UNLV

UNIVERSITY OF NEVADA LAS VEGAS

Unaudited Financial Statements

For the Years Ended June 30, 2008 and 2007

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Contents

UNIVERSITY OF NEVADA, LAS VEGAS
STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2008 AND 2007
UNAUDITED

	University		University Related Organization	
	2008	2007	2008	2007
Assets				
Current Assets:				
Cash and cash equivalents	$ 37,335,000	$ 31,864,000	$ 18,030,000	$ 11,903,000
Short-term investments	147,107,000	130,300,000	4,559,000	5,121,000
Accounts receivable, net	2,853,000	3,049,000	-	-
Receivable from U.S. Government	12,637,000	16,471,000	-	-
Receivable from State of Nevada	4,700,000	11,847,000	-	-
Current portion of pledges receivable, net	-	-	3,695,000	3,147,000
Accrued interest receivable	-	-	604,000	546,000
Current portion of loans receivable, net	465,000	478,000	-	-
Inventories	1,869,000	1,844,000	-	-
Current portion of deferred expenditures and deposits	395,000	369,000	321,000	80,000
Total Current Assets	207,361,000	196,222,000	27,209,000	20,797,000
Noncurrent Assets:				
Cash held by State Treasurer	52,282,000	64,382,000	-	-
Restricted cash and cash equivalents	18,922,000	31,363,000	-	-
Pledges receivable, net	-	-	24,993,000	18,672,000
Receivable from State of Nevada	41,655,000	19,307,000	-	-
Other restricted investments	-	-	-	-
Endowment investments	52,513,000	54,285,000	67,818,000	73,930,000
Investments	-	-	23,946,000	20,681,000
Loans receivable, net	2,895,000	2,991,000	-	-
Long-term deferred expenditures and deposits	1,754,000	1,845,000	-	-
Assets held in charitable remainder trusts	-	-	18,751,000	4,535,000
Capital assets, net	771,745,000	692,799,000	1,884,000	1,914,000
Other assets	-	-	539,000	638,000
Total Noncurrent Assets	941,766,000	866,972,000	137,931,000	120,370,000
Total Assets	1,149,127,000	1,063,194,000	165,140,000	141,167,000
Liabilities				
Current Liabilities:				
Accounts payable	14,954,000	33,581,000	401,000	157,000
Accrued payroll and related liabilities	14,490,000	11,514,000	-	-
Unemployment insurance and worker's compensation liability	2,836,000	2,208,000	-	-
Current portion of compensated absences	9,600,000	8,746,000	-	-
Current portion of long term debt	9,448,000	9,530,000	-	170,000
Current portion of obligations under capital leases	1,305,000	1,026,000	-	-
Accrued interest payable	4,789,000	4,579,000	-	-
Deferred revenue	17,432,000	16,813,000	-	-
Funds held in trust for others	5,507,000	3,483,000	-	-
Total Current Liabilities	80,361,000	91,480,000	401,000	327,000
Noncurrent Liabilities:				
Deferred revenue	236,000	407,000	-	-
Refundable advances under federal loan program	2,470,000	2,661,000	-	-
Compensated absences	4,253,000	4,001,000	-	-
Long term debt	234,646,000	241,494,000	-	950,000
Obligations under capital leases	3,819,000	4,342,000	-	-
Liability under charitable remainder trusts	-	-	6,270,000	435,000
Other liabilities	-	-	44,000	60,000
Total Noncurrent Liabilities	245,424,000	252,905,000	6,314,000	1,445,000
				-
Total Liabilities	325,785,000	344,385,000	6,715,000	1,772,000
Total Net Assets	$ 823,342,000	$ 718,809,000	$ 158,425,000	$ 139,395,000
Net Assets consist of:				
Invested in capital assets, net of related debt	531,929,000	473,584,000	75,000	86,000
Restricted for:				
Nonexpendable	11,631,000	11,632,000	71,592,000	64,475,000
Expendable				
Scholarships, research and instruction	43,511,000	42,858,000	65,885,000	59,302,000
Loans	1,115,000	767,000	-	-
Capital projects	109,785,000	81,161,000	-	-
Debt service	6,362,000	548,000	-	-
Unrestricted	119,009,000	108,259,000	20,873,000	15,532,000
Total Net Assets	$ 823,342,000	$ 718,809,000	$ 158,425,000	$ 139,395,000

