UNLV
UNIVERSITY OF NEVADA LAS VEGAS

Financial Statements and Report of Independent Accountants

For the Years Ended June 30, 2005 and 2004

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UNIVERSITY OF NEVADA, LAS VEGAS

Management's Discussion and Analysis

Introduction

The following provides an analysis and discussion of the financial position and activities of the University of Nevada, Las Vegas (the "University" or "UNLV") for the year ended June 30, 2005. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. UNLV is one of nine divisions or campuses of the Nevada System of Higher Education ("NSHE" or the "System"). The System is an agency of the State of Nevada (the "State") and UNLV receives significant support from, and has significant assets held by, the State.

The University is a comprehensive public institution of higher learning committed to a mission of being a premier metropolitan research university. UNLV has grown to more than 27,000 students (the official fall 2004 enrollment was 27,334) and over 900 faculty members. UNLV offers more than 220 undergraduate, masters and doctoral degree programs. UNLV's student population grew by 11 percent over the last two years adding nearly 2,700 full time students to the campus. The minority student population was 8,288 in fall 2004 or 30 percent of the total student body and graduate students now comprise 20 percent of the total student population.

The University continues toward its goal of becoming a major research institution and is classified as a Doctoral/Research University-Intensive according to the Carnegie Foundation for the Advancement of Teaching.

University Related Organizations

The annual financial report and statements include UNLV and the University of Nevada, Las Vegas Foundation (the "Foundation"). As of 2004, UNLV has adopted GASB 39, *Determining Whether Certain Organizations are Component Units*, an amendment to GASB Statement No. 14. This statement requires that the financial statements of any component unit(s) that are significant to UNLV be presented as a component unit of the financial statements. The component unit included in these financial statements, and thus in this MD&A, is the UNLV Foundation. Fiscal year 2005 data is presented for the Foundation and where appropriate, comparisons with prior year data are discussed. As fiscal year 2004 was the first year of implementation for GASB 39, comparative data for the Foundation for 2003 has not been presented in the financial statements, and accordingly is not included in the MD&A.

The Foundation, incorporated in November 1981, is a 501(c) (3) organization that serves as the primary fundraising, community relations, and gift management agency for the University. The Foundation also manages a variety of funds for the benefit of UNLV, and from time to time undertakes construction projects and other activities on behalf of the University.

The thirteen (13) elected members of the Board of Regents of NSHE serve as the members of the Foundation and appoint a Board of Trustees to oversee the management and programs of the Foundation. The membership on the Board of Trustees includes both alumni and community leaders; they generously support the University in many ways and provide important links between the University and the community.

Using the Financial Statements

The University's Financial Report includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. The emphasis of discussions about these statements will be on current year data. They are prepared in accordance with Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole.

One of the most important questions asked about UNLV's finances is whether the institution as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is evaluating the three statements. These statements present financial information in a form similar to that used by corporations. Net assets, the difference between assets and liabilities, is one indicator of the improvement or erosion of UNLV's financial health. Over time, increases or decreases in net assets is one measure of UNLV's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

Statement of Net Assets

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

The Statement of Revenues, Expenses and Changes in Net Assets

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

Statement of Cash Flows

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

The Notes to the Financial Statements provide additional information that is essential to understanding the information provided in the financial statements, and can be found at the end of the financial report.

Overview of the Financial Statements and Financial Analysis

The University's financial position remained sound at June 30, 2005, with assets of $758 million and liabilities of $198 million. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, were $559 million for fiscal year 2005 and $532 million for fiscal year 2004.

Changes in net assets represent the operating activity of the University, which results from revenues, expenses, gains and losses, and are summarized below. The large increase in 2004 net assets reflects the biennial State capital appropriations to the Public Works Board directed to UNLV from the State budgeting process. In accordance with State of Nevada operating practices, the bulk of capital appropriations arrive in the first year of the biennium. UNLV recognized no capital appropriations during 2005, which was the second year of the biennial budget. Changes in net assets for the years ended June 30 are summarized below.

	University			University Related Organization	
	2005	2004	2003	2005	2004
(In thousands of dollars)					
Total Revenues	$ 427,304	$ 432,358	$ 333,332	$ 39,874	$ 24,526
Total Expenses	400,257	361,392	325,926	15,258	18,382
Increase in net assets	$ 27,047	$ 70,966	$ 7,406	$ 24,616	$ 6,144

The University had a good year. Revenues continued to grow. In 2005 tuition and fee revenue increased 22% and state appropriation revenue increased 5%. In 2004 the significant part of the increase in state appropriation revenue (43%) was due to the Legislature approving the recommendation that all Estate Tax-supported programs be covered with General Fund dollars.

Statement of Net Assets

The Statement of Net Assets is a point-of-time financial statement presenting the readers of the financial statements with the financial position of the University. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities). The difference between current and noncurrent assets will be discussed in the Notes to the Financial Statements.

Condensed Statement of Net Assets

As of June 30:

(In thousands of dollars)	University 2005	University 2004	University 2003	University Related Organization 2005	University Related Organization 2004
Assets					
Current assets	$ 194,102	$ 213,439	$ 142,466	$ 11,066	$ 6,834
Investment in plant, net of accumulated depreciation	480,734	459,218	416,862	2,491	2,507
Other assets	82,776	57,507	63,444	103,304	83,143
Total assets	757,612	730,164	622,772	116,861	92,484
Liabilities					
Current liabilities	56,337	48,472	41,096	521	414
Noncurrent liabilities	141,979	149,443	120,393	1,741	2,087
Total liabilities	198,316	197,915	161,489	2,262	2,501
Total net assets	$ 559,296	$ 532,249	$ 461,283	$ 114,599	$ 89,983
Net assets consist of:					
Invested in capital assets, net of related debt	$ 348,026	$ 350,067	$ 321,250	$ 216	$ 213
Restricted, expendable	123,263	97,954	73,932	61,945	46,361
Restricted, nonexpendable	11,529	10,524	10,227	48,248	41,561
Unrestricted	76,478	73,704	55,874	4,190	1,848
Total net assets	$ 559,296	$ 532,249	$ 461,283	$ 114,599	$ 89,983

A review of the University's Statement of Net Assets at June 30, 2005, shows that the University continues to build upon its sound financial foundation. From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the institution. They are also able to determine how much the institution owes vendors and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the institution.

Total UNLV capital assets were $480.7 million as of June 30, 2005, an increase of $21.5 million from fiscal 2004. This continues the institutional priority of providing first-rate facilities that create and sustain a student-centered learning environment. Total assets for the University increased by $27 million during 2005 and $107 million in 2004. The significant increase in 2004 was primarily due to the increase in capital assets, and current assets (primarily cash and cash equivalents, short-term investments, and State of Nevada receivables). Unrestricted cash and cash equivalents decreased by $29.6 million and cash held by the State Treasurer increased by $21.1 million. The decrease in cash and cash equivalents is due to the general revenue bond proceeds, received in June 2004, that were transferred to the Public Works Board in 2005 to be expended on the Science, Engineering and Technology building.

Total liabilities for the year remained stable with an increase in current liabilities of $7.8 million and a decrease in noncurrent liabilities of $7.5 million. The increase in current liabilities was primarily due to the increase in current compensated absences, the current portion of long term debt, and the increase in deferred revenue. The decrease in noncurrent liabilities reflects the decrease in outstanding bonds payable.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted assets are available to the institution for any lawful purpose of the institution.

The total net assets of the institution increased $27 million during 2005. A review of the Statement of Net Assets will reveal that this was due primarily to an increase in restricted expendable assets. Restricted expendable capital projects of $90.2 million in 2005 represents an increase of $23.1 million or 34% greater than 2004. Unrestricted net assets, which are primarily from auxiliary funds, sales and services of educational departments, and tuition and fees, increased by $2.8 million. Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of the University's unrestricted net assets have been designated for various academic and research programs and initiatives, as well as capital projects.

Capital and Debt Activities

Capital construction activities are best understood in the context of the Campus Master Plan approved by the Board of Regents on March 18, 2004. The Maryland Parkway campus presently has approximately 3.8 million gross square feet (GSF) serving more than 27,000 students. The Master Plan projects a maximum capacity of this campus of approximately 36,000 students and a need for between 5.5 to 7.4 million GSF depending on assumptions about the GSF per student (currently 153 GSF/student). Accordingly, the University needs to build between 1.7 million (@ 150 GSF/student) and 3.6 million GSF (@ 200 GSF/student) in order to accommodate the anticipated strong enrollment growth in the near future. For reference, the University built 1.4 million GSF in the last 10 years.

<u>Capital projects completed in 2005 include</u>:

Paul B. Sogg Architecture building addition ($1.6 million) - The architecture building addition includes life safety upgrades, addition of approx. 6,500 GSF of offices, studios, critique space, and research offices.

Central Desert Complex Phase II ($5.0 million) - CDC II consists of 6 modular buildings to provide office, conference, computer laboratory and student/faculty small scale meeting space for a variety of departments, including Greenspun College of Urban Affairs, Psychology, Writing Center and other departments. The CDC is composed of 6 modular buildings at 3,600 GSF each for a total of 21,600 GSF.

John S. Wright Hall ($20.4 million) - The remodel and addition of Wright Hall, completed in January 2005, includes a 60,000 square-foot addition, and a remodel of 20,000 square feet of the existing structure. The building contains 20 classrooms, anthropology teaching and research laboratories, 96 offices, two large auditorial/lecture halls, and the Executive MBA classroom suite.

Dayton Housing Complex ($21million) – Construction was completed in August 2004 on this, 480-bed student residence hall.

Naples Property acquisition and parking lot ($2.6 million) – UNLV acquired approximately 3.1 acres at Naples Drive east of Swenson. This will enable the main campus to increase in size to 340 acres. Improvements planned include additional parking, preservation of the operations and staging functions for Thomas and Mack Center events, and other potential campus enhancements.

Capital Projects currently under construction include the following:

Student Recreation/Wellness Center, Student Union ($104 million) - The University is building a new 187,000 square foot Student Recreation Center and a new 135,000 square foot Student Union building. These two new buildings are currently under construction and are scheduled to be completed in 2007. These facilities, in conjunction with the recently completed Dayton Housing Complex, will enhance our campus community.

Science, Engineering and Technology building - The $106 million Science, Engineering and Technology building began construction in August, 2005, and will be a significant addition to the UNLV campus. The Science, Engineering and Technology building is the cornerstone of UNLV's goal to become a premier research institution. The 207,000 square foot building, slated to be completed in fall 2007, is designed for interdisciplinary teaching and research. It will include state-of-the-art labs, "smart" conference rooms, and integrated research space. The University currently has approximately 129,000 square feet of research space; the new building will raise this total to more than 200,000 square feet.

