



The University of Nebraska
(A Component Unit of the State of Nebraska)

*Basic Financial Statements and Additional Information for the
Years Ended June 30, 2007 and 2006 and Independent
Auditors' Reports*

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

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Independent Auditors' Report

Board of Regents of the University of Nebraska and the
Auditor of Public Accounts of the State of Nebraska
Lincoln, Nebraska:

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the University of Nebraska (the University) (a component unit of the State of Nebraska) as of and for the years ended June 30, 2007 and 2006, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of the University of Nebraska Foundation (the Foundation), a discretely presented component unit of the University. Those consolidated financial statements were audited by other auditors whose report has been furnished to us and appears herein, and our opinion insofar as it relates to the discretely presented component unit financial statements of the Foundation is based solely on the report of such other auditors.

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

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University of Nebraska, as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note A to the financial statements, the University changed its method of computing depreciation for certain buildings. That change was effected by and is inseparable from the effects of the University's 2007 change in estimated lives for certain buildings.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2007 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 4 through 15 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits for the years ended June 30, 2007 and 2006 were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying additional information for the years ended June 30, 2007 and 2006 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This additional information for the years ended June 30, 2007 and 2006 has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

Lincoln, Nebraska
November 27, 2007

DANA F. COLE & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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LINCOLN, NEBRASKA 68508

INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of Nebraska Foundation
Lincoln, Nebraska

We have audited the accompanying consolidated statements of financial position of the University of Nebraska Foundation as of June 30, 2007 and 2006, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of Nebraska Foundation at June 30, 2007 and 2006, and the results of its activities and the cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.


Dana F. Cole & Company, LLP

Lincoln, Nebraska
September 7, 2007

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006 (UNAUDITED)
(Columnar Amounts in Thousands)

Introduction

This discussion and analysis is designed to provide an overview of the financial position and activities of the University of Nebraska (the University) for the years ended June 30, 2007 and 2006. This analysis has been prepared by management of the University of Nebraska and it is intended to be read with the financial statements and related footnotes that follow this section.

The University is a comprehensive public institution of higher education, research, and public service. It was founded in Lincoln, Nebraska on February 15, 1869. The University became a multi-campus institution in 1968 by an act of the Nebraska Legislature that provided for the addition of the University of Nebraska at Omaha to the University system (formerly the municipal University of Omaha) and, at the same time, designated the University of Nebraska-Lincoln and University of Nebraska Medical Center as separate campuses. In 1991, the former Kearney State College became the fourth campus as the University of Nebraska at Kearney.

The University's four campuses provide a diversity of offerings. The University of Nebraska-Lincoln (UNL) offers a wide range of undergraduate majors and has primary responsibility for graduate education, particularly at the doctoral level, and in the non-medical professions. UNL also includes the Institute of Agriculture and Natural Resources, which operates research extension centers across the State of Nebraska (the State), as well as offering major educational and research programs on campus. The University of Nebraska Medical Center (UNMC) features undergraduate, graduate, and professional degree programs that prepare students for a wide variety of careers in health sciences. The University of Nebraska at Omaha (UNO) is a metropolitan university located in the heart of Nebraska's largest city offering a broad range of undergraduate programs, as well as doctoral programs in criminal justice and public administration. The University of Nebraska at Kearney (UNK) is a mid-sized, residential campus with a commitment to excellence in undergraduate education. UNK offers undergraduate degrees in the arts and sciences, education, and business and technology, with a wide range of majors.

Student Enrollment - Headcount

Campus	Fall Semester of Fiscal Year				
	2003	2004	2005	2006	2007
UNL	22,988	22,559	21,792	21,675	22,106
UNMC	2,819	2,865	2,904	3,002	3,067
UNO	14,451	13,997	13,824	14,093	13,906
UNK	6,395	6,379	6,382	6,445	6,468
Total	46,653	45,800	44,902	45,215	45,547

The financial statements for the University of Nebraska include six blended entities, those being the University of Nebraska Facilities Corporation (UNFC), the UNMC Physicians, UNeMed, the University of Nebraska Dental Associates, the Nebraska Utility Corporation, and the Peter Kiewit Institute Technology Development Corporation. Additional information regarding these entities is described in the footnotes to the financial statements.

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In accordance with the guidance of Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14*, the University of Nebraska Foundation's (the Foundation) financial statements are discretely presented with the University's financial statements. Management's discussion and analysis relates only to the University and does not include any overview of the financial position and activities of the Foundation. References to the Foundation within the analysis relate only to specific transactions with the University.

The fall semester (fiscal 2007) headcount enrollment was 45,500 plus students on the four campuses. This represents an increase of approximately 300 compared to the fall 2005 (fiscal 2006) reversing the decline trend of the previous three years. The primary driver behind the increase was UNL who posted an increase of 2%. Increasing enrollment is a strategic priority of the University and all campuses have devoted greater efforts to recruit both in-state and out-of-state students through such activities as improvement of student residences and facilities. The number of students enrolled in graduate and professional programs was 10,610, representing 23% of the student body, reflecting the University's commitment to its increasing prominence as a major research institution.