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, 2008 AND 2007
UNAUDITED

	University		University Related Organization	
	2008	2007	2008	2007
Revenues				
Operating Revenues				
Student tuition and fees (net of scholarship allowances of 25430000 and 23543000	$ 122,063,000	$ 112,984,000	$ -	$ -
Donor contributions - cash	-	-	22,162,000	33,078,000
Donor contributions - noncash	-	-	1,263,000	502,000
Federal grants and contracts	81,293,000	86,904,000	-	-
State grants and contracts	13,254,000	13,895,000	-	-
Local grants and contracts	1,318,000	1,627,000	-	-
Other grants and contracts	1,584,000	765,000	-	-
Sales and services of educational departments	24,616,000	21,694,000	-	-
Sales and services of auxiliary enterprises (net of scholarship allowances of 1185000 and 931000	43,174,000	44,807,000	-	-
Interest earned on loans receivable	42,000	44,000	-	-
Other operating revenues	4,489,000	3,899,000	1,499,000	104,000
Total operating revenues	291,833,000	286,619,000	24,924,000	33,684,000
Expenses				
Operating Expenses				
Employee compensation and benefits	344,234,000	316,323,000	2,167,000	2,019,000
Utilities	13,896,000	12,559,000	-	-
Supplies and services	94,157,000	100,668,000	808,000	1,012,000
Scholarships and fellowships	14,494,000	15,391,000	-	-
Program expenses	-	-	63,000	94,000
Depreciation	29,074,000	26,787,000	53,000	75,000
Total operating expenses	495,855,000	471,728,000	3,091,000	3,200,000
Operating (loss) income	(204,022,000)	(185,109,000)	21,833,000	30,484,000
Nonoperating Revenue (Expenses)				
State appropriations	195,667,000	185,026,000	-	-
Gifts (including $12,453,000 and $8,458,000 from the UNLV Foundation)	13,547,000	9,233,000	-	-
Investment income	2,781,000	32,685,000	(2,838,000)	12,377,000
Loss on disposal of plant assets	(983,000)	(969,000)	-	-
Interest on capital asset-related debt	(9,232,000)	(9,273,000)	-	-
Payments to University of Nevada, Las Vegas	-	-	(13,158,000)	(40,079,000)
Net transfers to System Administration	14,210,000	(14,257,000)	-	-
Other nonoperating revenues (expenses)	386,000	(41,000)	(55,000)	328,000
Net nonoperating revenues (expenses)	216,376,000	202,404,000	(16,051,000)	(27,374,000)
Income (loss) before other revenue, expenses, gains or losses	12,354,000	17,295,000	5,782,000	3,110,000
Capital grants and gifts (including $670,000 and $31,577,0000 from the UNLV Foundation)	1,519,000	32,408,000	-	-
State appropriations restricted for capital purposes	90,625,000	61,000	-	-
Additions to permanent endowments (including $35,000 and $44,000 from the UNLV Foundation)	35,000	44,000	13,248,000	3,233,000
Total other revenues	92,179,000	32,513,000	13,248,000	3,233,000
Increase in net assets	104,533,000	49,808,000	19,030,000	6,343,000
Net Assets				
Net Assets - beginning of year	718,809,000	669,001,000	139,395,000	133,052,000
Net Assets - end of year	$ 823,342,000	$ 718,809,000	$ 158,425,000	$ 139,395,000

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

UNIVERSITY OF NEVADA, LAS VEGAS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
UNAUDITED