Capital Projects currently under design include:

Greenspun College of Urban Affairs building ($60.2 million) - The Greenspun College of Urban Affairs building will be 117,500 gross square feet, yielding about 70,000 net square feet with five floors on the UNLV main campus. It will include faculty and graduate student offices, smart classrooms of a variety of sizes, seminar rooms, and open informal learning areas. This facility will also house new modern television studios and a radio station for student learning. The Greenspun College is made up of six academic units including the Hank Greenspun School of Communication, Department of Criminal Justice, Department of Environmental Studies, Department of Public Administration, and School of Social Work. The northwest corner of Maryland Parkway and University Road will be the "cornerstone" location in the southeastern section of campus. It is located adjacent to the primary student service corridor, including the new Student Union building, student residences, and academic buildings. A private donor has committed $26.2 million after certain contingencies are met, and the state has committed $34 million.

Cottage Grove parking structure ($12.5 million) – The two level vertical expansion of the existing Cottage Grove parking structure is anticipated to yield approximately 840 parking spaces. The facility is planned to include the following features: 840 parking spaces on two additional vertical levels, extension of vertical circulation cores and services, improvements to the parking control systems, additional parking structure security systems, and façade and aesthetic improvements.

Shadow Lane Campus Building B improvements ($6.4 million) – This project includes the remodel and upgrade of Building B on UNLV's Shadow Lane Campus (home of the School of Dental Medicine and other biomedical activities). The intent is to bring the building up to current code, create space and prepare the building so that it is more accessible for current occupants and more desirable for future tenants. The building's use is focused on research with the future development of laboratories, classrooms and administrative space. The primary goal of this project will be to prepare the building for future occupancy by removing many of the barriers that currently limit its use and viability.

Buildings placed in service during 2004 totaled $17.5 million which included the completion of the renovations for the School of Dental Medicine and the Biotech/Cancer Institute at the Shadow Lane Campus, and the Lynn Bennett Early Childhood Education Center. Renovations to the Shadow Lane Campus began in 2002. This satellite campus includes three buildings on 18.2 acres in the heart of Las Vegas.

In 2005, UNLV -- through the UNLV Foundation and the University's other affiliated foundations -- completed the third year of a seven year comprehensive capital campaign. The campaign's fiscal goal, which was publicly announced for the first time soon after the close of 2005, is $500 million. By the end of the fiscal year, the institution had over $260 million received in gifts and commitments toward that goal. Funds raised through this campaign will be used for operations, increasing endowment funds, capital construction and scholarships. The institution anticipates a successful conclusion to the campaign by June 30, 2008.

The University will be required to fund a portion of the cost of its proposed projects from state appropriations, private donations, available unrestricted resources, and/or additional long-term debt borrowings, as necessary. In the 2005 legislative session the Legislature authorized the issuance of additional obligations payable from all or part of the Net Pledged Revenues at any time in the future (AB 534). This authorization increased the UNLV revenue bond capacity from $199 million to $339 million. This increase of $140 million will allow UNLV to continue to issue revenue bonds to support the capital needs of a growing institution. The Board of Regents is also authorized from time to time to issue general obligation bonds of the State for capital construction purposes.

Bonds payable totaled $134.4 million at June 30, 2005, and $138.5 million for 2004. In fiscal 2005 the university did not issue revenue bonds. In fiscal year 2004, the University issued a $32.5 million bond for the Science, Engineering and Technology building, Central Desert Complex Phase II, Shadow Lane Building renovation, and acquisition and development of the 3.1 acre Naples property to be used for parking, and other campus enhancements. In addition to revenue bonds, at June 30, 2005, the University had outstanding notes payable in the amount of $170,000**.**

For additional information concerning Capital Assets and Debt Administration, see Notes 8, 9 and 14 in the notes to the financial statements.

Endowment Funds

Endowment funds supporting the university are comprised of institutional assets and the UNLV Foundation assets. The Foundation, with endowed assets of over $62.2 million, is the primary source of giving to the University. In addition the University has endowment funds consisting of permanent endowments $32.2 million and funds functioning as endowment or quasi endowments of $11.2 million. Programs supported by the endowment include scholarships, fellowships, professorships, research efforts and other important programs and activities.

Additional information concerning the Foundation may be found in the Foundation section (page 19) of the MD&A. The following paragraphs describe the University's endowment funds.

Permanent endowments are those funds received from donors with the stipulation that the principal remain inviolate and be invested in perpetuity to produce income which is to be expended for the purposes stipulated by the donor. Restricted nonexpendable net assets primarily include the University's permanent endowment funds; these funds totaled $11.5 at June 30, 2005 and $10.5 million in 2004. In June 2004, the University received from settlement of a trust originating in 1962, a $500,000 endowment; in 2005 the University received $1 million from the proceeds of the sale of a coin collection which was added to this endowment. This endowment will provide scholarships for financially needy engineering students.

Funds functioning as an endowment represent amounts (restricted gifts or unrestricted funds) that have been allocated by the University for long-term investment purposes, although amounts are not subject to donor restrictions requiring the University to preserve the principal in perpetuity.

Restricted expendable net assets are subject to externally imposed restrictions governing their use. This category of net assets totaled $25.1 million and includes $10.0 million of funds functioning as endowment in 2005. In addition, unrestricted net assets include funds functioning as endowments of $1.1 million.

UNLV participates with the other NHSE institutions in following Board approved investment policies for managing all public funds, including operating funds and endowment funds handled by the System (NHSE). The System currently utilizes several external investment managers to manage the operating funds and the endowment funds. The investment objective of the endowment funds is to attain an inflation-adjusted total return, net of fees, at least equal to the University's contemplated spending/distribution rate of 4.5% (based upon a 20-quarter moving average as set forth in Board policy). This NHSE policy is subject to periodic reviews.

The endowment fund is allocated between an equity portfolio that provides long-term capital appreciation and a growing income stream; a fixed income portfolio to provide a hedge against extended deflation, to provide higher current income than equities and to diversify the portfolio. Board policy sets normal allocation and ranges for each type of portfolio.

Statement of Revenues, Expenses and Changes in Net Assets

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

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. 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 institution. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the institution without the Legislature directly receiving commensurate goods and services for those revenues.

Condensed Statement of Revenue, Expenses and Changes in Net Assets For the Years Ended June 30:

(In thousands of dollars)	University 2005	University 2004	University 2003	University Related Organization 2005	University Related Organization 2004
Operating revenues					
Student tuition and fees, net	$ 90,910	$ 74,680	$ 65,454	$ -	$ -
Donor contributions - cash and noncash	-	-	-	26,921	14,061
Grants and contracts	77,765	72,138	64,548	-	-
Sales and services of educational departments	31,467	27,130	26,292	-	-
Sales and services of auxiliary enterprises, net	34,836	33,442	33,412	-	-
Other	760	1,404	766	405	368
Total operating revenues	235,738	208,794	190,472	27,326	14,429
Operating expenses	389,038	351,762	318,203	2,952	3,708
Operating revenue (loss)	(153,300)	(142,968)	(127,731)	24,374	10,721
Nonoperating revenues (expenses)					
State appropriations	155,262	147,884	103,229	-	-
Gifts	10,278	9,709	10,916	-	-
Investment income	15,812	14,324	5,365	6,873	3,365
Interest expense and disposal of plant assets	(6,115)	(5,869)	(5,531)	-	-
Other nonoperating revenues (expenses)	401	41	(2,192)	-	(2,485)
Capital state appropriations	-	40,879	-	-	-
Capital and endowment gifts and grants	9,813	10,727	12,747	5,675	6,732
Net transfers (to) from System Administration	(5,104)	(3,761)	10,603	-	-
Payments to University of Nevada, Las Vegas	-	-	-	(12,306)	(12,189)
Net nonoperating revenues (expenses)	180,347	213,934	135,137	242	(4,577)
Increase in net assets	27,047	70,966	7,406	24,616	6,144
Net assets, beginning of year	532,249	461,283	453,877	89,983	83,839
Net assets, end of year	$ 559,296	$ 532,249	$ 461,283	$ 114,599	$ 89,983

The Statement of Revenues, Expenses, and Changes in Net Assets reflect a positive year with an increase in net assets at the end of the year. Some highlights of the information presented on the Statement of Revenues, Expenses, and Changes in Net Assets are as follows:

- Student tuition and fees revenues for FY 2005 were $90.9 million, an increase of 22 percent over 2004. The increase is due to several factors. UNLV's student population continues to grow with over 27,000 students attending in fall 2004. Annual FTE enrollment increased by 6.8 percent, and registration fees increased 7 percent. In addition UNLV's School of Dental Medicine, which accepted its first 75 dental students in the fall of 2002, increased its revenue from tuition and fees by $970 thousand and the number of students to 225.

- Grants and Contracts revenue for 2005 was $77.8 million, an increase of 7.8 percent over 2004. The largest increase in this revenue source was due to the Millennium Scholarship of $1.9 million. The State of Nevada established the Millennium Scholarship in order to increase the number of Nevada students who perform well in high school and enroll in, and graduate from an institution of the NSHE. Additional "Other Grants & Contracts" increased by $1.1 million representing several grants for the College of Engineering and the Harry Reid Center.

- Sales and Services of Educational Departments revenue increased in 2005 by $4.3 million or 16 percent, due to increases in the following programs: Hospitality Research Center, SLC Student Clinic, Pre-School, Parking Meter Collections, and Athletics (due to the UNLV share of a Mountain Western Conference school participating in a tournament).

- Revenue from State appropriations increased by 5 percent or $7.4 million. This increase is consistent with the general incremental increases realized in the second year of the biennium primarily due to the formula support for the increase in students served.

- Investment income increased from $14.3 million to $15.8 million during 2005 due to favorable market conditions. The market values of the various investment pools are subject to change depending upon conditions beyond the control of the System, including general economic conditions and general financial conditions. In addition, the System is subject to the same risks as other investors in the market including but not limited to adverse market conditions and ability of fund managers to maintain a solvent fund.