Financial and Operating Highlights

- ***Growth in Net Assets.*** Total net assets and unrestricted net assets of the University grew by approximately 9% and 14%, respectively, and are attributable to several factors. First, the University's investment in the Nebraska Medical Center joint venture increased by \$15 million and is included in unrestricted net assets. Second, the trustee insurance balances increased approximately \$23 million reflecting the University efforts to maintain prudent levels of reserves for the general liability and property self-insurance and the employee group health insurance programs. Third, UNMC Physicians, a blended entity, realized an increase in unrestricted net assets of \$2 million. Maintenance of a prudent level of reserves is a key to the long-term success of the University. Lastly, University management aggressively managed budgets to conserve resources.
- ***New Capital Construction.*** Investment in capital construction followed University priorities. The following projects align behind the higher education, research, and public service missions and thereby make the University more competitive in continuing to attract high caliber students and faculty. Projects completed during the year included the renovations of the UNO Library and the UNL Temple Building. New construction completed during the year includes a UNK student residence hall, a UNL parking garage, and the Tom and Nancy Osborne Athletic complex. Construction continued on the Sorrell Center for Health Science Education at UNMC, and work was begun on the Nebraska Center for Virology and improvements to the Othmer Chemical Engineering Building, both located on the UNL campus.
- ***Indebtedness.*** Financial performance in the areas financed by revenue bonds (unions, student residences, and parking) led to strong debt coverage ratios. The University will continue to take advantage of internally generated profits and cash flow to replace and renew these strategic assets to keep them attractive to the University community.

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The University marketed two new UNFC financings in 2007. The largest was a \$111 million offering that is part of a two-phased program to fund major renovation and renewal of fourteen buildings across all four campuses. The second borrowing of \$30 million is funding the construction of a new medical education building at UNMC, which has been named the Sorrell Center.

- ***Increase in state appropriations.*** State non-capital appropriations increased by another 7% in 2007. One of the major impacts of receiving state appropriations at this level is that it permitted the Board of Regents and University management to keep tuition increases to 6% for 2007. This 6% increase, that includes 1% dedicated to repay the debt financing of the LB 605 initiative, compares favorably with increases of 5% and 12% for 2006 and 2005, respectively. At the same time, the University used this funding opportunity to invest in faculty salaries and to add additional funding for its programs of excellence initiative. The University will continue to work with the State with the hope of attracting similar levels of investment, which will be invested by management strategically while at the same time using such funding to keep college affordable.
- ***Private grants and contracts.*** Support from private sources increased by another 11% in 2007 after an increase of 67% in 2006. Revenues from the private sector greatly enhance academic pursuits and efforts devoted to agricultural and medical research.
- ***Capital grants and gifts.*** Capital grants and gifts continue to be an important source of funding for facilities at the University. Capital grants and gifts totaled \$24 million in 2007, an increase of \$6 million over 2006 and \$4 million over 2005. The largest of the gifts in 2007 were approximately \$9 million of donations relating to the UNMC Research Center for Excellence buildings, \$5 million for the UNL Memorial Stadium project, and \$4 million each for the renovation of the UNL Temple Building and for the construction of the Sorrell Center.

Using the Financial Statements

The financial statements of the University include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These statements are prepared in accordance with GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. The statements and related footnotes are presented on a combined basis for the University as a whole.

Statement of Net Assets. The Statement of Net Assets includes all of the assets and liabilities of the University and its component units on the accrual basis of accounting. The difference between total assets and total liabilities represents the net assets of the University and is one indicator of its overall current financial condition. Over time, increases or decreases in the University's net assets is indicative of whether its financial health is improving or deteriorating.

Assets classified as non-current are those that are expected to mature beyond a one year period or represent special accounts such as those established to comply with revenue bond covenants.

Capital assets are presented net of accumulated depreciation.

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(Columnar Amounts in Thousands)

Net assets are divided into three parts:

- Invested in Capital Assets Net of Related Debt. The University's total investment in capital assets less accumulated depreciation and outstanding bond obligations incurred to acquire, construct, or improve those assets.
- Restricted net assets:
 - Expendable: funds externally restricted by creditors, grantors, or contributors and includes grant and research funds, student loan programs, funds for plant construction, and debt service on bond obligations.
 - Non-expendable: permanent endowments.
- Unrestricted Net Assets. Comprised of the University's investment in the joint venture of the Nebraska Medical Center (NMC) of \$209 million, quasi-endowments of \$34 million, net assets of the healthcare blended entities of \$65 million, with the balance representing designated departmental balances, encumbrances, and working capital funds.