	University 2008	University 2007
Cash flows from operating activities		
Tuition and fees	$ 122,855,000	$ 114,353,000
Grants and contracts	100,002,000	102,744,000
Payments to suppliers	(94,870,000)	(101,900,000)
Payments for utilities	(13,452,000)	(12,301,000)
Payments for compensation and benefits	(339,230,000)	(313,682,000)
Payments for scholarships and fellowships	(14,493,000)	(15,383,000)
Loans issued to students and employees	(669,000)	(1,175,000)
Collection of loans to students and employees	811,000	1,200,000
Sales and services of auxiliary enterprises	43,011,000	44,676,000
Sales and services of educational departments	25,383,000	22,294,000
Other receipts	4,548,000	3,893,000
Net cash used by operating activities	(166,104,000)	(155,281,000)
Cash flows from noncapital financing activities		
State appropriations	202,831,000	174,299,000
Net transfers to System Administration	14,210,000	(14,257,000)
Gifts and grants for other than capital purposes	12,964,000	9,062,000
Gifts for endowment purposes	35,000	44,000
Direct lending receipts	54,717,000	50,248,000
Direct lending disbursements	(54,764,000)	(50,340,000)
Agency transactions	2,047,000	(1,834,000)
Other	90,000	34,000
Net cash provided by noncapital financing activities	232,130,000	167,256,000
Cash flows from capital financing activities		
Proceeds from capital debt	2,600,000	39,457,000
Proceeds from sale of land	-	-
Capital appropriations	68,007,000	70,330,000
Capital grants and gifts received	570,000	32,162,000
Payments for debt issuance costs	(23,000)	(60,000)
Purchases of capital assets	(123,244,000)	(162,808,000)
Principal paid on capital debt and leases	(10,804,000)	(42,006,000)
Interest paid on capital debt and leases	(10,675,000)	(13,816,000)
Other	363,000	492,000
Net cash used by capital financing activities	(73,206,000)	(76,249,000)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	5,615,000	81,040,000
Purchase of investments	(32,799,000)	(21,067,000)
Interest and dividends on investments	10,107,000	14,148,000
Net increase in cash equivalents, non current investments	5,187,000	(3,672,000)
Net cash used by investing activies	(11,890,000)	70,449,000
Net (decrease) increase in cash and cash equivalents	(19,070,000)	6,175,000
Cash and cash equivalents, beginning of year	127,609,000	121,434,000
Cash and cash equivalents, end of year	$ 108,539,000	$ 127,609,000
Reconciliation of operating loss to net cash used by operating activities		
Operating loss	$ (204,022,000)	$ (185,109,000)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	29,074,000	26,787,000
Supplies expense related to noncash gifts	598,000	155,000
Changes in assets and liabilities:		
Receivables, net	3,736,000	(1,016,000)
Loans receivable, net	157,000	10,000
Inventories	(25,000)	(49,000)
Deferred expenditures and deposits	(26,000)	(291,000)
Accounts payable	(569,000)	(873,000)
Accrued payroll and related liabilities	2,976,000	679,000
Accrued unemployment and workers' compensation insurance	628,000	282,000
Deferred revenue	454,000	2,982,000
Refundable advances under federal loan program	(191,000)	(8,000)
Compensated absences	1,106,000	1,170,000
Net cash used by operating activies	$ (166,104,000)	$ (155,281,000)
Non cash transactions		
Capital assets acquired by incurring capital lease obligations and accounts payable	$ 7,937,000	$ 25,174,000
Capital assets acquired by gift	$ 957,000	$ 405,000
Donated supplies reducing proceeds of gifts and grants for other than capital purposes	$ 598,000	$ 155,000
Loss on disposal of assets	$ 983,000	$ 969,000

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

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
Nevada State College
College of Southern Nevada
Truckee Meadows Community College
Western Nevada College
Great Basin College
Desert Research Institute
Nevada System of Higher Education Administration

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 $13,158,000 and $40,079,000 to UNLV during the years ended June 30, 2008 and June 30, 2007, 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 $2,280,000 and $1,152,000 for the years ended June 30, 2008 and June 30, 2007, respectively. As approved by the Board of Regents, support for fiscal year 2008 included UNLV paying off the UNLV Foundation Revenue Bond in full of $1,123,000 in July 2007. For the year ended June 30, 2008, UNLV paid the UNLV Foundation $322,000 for management, stewardship and development activities related to endowed funds pursuant to an operating agreement effective January 1, 2008.

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.

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.

CASH EQUIVALENTS

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

INVESTMENTS

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

INVENTORIES

Inventories consist primarily of 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.

PLEDGES

In accordance with GASB Statement No. 33, *Accounting and reporting for Non-Exchange Transactions,* private donations are recognized when all eligibility requirements are met, provided that the 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 collection history and gross pledges receivable are reported net of this allowance.

CAPITAL ASSETS

Capital assets are defined as assets with an initial unit cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition or fair market value at date of donation in the case of gifts. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are capitalized and depreciated. Accumulated depreciation is computed on a straight-line basis over the following estimated useful lives:

Asset	Years
Building and improvements	6 to 40
Land Improvements	10 to 15
Machinery and Equipment	3 to 18
Library Books	5

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

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.

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. Donor contributions are recognized when all eligibility requirements are met, provided that the promise is verifiable, the resources are measurable and collection is probable.

SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship 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. Payments of financial aid made directly to students are classified as scholarships and fellowships expenses.

GRANTS-IN-AID

Student tuition and fees revenue include grants-in-aid for faculty and staff benefits charged to Employee Compensation and Benefits. Grants-in-aid for fiscal years 2008 and 2007 totaled $3,565,000 and $3,496,000 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.

COMPARATIVE INFORMATION

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

NEW ACCOUNTING PRONOUNCEMENTS

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

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

In November 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments in Endowments*, which improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purposes of generating income. The Statement is effective for years beginning after June 15, 2008. The anticipated impact of this pronouncement is uncertain at this time.

