)	\$ 36,977	\$ 8,538

The principal and interest expense for the next five years and beyond are projected below for lease obligations:

	Principal	Interest	Total
2023	\$ 8,538	\$ 388	\$ 8,926
2024	6,077	318	6,395
2025	4,616	263	4,879
2026	3,637	218	3,855
2027	3,406	173	3,579
2028-2032	10,653	304	10,957
2033-2038	50	1	51
Total Requirements	\$ 36,977	\$ 1,665	\$ 38,642

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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, 2022, are as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>
Unemployment insurance	\$1,232	\$ -	\$ -	\$1,232
Workers’ compensation	<u>2,927</u>	<u>-</u>	<u>-</u>	<u>2,927</u>
Total	<u>\$4,159</u>	<u>\$ -</u>	<u>\$ -</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, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current
Refundable advances under federal loan program	\$ 4,523	\$ 371	\$ (748)	\$ 4,146	\$ -
Compensated Absences	71,364	44,705	(51,453)	64,616	41,058
Unearned Revenue	73,021	68,435	(76,721)	64,735	64,735
Other noncurrent liabilities	624	-	(1)	623	-
Total	<u>\$ 149,532</u>	<u>\$ 113,511</u>	<u>\$ (128,923)</u>	<u>\$ 134,120</u>	<u>\$ 105,793</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. On June 30, 2022, \$26,485 of outstanding bonds 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). In the fiscal year ended June 30, 2022, the System refinanced \$27,985 of bonds, and refinancing activities produced cash flow savings and economic gain of \$2,279 and \$2,044, respectively

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 \$1,247 as of April 10, 2022. 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, 2022.

**NEVADA SYSTEM OF HIGHER EDUCATION
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FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 17 – System Pension Plans:

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

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

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

The System's contribution to all retirement plans for the year ended June 30, 2022, was \$96,220 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. In one plan, contributions are shared equally by employer and employee. In the other plan, 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.

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NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 17 – System Pension Plans (continued):

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%.

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

At June 30, 2022, the System reported a liability of \$272,974 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, 2021. The System's proportionate share is 2.99%.

For the year ended June 30, 2022, the System recognized pension expense of \$7,132. At June 30, 2022, 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	\$30,236	\$1,921
Net difference between projected and actual investment earnings on pension plan investments	0	222,738
Changes in assumptions	90,632	0
Changes in proportion	4,655	0
System contributions subsequent to the measurement date	30,716	0
	<u>\$156,239</u>	<u>\$224,659</u>

In 2022 \$30,716 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:

2023	\$	29,614
2024		29,129
2025		30,216
2026		32,386
2027		(19,485)
Thereafter		(2,724)
	<u>\$</u>	<u>99,136</u>

Actuarial Assumptions

The PERS net pension liability was measured as of June 30, 2021, 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	2.50%
Investment Rate of Return	7.25%
Productivity pay increase	0.50%
Projected salary increases	4.20% to 9.10%, depending on service Rates include inflation and productivity increases
Other assumptions	Update from those used in the June 30, 2020, funding actuarial valuation

Actuarial assumptions used in the June 30, 2021, valuation was based on the results of the experience study for the period July 1, 2016, through June 30, 2020.

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2021. 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

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

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.

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, 2021.

The following was the PERS Board adopted policy target asset allocation as of June 30, 2021:

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

* As of June 30, 2021, PERS’ long-term inflation assumption was 2.50%

Pension Liability Discount Rate Sensitivity

The following represents the System’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
NSHE’s proportional share of the net pension liability	\$543,485	\$272,974	\$49,827

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.

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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 PEBC 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 PEBC 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 PEBC 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 PEBC 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, 2021 was 2.17%. NSHE contributions recognized as part of OPEB expense for the current fiscal year ended June 30, 2022 were \$16,058.

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

At June 30, 2022, NSHE reported a liability of \$621,544 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of July 1, 2021, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of January 1, 2021. 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, 2022, the NSHE's proportion was 40.0958%.

For the year ended June 30, 2022, NSHE recognized OPEB expense of \$26,774. On June 30, 2022, 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	\$ -	\$ 22,441
Changes in assumption	34,684	2,692
Net difference between projected and actual earnings in OPEB plan investments	-	218
System contributions subsequent to the measurement date	16,058	-
Total	<u>\$ 50,742</u>	<u>\$ 25,351</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$16,058 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

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2022**

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

June 30, 2022. 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:		
2023	\$	2,025
2024		4,325
2025		3,018
2026		(35)
Thereafter		-
Total	\$	<u>9,333</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	2.21%, 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-2020 (See Actuarial Assumptions and Methods section for additional details)

The actuarial assumptions and methods used in the June 30, 2022, valuation are stated below.

Valuation Date	January 1, 2020
Census Date	January 1, 2020
Measurement Date	June 30, 2021
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, 2020: 2.21% ▪ Measurement Date June 30, 2021: 2.16%
Dental	4.00%
Admin	3.00%
HRA Accounts	0.00%
Life insurance Administrative Load	10%
Investment rate of return	2.21%, net of OPEB plan investment expense, including inflation

**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):

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 4.00% and 4.50%, respectively.
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Table weighted by Headcount, projected by MP-2020 (See Actuarial Assumptions and Methods section for additional details)

The actuarial assumptions used in the January 1, 2022, valuation was 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 1.16% or 1-percentage-point higher 3.16% than the current discount rate:

	<u>1% Decrease 1.16%</u>	<u>Discount Rate 2.16%</u>	<u>1% Increase 3.16%</u>
NSHE's proportionate share of the collective net OPEB liability	\$683,777	\$621,544	\$553,418

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	\$571,478	\$621,544	\$663,327

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, 2022, NSHE reported payables to the defined benefit OPEB plan of \$1,443 for statutorily required employer contributions which had been assessed on employee salaries but not yet remitted to the Retirees' Fund.

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.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 19 – System Commitments and Contingent Liabilities (continued):

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, 2022, 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, 2022, is \$167,481. 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.
- Coverage for cyber liability is a combination of self-insurance and insurance policy with limits of \$3,000 per claim and \$5,000 per aggregate and a deductible of \$50.
- Medical malpractice with limits of \$1,000 per occurrence and \$3,000 aggregate.
- Allied health malpractice with limits of \$1,000 per occurrence and \$3,000 aggregate.

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

NOTE 21 – Subsequent Events:

The System evaluated subsequent events through March 31, 2023, the date of issuance, and has determined the following subsequent events to report.

Subsequent to year-end, the operations of Sierra Nevada University (SNU) were transferred to UNR and all real property assets of SNU were gifted to the UNR Foundation. The transaction was finalized on July 1, 2022, at which time UNR began full academic operations at the new University of Nevada, Reno at Lake Tahoe branch campus. In addition, a triple net lease was executed between UNR Foundation and UNR for \$1 a year for the an initial term equal to fifty (50) years. UNR does not anticipate this transaction having a material impact on operations.