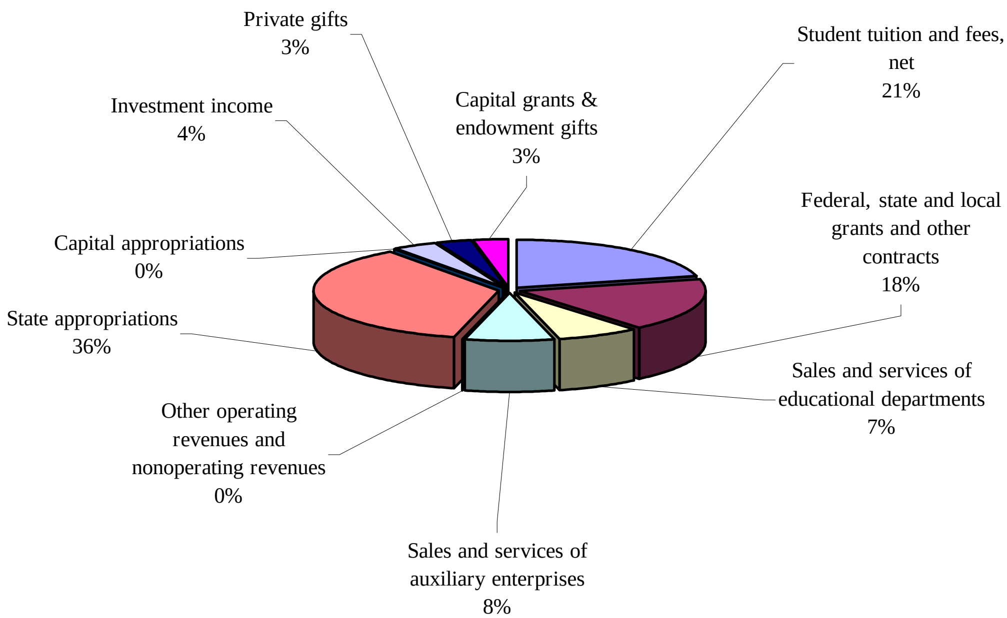
- Capital state appropriations are not recognized in the second year of the biennium. The $40.9 million reflected in 2004 represents the 2003-2005 legislatively approved capital budget of which $35.4 million was for the construction of the Science, Engineering and Technology building and $5 million for campus improvements. In accordance with State of Nevada operating practices, the bulk of capital appropriations arrive in the first year of the biennium.

Tuition and state appropriations are the primary source of funding for the University's academic programs. Student tuition and fees, net of allowances for scholarships and fellowships, are $90.9 million or 21 percent of total revenues in 2005. State general fund appropriations are $155.3 million, or 36 percent of total revenues of $427.3 million.

The University receives revenues for sponsored programs from government and private sources, which normally provide for the recovery of direct and indirect costs. Grant activity will continue to increase as the University works towards becoming a major research university.

The following is a graphic illustration of revenues by source (both operating and nonoperating), which were used to fund UNLV's operating activities for the year ended June 30, 2005 (amounts are presented in thousands of dollars). Significant recurring sources of UNLV's revenues, such as State appropriations and investment income, are considered nonoperating, as defined by GASB Statement No.35.

University Revenues by Source



University Revenues by Source (in thousands of dollars)	**Amount**	%
Student tuition and fees, net	$ 90,910	21%
Federal, state and local grants and other contracts	77,765	18%
Sales and services of educational departments	31,467	7%
Sales and services of auxiliary enterprises	34,836	8%
Other nonoperating and operating revenues	1,161	0%
State appropriations	155,262	36%
Capital appropriations	0	0%
Investment income	15,812	4%
Private gifts	10,278	3%
Capital grants & endowment gifts	9,813	3%
Total Revenues by Source	$ 427,304	100%

The following is a summary of the University's expenses for the years ended June 30:

	University			University Related Organization	
	2005	2004	2003	2005	2004
(In thousands of dollars)					
Operating Expenses:					
Compensation and benefits	$ 256,260	$ 225,071	$ 208,524	$ 1,937	$ 1,672
Utilities	10,442	9,700	9,397	-	-
Supplies and services	85,661	83,256	68,665	866	896
Scholarships and fellowships	13,755	12,472	11,021	-	-
Program expenses	-	-	-	64	1,060
Depreciation	22,920	21,263	20,596	85	80
	389,038	351,762	318,203	2,952	3,708
Nonoperating:					
Interest and other	11,219	9,630	7,723	12,306	14,674
Total expenses	$ 400,257	$ 361,392	$ 325,926	$ 15,258	$ 18,382

- Compensation and employee benefits expense was approximately $256 million for 2005, an increase of 13.9 percent over fiscal year 2004. The increase reflects a two percent cost of living increase (COLA), merit adjustments, and increased state funding for instructional positions. Additional faculty and part time instructors as well as various support personnel were needed to support the annual FTE student enrollment increase of 6.8 percent.

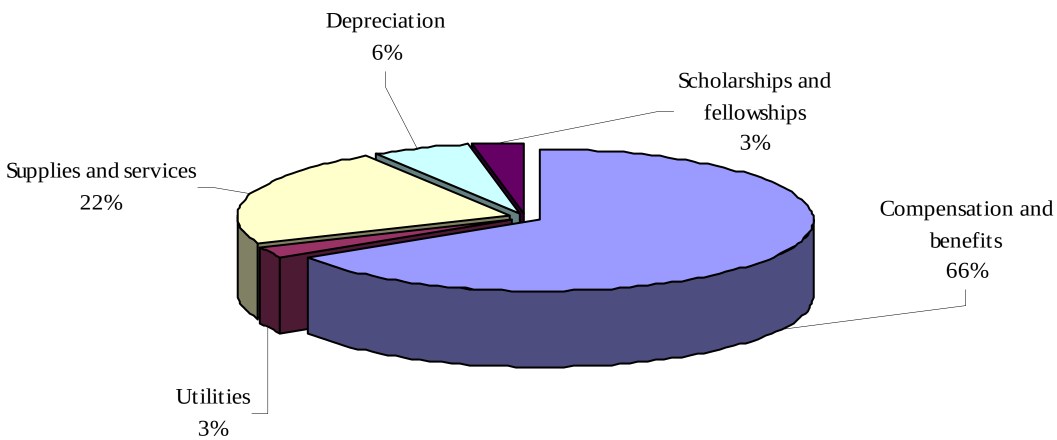
- Scholarships and fellowships expense totaled $13.7 million in 2005, an increase of $1.3 million over fiscal year 2004. This increase was primarily due to increases in the Millennium Scholarship of $1.9 million, PELL of $632 thousand, Student Access of $1.1 million and General Scholarships of $400 thousand. These were offset by a $3.1 million increase in tuition discounting.

The University is committed to recruiting and retaining an outstanding faculty and staff and the compensation package is one way to successfully compete with peer institutions and nonacademic employers. The University encourages and rewards faculty members who best integrate teaching, scholarship, and service in support of student learning and the creation of new knowledge. Dedicating resources to instructional salaries promotes UNLV's goal of becoming a premier metropolitan research university. UNLV has added new faculty with degrees from the nation's most prestigious universities.

Substantially all permanent employees of the University are covered by retirement plans. All classified and some professional employees are covered under Public Employee's Retirement System ("PERS"), administered by the State. Those professionals not covered by PERS, are covered by four alternative plans that are defined contribution plans, and hence have no unfunded liability.

The following is a graphic illustration of total operating expenses by "natural classification" (in thousands of dollars) for the year ended June 30, 2005:

University Operating Expenses by Natural Classification



University Operating Expenses by Natural Classification (in thousands of dollars)	**Amount**	**%**
Compensation and benefits	$ 256,260	66%
Utilities	10,442	3%
Supplies and services	85,661	22%
Depreciation	22,920	6%
Scholarships and fellowships	13,755	3%
Total	$ 389,038	100%

In addition to their natural classification, it is also informative to review operating expenses by functions, which were as follows for the years ended June 30:

	University		
	2005	2004	2003
(In thousands of dollars)			
Operating Expenses:			
Instruction	$ 129,312	$ 115,894	$ 102,399
Research	35,839	32,877	30,593
Public service	17,765	16,355	13,451
Academic support	43,595	39,031	34,441
Institutional support	25,782	23,041	23,931
Student services	37,077	33,400	29,164
Auxiliary enterprises	32,535	29,946	29,780
Operations and maintenance of plant	30,181	27,405	22,732
Depreciation	22,920	21,263	20,596
Loans	277	78	95
Scholarships and fellowships	13,755	12,472	11,021
Total operating	389,038	351,762	318,203
Nonoperating:			
Interest and other	11,219	9,630	7,723
Total expenses	$ 400,257	$ 361,392	$ 325,926

Instruction expenses increased by $13.4 million or 11.6 percent this year, mainly due to increases in salaries and benefits in the state funded accounts. The increase in expense represents the additional faculty needed to provide to direct educational exposure to the growing student body of the University. COLA and merit increases also contributed to the increase.

An 11.7 percent increase in academic support expenses during 2005 was due to the additional Lied Library operational expenses of $2.0 million as well as the increase in information technology expenses of $500 thousand.

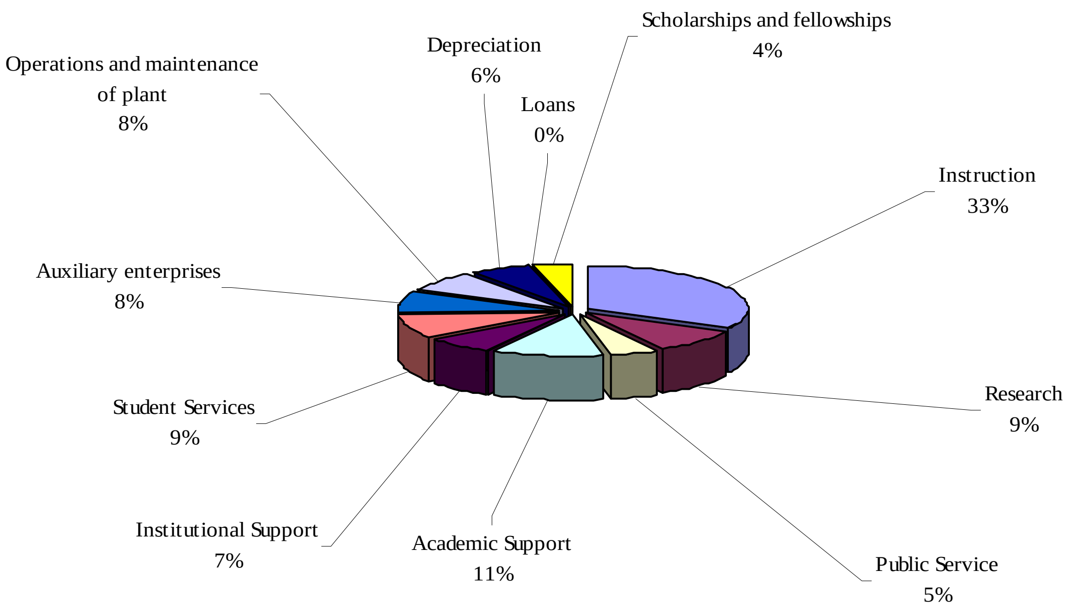
Institutional support expenses increased by $2.7 million or 12 percent. This was primarily due to the increase in salary and benefits in both the state and self supported accounts.

Student services increased 11 percent or $3.7 million. In order to better serve the students there was an increase of $1.9 million in State funded accounts, and also an increase in Athletics expenditures.

Operations and maintenance of plant increased 10 percent primarily due to increases in electrical services, custodial services and several other maintenance projects.