NOTE 3 – Cash and Cash Equivalents:

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, 2008 and 2007, the System's deposits in money market funds totaled $73,313,000 and $87,733,000 respectively, and cash in bank was $10,609,000 and $16,521,000, respectively. Of these balances, $100,000 was covered by the Federal Depository Insurance Corporation ("FDIC"), the remaining deposits are uncollateralized and uninsured. Cash held by State Treasurer at June 30, 2008 and 2007 in the amount of $52,282,000 and $64,382,000, respectively, represents funds from certain state appropriations, enacted to provide UNLV with the funds necessary for the construction of major assets. Such amounts are controlled by the Nevada Public Works Board. Restricted cash and cash equivalents in the amount of $18,922,000 and $31,363,000 at June 30, 2008 and 2007, respectively, represents unspent bond proceeds, gifts and other cash balances restricted for use in capital projects. All of the above are included in cash and cash equivalents in the Statement of Cash Flows.

NOTE 4 – Investments:

Investments are stated at fair value. At June 30, 2008 and 2007, UNLV's operating and endowment investments totaled $199,620,000 and $184,585,000, respectively, and such investments were maintained in the Systems' operating and endowment investment pools. At June 30, 2008 and 2007, the System's operating and endowment investment pools totaled $550,149,000 and $567,538,000, respectively, and were comprised of the following:

	2008	2007
Mutual funds	61%	58%
Operating cash and cash equivalents	13%	16%
Other partnerships	7%	6%
Stocks	2%	2%
Private equity partnerships	2%	1%
Endowment cash and cash equivalents	0%	3%
Other investments (including corporate and U.S. government bonds)	15%	14%

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:

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

As of June 30, 2008, the System had entered into various investment agreements with private equity partnerships. Under the terms of certain of these investment agreements, the System is obligated to make additional investments in the private equity partnerships of $7,146,000.

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 year ended June 30, 2008 System Administration distributed $14,210,000 from the retained investment reserves to UNLV and for the year ended June 30, 2007, System Administration retained $14,257,000 of investment income from UNLV's operating fund investments. Such amounts are included in Net Transfers to System Administration in the financial statements.

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

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

Credit risk and interest rate risk:

Certain securities with fixed income are subject to credit risk which is the risk that an issuer of an investment will not fulfill its obligations. Other securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. Credit quality is an assessment of the issuer's ability to pay interest on the investment, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent rating agencies, for example Moody's Investors Service or Standard and Poor's. The System's policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments 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, 2008, is as follows (percentages based on System's total operating and endowment investments at June 30, 2008 as disclosed above):

US Government - Guaranteed	0.15%
Corporate Bonds:	
AAA	0.01%
AA	0.13%
A	0.06%
Not Rated	0.01%
Commingled Funds:	
US Bond Funds - Not Rated	10.06%
Non-US Bond Funds - Not Rated	11.60%
Money Market Funds - Not Rated	0.36%

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, 2008, is as follows:

Less than 1 year	12.25%
1 to 5 years	35.41%
6 to 10 years	35.71%
More than 10 years	16.63%

Custodial credit risk:

Custodial credit risk is the risk that in the event of a failure of the custodian, the System may not be able to recover the value of the investments held by the custodian as these investments are uninsured. Currently, the System does not have a formal policy for custodial credit risk. At June 30, 2008, the following securities were held by various custodial banks and are represented by the following types of investments:

Mutual Funds	14.72%
Stocks	71.72%
International	0.08%
US Government Bonds	5.41%
Corporate Bonds	8.07%

Concentration of credit risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investments within any one issuer. The System's policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the System's total operating and endowment investments. At June 30, 2008, there were no investments within any one issuer in an amount that would constitute a concentration of credit risk to the System.

Foreign currency risk:

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair market value of an investment. At June 30, 2008 the System had less than 1% 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	43.90%
Japanese Yen	14.04%
Swiss Franc	4.61%
South Korean Won	2.67%
Canadian Dollar	4.37%
Taiwan New Dollar	2.43%
Chinese Renmibi	1.84%
Brazilian Real	1.80%
Australian Dollar	1.16%
Hong Kong Dollar	0.17%
Other	23.01%

NOTE 5 - Endowment Pool:

Approximately $52,513,000 and $54,285,000 of UNLV's endowment fund investments at June 30, 2008 and 2007, 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, 2008 and 2007:

	2008	2007
Mutual Funds	68%	65%
Private Equity Partnerships	27%	22%
Stocks	4%	4%
Cash and cash equivalents	1%	9%

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, 2008 and 2007 was $515.56 and $530.31, respectively.