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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, 2022:

Instruction	\$ 679,858
Research	155,020
Public service	120,980
Academic support	196,330
Institutional support	180,454
Student services	194,745
Operation and maintenance of plant	115,717
Scholarships and fellowships	197,733
Auxiliary enterprises	78,750
Depreciation	132,841
Total	<u>\$ 2,052,428</u>

NOTE 23 – System Related Organizations:

As described in Note 1, the System Related Organizations columns in the financial statements include the financial data of the System’s discretely presented campus foundations, and UNLV Medicine. Due to the condensed nature of this information, the individual line items may not necessarily agree with the financial statements of the System Related Organizations, 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, 2022

NOTE 23 - System Related Organizations

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET POSITION AS OF JUNE 30, 2022

	<u>CSN</u> <u>Foundation</u>	<u>DRI</u> <u>Foundation</u>	<u>DRI</u> <u>Research</u> <u>Park</u>	<u>GBC</u> <u>Foundation</u>	<u>NSC</u> <u>Foundation</u>	<u>TMCC</u> <u>Foundation</u>	<u>UNLV</u> <u>Foundation</u>	<u>UNLV</u> <u>Research</u> <u>Foundation</u>	<u>Rebel</u> <u>Golf</u> <u>Foundation</u>
<u>ASSETS</u>									
<i>Current Assets</i>									
Cash and cash equivalents	\$ 74	\$ 1,346	\$ 1	\$ 2,742	\$ 544	\$ 5,694	\$ 22,316	\$ 272	\$ 717
Restricted cash and cash equivalents	4,043	-	-	1,589	2,343	-	-	-	-
Short-term investments	3,594	-	-	-	1,137	560	45,647	1,757	5,102
Accounts receivable, net	-	-	-	-	-	52	-	1,646	-
Receivable from U.S. Government	-	-	-	-	-	-	-	1,401	-
Pledges receivable, net	269	-	-	32	592	225	1,068	-	-
Patient accounts receivable, net	-	-	-	-	-	-	-	-	-
Current portion of loans receivable, net	1	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-
Deposits and prepaid expenditures, current	2	-	-	-	4	-	72	3	-
Due from affiliates (SROs)	-	-	-	-	-	-	1,208	-	-
Other current assets	-	-	-	72	-	43	692	218	-
Total Current Assets	7,983	1,346	1	4,435	4,620	6,574	71,003	5,297	5,819
<i>Noncurrent Assets</i>									
Investments	-	1,552	-	1,169	-	-	77,766	-	-
Restricted investments	2,150	-	-	7,887	1,331	-	-	-	-
Endowment investments	-	-	-	-	-	630	256,724	-	-
Loans receivable, net	25	-	-	-	-	-	-	-	-
Capital assets, net	-	397	-	-	-	-	353	5,897	102
Pledges receivable, net	276	-	-	276	1,072	506	16,426	-	-
Other noncurrent assets	-	-	-	-	-	-	13,922	8,135	-
Total Noncurrent Assets	2,451	1,949	-	9,332	2,403	1,136	365,191	14,032	102
TOTAL ASSETS	10,434	3,295	1	13,767	7,023	7,710	436,194	19,329	5,921
<u>DEFERRED OUTFLOWS OF RESOURCES</u>									
Intra-entity sales of future revenues	-	-	-	-	-	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	-	-	-
<u>LIABILITIES</u>									
<i>Current Liabilities</i>									
Accounts payable	127	-	-	1,442	-	8	797	1,634	-
Accrued payroll and related liabilities	-	-	-	29	-	-	-	-	-
Current portion of leases payable	-	-	-	-	-	-	-	-	-
Leases Payable Due to Related Organizations	-	-	-	-	-	-	-	-	-
Unearned revenue	-	-	3	-	-	-	-	1,179	-
Funds held in trust for others	-	-	-	-	-	43	-	-	-
Due to affiliates (SROs)	-	-	-	-	-	493	-	-	304
Other current liabilities	-	-	-	-	-	-	36	33	-
Total Current Liabilities	127	-	3	1,471	-	544	833	2,846	304
<i>Noncurrent Liabilities</i>									
Unearned revenue	-	-	92	-	-	-	-	-	-
Lease Payable Due to Related Organizations, LT	-	-	-	-	-	-	-	-	-
Leases payable	-	-	-	-	-	-	-	-	-
Other noncurrent liabilities	-	-	-	-	-	-	428	-	-
Total Noncurrent Liabilities	-	-	92	-	-	-	428	-	-
TOTAL LIABILITIES	127	-	95	1,471	-	544	1,261	2,846	304
<u>DEFERRED INFLOWS OF RESOURCES</u>									
Split-interest agreements	-	-	-	-	-	-	836	-	-
Unearned lease revenue	-	-	-	-	-	-	-	11,751	-
TOTAL DEFERRED INFLOW OF RESOURCES	-	-	-	-	-	-	836	11,751	-
<u>NET POSITION</u>									
Net investment in capital assets	-	397	-	-	-	-	353	5,897	-
Restricted - Nonexpendable	2,176	-	-	4,977	1,332	635	187,863	-	-
Restricted - Expendable - Scholarships, research and instruction	7,104	768	-	4,396	-	5,826	238,695	-	-
Restricted - Expendable - Capital projects	-	-	-	1,271	-	-	-	-	-
Restricted - Expendable - Other	-	-	-	-	5,144	-	-	-	-
Unrestricted	1,027	2,130	(94)	1,652	547	705	7,186	(1,165)	5,617
TOTAL NET ASSETS	\$ 10,307	\$ 3,295	\$ (94)	\$ 12,296	\$ 7,023	\$ 7,166	\$ 434,097	\$ 4,732	\$ 5,617

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, 2022

NOTE 23 - System Related Organizations (continued)

NEVADA SYSTEM OF HIGHER EDUCATION SYSTEM RELATED ORGANIZATIONS
NET POSITION AS OF JUNE 30, 2022

	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Rebel Soccer Foundation	UNLV Singapore Limited	UNLVMED	UNR Foundation	UNR WPAA	WNC Foundation	Total System Related Organizations
ASSETS									
Current Assets									
Cash and cash equivalents	\$ 526	\$ 158	\$ 95	\$ 1,066	\$ 7,131	\$ 49,136	\$ 66	\$ 407	\$ 92,291
Restricted cash and cash equivalents	-	-	-	-	15	-	-	279	8,269
Short-term investments	1,998	1,545	455	4,315	-	212,242	8,360	-	286,712
Accounts receivable, net	47	-	-	-	2,110	-	-	-	3,855
Receivable from U.S. Government	-	-	-	-	-	-	-	-	1,401
Pledges receivable, net	-	-	-	-	-	3,957	-	-	6,143
Patient accounts receivable, net	-	-	-	-	6,909	-	-	-	6,909
Current portion of loans receivable, net	-	-	-	-	-	26	-	-	27
Inventories	-	-	-	-	383	-	-	-	383
Deposits and prepaid expenditures, current	16	-	-	2	147	-	-	-	246
Due from affiliates (SROs)	-	-	-	-	93	198	411	-	1,910
Other current assets	-	-	4	6	-	6,466	-	20	7,521
Total Current Assets	2,587	1,703	554	5,389	16,788	272,025	8,837	706	415,667
Noncurrent Assets									
Investments	-	-	-	-	-	-	-	-	80,487
Restricted investments	-	-	-	-	-	-	-	4,730	16,098
Endowment investments	-	-	884	-	-	101,365	-	-	359,603
Loans receivable, net	-	-	-	-	-	68	-	-	93
Capital assets, net	19	-	-	-	653	1	40	-	7,462
Pledges receivable, net	-	-	-	-	-	4,202	-	-	22,758
Other noncurrent assets	24	-	-	-	17,766	9,415	-	-	49,262
Total Noncurrent Assets	43	-	884	-	18,419	115,051	40	4,730	535,763
TOTAL ASSETS	2,630	1,703	1,438	5,389	35,207	387,076	8,877	5,436	951,430
DEFERRED OUTFLOWS OF RESOURCES									
Intra-entity sales of future revenues	-	-	-	-	7	-	-	-	7
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	7	-	-	-	7
LIABILITIES									
Current Liabilities									
Accounts payable	22	-	4	-	1,854	221	-	-	6,109
Accrued payroll and related liabilities	-	-	-	-	1,170	-	-	-	1,199
Current portion of leases payable	-	-	-	-	84	-	-	-	84
Leases Payable Due to Related Organizations	-	-	-	-	2,927	-	-	-	2,927
Unearned revenue	-	-	-	-	-	-	-	40	1,222
Funds held in trust for others	-	-	-	-	-	-	-	-	43
Due to affiliates (SROs)	-	-	-	-	3,327	749	-	-	4,873
Other current liabilities	-	-	-	16	1,018	-	2	5,084	6,189
Total Current Liabilities	22	-	4	16	10,380	970	2	5,124	22,646
Noncurrent Liabilities									
Unearned revenue	-	-	-	-	-	195	-	-	287
Lease Payable Due to Related Organizations, LT	-	-	-	-	14,987	-	-	-	14,987
Leases payable	-	-	-	-	14	-	-	-	14
Other noncurrent liabilities	-	-	-	-	-	-	-	-	428
Total Noncurrent Liabilities	-	-	-	-	15,001	195	-	-	15,716
TOTAL LIABILITIES	22	-	4	16	25,381	1,165	2	5,124	38,362
DEFERRED INFLOWS OF RESOURCES									
Split-interest agreements	-	-	-	-	-	6,257	-	-	7,093
Unearned lease revenue	-	-	-	-	-	-	-	-	11,751
TOTAL DEFERRED INFLOW OF RESOURCES	-	-	-	-	-	6,257	-	-	18,844
NET POSITION									
Net investment in capital assets	19	-	-	-	414	1	40	-	7,121
Restricted - Nonexpendable	-	47	756	-	-	191,971	2,914	-	392,671
Restricted - Expendable - Scholarships, research and instruction	2	82	128	-	15	171,033	4,989	-	433,038
Restricted - Expendable - Capital projects	-	-	-	-	-	-	-	-	1,271
Restricted - Expendable - Other	-	-	-	-	-	-	-	-	5,144
Unrestricted	2,587	1,574	550	5,373	9,404	16,649	932	312	54,986
TOTAL NET ASSETS	\$ 2,608	\$ 1,703	\$ 1,434	\$ 5,373	\$ 9,833	\$ 379,654	\$ 8,875	\$ 312	\$ 894,231