Statement of Revenues, Expenses, and Changes in Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets discloses the revenues and expenses of the University during the year. Revenues and expenses are classified as either operating or non-operating. Revenues realized from operating activities are offset by operating expenses, including depreciation, resulting in an operating income or loss. Most significantly, the GASB requires that certain funding sources that are significant to the University, including state appropriations, gifts, and investment income, be classified as non-operating revenues. In large public land-grant institutions, this, by definition, will invariably create operating losses on the statement of revenues and expenses and negative cash flows from operations in the statement of cash flows.

Scholarships and fellowships granted to students are shown as a reduction of tuition and other revenues, while stipends and other cash payments made directly to students are reported as scholarship and fellowship expenses.

Statement of Cash Flows. The Statement of Cash Flows provides information about the cash receipts and cash payments made by the University during the year. When used with related disclosures and information in the other financial statements, this statement should help assess the University's ability to generate future cash flows, its ability to meet its obligations when they come due, its needs for financing, the reasons for differences between operating income and associated cash receipts, and payments and the effects on the University's financial position by investing, capital, and financing transactions during the year.

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(Columnar Amounts in Thousands)

Condensed Financial Statements and Analysis

Condensed Statements of Net Assets

	June 30		
	2007	2006	2005
Assets			
Current assets	\$ 827,727	\$ 676,329	\$ 611,599
Capital assets, net of accumulated depreciation	1,167,241	1,122,917	1,086,969
Other non-current assets	630,280	516,670	473,588
Total assets	<u>2,625,248</u>	<u>2,315,916</u>	<u>2,172,156</u>
Liabilities and Net Assets			
Current liabilities	259,631	229,717	217,558
Non-current liabilities	506,834	383,735	380,457
Total liabilities	<u>766,465</u>	<u>613,452</u>	<u>598,015</u>
Net assets:			
Invested in capital assets, net of related debt	769,459	741,018	744,118
Restricted for:			
Nonexpendable:			
Permanent endowment	217,070	200,376	182,941
Expendable:			
Externally restricted funds	137,247	122,382	111,000
Loan funds	44,692	44,290	43,783
Plant construction	37,127	35,710	14,182
Debt service	123,023	93,053	81,874
Unrestricted	530,165	465,635	396,243
Total net assets	<u>\$ 1,858,783</u>	<u>\$ 1,702,464</u>	<u>\$ 1,574,141</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(Columnar Amounts in Thousands)

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30,		
	2007	2006	2005
Operating Revenues:			
Tuition and fees	\$ 209,445	\$ 195,281	\$ 186,987
Federal grants and contracts - restricted	259,655	260,104	271,603
State grants and contracts - restricted	30,873	27,724	28,019
Private grants and contracts - restricted	102,179	91,912	54,822
Sales and services of educational activities	65,422	58,187	47,802
Sales and services of health care entities	156,519	146,512	141,006
Sales and services of auxiliary operations	128,615	120,287	106,852
Sales and services of auxiliary segments	64,752	61,410	56,461
Other operating revenues	8,462	8,297	11,765
Total operating revenues	<u>1,025,922</u>	<u>969,714</u>	<u>905,317</u>
Operating Expenses:			
Salaries and wages	727,199	686,449	646,072
Benefits	164,934	156,696	163,068
Total compensation and benefits	<u>892,133</u>	<u>843,145</u>	<u>809,140</u>
Supplies and materials	234,604	226,374	205,242
Contractual services	94,332	86,040	78,073
Repairs and maintenance	34,772	32,823	45,909
Utilities	29,950	32,096	27,812
Communications	13,738	13,844	12,059
Depreciation	73,498	59,711	57,583
Scholarships and fellowships	126,543	120,939	111,083
Total operating expenses	<u>1,499,570</u>	<u>1,414,972</u>	<u>1,346,901</u>
Operating Loss	<u>(473,648)</u>	<u>(445,258)</u>	<u>(441,584)</u>
Non-operating Revenues (Expenses):			
State of Nebraska non-capital appropriations	460,282	429,270	398,933
Gifts	60,609	57,718	53,089
Investment income	64,000	49,058	27,836
Increase (decrease) in fair value of investments	9,320	(6,276)	4,655
Interest on loans receivable	432	420	465
Interest on bond obligations	(22,242)	(17,018)	(18,855)
Capitalized interest on bond obligations	1,498	1,654	6,442
Equity in joint venture	17,983	43,898	18,218
Loss on disposal of plant assets	(7,149)	(9,098)	(4,338)
Net non-operating revenues	<u>584,733</u>	<u>549,626</u>	<u>486,445</u>
Income before Other Revenues, Expenses, Gains or Losses	111,085	104,368	44,861
Other Revenues, Expenses, Gains or Losses:			
State of Nebraska capital appropriations	19,753	9,933	12,976
Capital grants and gifts	23,421	17,909	19,750
Capital grant to Nebraska Medical Center	-	(10,000)	-
U.S. government advances	149	171	1,394
Additions to permanent endowments	1,911	5,942	1,227
Net other revenues, expenses, gains or losses	<u>45,234</u>	<u>23,955</u>	<u>35,347</u>
Increase in net assets	156,319	128,323	80,208
Net Assets:			
Net assets, beginning of year	1,702,464	1,574,141	1,493,933
Net assets, end of year	<u>\$ 1,858,783</u>	<u>\$ 1,702,464</u>	<u>\$ 1,574,141</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006 (UNAUDITED)
(Columnar Amounts in Thousands)