The following graphic illustrations present total operating expenses by function (in thousands of dollars) for the year ended June 30, 2005:

University Operating Expenses by Function



University Operating Expenses by Function (in thousands of dollars)	Amount	%
Instruction	$ 129,312	33%
Research	35,839	9%
Public Service	17,765	5%
Academic Support	43,595	11%
Institutional Support	25,782	7%
Student Services	37,077	9%
Auxiliary enterprises	32,535	8%
Operations and maintenance of plant	30,181	8%
Depreciation	22,920	6%
Loans	277	0%
Scholarships and fellowships	13,755	4%
Total Operating Expenses by Function	$ 389,038	100%

Statement of Cash Flows

The final statement presented by the University of Nevada, Las Vegas, is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes.

The third section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fourth section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Condensed Cash Flows for the Years ended June 30:

	University		
	2005	2004	2003
(In thousands of dollars)			
Cash provided (used) by:			
Operating activities	$ (126,309)	$ (113,204)	$ (115,218)
Noncapital financing activities	162,280	155,434	125,058
Investing activities	(3,915)	(15,308)	8,477
Capital and related financing activities	(40,569)	(14,984)	(6,130)
Net change in cash	(8,513)	11,938	12,187
Cash, beginning of year	78,983	67,045	54,858
Cash, end of year	$ 70,470	$ 78,983	$ 67,045

The University's significant sources of cash provided by noncapital financing activities, as defined by GASB Statement No. 35, include state appropriations and private gifts.

Discretely Presented Component Unit

University of Nevada, Las Vegas Foundation

The Foundation total assets grew to $116.8 million, an increase of $24.4 million from 2004. This is attributable to an increase in cash donations, the addition of gifts, net of distributions, and an increase in the market value of investments held in the endowment fund. Investment decisions are made by the UNLV Foundation portfolio managers within overall asset allocation and policy parameters set by the Board.

Total liabilities decreased $300,000 from 2004 primarily due to scheduled debt payments in the amount of $315,000. Total fund equity increased from $90.0 million at June 30, 2004, to $114.6 million at June 30, 2005, as a result of an excess of revenues over expenses of approximately $24.6 million.

Total contributions increased $14.3 million during 2005 due to initial success of the capital campaign. The receipt of cash gifts increased $12.1 million. Non-cash contributions increased $1.5 million during 2005 principally due to the gift portion of a large charitable remainder trust.

Investment income increased $3.5 million from June 30, 2004. The restricted fund is invested in fixed-income instruments. Poor performance in the fixed-income market and low interest rates were responsible for the reduction in investment income in the restricted fund. However, the equity portfolios provided increases in dividends and capital gains in the endowment fund.

Payments to the University totaled $12.3 million, which have been adjusted to reflect different accounting principles applicable to non-cash donations. The Foundation transfers funds for programs and scholarships only when requested by the University in order to cover current obligations.

Economic Outlook

The University is growing at a dramatic rate, thus growth is expected to sustain itself in the near future. Between 1990 and 2000, Nevada's population grew by 66%, outpacing that of any state in the nation. The growth rate of Nevada high school graduates has also surpassed that of other states, and is projected to grow by 104 percent increase between 2001 and 2017. The greatest share of this growth is attributable to southern Nevada, where Clark County alone accounts for approximately 75% of the state population. Similarly, UNLV's fall FTE increased by more than 8% per year during the last four years, outpacing the System projections for UNLV by more than 3% per year.

The University continues to execute its long-range plan in the expansion and renovation of older facilities, and the construction of new ones. These projects will address the University's enrollment growth and respond to the challenges of new technology and methodologies to better serve the campus and the community. Over the next several years, UNLV will build a number of new facilities on the main campus. The Science, Engineering and Technology Building is slated for completion in 2007. This technologically advanced facility is designed to advance interdisciplinary science research and outreach activities supporting economic development in Nevada. The Greenspun Building is also slated for completion in 2007, and will house the UNLV College of Urban Affairs, providing state-of-the-art radio and television production facilities for the University. The new Student Union, which will be twice the size of the current facility, and the Student Recreation Center, the University's first facility devoted to both fitness and wellness, are in the early stages of construction and both scheduled for completion in 2007.

It has become apparent that given our growing student population and the limited state funds provided for capital projects, we cannot afford to rely solely on state resources for capital improvements. Public/private partnerships provide the one viable option for supplementing this critical need. One successful example of this partnership is the eagerly anticipated Advanced Dental Education Building on the Shadow Lane campus in which Orthodontic Medicine will be a key focus. Midtown UNLV is another public/private initiative in the early stages of development. The focus for Midtown is to improve the physical space and the urban fabric around the campus, starting with the areas immediately to the east along Maryland Parkway at the primary campus entrance. The success of a state "lease purchase" bill during the 2005 legislative session is anticipated (allowing state funds to retire lease purchase debt). This is important for UNLV to participate in these public/private ventures in ways not possible prior to the passage of legislation.

UNLV is a dynamic resource for, and partner with, the community that it serves. The Thomas and Mack Legal Clinic at the William S. Boyd School of Law is providing free legal services to children and families involved in abuse and neglect proceedings; "Kids' Court", a collaboration between the UNLV College of Education and the Law School, is providing training in stress-reduction techniques for children who are required to participate in the Nevada court system; the Endangered Instruments Program is introducing some of the less common musical instruments – oboe, French horn, bassoon, and others, to at-risk youths in southern Nevada. The Crackdown on

Cancer van sponsored by the UNLV School of Dental Medicine is targeting rural areas in order to promote effective oral healthcare practices. These are just a few of the examples used to illustrate UNLV's commitment to the community.

Looking to the future with research, the Harry Reid UNLV Research and Technology Park is located on approximately 115 acres in the southwest portion of Las Vegas. The land is the property of the UNLV Research Foundation. Once completed, the park will create and attract companies involved in areas such as environmental cleanup, national emergency response, counter-terrorism, communications, biotechnology and energy production. It will provide a strong high-tech employment compliment to the existing technology base.

UNLV is currently engaged in a planning and feasibility analysis for the potential acquisition of up to approximately 2,000 acres of Federal Land managed by the Bureau of Land Management in North Las Vegas, Nevada. The study of the potential UNLV North Campus includes concepts to establish an integrated and synergistic campus/community center, to provide a diverse and fully developed academic environment, to embrace the desert context, to position the campus as a gateway to the mountains and to provide a campus with a dynamic image and identity. Possible uses of the potential UNLV North Campus include partnerships with Nevada State College, the Desert Research Institute, the Community College of Southern Nevada, Nellis Air Force Base, the Veterans Administration and the City of North Las Vegas, among others.

While it is not possible to predict the ultimate results of the current economic uncertainties, the University's current financial condition is sound. Despite fiscal challenges, the University is one of the most important resources that the State of Nevada has in its midst to develop a positive future. This was evidenced with the continued legislative support for several initiatives in the recently concluded legislative session. The legislature recognizing the need to support the research initiative passed a budget which will allow the university to retain and invest the full facilities and administrative rate of return back into the institution. Historically, 25 percent of this return had been submitted to the state as part of the institutional revenue pledge. With this change (commencing in fiscal year 2006) the institution will annually have more than $2.0 million of additional resources to commit to the research infrastructure of the campus. The legislature also recognized the need to expand the options in capital projects and passed a bill (SB 426) allowing the state agencies to lease-purchase these in the future. This option will assist in the expediting of these projects as well as retaining the statutory limitations without compromise.

Few universities in the country are situated in a city growing the way the greater Las Vegas area in southern Nevada is growing. Fewer still compete for funds with a relatively small number of other institutions. Fewer yet are centered in the heart of a metropolis that has more potential for life changing and quality enhancing activity than Las Vegas.

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by the University and the System including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that the University and System expect or anticipate 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 University and the System do not undertake to 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.

UNIVERSITY OF NEVADA, LAS VEGAS
STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2005 AND 2004

	University		University Related Organization	
	2005	2004	2005	2004
Assets				
Current Assets:				
Cash and cash equivalents	$ 35,344,000	$ 64,972,000	$ 5,382,000	$ 4,418,000
Short-term investments	111,075,000	95,481,000	3,361,000	-
Accounts receivable, net	6,185,000	5,797,000	-	-
Receivable from U.S. Government	7,060,000	6,374,000	-	-
Receivable from State of Nevada	31,657,000	37,853,000	-	-
Current portion of pledges receivable, net	-	-	1,644,000	1,858,000
Accrued interest receivable	-	-	468,000	489,000
Current portion of loans receivable, net	560,000	818,000	-	-
Inventories	2,041,000	2,046,000	-	-
Current portion of deferred expenditures and deposits	180,000	98,000	211,000	69,000
Total Current Assets	194,102,000	213,439,000	11,066,000	6,834,000
Noncurrent Assets:				
Cash held by State Treasurer	35,126,000	14,011,000	-	-
Pledges receivable, net	-	-	21,436,000	8,729,000
Endowment investments	43,389,000	39,349,000	62,201,000	51,821,000
Investments in securities	-	-	15,190,000	19,073,000
Loans receivable, net	2,983,000	2,782,000	-	-
Long-term deferred expenditures and deposits	1,278,000	1,365,000	-	-
Assets held in charitable remainder trusts	-	-	3,766,000	2,979,000
Capital assets, net	480,734,000	459,218,000	2,491,000	2,507,000
Other assets	-	-	711,000	541,000
Total Noncurrent Assets	563,510,000	516,725,000	105,795,000	85,650,000
Total Assets	757,612,000	730,164,000	116,861,000	92,484,000
Liabilities				
Current Liabilities:				
Accounts payable	9,343,000	8,956,000	271,000	99,000
Accrued payroll and related liabilities	9,466,000	8,863,000	-	-
Unemployment insurance and worker's compensation liability	1,551,000	1,594,000	-	-
Current portion of compensated absences	7,121,000	5,747,000	-	-
Current portion of long term debt	5,746,000	4,162,000	250,000	315,000
Current portion of obligations under capital leases	1,503,000	1,433,000	-	-
Accrued interest payable	3,108,000	3,010,000	-	-
Deferred revenue	15,725,000	13,120,000	-	-
Funds held in trust for others	2,774,000	1,587,000	-	-
Total Current Liabilities	56,337,000	48,472,000	521,000	414,000
Noncurrent Liabilities:	-		-	
Deferred revenue	283,000	783,000	-	-
Refundable advances under federal loan program	2,797,000	2,584,000	-	-
Compensated absences	3,724,000	3,555,000	-	-
Long term debt	128,834,000	134,676,000	1,305,000	1,555,000
Obligations under capital leases	6,341,000	7,845,000	-	-
Liability under charitable remainder trusts	-	-	361,000	393,000
Other liabilities	-	-	75,000	139,000
Total Noncurrent Liabilities	141,979,000	149,443,000	1,741,000	2,087,000
	-		-	
Total Liabilities	198,316,000	197,915,000	2,262,000	2,501,000
Total Net Assets	$ 559,296,000	$ 532,249,000	$ 114,599,000	$ 89,983,000
Net Assets consist of:				
Invested in capital assets, net of related debt	$ 348,026,000	$ 350,067,000	$ 216,000	$ 213,000
Restricted for:	-	-	-	-
Nonexpendable	11,529,000	10,524,000	48,248,000	41,561,000
Expendable	-	-	-	-
Scholarships, research and instruction	32,445,000	30,191,000	61,945,000	46,361,000
Loans	719,000	741,000	-	-
Capital projects	90,151,000	67,027,000	-	-
Debt service	(52,000)	(5,000)	-	-
Unrestricted	76,478,000	73,704,000	4,190,000	1,848,000
Total Net Assets	$ 559,296,000	$ 532,249,000	$ 114,599,000	$ 89,983,000