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, 2022

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, 2022

	CSN Foundation	DRI Foundation	DRI Research Park	GBC Foundation	NSC Foundation	TMCC Foundation	UNLV Foundation	UNLV Research Foundation	Rebel Golf Foundation
Operating Revenues									
Patient revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contract revenue	-	-	-	-	-	-	-	-	-
Contributions	766	1,763	-	1,181	1,562	6,299	30,078	267	50
Campus support	-	317	48	17	-	-	2,847	-	-
Special events and fundraising	-	-	-	-	-	70	-	-	4
Other operating revenues	9	8	3	-	-	124	1,171	2,682	82
Total Operating Revenues	<u>775</u>	<u>2,088</u>	<u>51</u>	<u>1,198</u>	<u>1,562</u>	<u>6,493</u>	<u>34,096</u>	<u>2,949</u>	<u>136</u>
Operating Expenses									
Employee compensation and benefits	-	(309)	(41)	-	-	-	(2,817)	(98)	-
Supplies and services	(361)	(46)	(7)	-	-	-	(4,306)	(288)	(46)
Program expenses, System Related Organizations	-	-	-	(256)	-	(3,223)	(43)	-	(35)
Depreciation	-	-	-	-	-	-	(58)	(126)	-
Other operating expenses	-	(3)	-	(158)	(2,078)	(368)	-	-	-
Total Operating Expenses	<u>(361)</u>	<u>(358)</u>	<u>(48)</u>	<u>(414)</u>	<u>(2,078)</u>	<u>(3,591)</u>	<u>(7,224)</u>	<u>(512)</u>	<u>(81)</u>
Operating Income (Loss)	<u>414</u>	<u>1,730</u>	<u>3</u>	<u>784</u>	<u>(516)</u>	<u>2,902</u>	<u>26,872</u>	<u>2,437</u>	<u>55</u>
Nonoperating Revenues (Expenses)									
Investment Income (Loss), net	(768)	-	-	73	-	(29)	(28,342)	(147)	(1,012)
Payments to System campuses and divisions	(1,311)	(1,611)	-	(7,129)	-	-	(29,418)	(205)	(304)
Interest expense	-	-	-	-	-	-	-	-	-
Other nonoperating revenues (expenses)	-	85	-	-	-	-	(147)	-	-
Total Nonoperating Revenues (Expenses)	<u>(2,079)</u>	<u>(1,526)</u>	<u>-</u>	<u>(7,056)</u>	<u>-</u>	<u>(29)</u>	<u>(57,907)</u>	<u>(352)</u>	<u>(1,316)</u>
Income (Loss) Before Other Revenue (Expenses)	<u>(1,665)</u>	<u>204</u>	<u>3</u>	<u>(6,272)</u>	<u>(516)</u>	<u>2,873</u>	<u>(31,035)</u>	<u>2,085</u>	<u>(1,261)</u>
Other Revenues (Expenses)									
Additions to permanent endowments	-	-	-	45	7	-	15,079	-	-
Other Foundation revenues (expenses)	-	-	-	-	-	-	-	-	-
Total Other Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>45</u>	<u>7</u>	<u>-</u>	<u>15,079</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>(1,665)</u>	<u>204</u>	<u>3</u>	<u>(6,227)</u>	<u>(509)</u>	<u>2,873</u>	<u>(15,956)</u>	<u>2,085</u>	<u>(1,261)</u>
NET POSITION									
Net position - beginning of year	11,972	3,091	(97)	18,523	7,532	4,293	450,053	2,647	6,878
Net position - end of year	<u>\$ 10,307</u>	<u>\$ 3,295</u>	<u>\$ (94)</u>	<u>\$ 12,296</u>	<u>\$ 7,023</u>	<u>\$ 7,166</u>	<u>\$ 434,097</u>	<u>\$ 4,732</u>	<u>\$ 5,617</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, 2022