Analysis of Financial Position. Cash and cash equivalents represent the preponderance of current assets of the University. In 2007, cash and cash equivalents increased over the prior year due to higher yields gained on cash balances in the state investment pool and unexpended bond proceeds on hand.

Non-current assets of the University are dominated by the investment in capital assets. At June 30, 2007, total investment in capital assets was \$1.7 billion, yielding a net investment, after accumulated depreciation, of \$1.2 billion. The net increase in capital assets was \$44 million, consisting of net additions of \$117 million less depreciation of \$73 million. Among the more noteworthy increases were student housing at UNK of \$10 million, a UNL parking garage at \$14 million, the UNL Memorial Stadium Project at \$54 million, and the UNO Library Addition for \$6 million. These increases were funded by the Master Trust Indenture (MTI) revenue bond proceeds in the case of the student housing and the parking garage. The Memorial Stadium Project was funded by a separate bond issuance that provided bridge financing for private donations leaving the library addition funded by a capital grant.

The unrestricted net assets of the University grew by 14% or \$65 million during the year to \$530 million. As discussed earlier, the growth is primarily attributable to the University's equity in the Nebraska Medical Center (NMC) joint venture and positive experiences in self-insurance activities that saw balances grow by \$23 million.

Analysis of Operations – Overview. The University generated \$1,026 million of operating revenues during 2007, an increase of \$56 million over 2006, while operating expenses were \$1,500 million, up \$85 million over the prior year. These changes increased the operating loss by \$29 million to \$474 million. As disclosed earlier, because of the mandated financial reporting regarding classification of state appropriations and other funding sources, statements of activities for large public land-grant universities will invariably report an operating loss.

If appropriations were added to the operating loss as displayed in the statements of revenues, expenses, and changes in net assets, the University's "operating loss after appropriations" would have been \$13 million in 2007 compared to a similar loss of \$16 million in 2006. To management of the University, this consistent financial performance indicates a solid level of state support combined with modest tuition and increased grants and contract activity.

The Nebraska Legislature provided \$460 million in non-capital appropriations for 2007, an increase of \$31 million over 2006, and \$61 million over 2005. Continued State investment is vital in helping the University to achieve its goals of accessibility and affordability. The University, in conjunction with the Foundation, generated non-operating and capital gifts of approximately \$61 million that, when combined with all and other non-operating revenues and expenses including investment income of \$64 million, netted an overall increase in net assets of about \$156 million.

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(Columnar Amounts in Thousands)

Revenues. The following chart depicts the revenues for 2007 and 2006 and the comparative changes that occurred between those years.

	2007		2006		2006-2007 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Tuition and fees	\$209,445	20%	\$195,281	20%	\$14,164	7%
Federal grants and contracts –restricted	259,655	25	260,104	27	(449)	—
State grants and contracts – restricted	30,873	3	27,724	3	3,149	11
Private grants and contracts – restricted	102,179	10	91,912	9	10,267	11
Sales and services of educational activities	65,422	6	58,187	6	7,235	12
Sales and services of health care entities	156,519	15	146,512	15	10,007	7
Sales and services of auxiliary operations	128,615	13	120,287	12	8,328	7
Sales and services of auxiliary segments	64,752	7	61,410	7	3,342	5
Other operating revenues	8,462	1	8,297	1	165	2
Total operating revenues	\$1,025,922	100%	\$969,714	100%	\$56,208	6%

The University's operating revenues increased in fiscal 2007 by 6%, or \$56 million. Most of the revenue sources showed increases from the prior year.