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

UNIVERSITY OF NEVADA, LAS VEGAS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	University		University Related Organization	
	2005	2004	2005	2004
Revenues				
Operating Revenues				
Student tuition and fees				
(net of scholarship allowances of $23,445,000 and $20,302,000)	$ 90,910,000	$ 74,680,000	$ -	$ -
Donor contributions – cash	-	-	21,412,000	10,074,000
Donor contributions – noncash	-	-	5,509,000	3,987,000
Federal grants and contracts	49,729,000	48,805,000	-	-
State grants and contracts	21,699,000	18,469,000	-	-
Local grants and contracts	1,175,000	738,000	-	-
Other grants and contracts	5,162,000	4,126,000	-	-
Sales and services of educational departments	31,467,000	27,130,000	-	-
Sales and services of auxiliary enterprises				
(net of scholarship allowances of $692,000 and $673,000)	34,836,000	33,442,000	-	-
Interest earned on loans receivable	49,000	57,000	-	-
Other operating revenues	711,000	1,347,000	405,000	368,000
Total operating revenues	235,738,000	208,794,000	27,326,000	14,429,000
Expenses				
Operating Expenses				
Employee compensation and benefits	256,260,000	225,071,000	1,937,000	1,672,000
Utilities	10,442,000	9,700,000	-	-
Supplies and services	85,661,000	83,256,000	866,000	896,000
Scholarships and fellowships	13,755,000	12,472,000	-	-
Program expenses	-	-	64,000	1,060,000
Depreciation	22,920,000	21,263,000	85,000	80,000
Total operating expenses	389,038,000	351,762,000	2,952,000	3,708,000
Operating (loss) income	(153,300,000)	(142,968,000)	24,374,000	10,721,000
Nonoperating Revenue (Expenses)				
State appropriations	155,262,000	147,884,000	-	-
Gifts (including $6,716,000 and $5,959,000 from the UNLV Foundation)	10,278,000	9,709,000	-	-
Investment income	15,812,000	14,324,000	6,873,000	3,365,000
Loss on disposal of plant assets	(331,000)	(937,000)	-	-
Interest on capital asset-related debt	(5,784,000)	(4,932,000)	-	-
Payments to University of Nevada, Las Vegas	-	-	(12,306,000)	(12,189,000)
Net transfers to System Administration	(5,104,000)	(3,761,000)	-	-
Other nonoperating revenues (expenses)	401,000	41,000	-	(2,485,000)
Net nonoperating revenues (expenses)	170,534,000	162,328,000	(5,433,000)	(11,309,000)
Income (loss) before other revenue, expenses, gains or losses	17,234,000	19,360,000	18,941,000	(588,000)
Capital grants and gifts				
(including $5,568,000 and $6,204,000 from the UNLV Foundation)	8,785,000	10,201,000	-	-
State appropriations restricted for capital purposes	-	40,879,000	-	-
Additions to permanent endowments				
(including $22,000 and $26,000 from the UNLV Foundation)	1,028,000	526,000	5,675,000	6,732,000
Total other revenues	9,813,000	51,606,000	5,675,000	6,732,000
Increase in net assets	27,047,000	70,966,000	24,616,000	6,144,000
Net Assets				
Net Assets – beginning of year	532,249,000	461,283,000	89,983,000	83,839,000
Net Assets – end of year	$ 559,296,000	$ 532,249,000	$ 114,599,000	$ 89,983,000

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

UNIVERSITY OF NEVADA, LAS VEGAS
STATEMENTS OF CASH FLOWSFOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	University	
	2005	2004
Cash flows from operating activities		
Tuition and fees	$ 91,362,000	$ 74,939,000
Grants and contracts	77,656,000	75,348,000
Payments to suppliers	(85,042,000)	(81,238,000)
Payments for utilities	(10,403,000)	(9,640,000)
Payments for compensation and benefits	(253,906,000)	(223,172,000)
Payments for scholarships and fellowships	(13,755,000)	(12,478,000)
Loans issued to students and employees	(1,256,000)	(1,232,000)
Collection of loans to students and employees	953,000	1,006,000
Sales and services of auxiliary enterprises	34,452,000	35,111,000
Sales and services of educational departments	32,266,000	26,731,000
Other receipts	1,364,000	1,421,000
Net cash used by operating activities	(126,309,000)	(113,204,000)
Cash flows from noncapital financing activities		
State appropriations	154,970,000	147,884,000
Net transfers to System Administration	(5,104,000)	(3,761,000)
Gifts and grants for other than capital purposes	9,900,000	10,095,000
Gifts for endowment purposes	1,028,000	526,000
Direct lending receipts	54,144,000	45,255,000
Direct lending disbursements	(53,843,000)	(44,561,000)
Agency transactions	1,131,000	(97,000)
Other	54,000	93,000
Net cash provided by noncapital financing activities	162,280,000	155,434,000
Cash flows from capital financing activities		
Proceeds from capital debt	-	32,450,000
Capital appropriations	6,885,000	14,669,000
Capital grants and gifts received	6,234,000	8,230,000
Bond issuance costs	-	(575,000)
Purchases of capital assets	(42,766,000)	(60,310,000)
Principal paid on capital debt and leases	(5,655,000)	(5,492,000)
Interest paid on capital debt and leases	(5,687,000)	(3,956,000)
Other	420,000	
Net cash used by capital financing activities	(40,569,000)	(14,984,000)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	32,062,000	15,190,000
Purchase of investments	(39,315,000)	(32,514,000)
Interest and dividends on investments	4,652,000	3,474,000
Net increase in cash equivalents, non current investments	(1,314,000)	(1,458,000)
Net cash used by investing activies	(3,915,000)	(15,308,000)
Net (decrease) increase in cash and cash equivalents	(8,513,000)	11,938,000
Cash and cash equivalents, beginning of year	78,983,000	67,045,000
Cash and cash equivalents, end of year	$ 70,470,000	$ 78,983,000
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$ (153,300,000)	$ (142,968,000)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	22,920,000	21,263,000
Supplies expense related to noncash gifts	848,000	
Changes in assets and liabilities:		
Receivables, net	(542,000)	2,705,000
Loans receivable, net	(243,000)	(118,000)
Inventories	5,000	(100,000)
Deferred expenditures and deposits	(103,000)	2,000
Accounts payable	158,000	2,229,000
Accrued payroll and related liabilities	603,000	514,000
Accrued unemployment and workers' compensation insurance	(45,000)	256,000
Deferred revenue	1,634,000	2,130,000
Refundable advances under federal loan program	213,000	131,000
Compensated absences	1,543,000	752,000
Net cash used by operating activies	$ (126,309,000)	$ (113,204,000)
Non cash transactions		
Capital assets acquired by incurring capital lease obligations and accounts payable	$ 1,998,000	$ 4,173,000
Capital assets acquired by gift	$ 2,086,000	$ 2,018,000
Donated supplies reducing proceeds of gifts and grants for other than capital purposes	$ 848,000	$ -
Loss on disposal of assets	$ 331,000	$ 937,000
Capital lease obligations converted to an operating lease	$ -	$ 1,038,000

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

UNIVERSITY OF NEVADA, LAS VEGAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

NOTE 1 - Organization:

The accompanying financial statements include the accounts of all University of Nevada, Las Vegas ("UNLV") operations and its component unit. UNLV is one of nine divisions or campuses of the Nevada System of Higher Education (the "System"), formerly known as the University and Community College System of Nevada, which also includes:

University of Nevada, Reno
Community College of Southern Nevada
Truckee Meadows Community College
Western Nevada Community College
Great Basin College
Desert Research Institute
Nevada System of Higher Education (NSHE)
Nevada State College at Henderson

The System is an agency of the State of Nevada (the "State") and UNLV receives significant support from, and has significant assets held by, the State, as set forth in the accompanying financial statements.

UNLV is not a separate legal entity; it is a campus of the System and is governed by the System's Board of Regents. Certain administrative expenditures of the System are not charged or allocated to UNLV because they are not directly related to UNLV's operations.

The University Related Organization column in the financial statements includes the financial data of UNLV's discretely presented component unit. The University of Nevada, Las Vegas Foundation ("UNLV Foundation") is a nonprofit corporation whose missions include the facilitation, solicitation and management of gift revenues for the benefit of UNLV; management of endowment and short-term funds on behalf of UNLV; and participation as appropriate and as requested in other activities to assist UNLV. This component unit is included in the University's financial reporting entity because of its relationship and the significance of its financial relationship with UNLV. The UNLV Foundation distributed $12,306,000 and $12,189,000 to UNLV during the years ended June 30, 2005 and June 30, 2004, respectively, for both restricted and unrestricted purposes. Complete financial statements for the UNLV Foundation can be obtained from their offices at 4505 Maryland Parkway, Las Vegas, Nevada 89154-1006.

UNLV contributes to the administrative and accounting support of the UNLV Foundation. This support totaled $877,000 and $616,000 for the years ended June 30, 2005 and June 30, 2004, respectively.

NOTE 2 – Summary of Significant Accounting Policies:

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

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("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 Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. Financial reporting requirements also include Management's Discussion and Analysis of UNLV's financial position and results of operations.

UNLV has adopted GASB Statement No. 37*, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement No. 37 clarifies guidance to be used in preparing management's discussion and analysis and Statement No. 38 modifies, adds and deletes various note disclosure requirements.

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

UNLV has adopted Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which requires UNLV's legally separate campus foundation to be presented discretely in the UNLV financial statements.

UNLV and the UNLV Foundation have adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement 3.* Statement No. 40 modifies or eliminates certain disclosures required by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reserve Repurchase Agreements.*

BASIS OF ACCOUNTING

UNLV's financial statements have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been incurred. UNLV has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. UNLV has elected not to apply FASB pronouncements issued after the applicable date.

The UNLV Foundation has elected to apply all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

RECLASSIFICATIONS

Certain amounts in the 2004 financial statements have been reclassified to conform to the 2005 presentation. Such reclassifications had no effect on previously reported total net assets or changes in total net assets.

CASH EQUIVALENTS

UNLV considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The UNLV Foundation considers all highly liquid, short-term, interest-bearing investments purchased with a maturity of three months or less and mutual funds to be cash equivalents.