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, 2022

	UNLV Alumni Association	UNLV Rebel Football Foundation	UNLV Rebel Soccer Foundation	UNLV Singapore Unlimited	UNLV MED	UNR Foundation	UNR WPAA	WNC Foundation	Total System Related Organizations
Operating Revenues									
Patient revenue	\$ -	\$ -	\$ -	\$ -	\$ 40,490	\$ -	\$ -	\$ -	\$ 40,490
Contract revenue	-	-	-	-	14,725	-	-	-	14,725
Contributions	772	-	18	-	-	20,261	50	1,799	64,866
Campus support	-	-	-	-	-	3,372	-	230	6,831
Special events and fundraising	63	74	65	-	-	1,550	-	53	1,879
Other operating revenues	302	17	3	-	10,442	-	-	23	14,866
Total Operating Revenues	1,137	91	86	-	65,657	25,183	50	2,105	143,657
Operating Expenses									
Employee compensation and benefits	(747)	-	-	(43)	(21,668)	(3,386)	-	(316)	(29,425)
Supplies and services	(176)	(14)	(13)	(22)	(685)	(746)	-	-	(6,710)
Program expenses, System Related Organizations	(267)	(9)	(71)	(232)	(11,493)	(284)	-	(127)	(16,040)
Depreciation	(4)	-	-	-	(4,342)	(1)	(2)	-	(4,533)
Other operating expenses	-	-	-	-	-	-	(27)	(22)	(2,656)
Total Operating Expenses	(1,194)	(23)	(84)	(297)	(38,188)	(4,417)	(29)	(465)	(59,364)
Operating Income (Loss)	(57)	68	2	(297)	27,469	20,766	21	1,640	84,293
Nonoperating Revenues (Expenses)									
Investment Income (Loss), net	(411)	(320)	(171)	21	-	(6,932)	(1,224)	(83)	(39,345)
Payments to System campuses and divisions	(95)	(125)	-	-	(28,747)	(25,824)	(45)	(1,672)	(96,486)
Interest expense	-	-	-	-	(192)	-	-	-	(192)
Other nonoperating revenues (expenses)	-	-	3	-	1,999	-	-	-	1,940
Total Nonoperating Revenues (Expenses)	(506)	(445)	(168)	21	(26,940)	(32,756)	(1,269)	(1,755)	(134,083)
Income (Loss) Before Other Revenue (Expenses)	(563)	(377)	(166)	(276)	529	(11,990)	(1,248)	(115)	(49,790)
Other Revenues (Expenses)									
Additions to permanent endowments	-	-	-	-	-	17,582	54	-	32,767
Other Foundation revenues (expenses)	-	-	-	(189)	-	-	-	-	(189)
Total Other Revenues (Expenses)	-	-	-	(189)	-	17,582	54	-	32,578
Increase (Decrease) in Net Position	(563)	(377)	(166)	(465)	529	5,592	(1,194)	(115)	(17,212)
NET POSITION									
Net position - beginning of year	3,171	2,080	1,600	5,838	9,304	374,062	10,069	427	911,443
Net position - end of year	\$ 2,608	\$ 1,703	\$ 1,434	\$ 5,373	\$ 9,833	\$ 379,654	\$ 8,875	\$ 312	\$ 894,231

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, 2022

NOTE 23 - System Related Organizations (continued):

UNR Foundation:

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

	<u>2022</u>
Cash and cash equivalents	\$ 3,019
Money market funds	<u>46,117</u>
	<u>\$ 49,136</u>

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

	<u>2022</u>
Equity investments	\$ 1,116
Commingled funds	280,616
Certificates of deposits	2,203
Corporate bonds	3,961
U.S. Government securities	<u>25,711</u>
	<u>\$ 313,607</u>

At June 30, 2022, the Foundation's investments had the following maturities:

	<u>Investment Maturities (in years)</u>			<u>Fair Value</u>
	<u>Less than 1</u>	<u>1-5</u>	<u>6-21</u>	
Certificates of deposits	\$ 1,960	\$ 243	\$ -	\$ 2,203
Corporate bonds	-	3,961	-	3,961
U.S. Government securities	<u>20,690</u>	<u>5,021</u>	<u>-</u>	<u>25,711</u>
	<u>\$ 22,650</u>	<u>\$ 9,225</u>	<u>\$ -</u>	<u>\$ 31,875</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 rate. 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, 2022**

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>Asset Class</u>	<u>Target</u>	<u>Target Range</u>
Global Equity	43%	30%-60%
Private Equity	25%	15%-30%
Diversifiers	15%	8%-22%
Real Assets	5%	3%-8%
Fixed Income	10%	5%-15%
Cash	2%	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, 2022, the Foundation's investments had the following quality ratings:

	<u>Quality Ratings</u>			
	<u>Fair Value</u>	<u>AAA - A-</u>	<u>BBB+ - B-</u>	<u>Unrated</u>
Corporate Bonds	<u>\$ 3,961</u>	<u>\$ 3,759</u>	<u>\$ 202</u>	<u>\$ -</u>

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, 2022**

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, 2022, the Foundation's bank balances totaled \$49,100. Of this balance, \$1,000 was covered by depository insurance and \$46,100 is held in U.S. Government Money Market Funds and the remaining \$2,000 was uninsured and uncollateralized and, as a result, was subject to custodial credit risk at June 30, 2022.

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, 2022, the Foundation has commitments to acquire approximately \$32,400, 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, 2022**

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 by the Foundation in commingled funds are valued at NAV.*
- *Assets held in trust by others – Assets include both commingled funds valued at NAV and 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, 2022, are:

	<u>Level 1</u>	<u>NAV</u>	<u>Total</u>
Investments			
Equity investments	\$ 1,116	\$ -	\$ 1,116
Commingled funds	177,404	103,212	280,616
Certificate of deposit	2,203	-	2,203
Corporate bonds	3,961	-	3,961
U.S. Government securities	25,711	-	25,711
	<u>\$ 210,395</u>	<u>\$ 103,212</u>	<u>\$ 313,607</u>
Residual interest in trusts			
Commingled funds	<u>\$ -</u>	<u>\$ 583</u>	<u>\$ 583</u>

The Foundation did not hold any investments fair valued using Level 2 or 3 inputs for the year ended June 30, 2022.

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 \$861 for the year ended June 30, 2022 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, 2022

NOTE 23 - System Related Organizations (continued):

Investments consist of the following at June 30:	2022
Mutual funds	\$ 36,557
Certificates of deposits	3,032
Equities	15,423
Collateralized securities	37,184
U.S. government obligations	48,273
U.S. corporate bonds	31,740
Alternative investments	196,666
Non-U.S. corporate bonds	11,262
Investment in securities at fair value	\$ 380,137

Investment in securities at fair value	2022
Investment in securities - Current	\$ 45,647
Investment in securities - Non-Current	334,490
Investment in securities at fair value	\$ 380,137

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, 2022, the total balance for the UNLV Foundation's cash and money market funds was \$22,300. Of this balance, \$285 at June 30, 2022, were covered by the Federal Deposit Insurance Corporation, and \$22,000 was uninsured at June 30, 2022. 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, 2022, are as follows:

June 30, 2022	Total	AAA	AA	A	BBB	Below Investment Grade
Collateralized securities	\$ 37,185	\$ 34,301	\$ 1,369	\$ 1,027	\$ 474	\$ 14
U.S. corporate bonds	31,739	-	172	8,350	21,137	2,080
Non-U.S. corporate bonds	11,262	-	620	3,829	5,671	1,142
Total	\$ 80,186	\$ 34,301	\$ 2,161	\$ 13,206	\$ 27,282	\$ 3,236

NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022, 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, 2022, were 8.54 years. The fixed-income portfolio's average maturity was 8.65 years at June 30, 2022. Interest rates range from 1.68% to 3.43% for the year ended.

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, 2022, were 8.80 years. The fixed-income portfolio's average maturity was 9.1 years at June 30, 2022. Interest rates range from 0.00% to 9.00% for the year ended.

Investments at June 30, 2022	Maturity under 1 Year	Maturity 1 -5 Years	Maturity 6 -10 Years	Maturity over 10 Years	Total
Mutual funds	\$ 33,196	\$ 3,361	\$ -	\$ -	\$ 36,557
Certificates of deposits	651	2,380	-	-	3,031
Collateralized securities	829	6,128	4,425	25,803	37,185
U.S. Government obligations	8,587	25,962	5,044	8,681	48,274
U.S corporate bonds	2,045	16,846	7,018	5,831	31,740
Non-U.S. corporate bonds	339	4,984	4,789	1,149	11,261
Investment in Securities at Fair Value	\$ 45,647	\$ 59,661	\$ 21,276	\$ 41,464	\$ 168,048

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, 2022

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, 2022, are:

Investments at June 30, 2022	Level 1	Level 2	Level 3	NAV	Total
Alternative investment	\$ -	\$ -	\$ -	\$ 196,666	\$ 196,666
Mutual funds	36,557	-	-	-	36,557
Collateralized securities	-	37,184	-	-	37,184
U.S corporate bonds	31,740	-	-	-	31,740
Non-U.S. corporate bonds	11,262	-	-	-	11,262
Equities	15,423	-	-	-	15,423
Certificates of deposits	3,032	-	-	-	3,032
U.S. Government obligations	48,273	-	-	-	48,273
	\$ 146,287	\$ 37,184	\$ -	\$ 196,666	\$ 380,137
Investments in real estate	\$ -	\$ -	\$ 10,560	\$ -	\$ 10,560
Assets held in charitable remainder trusts					
Equities	\$ -	\$ -	\$ 1,137	\$ -	\$ 1,137

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2022**

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 \$39,756 during the fiscal years ended June 30, 2022. The Organization also treats patients without insurance or provides elective surgery services that are not covered by third-party payors. Bad debt expenses of \$8,896 were incurred during the fiscal year ended June 30, 2022.