- The largest increase in revenues was realized from tuition, which increased on a net basis by \$14 million dollars for the 2007 year. The Board of Regents approved an increase in tuition of 6%, which when coupled with a modest increase in enrollment and small increases in student fee, yielded the overall 7% increase. The tuition increase of 6% included a general increase of 5% and an additional 1% to provide debt service for the LB 605 initiative.
- The second largest increase in revenue was realized in private grants and contracts. The \$10 million uptick is attributable to a broad base of private support from a variety of sources. Included are individuals and corporations, educational research and health organizations in support of medical studies; increased support from the University Foundation; and grants from the Nebraska Medical Center.
- Sales and services of healthcare entities increased by \$10 million. The 7% increase in revenue was largely derived from demand for medical services at UNMC Physicians clinical programs comprised of family and internal medicine, pediatric and adult cardiology, transplant surgery, plastic surgery, and neurosurgery.
- Sales and services of educational activities increased 12%. This change can be traced to an increase in technology fees and increases in conference activities.
- Sales and services of auxiliary operations increased because of revenues from newly constructed student residences and a 5% increase in housing rates. An increase in parking spaces and fees provided additional revenues. Increases in athletic revenues from major sponsors, ticket prices, and additional stadium seating also contributed to the \$8 million increase.

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Expenses. The following chart shows the University's expenses for 2007 and 2006 and comparative changes that occurred between those years.

	2007		2006		2006-2007 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Compensation and benefits	\$892,133	59%	\$843,145	60%	\$48,988	6%
Supplies and materials	234,604	16	226,374	16	8,230	4
Contractual services	94,332	6	86,040	6	8,292	10
Repairs and maintenance	34,772	2	32,823	2	1,949	6
Utilities	29,950	2	32,096	2	(2,146)	(7)
Communications	13,738	1	13,844	1	(106)	(1)
Depreciation	73,498	5	59,711	4	13,787	23
Scholarships and fellowships	126,543	9	120,939	9	5,604	5
Total operating expenses	\$1,499,570	100%	\$1,414,972	100%	\$84,598	6%

Operating expenses were \$1,500 million for the 2007 fiscal year, an increase of 6% compared to 2006. Changes in the major expense classifications follow.

- Compensation and benefits increased by \$49 million in 2007 compared to 2006 and accounts for approximately two-thirds of the total increase in expenses for the University. Faculty salaries and benefits increases averaged 5%. Additional amounts were expended for targeted areas including \$3 million for programs of excellence, funding for instructional workload salaries, research initiative programs, and intercampus development. Lastly, the employer healthcare contribution was increased by 15%.
- Contractual services increased 10% primarily because of an increased number of sub-grants to other research institutions on collaborative research projects.
- Repairs and maintenance increased by 6% reflecting continued upgrades to buildings and facilities to gain energy efficiencies and to provide adequate space for research-related activities.
- Utilities decreased by \$2 million that reflects lower energy prices in 2007 compared to 2006. Lower usage also accounts for some of the savings, as energy saving measures were undertaken to reduce energy consumption that included window replacements and other deferred maintenance projects.
- Supplies and materials increased by 4% representing increases for the purchase of materials to support the instruction and research programs.
- Scholarships and fellowships grew by \$6 million or 5% during 2007, roughly tracking tuition increases, which follows continued efforts to maintain affordability.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006 (UNAUDITED)
(Columnar Amounts in Thousands)

Non-Operating Revenues (Expenses). Net non-operating revenues increased during 2007 compared to 2006 by \$38 million. This change is the result of an increase in state non-capital appropriations of \$31 million, an increase in investment income of \$15 million, a year-over-year increase of \$16 million in fair value of investments that was offset by a year-over-year decrease in equity in joint venture operations of \$26 million.

Thanks to continued strong support from the private sector and the Foundation, the University garnered non-capital and capital gifts during the year of \$61 million and \$23 million respectively. This compares to non-capital and capital gifts of \$58 million and \$18 million during 2006. Non-capital gifts support scholarships to students and a variety of academic and research pursuits each year. Capital gifts received in 2007 included \$9 million for the UNMC research center of excellence buildings, \$5 million for the UNL Memorial Stadium Project, \$4 million for the Temple Building renovation, and \$4 million toward the construction of the UNMC Sorrell Center.

The loss on the disposal of plant assets of \$7 million in 2007, \$9 million in 2006, and \$4 million in 2005 represents equipment disposed during the year that has been worn out or has become obsolete. Other disposals include buildings and land improvements that have been completely or partially razed, to make way for new construction and renovations.

Other Revenues, Expenses, Gains, or Losses. State of Nebraska capital appropriations revenues increased in 2007 by \$10 million compared to a decrease of \$3 million in 2006. The capital appropriation in 2007 included a total of \$11 million for debt service on both the 1998 and 2006 Series of deferred maintenance bonds and \$2 million to renovate the College of Public Affairs and Community Service building at UNO.

Capital Assets

The University made significant investments in capital assets during the current year. Major construction projects and acquisitions completed were:

- The Dr. Guinter Kahn Addition to the UNO Library that provides additional general library space for a cost of \$6 million. This addition was funded by the donation of a capital grant through the Foundation.
- Completed the construction of Antelope Hall at UNK, a 160 bed suite-style residence at a cost of \$10 million. This project was financed by the 2006 UNK Student Fees and Facilities Bonds of the MTI.
- Renovation of the Temple Building was completed for a cost of \$5 million. The Temple Building is home to the Johnny Carson School of Theatre and Film. The naming of the Carson school is in recognition of the gift to fund the addition as well as a like endowed amount for scholarships and other support to the School.
- The UNL Memorial Stadium Project was completed for a cost of \$54 million. The project is comprised of the Tom and Nancy Osborne Athletic Complex, expanded seating in the North Stadium, a new indoor field house, and other improvements to Memorial Stadium.