INVESTMENTS

UNLV:

UNLV investments are primarily stated at fair value. Fair value of investments is determined from quoted market prices, quotes obtained from brokers or reference to other publicly available market information. Interests in private equity partnerships are based upon valuations provided by the general partners of the respective partnerships as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. The System believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because the private equity partnerships are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a ready market for such investments existed. Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned.

UNLV Foundation:

The UNLV Foundation accounts for investments at fair value in the balance sheet. The cost of the securities sold is based on the average cost and/or first-in, first-out basis of all the shares of each security held at the time of sale. Eighty percent of investment earnings, net of fees and generated from non-endowed money, are used by the UNLV Foundation for the purpose of partially defraying the cost of development program operations at UNLV. The remaining 20 percent is added to the gift for its designated purpose.

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

DEVELOPMENT REINVESTMENT PROGRAM

The UNLV Foundation collects a one-time fee of 5 percent of the value of designated gifts through the Foundation and/or NSHE Board of Regents. The fee is collected from the gift principal, and supports administrative costs related to raising private funds for UNLV. The fee was authorized by UNLV and the UNLV Foundation Board of Trustees.

PLEDGES AND ENDOWMENT SPENDING

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

From time to time, a donor may amend the terms of a pledge agreement to redirect the use of pledged funds. When this occurs, management reassesses the pledge to determine whether it meets the applicable revenue recognition criteria.

Donor contributions with contingencies are recorded as liabilities. Once the contingencies are met, the contributions are recorded as contributions.

INVENTORIES

Inventories consist primarily of consumable supplies and items held for resale and are stated at either cost or lower of estimated cost or market. Cost is defined as average cost, except in certain instances where the first-in, first-out method is used.

CAPITAL ASSETS

Capital assets are defined as assets with an initial unit cost of $2,000 or more for UNLV and $500 or more for the UNLV Foundation, and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition. 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. UNLV computes accumulated depreciation on a straight-line basis over the following estimated useful lives:

Assets	Years
Buildings	40
Land improvements	10
Machinery and equipment	3 to 18
Library books	5

Collections are capitalized at cost or fair value at the date of donation. UNLV'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.

DEFERRED REVENUE

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

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

COMPENSATED ABSENCES

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

FEDERAL REFUNDABLE LOANS

Certain loans to students are administered by UNLV with funding primarily supported by the federal government. UNLV's Statement of Net Assets includes both the loans receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

NET ASSETS

Net assets are classified as follows:

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

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

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

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

OPERATING AND NONOPERATING REVENUES AND EXPENSES

UNLV:

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.

UNLV Foundation:

Revenues and expenses are classified as operating if they result from providing services in connection with the UNLV Foundation's ongoing operations. Operating revenues consist primarily of contributions received. Operating expenses are those costs associated with the administration and development of donations, and program expenses. In accordance with GASB No. 33, *Accounting and Reporting for Nonexchange Transactions*, donor contributions are recognized when all eligibility requirements are met, provided that the promise is verifiable, the resources are measurable and collection is probable. Pledges receivable are recorded at net present value using the appropriate discount rate.

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

SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by UNLV, and the amount that is paid by students and/or third parties making payments on the students' behalf.

GRANTS-IN-AID

Tuition and fees revenue include grants-in-aid for faculty and staff benefits charged to Employee Compensation and Benefits. Grants-in-aid for fiscal years 2005 and 2004 totaled $3,168,000 and $2,988,000, respectively.

TAX EXEMPTION

The System and its discretely presented component units 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 expenditures during the reporting period. Actual amounts could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS

In November 2003, the GASB issued Statement No. 42, *Accounting and Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which requires an evaluation of prominent events or changes in circumstances to determine whether an impairment loss should be recorded and that any insurance recoveries be netted with the impairment loss. The provisions of GASB Statement No. 42 are effective for fiscal years beginning after December 15, 2004.

In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which supersedes the interim guidance included in Statement 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans* and requires specific reporting framework and measurement parameters to be applied for defined benefit plans. The provisions of GASB Statement No. 43 for plans in which the sole or largest employer is a phase 1 government—with annual revenues of $100 million or more—are effective for fiscal years beginning after December 15, 2005.

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which requires accrual-based measurement, recognition and disclosure of other postemployment benefit (OPEB) expense, such as retiree medical and dental costs, over the employees' year of service, along with the related liability, net of any plan assets. The provisions of GASB Statement No. 45 for governments that were phase 1 governments for the purpose of implementation of Statement 34—those with annual revenues of $100 million or more—are effective for fiscal years beginning after December 15, 2006.

In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*, which specifies when and how the cost of termination benefits should be recognized on accrual-based financial statements. The provisions of GASB Statement No. 47 are effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of GASB Statement No. 47 should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, the provisions of GASB Statement No. 47 are effective for financial statements for periods beginning after June 15, 2005.

NOTE 3 - Cash and Cash Equivalents:

UNLV:

Cash and cash equivalents of UNLV 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. Substantially all of UNLV's cash and cash equivalents are pooled with that of the other campuses and divisions of the System. At June 30, 2005 and 2004 the System's deposits in money market funds totaled $67,110,000 and $67,997,000, respectively, and cash in bank was $7,366,000 and $6,143,000, respectively. Of these balances $100,000 in both years were covered by the Federal Depository Insurance Corporation ("FDIC"), the remaining deposits are uncollateralized and uninsured. . Included in cash and cash equivalents are unspent bond proceeds which do not qualify for restriction, however, these funds must be used for specific construction projects. At June 30, 2005 and 2004 $8,704,000 and $37,600,000, respectively, of unspent bond proceeds were included in cash and cash equivalents. Cash held by State Treasurer represents the funds from certain state appropriations, which were enacted to provide UNLV with the funds necessary for the construction of major assets. Such amounts are controlled by the Nevada Public Works Board. All of the above are included in cash and cash equivalents in the Statement of Cash Flows.

UNLV Foundation:

Substantially all cash equivalents at June 30, 2005 are invested in U.S. Treasury bills, Treasury notes, or mutual funds. The market value of cash equivalents approximates their carrying value at June 30, 2005. Cash from all funds is pooled for investment purposes.

The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the UNLV Foundation will not be able to recover deposits or collateral securities that are in the possession of an outside party. The UNLV Foundation does not have a deposit policy for custodial credit risk. Of the cash balances held by custodians at June 30, 2005, $114,000 was covered by Federal Depository Insurance Corporation and $119,000 was uninsured. Of the cash equivalent balance, $811,000 was covered by Securities Investor Protection Corporation (SIPC) and $1,862,000 was covered by the Customer Asset Protection Company ("CAPCO"), excess protection provided by the two brokerages. In addition, $515,000 is held in a bank and is uninsured, however, the cash and cash equivalents are invested in a money market account that is backed by the full faith and credit of the U.S. government.

NOTE 4 - Investments:

UNLV:

Investments are stated at fair value. At June 30, 2005 and 2004, UNLV's operating and endowment investments totaled $154,464,000 and $134,830,000, respectively, and such investments were maintained in the Systems' operating and endowment investment pools. At June 30, 2005 and 2004 the System's operating and endowment investment pools totaled $449,750,000 and $434,610,000, respectively, and were comprised of the following:

	2005	2004
Mutual funds	66%	66%
Other partnerships	15%	14%
Private equity partnerships	10%	11%
Stocks	5%	6%
Endowment cash and cash equivalents	3%	2%
Other investments (including corporate and U.S. government bonds)	1%	1%

NOTE 4 – Investments (continued):

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

	2005	2004
Stocks	36%	36%
U.S. government bonds	28%	28%
International securities	23%	26%
Cash and cash equivalents	12%	9%
Corporate bonds	1%	1%

The Board of Regents has established an investment income distribution policy for pooled investments which serve to mitigate earnings fluctuations at the campus level from year to year. In accordance with this policy, during the years ended June 30, 2005 and 2004 System Administration retained $5,599,000 and $4,099,000, respectively, of investment income from UNLV's operating fund investments. Such amount is included in Net Transfers to System Administration in the financial statements.

As of June 30, 2005 the System had entered into various investment agreements with private equity partnerships. Under the terms of certain of these investment agreements, the System is obligated to make additional investments in the private equity partnerships of $10,513,000.

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

Credit risk and interest rate risk:

Certain securities with fixed income are subject to credit risk which is the risk that an issuer of an investment will not fulfill its obligations. Other securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. Credit quality is an assessment of the issuer's ability to pay interest on the investment, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent rating agencies, for example Moody's Investors Service or Standard and Poor's. The System's policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating investment pools. With regard to the trusts included in endowment investments which are solely attributable to the University of Nevada, Reno, 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, 2005 is as follows (percentages based on System's total operating and endowment investments at June 30, 2005 as disclosed above):

US Government - Guaranteed	0.18%
Corporate Bonds:	
AAA	0.02%
AA	0.09%
A	0.15%
Not Rated	0.01%
Commingled Funds:	
US Bond Funds - Not Rated	18.62%
Non-US Bond Funds - Not Rated	0.59%
Money Market Funds - Not Rated	2.98%

NOTE 4 – Investments (continued):

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 which are solely attributable to the University of Nevada, Reno, the System is not the trustee of these investments and, therefore, it currently has no policies with regard to interest rate risk for these investments.

Investments included in the above table have been identified as having interest rate risk and are principally invested in mutual funds. The segmented time distribution for these investments at June 30, 2005 is as follows:

Less than 1 year	28.15%
1 to 5 years	36.92%
6 to 10 years	18.78%
More than 10 years	16.15%

Custodial credit risk:

Custodial credit risk is the risk that in the event of a failure of the custodian, the System may not be able to recover the value of the investments held by the custodian as these investments are uninsured. Currently, the System does not have a formal policy for custodial credit risk. At June 30, 2005, approximately 6.35% of the System's total operating and endowment investments were held by various custodial banks and are represented by the following types of investments:

Mutual Funds	3.89%
Stocks	89.00%
International	0.11%
US Government Bonds	2.89%
Corporate Bonds	4.11%

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investments within any one issuer. The System's policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the System's total operating and endowment investments. At June 30, 2005, 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 that changes in exchange rates will adversely affect the fair market value of an investment. At June 30, 2005 the System had 15.50% of its total investments in international mutual funds subject to foreign currency risk in both the operating and endowment pools. The percentages of international mutual funds organized by the respective foreign currencies are as follows:

Euro	29.95%
British Pound	15.42%
Japanese Yen	14.24%
Swiss Franc	5.14%
South Korean Won	4.74%
Canadian Dollar	3.57%
Taiwan New Dollar	3.26%
Brazilian Real	2.00%
Mexican Peso	1.93%
Australian Dollar	1.54%
Other	18.21%

NOTE 4 – Investments (continued):

UNLV Foundation:

The UNLV Foundation's investments at June 30, 2005 and 2004 are as follows:

	2005	2004
Endowment cash and cash equivalents	$ 3,986,000	$ 3,961,000
Investment in securities	4,242,000	1,353,000
Common stock	35,708,000	26,357,000
U.S. Government obligations	10,517,000	11,834,000
Corporate obligations	14,512,000	20,304,000
Asset-backed securities	4,646,000	4,322,000
Total marketable securites at cost	73,611,000	68,131,000
Net unrealized gain/(loss) on noncurrent investments	7,141,000	2,763,000
Total fair value of investments	$ 80,752,000	$ 70,894,000

Custodial credit risk - investments:

Custodial credit risk is the risk that, in the event of a failure of a custodian, the UNLV Foundation will not be able to recover deposits or collateral securities that are in the possession of the custodian. The above securities were primarily held by one custodial bank and two brokerages at June 30, 2005.