The System utilizes a spending rule for its pooled endowments, which determines the endowment income to be distributed currently for spending. For the years ended June 30, 2008 and 2007, the 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, $18.28 and, during 2007, $17.32 was distributed to each time-weighted unit for a total distribution to UNLV of $2,184,000 and $1,772,000 during the years ended June 30, 2008 and 2007, respectively.

NOTE 6 – Accounts Receivable:

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 $4,445,000 for 2008 and $4,325,000 for 2007.

NOTE 7 –Loans Receivable:

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, 2008 and 2007 are as follows:

	2008	2007
Loans receivable	$ 3,561,000	$ 3,699,000
Less: Allowance for doubtful accounts	(202,000)	(230,000)
Net loans receivable	3,359,000	3,469,000
Less: Current portion	(464,000)	(478,000)
Noncurrent loans receivables	$ 2,895,000	$ 2,991,000

NOTE 8 – Capital Assets:

Capital asset activity for the year ended June 30, 2008 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 195,000,000	$ 85,223,000	$(97,112,000)	$ 183,111,000
Land	14,359,000	265,000	-	14,624,000
Collections	5,880,000	755,000	-	6,635,000
Total capital assets, not being depreciated	215,239,000	86,243,000	(97,112,000)	204,370,000
Capital assets, being depreciated:				
Buildings	575,037,000	107,388,000	-	682,425,000
Land improvements	34,825,000	2,268,000	-	37,093,000
Machinery and equipment	82,940,000	6,173,000	(4,793,000)	84,320,000
Library books and media	69,584,000	4,043,000	(449,000)	73,178,000
Total cost	762,386,000	119,872,000	(5,242,000)	877,016,000
Less accumulated depreciation for:				
Buildings	(150,583,000)	(15,934,000)	-	(166,517,000)
Land improvements	(28,101,000)	(1,439,000)	-	(29,540,000)
Machinery and equipment	(45,111,000)	(7,877,000)	3,810,000	(49,178,000)
Library books and media	(61,031,000)	(3,824,000)	449,000	(64,406,000)
Total accumulated depreciation	(284,826,000)	(29,074,000)	4,259,000	(309,641,000)
Total capital assets, being depreciated, net	477,560,000	90,797,000	(983,000)	567,375,000
Capital assets, net	$ 692,799,000	$ 177,041,000	$(98,095,000)	$ 771,745,000

Capital asset activity for the year ended June 30, 2007 consists of the following:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 90,953,000	$ 143,302,000	$ (39,255,000)	$ 195,000,000
Land	14,359,000	-	-	14,359,000
Collections	5,922,000	-	(42,000)	5,880,000
Total capital assets, not being depreciated	111,234,000	143,302,000	(39,297,000)	215,239,000
Capital assets, being depreciated:				
Buildings	526,235,000	53,856,000	(5,054,000)	575,037,000
Land improvements	33,618,000	1,207,000	-	34,825,000
Machinery and equipment	77,615,000	8,158,000	(2,833,000)	82,940,000
Library books and media	65,182,000	4,463,000	(61,000)	69,584,000
Total cost	702,650,000	67,684,000	(7,948,000)	762,386,000
Less accumulated depreciation for:				
Buildings	(141,379,000)	(13,974,000)	4,770,000	(150,583,000)
Land improvements	(26,655,000)	(1,446,000)	-	(28,101,000)
Machinery and equipment	(39,922,000)	(7,545,000)	2,356,000	(45,111,000)
Library books and media	(57,270,000)	(3,822,000)	61,000	(61,031,000)
Total accumulated depreciation	(265,226,000)	(26,787,000)	7,187,000	(284,826,000)
Total capital assets, being depreciated, net	437,424,000	40,897,000	(761,000)	477,560,000
Capital assets, net	$ 548,658,000	$ 184,199,000	$ (40,058,000)	$ 692,799,000

The estimated cost to complete property authorized or under construction at June 30, 2008 was $124,035,000. These costs will be financed by State appropriations, private donations, available resources and/or long-term borrowings. Capitalized interest in the amounts of $1,906,000 and $2,341,000 was recorded for the fiscal years ended June 30, 2008 and 2007, respectively.