**NEVADA SYSTEM OF HIGHER EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (in \$1,000's)
FOR THE YEAR ENDED JUNE 30, 2022**

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 2022 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, 2022. The U.S. Government also provided direct awards to the State of Nevada.

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Unaudited

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
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>
System's proportion of the net pension liability	2.99%	3.00%	3.00%	2.92%	2.88%	2.89%	2.83%	2.81%		
System's proportionate share of the net pension liability	\$ 272,974	\$ 424,238	\$ 414,036	\$ 398,883	\$ 383,226	\$ 389,352	\$ 324,708	\$ 292,841		
System's covered-employee payroll	\$ 205,049	\$ 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	133.13%	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	86.51%	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>2022</u>	<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>
Contractual required contribution	\$ 30,715	\$ 31,286	\$ 30,564	\$ 28,549	\$ 27,030	\$ 34,456	\$ 33,124	\$ 29,901		
Contributions in relation to contractually required contribution	(30,715)	(31,286)	(30,564)	(28,549)	(27,030)	(43,152)	(35,756)	(29,901)		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8,696)	\$ (2,632)	\$ -		(Historical information prior to the implementation of GASB 67/68 is not required)
System's covered-employee payroll	\$ 198,288	\$ 205,049	\$ 200,838	\$ 196,183	\$ 187,737	\$ 179,694	\$ 171,007	\$ 165,653		
Contributions as a percentage of covered-employee payroll	15.49%	15.26%	15.22%	14.55%	14.40%	19.17%	19.37%	18.05%		

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)
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>
System's proportion of the net OPEB liability	40.10%	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	621,544	606,769	569,268	518,254						
System's covered-employee payroll	744,695	757,182	711,803	667,622						
System's proportion share of the net OPEB liability as a percentage of its covered-employee payroll	83.46%	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%	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>2022</u>	<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>
Contractual required contributions	\$ 16,061	\$ 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	(16,058)	(15,857)	(17,716)	(16,656)	(15,702)					
Contribution deficiency(excess)	<u>\$ 3</u>	<u>\$ 1,569</u>	<u>\$ 78</u>	<u>\$ 71</u>	<u>\$ (13)</u>					
System's covered-employee payroll	\$ 740,121	\$ 744,695	\$ 757,182	\$ 711,803	\$ 667,622					
Contributions as a percentage of covered-employee payroll	2.17%	2.34%	2.35%	2.35%	2.35%					

The accompanying notes are an integral part of these financial statements

Unaudited

**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**	67.6
Mortality	Civilians: Pub-2010 Public Retirement Plans General Mortality Table weighted by Headcount, projected by MP-2020

** 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, 2022

	<u>CSN</u>	<u>DRI</u>	<u>GBC</u>	<u>NSC</u>	<u>SA</u>	<u>TMCC</u>
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 4,652	\$ 4,630	\$ 1,651	\$ 4,885	\$ (47,422)	\$ 7,063
Restricted cash and cash equivalents	-	133	-	-	-	-
Short-term investments	71,797	35,060	5,182	18,870	31,420	40,632
Accounts receivable, net	5,763	1,146	1,780	1,335	472	2,152
Receivable from U.S. Government	25,957	3,789	1,642	3,326	986	2,729
Receivable from State of Nevada	537	70	14	22	376	1,001
Receivable from other institutions	-	-	-	35	531	-
Current portion of loans receivable, net	-	-	-	-	-	-
Due from System Related Organizations	-	-	-	-	-	493
Leases Receivable	-	949	-	-	-	196
Leases Receivable Due from Related Organizations	-	-	-	-	-	-
Inventories	641	-	-	-	-	40
Deposits and prepaid expenditures, current	3,314	102	539	5	2,457	26
Other current assets	-	-	-	-	-	72
Total Current Assets	112,661	45,879	10,808	28,478	(11,180)	54,404
Noncurrent Assets						
Cash held by State Treasurer	13	-	526	104	2	-
Restricted cash and cash equivalents	2,724	-	-	-	-	-
Receivable from State of Nevada	-	-	-	-	-	-
Endowment investments	6,948	39,829	854	-	10,981	13,191
Deposits and prepaid expenditures	967	37	-	-	-	-
Loans receivable, net	-	-	-	-	-	-
Leases Receivable, LT	-	-	-	-	-	83
Leases Receivable Due from Related Organizations, LT	-	-	-	-	-	-
Capital assets, net	287,657	48,381	41,672	119,402	9,140	75,796
Other noncurrent assets	-	-	-	-	-	-
Total Noncurrent Assets	298,309	88,247	43,052	119,506	20,123	89,070
TOTAL ASSETS	410,970	134,126	53,860	147,984	8,943	143,474
DEFERRED OUTFLOWS OF RESOURCES						
OPEB related	5,347	1,575	810	1,493	937	1,801
Loss on bond refunding	-	-	-	-	-	-
Pension related	21,319	4,740	3,203	3,262	4,695	7,242
TOTAL DEFERRED OUTFLOWS OF RESOURCES	26,666	6,315	4,013	4,755	5,632	9,043
The accompanying notes are an integral part of these financial statements.						
LIABILITIES						
Current Liabilities						
Accounts payable	3,664	541	201	1,122	780	1,080
Accrued payroll and related liabilities	8,666	2,303	1,072	2,645	18,792	2,844
Unemployment insurance and workers' compensation	503	41	104	47	20	186
Due to other institutions	1,698	652	184	680	(20,913)	319
Due to System Related Organizations	-	-	-	-	-	-
Current portion of compensated absences	3,607	3,357	406	685	1,073	1,368
Current portion of long-term debt	2,669	785	-	1,567	-	497
Current portion of leases payable	1,478	133	18	-	539	-
Accrued interest payable	1,209	7	-	6	-	308
Unearned revenue	4,770	4,090	947	2,443	436	2,504
Deposits held for others	256	-	69	16	-	93
Other current liabilities	20	-	-	-	-	-
Total Current Liabilities	28,540	11,909	3,001	9,211	727	9,199
Noncurrent Liabilities						
Refundable advances under federal loan programs	-	-	-	-	-	-
Compensated absences	1,460	976	213	1,551	742	561
Long-term debt	66,974	-	-	43,213	-	15,334
Lease Payable	237	133	54	-	1,144	-
Net pension liability	37,909	8,827	6,121	2,753	7,058	13,846
Net OPEB Liability	65,495	19,292	9,921	18,292	11,475	22,068
Other noncurrent liabilities	-	-	-	623	-	-
Total Noncurrent Liabilities	172,075	29,228	16,309	66,432	20,419	51,809
TOTAL LIABILITIES	200,615	41,137	19,310	75,643	21,146	61,008
DEFERRED INFLOWS OF RESOURCES						
Service Concession Arrangements	-	-	-	-	-	-
Deferred Inflows on Leases	-	949	-	-	-	275
OPEB Related	2,671	787	405	746	468	900
Gain on bond refunding	-	-	-	-	-	-
Pension related	28,858	7,073	4,615	5,369	7,168	10,451
TOTAL DEFERRED INFLOWS OF RESOURCES	31,529	8,809	5,020	6,115	7,636	11,626
NET POSITION						
Net investment in capital assets	216,300	47,537	41,517	57,688	7,457	59,965
Restricted - Nonexpendable	2,221	24,015	854	-	7,166	5,773
Restricted - Expendable - Scholarships, research and instruction	9,532	22,008	808	1,284	5,157	20,860
Restricted - Expendable - Loans	-	-	200	(107)	28	52
Restricted - Expendable - Capital projects	2,737	103	1,256	24	9	-
Restricted - Expendable - Debt service	5,947	-	717	7,905	-	450
Unrestricted	(31,245)	(3,168)	(11,809)	4,187	(34,024)	(7,217)
TOTAL NET POSITION	\$ 205,492	\$ 90,495	\$33,543	\$ 70,981	\$ (14,207)	\$ 79,883
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, 2022