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 15% (+/-5%) of the fixed-income portfolios may be allocated to below-investment-grade securities.

Corporate Bonds	Total	AAA	AA	A	BBB	Below Investment Grade
Restricted fund - Payden & Rygel	$ 5,566,000	$ 77,000	$ 247,000	$ 1,849,000	$ 2,483,000	$ 910,000
Endowment fund: Wachovia	$ 1,688,000	$ 105,000	$ 625,000	$ 744,000	$ 214,000	-
Loomis Sayles	$ 9,089,000	$ 303,000	$ 347,000	$ 2,300,000	$ 2,978,000	$ 3,161,000

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

Interest Rate Risk:

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

NOTE 4 – Investments (continued):

For the restricted fund, the Lehman Intermediate Govt/Corp Index average maturity as of June 30, 2005, was 3.60 years. The fixed-income portfolio's average maturity was 3.70 years. Interest rates range from 1.875% to 9.1245%.

Maturity Under 1 Year	Maturity 1-5 Years	Maturity 5-10 Years	Maturity Over 10 Years	Total
$ 4,844,000	$ 5,462,000	$ 7,272,000	$ 388,000	$ 17,966,000

For the endowment fund, The Lehman Aggregate Bond Index average maturity as of June 30, 2005, was 6.22 years. The fixed-income portfolio's average maturity was 6.50 years. Interest rates range from 1.625% to 8.750%.

Maturity Under 1 Year	Maturity 1-5 Years	Maturity 5-10 Years	Maturity Over 10 Years	Total
$ 2,160,000	$ 6,999,000	$ 4,179,000	$ 5,812,000	$ 19,150,000

Foreign Currency Risk:

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The UNLV Foundation's policy guidelines instruct managers to purchase sovereign debt rated "A" or better and may not invest in excess of 20% of the total fixed-income portfolio, of which no more than 5% of the total fixed-income portfolio may be invested in the debt of any one foreign country.

At June 30, 2005, the UNLV Foundation had $1,049,000 invested in foreign bonds.

During the year ended June 30, 2005, the UNLV Foundation recognized $6,873,000 in investment income. Earnings included $2,562,000 from interest and dividends, $355,000 from net realized gains on the sale of investments, $4,378,000 from the change in investment fair value, and $11,000 from an inflation index adjustment. Investment expenses of $409,000 and amortization of bond discounts of $23,000 were netted against earnings.

NOTE 5 - Endowment Pool:

Approximately $43,389,000 and $39,349,000 of UNLV's endowment fund investments at June 30, 2005 and 2004, respectively, are pooled on a unit market value basis with endowment fund investments of the other campuses and divisions of System.

The endowment pool is comprised of investments in the following at June 30, 2005 and 2004:

	2005	2004
Mutual Funds	61%	62%
Stocks	10%	10%
Private Equity Partnerships	22%	24%
Other	7%	4%

Each individual fund acquires or disposes of units on the basis of the market value per unit on the preceding quarterly valuation date. The unit market value at June 30, 2005 and 2004 was $432.68 and $399.66, respectively.

The System utilizes a spending rule for its pooled endowments, which determines the endowment income to be distributed currently for spending. For the years ended June 30, 2005 and 2004 the Board of Regents' policy authorized a distribution of 4.5% of the average unit market value for the twenty (20) preceding quarters. Under the provisions of this spending rule, $16.75 and $16.68 was distributed to each time-weighted unit for a total distribution to UNLV of $1,673,000 and $1,664,000 during the years ended June 30, 2005 and 2004, respectively.

NOTE 6 – Accounts, Pledges and Loans Receivable:

UNLV:

Accounts receivable consist primarily of amounts due from students for tuition and fees and from state, local and private sources for grant and contract agreements, and are presented on the accompanying Statements of Net Assets net of allowances of $3,176,000 for 2005 and $2,762,000 for 2004.

Loans receivable from students bear interest primarily at 5% per annum and are generally repayable in installments over a five to ten year period commencing nine months from the date of separation from UNLV. A provision for possible uncollectible amounts is recorded on the basis of estimated future losses for such items.

UNLV's loans receivable and corresponding allowance for uncollectible loan balances as of June 30, 2005 and 2004 are as follows:

	2005	2004
Loans receivable	$ 3,715,000	$ 3,793,000
Less: Allowance for doubtful accounts	(172,000)	(193,000)
Net loans receivable	3,543,000	3,600,000
Less: Current portion	(560,000)	(818,000)
Noncurrent loans receivables	$ 2,983,000	$ 2,782,000

UNLV Foundation:

The UNLV Foundation's pledges receivables at June 30, 2005 and 2004 are as follows:

	2005	2004
Pledges receivable	$ 33,097,000	$ 11,612,000
Less: Present value discount	(9,759,000)	(793,000)
Less: Allowance for doubtful loans	(258,000)	(232,000)
Net pledges receivable	23,080,000	10,587,000
Less: current portion	(1,644,000)	(1,858,000)
Noncurrent pledges receivable	$ 21,436,000	$ 8,729,000

The UNLV Foundation estimates that payments on the gross pledges receivable at June 30, 2005 will be received approximately as follows for fiscal years ending June 30: $1,669,000 in 2006, $1,316,000 in 2007, $1,408,000 in 2008 and $28,704,000 thereafter.

The UNLV Foundation has certain pledges receivable, not included in the accompanying financial statements, totaling $21,518,000 as of June 30, 2005 and $22,218,000 as of June 30, 2004, which stipulate that the Foundation establish an endowment, invest the gift, and maintain the principal intact in perpetuity. Consistent with the requirements of GASB 33, such pledges are not recorded until such time as the gifts are received.

During fiscal year 2004, the terms of a pledge for $2,485,000 were amended such that the pledged funds are to be used to establish an endowment. The pledge, as amended, does not meet the revenue recognition criteria for endowment gifts established by GASB 33; consequently, in fiscal year 2004, the UNLV Foundation reversed the revenue recognized in a prior period when the pledge was classified as restricted. This transaction is included as other nonoperating expenses in the Statement of Revenues, Expenses, and Changes in Net Assets.

NOTE 7 – Capital Assets:

UNLV:

Capital asset activity for the year ended June 30, 2005 consists of the following:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 42,086,000	$ 12,308,000	$ (34,347,000)	$ 20,047,000
Land	12,694,000	3,339,000	-	16,033,000
Collections	4,353,000	966,000	-	5,319,000
Total capital assets, not being depreciated	59,133,000	16,613,000	(34,347,000)	41,399,000
Capital assets, being depreciated:				
Buildings	472,251,000	47,382,000	-	519,633,000
Land improvements	31,367,000	521,000	-	31,888,000
Machinery and equipment	67,418,000	10,270,000	(3,275,000)	74,413,000
Library books and media	56,215,000	4,328,000	(266,000)	60,277,000
Total cost	627,251,000	62,501,000	(3,541,000)	686,211,000
Less accumulated depreciation for:				
Buildings	(115,634,000)	(12,407,000)	-	(128,041,000)
Land improvements	(24,013,000)	(1,297,000)	-	(25,310,000)
Machinery and equipment	(36,855,000)	(5,858,000)	2,944,000	(39,769,000)
Library books and media	(50,664,000)	(3,358,000)	266,000	(53,756,000)
Total accumulated depreciation	(227,166,000)	(22,920,000)	3,210,000	(246,876,000)
Total capital assets, being depreciated, net	400,085,000	39,581,000	(331,000)	439,335,000
Capital assets, net	$ 459,218,000	$ 56,194,000	$ (34,678,000)	$ 480,734,000

NOTE 7 – Capital Assets (continued):

Capital asset activity for the year ended June 30, 2004 consists of the following:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 9,177,000	$ 36,819,000	$ (3,910,000)	$ 42,086,000
Land	12,694,000	-	-	12,694,000
Collections	3,875,000	478,000	-	4,353,000
Total capital assets, not being depreciated	25,746,000	37,297,000	(3,910,000)	59,133,000
Capital assets, being depreciated:				
Buildings	453,513,000	18,738,000	-	472,251,000
Land improvements	30,054,000	1,313,000	-	31,367,000
Machinery and equipment	60,622,000	9,822,000	(3,026,000)	67,418,000
Library books and media	54,919,000	1,296,000	-	56,215,000
Total cost	599,108,000	31,169,000	(3,026,000)	627,251,000
Less accumulated depreciation for:				
Buildings	(104,092,000)	(11,542,000)	-	(115,634,000)
Land improvements	(22,728,000)	(1,285,000)	-	(24,013,000)
Machinery and equipment	(33,625,000)	(5,319,000)	2,089,000	(36,855,000)
Library books and media	(47,547,000)	(3,117,000)	-	(50,664,000)
Total accumulated depreciation	(207,992,000)	(21,263,000)	2,089,000	(227,166,000)
Total capital assets, being depreciated, net	391,116,000	9,906,000	(937,000)	400,085,000
Capital assets, net	$ 416,862,000	$ 47,203,000	$ (4,847,000)	$ 459,218,000

The estimated cost to complete property authorized or under construction at June 30, 2005 was $189,698,000. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings. Capitalized interest in the amounts of $672,000 and $1,256,000 was recorded for the fiscal years ended June 30, 2005 and 2004, respectively.