NOTE 9 - Long-Term Debt:

Long-term debt at June 30, 2008 consists of the following:

	Annual Interest Due Rate	Fiscal Year Final Payment	Beginning Balance	Additions	Reductions	Ending Balance	Current
Universities Subordinate Lien Revenue Bonds, Series 1992	5.25% to 6.70%	2008	315,000	-	(315,000)	-	-
Universities Revenue Bonds, Series 1998	4.00% to 5.25%	2014	4,100,000	-	(505,000)	3,595,000	530,000
Universities Revenue Bonds, Series 2000	5.00% to 5.75%	2011	1,315,000	-	(305,000)	1,010,000	320,000
Cox and Parking Garage Bonds, Series 2000C	5.00% to 5.38%	2011	4,900,000	-	(1,140,000)	3,760,000	1,195,000
Shadow Lane – Dental School Bond, Series 2001	4.25% to 5.25%	2012	2,065,000	-	(380,000)	1,685,000	395,000
Universities Refunding Revenue Bond, Series 2003A	2.00% to 5.00%	2017	12,364,000	-	(2,045,000)	10,319,000	1,073,000
Universities Revenue Bond, Series 2003B	2.00% to 5.00%	2034	21,775,000	-	(360,000)	21,415,000	470,000
Universities Revenue Bond, Series 2004A	2.00% to 4.50%	2034	29,860,000	-	(1,330,000)	28,530,000	1,355,000
Universities Revenue Bond, Series 2005B	3.25% to 5.00%	2036	91,045,000	-	(695,000)	90,350,000	1,155,000
Universities Revenue Bond, Series 2005B Refunding	3.25% to 5.00%	2030	12,070,000	-	(15,000)	12,055,000	15,000
Certificates of Participation Bond, Series 2006A	4.81% to 5.15%	2026	11,015,000	-	-	11,015,000	-
Certificates of Participation Bond, Series 2006B	4.81% to 4.98%	2011	1,925,000	-	(450,000)	1,475,000	470,000
Premium			6,568,000	-	(250,000)	6,318,000	250,000
Prepaid Interest on Advanced Refunding			(2,066,000)	-	253,000	(1,813,000)	(253,000)
Total Bonds Payable			197,251,000	-	(7,537,000)	189,714,000	6,975,000
Notes Payable			53,773,000	2,600,000	(1,993,000)	54,380,000	2,473,000
Total			$ 251,024,000	$ 2,600,000	$ (9,530,000)	$ 244,094,000	$ 9,448,000

Long-term debt at June 30, 2007 consists of the following:

	Annual Interest Due Rate	Fiscal Year Final Payment	Beginning Balance	Additions	Reductions	Ending Balance	Current
Universities Subordinate Lien Revenue Bonds, Series 1992	5.25% to 6.70%	2008	610,000	-	(295,000)	315,000	315,000
Universities Refunding Revenue Bonds, Series 1997	4.50% to 6.00%	2007	567,000	-	(567,000)	-	-
Universities Revenue Bonds, Series 1998	4.00% to 5.25%	2014	4,580,000	-	(480,000)	4,100,000	505,000
Universities Revenue Bonds, Series 2000	5.00% to 5.75%	2011	1,605,000	-	(290,000)	1,315,000	305,000
Cox and Parking Garage Bonds, Series 2000C	5.00% to 5.38%	2011	23,475,000	-	(18,575,000)	4,900,000	1,140,000
Shadow Lane – Dental School Bond, Series 2001	4.25% to 5.25%	2012	18,160,000	-	(16,095,000)	2,065,000	380,000
Universities Refunding Revenue Bond, Series 2003A	2.00% to 5.00%	2017	13,425,000	-	(1,061,000)	12,364,000	2,045,000
Universities Revenue Bond, Series 2003B	2.00% to 5.00%	2034	22,140,000	-	(365,000)	21,775,000	360,000
Universities Revenue Bond, Series 2004A	2.00% to 4.50%	2034	31,170,000	-	(1,310,000)	29,860,000	1,330,000
Universities Revenue Bond, Series 2005B	3.25% to 5.00%	2036	91,045,000	-	-	91,045,000	695,000
Universities Revenue Bond, Series 2005B Refunding	3.25% to 5.00%	2030	12,070,000	-	-	12,070,000	15,000
Certificates of Participation Bond, Series 2006A	4.81% to 5.15%	2026	11,015,000	-	-	11,015,000	-
Certificates of Participation Bond, Series 2006B	4.81% to 4.98%	2011	1,925,000	-	-	1,925,000	450,000
Premium			6,818,000	-	(250,000)	6,568,000	250,000
Prepaid Interest on Advanced Refunding			(603,000)	(1,716,000)	253,000	(2,066,000)	(253,000)
Total Bonds Payable			238,002,000	(1,716,000)	(39,035,000)	197,251,000	7,537,000
Notes Payable			16,193,000	39,457,000	(1,877,000)	53,773,000	1,993,000
Total			$ 254,195,000	$ 37,741,000	$ (40,912,000)	$ 251,024,000	$ 9,530,000

The revenue bonds are collateralized by tuition and fees, auxiliary enterprises revenues and certain other revenues as defined in the bond indentures.