<u>ASSETS</u>	<u>UNLV</u>	<u>UNR</u>	<u>WNC</u>	<u>Eliminations</u>	<u>TOTAL</u>
Current Assets					
Cash and cash equivalents	\$ 44,738	\$ 50,214	\$ 1,102	\$ -	\$ 71,513
Restricted cash and cash equivalents	-	-	-	-	133
Short-term investments	388,282	178,012	8,109	-	777,364
Accounts receivable, net	17,468	18,600	457	-	49,173
Receivable from U.S. Government	52,732	53,606	1,120	-	145,887
Receivable from State of Nevada	2,225	2,171	356	-	6,772
Receivable from other institutions	-	-	-	(566)	-
Current portion of loans receivable, net	225	693	-	-	918
Due from System Related Organizations	3,527	336	-	517	4,873
Leases Receivable	2,133	1,574	-	-	4,852
Leases Receivable Due from Related Organizations	2,927	-	-	-	2,927
Inventories	1,589	8,071	-	-	10,341
Deposits and prepaid expenditures, current	6,709	7,270	-	-	20,422
Other current assets	1,155	55	-	-	1,282
Total Current Assets	<u>523,710</u>	<u>320,602</u>	<u>11,144</u>	<u>(49)</u>	<u>1,096,457</u>
Noncurrent Assets					
Cash held by State Treasurer	30,861	-	-	-	31,506
Restricted cash and cash equivalents	15,093	10,192	-	-	28,009
Receivable from State of Nevada	-	209	-	-	209
Endowment investments	63,139	155,339	309	-	290,590
Deposits and prepaid expenditures	304	-	-	-	1,308
Loans receivable, net	2,132	2,638	-	-	4,770
Leases Receivable, LT	24,221	6,853	-	-	31,157
Leases Receivable Due from Related Organizations, LT	14,987	-	-	-	14,987
Capital assets, net	982,383	1,052,839	22,638	-	2,639,908
Other noncurrent assets	150	-	-	-	150
Total Noncurrent Assets	<u>1,133,270</u>	<u>1,228,070</u>	<u>22,947</u>	<u>-</u>	<u>3,042,594</u>
TOTAL ASSETS	<u>1,656,980</u>	<u>1,548,672</u>	<u>34,091</u>	<u>(49)</u>	<u>4,139,051</u>
DEFERRED OUTFLOWS OF RESOURCES					
OPEB related	21,378	16,789	612	-	50,742
Loss on bond refunding	2,852	5,878	-	-	8,730
Pension related	53,931	54,143	3,704	-	156,239
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>78,161</u>	<u>76,810</u>	<u>4,316</u>	<u>-</u>	<u>215,711</u>
The accompanying notes are an integral part of these financial statements.					
LIABILITIES					
Current Liabilities					
Accounts payable	22,033	28,071	256	-	57,748
Accrued payroll and related liabilities	37,119	28,293	1,063	-	102,797
Unemployment insurance and workers' compensation	1,540	1,606	112	-	4,159
Due to other institutions	10,770	6,958	183	(440)	91
Due to System Related Organizations	1,292	227	-	391	1,910
Current portion of compensated absences	17,335	12,564	663	-	41,058
Current portion of long-term debt	19,633	15,867	-	1,106	42,124
Current portion of leases payable	5,603	1,873	-	(1,106)	8,538
Accrued interest payable	4,513	6,676	-	-	12,719
Unearned revenue	27,829	21,267	449	-	64,735
Deposits held for others	1,383	1,153	173	-	3,143
Other current liabilities	2,664	535	-	-	3,219
Total Current Liabilities	<u>151,714</u>	<u>125,090</u>	<u>2,899</u>	<u>(49)</u>	<u>342,241</u>
Noncurrent Liabilities					
Refundable advances under federal loan programs	2,417	1,729	-	-	4,146
Compensated absences	11,415	6,640	-	-	23,558
Long-term debt	229,474	362,290	-	628	717,913
Lease Payable	22,941	4,558	-	(628)	28,439
Net pension liability	89,422	100,085	6,953	-	272,974
Net OPEB Liability	261,851	205,648	7,502	-	621,544
Other noncurrent liabilities	-	-	-	-	623
Total Noncurrent Liabilities	<u>617,520</u>	<u>680,950</u>	<u>14,455</u>	<u>-</u>	<u>1,669,197</u>
TOTAL LIABILITIES	<u>769,234</u>	<u>806,040</u>	<u>17,354</u>	<u>(49)</u>	<u>2,011,438</u>
DEFERRED INFLOWS OF RESOURCES					
Service Concession Arrangements	1,210	-	-	-	1,210
Deferred Inflows on Leases	44,443	8,304	-	-	53,971
OPEB Related	10,680	8,388	306	-	25,351
Gain on bond refunding	-	594	-	-	594
Pension related	75,021	80,757	5,347	-	224,659
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>131,354</u>	<u>98,043</u>	<u>5,653</u>	<u>-</u>	<u>305,785</u>
NET POSITION					
Net investment in capital assets	722,558	674,969	22,794	-	1,850,785
Restricted - Nonexpendable	12,171	40,236	327	-	92,763
Restricted - Expendable - Scholarships, research and instruction	60,507	108,469	1,153	-	229,778
Restricted - Expendable - Loans	637	6,769	(1,144)	-	6,435
Restricted - Expendable - Capital projects	33,401	18,213	(400)	-	55,343
Restricted - Expendable - Debt service	12,872	11,747	-	-	39,638
Unrestricted	(7,593)	(139,004)	(7,330)	-	(237,203)
TOTAL NET POSITION	<u>\$ 834,553</u>	<u>\$ 721,399</u>	<u>\$ 15,400</u>	<u>\$ -</u>	<u>\$ 2,037,539</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, 2022