THE UNIVERSITY OF NEBRASKA

(A Component Unit of the State of Nebraska)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006 (UNAUDITED) (Columnar Amounts in Thousands)

- Construction continued on the UNMC Sorrell Center, a medical education building, with \$14 million being expended during the year. This project is financed by capital gifts from the Foundation.
- Construction was completed of a parking garage for a cost of \$14 million at UNL adding 1,686 spaces for the campus community. This project was financed by a bond issuance under the provisions of the master trust indenture.
- Fire and life safety projects were completed on all campuses. Funding for these projects came from capital appropriations for this purpose by the Legislature through the State's Task Force for Building Renewal.

More detailed information on capital asset activity is disclosed in the Notes to the Financial Statements included in this report.

Debt Activity

Bond Financings and Refinancings. The University through UNFC marketed two new financings during 2007. On August 15, 2006, UNFC issued \$111 million of Deferred Maintenance Bonds, Series 2006, to finance the construction of major renewal and renovation projects (LB 605) at each of the four University campuses. Principal and interest payments will be paid from appropriations from the State of Nebraska (the State) and tuition revenues. The State legislature provided \$5.5 million of new appropriations for their portion of the Series 2006 debt service. The University will increase tuition by 1% annually until 2009 when \$5.5 million will be available for debt service each year, matching the State's investment.

On November 1, 2006, UNFC issued \$30 million of Lease Rental Revenue Bonds, Series 2006, to finance the construction of the Sorrell Center Project, a multi-story building to house the educational activities of the UNMC College of Medicine and to provide campus-wide education support resources. UNMC has obtained pledges through the University of Nebraska Foundation, that when augmented by other funds UNMC has available, will be sufficient to make lease payments equivalent to principal and interest on the bonds.

The Board of Regents of the University of Nebraska Members of the Obligated Group under the MTI has bonds outstanding from the construction of student housing, parking, and student unions. The financial position of the MTI remains strong with operating income that provided a debt service ratio of 1.89 times for the year ended June 30, 2007 and 1.58 times for the year ended June 30, 2006. The debt service ratio required by the MTI covenants is 1.15 times.

The UNFC met all debt service requirements during 2007. The State Legislature has reaffirmed the appropriation of funds for their portion of the debt service pertaining to the Deferred Maintenance Project, which is combined with designated tuition revenues for debt service. The Foundation continues to receive funds from donor gifts pledged toward the funding of the University of Nebraska Medical Center Research Center project. Funds from internal University Sources continue to meet expectations allowing the service of UNFC-related debt obligations in their normal course.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006 (UNAUDITED)
(Columnar Amounts in Thousands)

Economic Outlook and Subsequent Events That Will Affect the Future

The University of Nebraska, as the state's predominant public education and research university, is an important component in driving the economic success of Nebraska. Economic development takes many forms in a major university, running the gamut from educating and retaining the best and brightest to research growth, tech transfer and its by-product of job creation. This university-state partnership in fostering a climate of success also means, like other major land-grant universities, that state funding plays an important part in fueling the success of the University in many areas.

The economic performance of the State also offers an encouraging outlook. The State Tax Commissioner recently reported that State net receipts through the three months ended September 30, 2007 were \$10 million or 1.2% over projections. This followed a fiscal year ended June 30, 2007, where the State recorded receipts \$191 million or 6% in excess of projected revenues. At June 30, 2006, the State had reserve funds totaling \$450 million over targeted amounts.

In a focused effort to chart the future direction of resource deployment at the University of Nebraska, the President and the Board of Regents have set forth a strategic framework and priorities that will guide the University. These will help the University better serve Nebraskans through quality teaching, research, and outreach and engagement. Among those priorities are:

- Enrollment. Growing enrollment through a number of initiatives including growing the college-going rate.
- Tuition. Keeping tuition increases as low as possible and thereby the cost of education more affordable.
- Graduation. Increasing the graduation rate.
- Research. Bolstering current endeavors and fostering new activities that will allow the University to continue to earn greater success in attracting research funding.
- Administrative costs. Focusing on achieving decreases in administrative costs in both the academic and business enterprises.
- Faculty Salaries. Continuing to pursue and identify resources that can be earmarked to enhance faculty salaries to facilitate even greater successes in recruitment and retention.