There are a number of limitations and restrictions contained in the various bond indentures. The System 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 the various divisions and campuses of the System to maintain minimum levels of revenues, as defined in the indentures.

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

	Principal	Interest
2009	$ 9,448,000	$ 10,258,000
2010	9,968,000	9,897,000
2011	11,406,000	9,469,000
2012	10,302,000	9,063,000
2013	10,423,000	8,647,000
2014 - 2018	54,027,000	36,629,000
2019 - 2023	44,290,000	25,967,000
2024 - 2028	40,259,000	16,273,000
2029 - 2033	35,648,000	7,727,000
2034 - 2038	18,323,000	793,000
	$ 244,094,000	$ 134,723,000

NOTE 10 – Obligations Under Capital Leases:

Obligations under capital leases were as follows for the year ending June 30, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Current
Capital lease obligations	$ 5,368,000	$ 1,027,000	$ (1,271,000)	$ 5,124,000	$ 1,305,000

The following buildings and equipment included in the accompanying financial statements were leased under capital leases as of June 30, 2008 and 2007:

	2008	2007
Buildings and improvements	$ 4,600,000	$ 4,600,000
Machinery and equipment	7,403,000	6,404,000
Total	12,003,000	11,004,000
Less: Accumulated depreciation	(4,895,000)	(4,065,000)
Total	$ 7,108,000	$ 6,939,000

Total interest expense under capital lease agreements and included in the accompanying financial statements was $321,000 and $251,000 for the years ended June 30, 2008 and 2007, respectively.

NOTE 11 – Other Current and Noncurrent Liabilities Activity:

UNLV's activity with respect to other liabilities for the year ended June 30, 2008 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Refundable advances under federal loan program	$ 2,661,000	$ 383,000	$ (574,000)	$ 2,470,000	$ -
Compensated absences	12,747,000	9,586,000	(8,480,000)	13,853,000	9,600,000
Deferred revenue	17,220,000	17,261,000	(16,813,000)	17,668,000	17,432,000
Total	$ 32,628,000	$ 27,230,000	$ (25,867,000)	$ 33,991,000	$ 27,032,000

UNLV's activity with respect to other liabilities for the year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Refundable advances under federal loan program	$ 2,669,000	$ 623,000	$ (631,000)	$ 2,661,000	$ -
Compensated absences	11,577,000	8,348,000	(7,178,000)	12,747,000	8,746,000
Deferred revenue	14,243,000	16,800,000	(13,823,000)	17,220,000	16,813,000
Total	$ 28,489,000	$ 25,771,000	$ (21,632,000)	$ 32,628,000	$ 25,559,000

NOTE 12 – Extinguishment of Debt:

At June 30, 2008 and 2007, debt in the amount of $45,240,000 and $45,240,000, respectively, was considered extinguished through refunding of prior issues by a portion of the current issues. Sufficient proceeds were invested in state and local government securities and placed in escrow to assure the timely payment of the maturities of prior issues. Neither the debt nor the escrowed assets are reflected in the financial statements.

NOTE 13 – Irrevocable Letter of Credit:

In connection with its workers compensation liability coverage, the System is required to maintain a $679,000 standby letter of credit. An additional letter of credit was established in April 2004 in connection with the System's self-insured workers' compensation liability coverage in the amount of $2,290,000; however, effective April 10, 2008, this has been reduced to $1,373,000. A letter of credit was established in July 2003 in connection with the DRI Lease Revenue Bond in the amount of $2,100,000. No advances were made under the letters of credit during the years ended June 30, 2008 and 2007.

NOTE 14 - 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.

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, 2008, 2007 and 2006, was approximately $25,069,000, $23,107,000 and $20,161,000, respectively, equal to the required contribution for those years.

NOTE 15 – Postemployment Benefits Other than Pensions:

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

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

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

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

NOTE 16 – 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 17 – Risk Management

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

The System purchases the following commercial insurance:

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

Workers compensation (foreign and domestic) with statutory limits excess of a $750,000 SIR.

Employee dishonesty with limits of $1,250,000 and a deductible of $50,000.
Medical malpractice with limits of $1,000,000 per occurrence and $3,000,000 aggregate.
Allied health malpractice with limits of $1,000,000 per occurrence and $3,000,000 aggregate.