	<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 \$209,511)	\$ 54,279	\$ -	\$ 6,881	\$ 10,541	\$ -	\$ 16,090
Federal grants and contracts	9,404	24,449	2,694	14,065	1,142	4,773
State grants and contracts	4,512	138	712	1,443	-	1,861
Local grants and contracts	-	-	-	-	25	-
Other grants and contracts	209	10,511	1,872	60	234	407
Sales and services of educational departments (including \$32,010 from System Related Organizations)	1,864	211	130	34	2,447	603
Sales and services of auxiliary enterprises (net of scholarship allowance of \$10,516)	1,244	-	454	45	-	1,615
Interest earned on loans receivable	-	-	-	-	54	-
Other operating revenues	878	1,384	190	416	2,289	333
Total Operating Revenues	<u>72,390</u>	<u>36,693</u>	<u>12,933</u>	<u>26,604</u>	<u>6,191</u>	<u>25,682</u>
Operating Expenses						
Employee compensation and benefits	(127,795)	(33,602)	(19,338)	(37,864)	(17,946)	(44,338)
Utilities	(3,217)	(914)	(730)	(620)	(25)	(1,026)
Supplies and services	(59,973)	(8,200)	(4,363)	(13,530)	(8,471)	(11,085)
Scholarships and fellowships	(59,025)	-	(4,491)	(5,004)	(310)	(13,558)
Depreciation	(17,170)	(4,577)	(2,152)	(4,004)	(1,684)	(4,613)
Total Operating Expenses	<u>(267,180)</u>	<u>(47,293)</u>	<u>(31,074)</u>	<u>(61,022)</u>	<u>(28,436)</u>	<u>(74,620)</u>
Operating Income (Loss)	<u>(194,790)</u>	<u>(10,600)</u>	<u>(18,141)</u>	<u>(34,418)</u>	<u>(22,245)</u>	<u>(48,938)</u>
Nonoperating Revenues (Expenses)						
State appropriations	105,796	7,616	14,437	25,650	22,742	36,483
Gifts (including \$50,185 from System Related Organizations)	899	1,094	276	766	-	956
Investment income (loss), net	(7,246)	(3,845)	(614)	(1,762)	(940)	(4,024)
Gain (loss) on disposal of capital assets	35	(895)	-	-	(287)	(46)
Interest expense	(2,453)	(119)	(1)	(2,166)	(13)	(566)
Interest revenue	-	-	-	-	-	-
Payments to System campuses and divisions	12,029	5,176	1,073	(439)	(124,088)	6,312
Other nonoperating revenues	-	-	(100)	2,502	227	3
Federal grants and contracts	118,643	443	5,350	6,263	527	17,606
Total Nonoperating Revenues	<u>227,703</u>	<u>9,470</u>	<u>20,421</u>	<u>30,814</u>	<u>(101,832)</u>	<u>56,724</u>
Loss Before Other Revenue (Expenses)	<u>32,913</u>	<u>(1,130)</u>	<u>2,280</u>	<u>(3,604)</u>	<u>(124,077)</u>	<u>7,786</u>
Other Revenues (Expenses)						
State appropriations restricted for capital purposes	(7,506)	3	18	1,675	(37)	7
Capital grants and gifts (including \$15,467 from System Related Organizations)	253	-	5,436	-	-	1,588
Return of Capital Gifts	-	-	-	-	-	-
Additions (Deductions) to permanent endowments (including \$611 to System Related Organizations)	-	312	-	-	8	260
Total Other Revenues	<u>(7,253)</u>	<u>315</u>	<u>5,454</u>	<u>1,675</u>	<u>(29)</u>	<u>1,855</u>
Increase (Decrease) in Net Position	<u>25,660</u>	<u>(815)</u>	<u>7,734</u>	<u>(1,929)</u>	<u>(124,106)</u>	<u>9,641</u>
NET POSITION						
Net position - beginning of year	179,832	91,310	25,809	72,910	109,899	70,242
Net position - end of year	<u>\$ 205,492</u>	<u>\$ 90,495</u>	<u>\$ 33,543</u>	<u>\$ 70,981</u>	<u>\$ (14,207)</u>	<u>\$ 79,883</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, 2022

	<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 \$209,511)	\$ 229,406	\$ 154,479	\$ 5,785	\$ (113)	\$ 477,348
Federal grants and contracts	57,829	156,510	2,768	(5,339)	268,295
State grants and contracts	24,008	19,220	394	(28)	52,260
Local grants and contracts	467	3,340	-	(187)	3,645
Other grants and contracts	3,784	23,097	57	(576)	39,655
Sales and services of educational departments (including \$32,010 from System Related Organizations)	99,637	72,884	103	(3,775)	174,138
Sales and services of auxiliary enterprises (net of scholarship allowance of \$10,516)	38,522	37,608	960	(3)	80,445
Interest earned on loans receivable	25	92	-	-	171
Other operating revenues	4,584	6,770	215	(6,013)	11,046
Total Operating Revenues	<u>458,262</u>	<u>474,000</u>	<u>10,282</u>	<u>(16,034)</u>	<u>1,107,003</u>
Operating Expenses					
Employee compensation and benefits	(533,919)	(412,748)	(17,623)	-	(1,245,173)
Utilities	(12,700)	(10,372)	(505)	-	(30,109)
Supplies and services	(165,867)	(186,446)	(7,133)	16,092	(448,976)
Scholarships and fellowships	(66,746)	(40,560)	(5,980)	345	(195,329)
Depreciation	(50,895)	(46,355)	(1,391)	-	(132,841)
Total Operating Expenses	<u>(830,127)</u>	<u>(696,481)</u>	<u>(32,632)</u>	<u>16,437</u>	<u>(2,052,428)</u>
Operating Income (Loss)	<u>(371,865)</u>	<u>(222,481)</u>	<u>(22,350)</u>	<u>403</u>	<u>(945,425)</u>
Nonoperating Revenues (Expenses)					
State appropriations	234,506	178,475	13,950	-	639,655
Gifts (including \$50,185 from System Related Organizations)	23,113	23,964	1,672	(38)	52,702
Investment income (loss), net	(35,337)	(23,248)	(2,024)	(307)	(79,347)
Gain (loss) on disposal of capital assets	(1,130)	(2,868)	2	-	(5,189)
Interest expense	(7,871)	(13,388)	-	-	(26,577)
Interest revenue	-	50	-	-	50
Payments to System campuses and divisions	61,722	33,477	1,273	-	(3,465)
Other nonoperating revenues	3,317	(160)	384	(58)	6,115
Federal grants and contracts	130,583	65,922	8,729	-	354,066
Total Nonoperating Revenues	<u>408,903</u>	<u>262,224</u>	<u>23,986</u>	<u>(403)</u>	<u>938,010</u>
Loss Before Other Revenue (Expenses)	<u>37,038</u>	<u>39,743</u>	<u>1,636</u>	<u>-</u>	<u>(7,415)</u>
Other Revenues (Expenses)					
State appropriations restricted for capital purposes	(1)	209	5	-	(5,627)
Capital grants and gifts (including \$15,467 from System Related Organizations)	5,096	3,208	10	-	15,591
Return of Capital Gifts	(29)	-	-	-	(29)
Additions (Deductions) to permanent endowments (including \$611 to System Related Organizations)	36	31	-	-	647
Total Other Revenues	<u>5,102</u>	<u>3,448</u>	<u>15</u>	<u>-</u>	<u>10,582</u>
Increase (Decrease) in Net Position	<u>42,140</u>	<u>43,191</u>	<u>1,651</u>	<u>-</u>	<u>3,167</u>
NET POSITION					
Net position - beginning of year	792,413	678,208	13,749	-	2,034,372
Net position - end of year	<u>\$ 834,553</u>	<u>\$ 721,399</u>	<u>\$ 15,400</u>	<u>\$ -</u>	<u>\$ 2,037,539</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 (*Government Auditing Standards*), the financial statements of the business-type activities and the aggregate discretely presented component units of Nevada System of Higher Education (the “Entity”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Entity’s basic financial statements, and have issued our report thereon dated March 31, 2023.