Again, the future of the State of Nebraska is closely tied to that of its only public university and the framework and priorities will guide University planning, helping to build and sustain a Nebraska that offers its citizens educational and economic opportunity and a high quality of life.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND 2006

(Thousands)

(See Independent Auditors' Report on Pages 1 and 2)

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 253,701	\$ 221,912
Cash and cash equivalents - restricted	263,251	227,969
Investments - restricted	168,539	85,541
Accounts receivable and unbilled charges, net	116,727	116,622
Loans to students, net	7,616	8,589
Other current assets	17,893	15,696
Total current assets	<u>827,727</u>	<u>676,329</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	193	7,153
Investments - restricted	378,165	270,846
Investment in joint venture	208,965	193,982
Loans to students, net of current portion	28,044	26,520
Capital assets, net of accumulated depreciation	1,167,241	1,122,917
Other non-current assets	14,913	18,169
Total non-current assets	<u>1,797,521</u>	<u>1,639,587</u>
Total assets	<u>2,625,248</u>	<u>2,315,916</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	61,142	47,250
Accrued salaries, wages, and post-retirement benefits	44,197	38,994
Accrued compensated absences	43,334	39,458
Bond obligations payable	24,760	22,405
Capital lease obligations	3,238	3,387
Deferred revenues and credits	72,959	68,951
Health and other insurance claims	10,001	9,272
Total current liabilities	<u>259,631</u>	<u>229,717</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages and post-retirement benefits, net of current portion	1,313	1,574
Accrued compensated absences, net of current portion	14,551	11,324
Bond obligations payable, net of current portion	467,650	351,815
Capital lease obligations, net of current portion	11,658	10,821
Deferred revenues and credits, net of current portion	11,662	8,201
Total non-current liabilities	<u>506,834</u>	<u>383,735</u>
Total liabilities	<u>766,465</u>	<u>613,452</u>
NET ASSETS:		
Invested in capital assets, net of related debt	769,459	741,018
Restricted for:		
Nonexpendable:		
Permanent endowment	217,070	200,376
Expendable:		
Externally restricted funds for scholarships, student aid and research	137,247	122,382
Loan funds	44,692	44,290
Plant construction	37,127	35,710
Debt service	123,023	93,053
Unrestricted	<u>530,165</u>	<u>465,635</u>
Total net assets	<u>\$1,858,783</u>	<u>\$1,702,464</u>

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006
(Thousands)
(See Independent Auditors' Report on Pages 1, 2, and 3)

	2007	2006
ASSETS		
Cash and cash equivalents	\$ 1,508	\$ 1,283
Temporary cash investments	190,137	166,557
Advances and deposits	10	8
Accounts receivable (net of reserve for bad debts of \$6 in 2007 and \$9 in 2006)	418	456
Accrued interest receivable	2,098	1,872
Student loan receivable	502	492
Matching funds receivable	1	1
Prepaid expenses	62	42
Pledges receivable - restricted	100,989	94,414
Investments - restricted	1,289,709	1,103,866
Property and equipment, net of depreciation	<u>5,356</u>	<u>5,552</u>
Total assets	<u>\$ 1,590,790</u>	<u>\$ 1,374,543</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Advances and accounts payable	\$ 35	\$ 25
University of Nebraska benefits payable	2,238	1,850
Scholarships, research, fellowships, and professorships payable	4,770	3,263
Accrued vacation payable	544	521
Taxes payable	52	50
Deferred annuities payable	24,691	22,240
Deposits held in custody for others	284,632	193,164
Deferred revenues	<u>1,664</u>	<u>206</u>
Total liabilities	<u>318,626</u>	<u>221,319</u>
NET ASSETS:		
Unrestricted	6,032	5,945
Temporarily restricted	420,807	371,033
Permanently restricted	<u>845,325</u>	<u>776,246</u>
Total net assets	<u>1,272,164</u>	<u>1,153,224</u>
Total liabilities and net assets	<u>\$ 1,590,790</u>	<u>\$ 1,374,543</u>

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

(See Independent Auditors' Report on Pages 1 and 2)