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

The System is charged an assessment to cover its portion of the State's cost of the Tort Claims Fund and Excess liability insurance.

NOTE 18 – Functional 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, 2008 and 2007:

(In thousands of dollars)	2008	2007
Operating Expenses:		
Instruction	$ 174,168,000	$ 161,993,000
Research	42,479,000	48,782,000
Public service	9,921,000	9,195,000
Academic support	58,941,000	52,816,000
Institutional support	25,081,000	24,543,000
Student services	57,406,000	52,725,000
Auxiliary enterprises	39,852,000	39,574,000
Operations and maintenance of plant	44,439,000	39,922,000
Depreciation	29,074,000	26,787,000
Scholarships and fellowships	14,494,000	15,391,000
Total operating	495,855,000	471,728,000
Nonoperating:		
Interest and other	10,215,000	24,540,000
Total expenses	$ 506,070,000	$ 496,268,000

NOTE 19 – Related Organization:

As described in Note 1, the Related Organization columns in the financial statements include the financial data of UNLV's discretely presented campus foundation.

UNLV Foundation:

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

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the UNLV Foundation will not be able to recover deposits or collateral securities that are in the possession of an outside party. The UNLV Foundation does not have a deposit policy for custodial credit risk. Of the cash balances held by custodians at June 30, 2008 and

2007, $200,000 and $204,000, respectively was covered by the FDIC and $1,447,000 and $2,991,000, respectively, was uninsured. Of the cash equivalent balance, $200,000 was covered by Securities Investor Protection Corporation ("SIPC") and $5,271,000 and $2,053,000, respectively, was covered by the Customer Asset Protection Company ("CAPCO"), excess protection provided by two brokerages. In addition, $616,000 and $736,000, respectively, was held in a bank and was uninsured, however, the cash and cash equivalents are invested in a money market account that is backed by the full faith and credit of the U.S. Government.

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

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

	2008	2007
Mutual funds	$ 2,355,000	$ 2,309,000
Equities	49,328,000	45,968,000
U.S. government obligations	13,123,000	11,761,000
Corporate obligations	21,482,000	12,420,000
Mortgage-backed securities	15,896,000	19,934,000
Alternative investments	705,000	19,934,000
Total marketable securities at cost	102,889,000	92,392,000
Net unrealized gain (loss) on noncurrent investments	2,039,000	11,368,000
Total fair value of noncurrent investments	$104,928,000	$103,760,000

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

Credit Risk

Credit risk is the risk that an issuer will not fulfill its obligations. The UNLV Foundation reduces its exposure to credit risk with policy guidelines that instruct money managers to purchase securities rated investment grade or better. However, up to 25% (+/-5%) of the fixed-income portfolios may be allocated to below-investment-grade securities.

Corporate Bonds	Total	AAA	AA	A	BBB	Below Investment Grade
Restricted fund –						
Schater Cullen	$ 20,000	$ -	$ -	$ -	$ -	$ 20,000
Payden & Rygel	8,062,000	457,000	1,248,000	2,860,000	3,450,000	47,000
Endowment fund:						
Wachovia	1,635,000	-	921,000	614,000	100,000	-
Loomis Sayles	10,650,000	1,670,000	749,000	1,723,000	3,817,000	2,691,000
Tradewinds-NWQ	394,000	-	-	-	-	394,000

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

Interest Rate Risk

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

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

Maturity Under 1 Year	Maturity 1-5 Years	Maturity 5-10 Years	Maturity Over 10 Years	Total
$995,000	$5,918,000	$8,795,000	$4,178,000	$19,886,000

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

Maturity Under 1 Year	Maturity 1-5 Years	Maturity 5-10 Years	Maturity Over 10 Years	Total
$1,614,000	$5,992,000	$4,540,000	$11,774,000	$23,920,000

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" of better and may not invest in excess of 20% of the total fixed-income portfolio, of which no more than 5% of the total fixed-income portfolio may be invested in the debt of any one foreign country.

At June 30, 2008 and 2007, the UNLV Foundation had $1,417,000 and $808,000, respectively in foreign bonds.

During the year ended June 30, 2008 and 2007, the UNLV Foundation recognized $(2,838,000) and $12,377,000, respectively, in investment (loss) income. Earnings included $3,854,000 and $3,758,000, respectively, from interest and dividends, $3,259,000 and $4,546,000, respectively, from net realized gains on the sale of investments, and $(9,329,000) and $4,678,000, respectively, from the change in investment fair value. Investment expenses of $609,000 and $589,000, respectively, and amortization of bond discounts of $12,000 and $16,000, respectively, were netted against earnings.