Our report includes a reference to other auditors who audited the financial statements of University of Nevada, Reno Foundation; Wolf Pack Athletic Association (formerly Athletic Association, University of Nevada Inc.); Desert Research Institute Foundation; Desert Research Institute Research Parks LTD; Western Nevada College Foundation; Great Basin College Foundation; University of Nevada, Las Vegas Foundation; University of Nevada, Las Vegas Research Foundation; Rebel Golf Foundation; University of Nevada, Las Vegas Alumni Association; College of Southern Nevada Foundation; and Nevada State College Foundation, as described in our report on the Entity’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 Great Basin College Foundation; Rebel Golf Foundation; University of Nevada, Las Vegas Alumni Association; and Nevada State College Foundation were not audited in accordance with *Government Auditing Standards* for the year ended June 30, 2022.

Report on internal control over financial reporting

In planning and performing our audit of the financial statements, we considered the Entity’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 the Entity’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity’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

Entity'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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the Entity'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*.

Entity's response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the Entity's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Entity's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Entity's response.

Purpose of this report

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 Entity'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 Entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



San Jose, California
March 31, 2023

Nevada System of Higher Education
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2022

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Finding 2022-001 Accounting for Net Position

Criteria

GASB Statement No 34 requires the reporting of the following three components of net position: (1) net investment in capital assets, (2) restricted both expendable and nonexpendable) and (3) unrestricted.

Condition

At the College of Southern Nevada (CSN), \$23 million of net position was classified as restricted net position when it should have been classified as unrestricted net position.

Context

The \$23 million was associated with a receivable from the US Department of Education to reimburse CSN for its past expenditure of an Education Stabilization Fund grant. Because the grant had already been expended for its restricted purpose, there was no remaining restriction, and the associated net position should have been classified as unrestricted.

Effect

Restricted net position was overstated, and unrestricted net position was understated by \$23 million. The classification matter was ultimately corrected by CSN in its final financial statements.

Cause

Supervisory review controls did not identify the classification error.

Recommendation

Supervisory review controls should be enhanced the net position reconciliation is complete and accurate.

Views of Responsible Officials (unaudited)

Management concurs.

Finding 2022-002 Adoption of GASB 87, Leases

Criteria

GASB Statement No. 87 Leases

Condition

Upon adoption of GASB No. 87 Leases, NSHE classified a \$44 million financing arrangement for a building at Nevada State College (NSC) as a lease obligation.

Context

Because the underlying contract was to transfer ownership of the building to NSC, it should have been accounted for as a financed purchase obligation instead of a lease obligation.

Effect

Lease liabilities were overstated by \$44 million and long-term debt obligations were understated by \$44 million. The classification matter was ultimately corrected by NSC in its final financial statements.

Cause

The underlying contract had not been fully analyzed as part of the adoption of GASB 87.

Recommendation

All significant, relevant contracts and transactions within NSHE should be analyzed whenever adopting a new accounting pronouncement.

Views of Responsible Officials (unaudited)

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RESPONSES TO FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

SECTION II - FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING 2022-001 – Accounting for Net Position

Responses

CSN–

- **Detailed corrective action taken, including what will be done to avoid the identified issues in the future, and when these measures will be in place;**

CSN agrees with the finding. The Controller's office has had significant position vacancies during the prior year and during the time period in which this financial review should have occurred. The Controller has been trying to fill a Director of Financial Reporting and four Senior Accountant positions that would support the financial accounting work. The positions are currently posted and when they are filled, appropriate supervision and review of financial transactions can occur.

- **How compliance and performance will be measured and documented for future audit, management and performance review.**

Appropriate supervision and review of financial transactions will ensure that net position is classified appropriately.

- **Who will be responsible and may be held accountable in the future if repeat or similar observations are noted.**

The Controller will be responsible for repeat or similar observations. The institution will ensure that the department has appropriate resources.

FINDING 2022-002 – Adoption of GASB 87, Leases

Responses

NSHE/NSC–

- **Detailed corrective action taken, including what will be done to avoid the identified issues in the future, and when these measures will be in place;**

We agree with this finding. All agreements and contracts associated with new pronouncements will continue to be reviewed in conjunction with the entire NSHE Controller community and System Administration, who have expertise in this area, in detail necessary to determine affected accounting treatments.

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- **How compliance and performance will be measured and documented for future audit, management and performance review.**

We will continue to identify and utilize available monitoring tools created specifically to address any modified accounting treatments resulting from new and existing accounting pronouncements and standards. Entries for the financial statements will continue to be analyzed and discussed with the NSHE Controller community and System Administration financial staff as part of the year end processes.

- **Who will be responsible and may be held accountable in the future if repeat or similar observations are noted.**

The NSC Controller is the responsible party for proper adoption of new pronouncements.

Nevada System of Higher Education
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2022

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.

Current Status

Implemented.

FINDING 2021-002 – Internal Control over Completeness and Accuracy of the Schedule of Expenditures of Federal Awards

Criteria

Internal control environments, which are operating optimally, provide for controls over the completeness and accuracy of the Schedule of Expenditures of Federal Awards (SEFA). The SEFA is a supplemental schedule to the financial statements required by 2 CFR 200 Uniform Guidance section 200.510(b). The required form and content of the SEFA is also outlined in that section.

Nevada System of Higher Education
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2022

Condition

During the course of the audit errors were identified in the SEFA including:

- Inclusion of fee-for-service contracts which did not meet the definition of federal awards
- Misclassification of awards from Dept of Treasury (Coronavirus Relief Funds) and National Science Foundation which should have been grouped into the Research & Development award cluster

Context

The form and content of the SEFA and the size of the various programs and clusters are the inputs for the Major Program Determination process which takes place in the annual Uniform Guidance Audit. Major programs are the programs audited and their selection by the auditor is a result of a formula outlined in Uniform Guidance which considers the size of the program, the risk profile and its past audit frequency. Errors in the SEFA can give rise to an inaccurate Major Program Determination process leading to an audit focus which is contrary to what was intended by the federal government. NSHE's SEFA includes federal award activity from all NSHE institutions and the System Office.

Cause

Errors appear to be a result of misunderstanding of the rules of Uniform Guidance by the preparers at some institutions. Supervisory review is not identifying all those errors before the data is submitted to the System office for consolidation into the NSHE-wide SEFA

Effect

Once pointed out in the audit, NSHE corrected the identified errors in the SEFA. The corrections resulted in one change to the expected major programs for 2021. The corrections also resulted in re-distributing award activity to other Major Programs after audit testing had begun resulting in test samples being re-drawn and some testing being discarded in light of the changed profile of the populations to be tested.

Recommendation

We recommend NSHE consider some refresher training for individuals involved in the preparation and review of the completeness and accuracy of the SEFA. We would be pleased to work with NSHE to develop a training course to offer to involved personnel.

Views of Responsible Officials (unaudited)

Management concurs.

Current Status

Implemented.

Nevada System of Higher Education
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
From year ended June 30, 2021

FINANCIAL STATEMENT FINDINGS

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

System Office Current Status

The oversight of the process was returned to the ACFO and the process started earlier as recommended. In addition, a meeting with the auditors clarified what is considered sufficient evidence for corroborating fair values of alternative investments. For the year ended June 30, 2022 NSHE's process of corroborating fair values of alternative investments was provided on schedule.

FINDING 2021-002 – Internal Control over Completeness and Accuracy of the Schedule of Expenditures of Federal Awards

UNR Current Status

The corrective action plan listed in the prior year response to the 2021-002 finding is implemented and the condition is fully corrected by the completion of refresher training for current staff and newly hired staff. Management also continues to perform a review of all awards for accuracy of the award classifications.

System Office Current Status

Additional review was performed to ensure the error was not repeated in the current year.