NOTE 8 - Long-Term Debt:

UNLV:

Long-term debt at June 30, 2005 consists of the following:

	Annual Interest Due Rate	Fiscal Year Final Payment	Beginning Balance	Additions	Reductions	Ending Balance	Current
Universities Subordinate Lien Bonds, Series 1992	6.30% to 6.37%	2005	$ 380,000	$ -	$ (380,000)	$ -	$ -
Universities Subordinate Lien Revenue Bonds, Series 1992	5.25% to 6.70%	2008	1,150,000	-	(260,000)	890,000	280,000
Universities Refunding Revenue Bonds, Series 1997	4.50% to 6.00%	2007	2,536,000	-	(963,000)	1,573,000	1,006,000
Universities Revenue Bonds, Series 1998	4.00% to 5.25%	2014	5,080,000	-	(45,000)	5,035,000	455,000
Universities Revenue Bonds, Series 2000	5.00% to 5.75%	2030	14,175,000	-	(265,000)	13,910,000	275,000
Cox and Parking Garage Bonds, Series 2000C	5.00% to 5.38%	2021	25,515,000	-	(995,000)	24,520,000	1,045,000
Shadow Lane – Dental School Bond, Series 2001	4.25% to 5.25%	2032	18,860,000	-	(345,000)	18,515,000	355,000
Universities Revenue Bond, Series 2003A	2.00% to 5.00%	2017	15,161,000	-	(803,000)	14,358,000	933,000
Universities Revenue Bond, Series 2003B	2.00% to 5.00%	2033	22,140,000	-	-	22,140,000	-
Universities Revenue Bond, Series 2004A	2.00% to 4.50%	2034	32,450,000	-	-	32,450,000	1,280,000
Premium			1,055,000	-	(36,000)	1,019,000	36,000
Total Bonds Payable			138,502,000	-	(4,092,000)	134,410,000	5,665,000
Notes Payable			336,000	-	(166,000)	170,000	81,000
Total			$ 138,838,000	$ -	$ (4,258,000)	$ 134,580,000	$ 5,746,000

NOTE 8 - Long-Term Debt (continued):

Long-term debt at June 30, 2004 consisted of the following:

	Annual Interest Due Rate	Fiscal Year Final Payment	Beginning Balance	Additions	Reductions	Ending Balance	Current
Universities Subordinate Lien Bonds, Series 1992	6.30% to 6.37%	2005	$ 740,000	$ -	$ (360,000)	$ 380,000	$ 380,000
Universities Subordinate Lien Revenue Bonds, Series 1992	5.25% to 6.70%	2008	1,395,000	-	(245,000)	1,150,000	260,000
Universities Refunding Revenue Bonds, Series 1993	4.12% to 5.00%	2015	355,000	-	(355,000)	-	-
Universities Refunding Revenue Bonds, Series 1994	4.00% to 5.60%	2017	445,000	-	(445,000)	-	-
Universities Refunding Revenue Bonds, Series 1997	4.50% to 6.00%	2007	3,454,000	-	(918,000)	2,536,000	963,000
Universities Revenue Bonds, Series 1998	4.00% to 5.25%	2014	5,125,000	-	(45,000)	5,080,000	45,000
Universities Revenue Bonds, Series 2000	5.00% to 5.75%	2030	14,430,000	-	(255,000)	14,175,000	265,000
Cox and Parking Garage Bonds, Series 2000C	5.00% to 5.38%	2021	26,470,000	-	(955,000)	25,515,000	995,000
Shadow Lane – Dental School Bond, Series 2001	4.25% to 5.25%	2032	19,200,000	-	(340,000)	18,860,000	345,000
Universities Revenue Bond, Series 2003A	2.00% to 5.00%	2017	15,161,000	-	-	15,161,000	803,000
Universities Revenue Bond, Series 2003B	2.00% to 5.00%	2033	22,140,000	-	-	22,140,000	-
Universities Revenue Bond, Series 2004A	2.00% to 4.50%	2034	-	32,450,000	-	32,450,000	-
Premium			1,091,000	-	(36,000)	1,055,000	
Total Bonds Payable			110,006,000	32,450,000	(3,954,000)	138,502,000	4,056,000
Notes Payable			457,000	-	(121,000)	336,000	106,000
Total			$ 110,463,000	$ 32,450,000	$ (4,075,000)	$ 138,838,000	$ 4,162,000

Tuition and fees, auxiliary enterprises revenue and certain other revenues as defined in the bond indentures collateralize the revenue bonds.

There are a number of limitations and restrictions contained in the various bond indentures. UNLV is in compliance with the terms, covenants, provisions and conditions of the various bond indentures as they relate to the payment of bond interest and principal when due and maintenance of insurance coverage.

The most restrictive covenants of the various bond indentures require UNLV to maintain minimum levels of revenues, as defined in the indentures.

NOTE 8 - Long-Term Debt (continued):

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

	Principal	Interest
2006	$ 5,746,000	$ 5,674,000
2007	5,953,000	5,555,000
2008	6,416,000	5,303,000
2009	5,375,000	5,092,000
2010	5,589,000	4,867,000
2011 - 2015	30,950,000	20,608,000
2016 - 2020	24,652,000	14,453,000
2021 - 2025	17,777,000	9,341,000
2026 - 2030	19,742,000	4,930,000
2031 - 2034	12,380,000	757,000
	$ 134,580,000	$ 76,580,000

UNLV Foundation:

Long-term debt at June 30, 2005 consists of the following:

	Annual Interest Due Rate	Final Payment	Beginning Balance	Additions	Reductions	Ending Balance	Current
UNLV Foundation, Revenue Bond, Series 1999	1.07%	2015	$ 1,870,000	$ -	$ (315,000)	$ 1,555,000	$ 250,000
Total Bonds Payable			$ 1,870,000	$ -	$ (315,000)	$ 1,555,000	$ 250,000

Long-term debt at June 30, 2004 consisted of the following:

	Annual Interest Due Rate	Final Payment	Beginning Balance	Additions	Reductions	Ending Balance	Current
UNLV Foundation, Revenue Bond, Series 1999	1.07%	2015	$ 2,200,000	$ -	$ (330,000)	$ 1,870,000	$ 315,000
Total Bonds Payable			$ 2,200,000	$ -	$ (330,000)	$ 1,870,000	$ 315,000

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

	Principal	Interest
2006	$ 250,000	$ 14,000
2007	170,000	41,000
2008	170,000	43,000
2009	170,000	36,000
2010	170,000	30,000
2011-2014	625,000	55,000
	$ 1,555,000	$ 219,000

NOTE 9 – Obligations Under Capital Leases:

UNLV has entered into various non-cancelable lease agreements of buildings and improvements, and machinery and equipment expiring at various dates from fiscal year 2005 to 2016. Annual lease payments under these capital lease agreements range from $2,000 to $475,000.

The most significant capital lease agreement is for the Campus Services Building, expiring in 2011. Under the terms of the agreement, UNLV is obligated to make annual lease payments of approximately $475,000 over the life of the lease. UNLV is also obligated to maintain the facility and to pay insurance and other costs of operating the facility. Title to the building and improvements transfers to UNLV at the completion of the lease term.

Obligations under capital leases were as follows for the year ending June 30, 2005:

	Beginning Balance	Additions	Reductions	Ending Balance	Current
Capital lease obligations	$ 9,278,000	$ -	$ (1,434,000)	$ 7,844,000	$ 1,503,000

Obligations under capital leases were as follows for the year ending June 30, 2004:

	Beginning Balance	Additions	Reductions	Ending Balance	Current
Capital lease obligations	$ 9,678,000	$ 2,091,000	$ (2,491,000)	$ 9,278,000	$ 1,433,000

The following buildings and equipment included in the accompanying financial statements were leased under capital leases as of June 30, 2005 and 2004:

	2005	2004
Buildings and improvements	$ 4,600,000	$ 4,600,000
Machinery and equipment	7,242,000	9,090,000
Total	11,842,000	13,690,000
Less: Accumulated depreciation	(2,845,000)	(1,996,000)
Total	$ 8,997,000	$ 11,694,000

Future net minimum rental payments required under the capital lease agreements for the years ended June 30, are as follows:

2006	$ 1,855,000
2007	1,355,000
2008	1,187,000
2009	1,173,000
2010	1,173,000
2011 – 2015	2,299,000
2016 – 2020	104,000
Total minimum lease payments	9,146,000
Less amount representing interest	(1,302,000)
Obligations under capital leases	$ 7,844,000

NOTE 9 – Obligations Under Capital Leases (continued):

Total interest expense under capital lease agreements and included in the accompanying financial statements was $441,000 for the year ended June 30, 2005, and $550,000 for the year ended June 30, 2004.

NOTE 10 – Other Current and Noncurrent Liabilities Activity:

UNLV's activity with respect to other liabilities for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Refundable advances under federal loan program	$ 2,584,000	$ 712,000	$ (499,000)	$ 2,797,000	$ -
Compensated absences	9,302,000	10,219,000	(8,676,000)	10,845,000	7,121,000
Deferred revenue	13,903,000	15,225,000	(13,120,000)	16,008,000	15,725,000
Total	$ 25,789,000	$ 26,156,000	$ (22,295,000)	$ 29,650,000	$ 22,846,000

UNLV's activity with respect to other liabilities for the year ended June 30, 2004 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Refundable advances under federal loan program	$ 2,453,000	$ 562,000	$ (431,000)	$ 2,584,000	$ -
Compensated absences	8,549,000	7,369,000	(6,616,000)	9,302,000	5,747,000
Deferred revenue	11,389,000	13,704,000	(11,190,000)	13,903,000	13,120,000
Total	$ 22,391,000	$ 21,635,000	$ (18,237,000)	$ 25,789,000	$ 18,867,000

NOTE 11 - Pension Plans:

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

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

The authority for establishing and amending the obligation to make contributions is provided by statute. Contribution rates are also established by statute. Active employees contribute to PERS at a rate of either 10.5% or 0% of annual covered wages depending on the contribution option selected. The System is required to contribute to PERS at a rate of either 10.5% or 20.25% of annual covered wages, depending on the option selected by the employee. The System is not liable for any unfunded liabilities of PERS.

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

NOTE 11 - Pension Plans (continued):

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

UNLV's contribution to all retirement plans for the years ended June 30, 2005, 2004 and 2003 was approximately $18,260,000, $16,030,000 and $14,190,000, respectively, equal to the required contribution for those years.

NOTE 12 - Contingent Liabilities:

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

NOTE 13 – Subsequent Events:

The NSHE Board of Regents authorized the issuance of Revenue Bonds in September of 2005. The total of these bonds was $170,360,000 of which $91.045 million was on behalf of UNLV. The proceeds of the bonds will be used to fund the construction of the UNLV Student Recreation and Wellness Center ($44.38 million), the UNLV Student Union ($38.525 million), and expansion of the Cottage Grove Parking Structure ($8.14 million).

NOTE 14 – Functional Classifications:

The following is the functional classifications of operating expenses reported on the Statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2005 and 2004, respectively:

	2005	2004
Instruction	$ 129,312,000	$ 115,894,000
Research	35,839,000	32,877,000
Public Service	17,765,000	16,355,000
Academic Support	43,595,000	39,031,000
Institutional Support	25,782,000	23,041,000
Student Services	37,077,000	33,400,000
Operations and Maintenance of Plant	30,181,000	27,405,000
Scholarships and Fellowships	13,755,000	12,472,000
Auxiliary Enterprises	32,535,000	29,946,000
Other Expenditures	277,000	78,000
Depreciation	22,920,000	21,263,000
Total Expenses	$ 389,038,000	$ 351,762,000