	2007	2006
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$62,646 and \$57,183 in 2007 and 2006, respectively)	\$ 209,445	\$ 195,281
Federal grants and contracts - restricted	259,655	260,104
State and local grants and contracts - restricted	30,873	27,724
Private grants and contracts - restricted	102,179	91,912
Sales and services of educational activities	65,422	58,187
Sales and services of health care entities	156,519	146,512
Sales and services of auxiliary operations	128,615	120,287
Sales and services of auxiliary segments (net of scholarship allowances of \$7,392 and \$6,881 in 2007 and 2006, respectively)	64,752	61,410
Other operating revenues	<u>8,462</u>	<u>8,297</u>
Total operating revenues	<u>1,025,922</u>	<u>969,714</u>
OPERATING EXPENSES:		
Salaries and wages	727,199	686,449
Benefits	<u>164,934</u>	<u>156,696</u>
Total compensation and benefits	892,133	843,145
Supplies and materials	234,604	226,374
Contractual services	94,332	86,040
Repairs and maintenance	34,772	32,823
Utilities	29,950	32,096
Communications	13,738	13,844
Depreciation	73,498	59,711
Scholarships and fellowships	<u>126,543</u>	<u>120,939</u>
Total operating expenses	<u>1,499,570</u>	<u>1,414,972</u>
OPERATING LOSS	<u>(473,648)</u>	<u>(445,258)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	460,282	429,270
Gifts	60,609	57,718
Investment income (net of investment management fees of \$2,030 and \$1,897 in 2007 and 2006, respectively)	64,000	49,058
Increase (decrease) in fair value of investments	9,320	(6,276)
Interest income on loans receivable	432	420
Interest expense on bond obligations	(20,744)	(15,364)
Equity in earnings of joint venture	17,983	43,898
Loss on disposal of capital assets	<u>(7,149)</u>	<u>(9,098)</u>
Net non-operating revenues	<u>584,733</u>	<u>549,626</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>111,085</u>	<u>104,368</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	19,753	9,933
Capital grants and gifts	23,421	17,909
Capital grant to Nebraska Medical Center	-	(10,000)
U.S. Government advances	149	171
Private gifts and bequests for permanent endowments	<u>1,911</u>	<u>5,942</u>
Net other revenues, expenses, gains, or losses	<u>45,234</u>	<u>23,955</u>
INCREASE IN NET ASSETS	156,319	128,323
NET ASSETS:		
Net assets, beginning of year	<u>1,702,464</u>	<u>1,574,141</u>
Net assets, end of year	<u>\$1,858,783</u>	<u>\$1,702,464</u>

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007
(Thousands)
(See Independent Auditors' Report on Pages 1, 2, and 3)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Gifts, bequests, and life insurance proceeds	\$ 516	\$ 77,021	\$ 27,170	\$ 104,707
Investment income	17,609	14,732	3,314	35,655
Realized gain on sale of assets	4	8,697	69,369	78,070
Unrealized gain on assets	-	10,463	3,239	13,702
	<u>18,129</u>	<u>110,913</u>	<u>103,092</u>	<u>232,134</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>95,152</u>	<u>(66,311)</u>	<u>(28,841)</u>	<u>-</u>
Total support and revenue	<u>113,281</u>	<u>44,602</u>	<u>74,251</u>	<u>232,134</u>
EXPENSES:				
Salaries and wages	8,007	-	-	8,007
Payroll taxes	554	-	-	554
Employee benefits	1,449	-	-	1,449
Annuity payments	1	-	-	1
Postage	251	-	-	251
Office supplies and expense	119	-	-	119
Professional services	512	-	-	512
Travel and entertainment	586	-	-	586
Telephone	225	-	-	225
Insurance and bonds	108	-	-	108
Repair and maintenance	137	-	-	137
Equipment rental/purchase	57	-	-	57
Office rent	827	-	-	827
University Towers expense	27	-	-	27
Promotion expense	1,101	-	-	1,101
Auto expense	94	-	-	94
Dues and subscriptions	138	-	-	138
Alumni associations	508	-	-	508
Miscellaneous expense	112	-	-	112
Data processing expense	-	-	-	-
Recruiting and moving expense	17	-	-	17
Meetings and conferences	247	-	-	247
Investment expense	4,943	-	-	4,943
Academic support	24,299	-	-	24,299
Student assistance	15,447	-	-	15,447
Faculty assistance	4,458	-	-	4,458
Research	6,759	-	-	6,759
Museum, library, and fine arts	2,226	-	-	2,226
Campus and building improvements	35,736	-	-	35,736
Deferred compensation	45	-	-	45
Paid to beneficiaries	3,299	-	-	3,299
Bad debt and collection expense	10	-	-	10
Depreciation	895	-	-	895
Total	<u>113,194</u>	<u>-</u>	<u>-</u>	<u>113,194</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS AND CHANGES	<u>87</u>	<u>44,602</u>	<u>74,251</u>	<u>118,940</u>
TRANSFERS AND RECLASSIFICATIONS BETWEEN FUNDS	<u>-</u>	<u>5,172</u>	<u>(5,172)</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	<u>87</u>	<u>49,774</u>	<u>69,079</u>	<u>118,940</u>
NET ASSETS, beginning of year	<u>5,944</u>	<u>371,034</u>	<u>776,246</u>	<u>1,153,224</u>
NET ASSETS, end of year	<u>\$ 6,031</u>	<u>\$420,808</u>	<u>\$845,325</u>	<u>\$ 1,272,164</u>

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006
(Thousands)

(See Independent Auditors' Report on Pages 1, 2, and 3)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Gifts, bequests, and life insurance proceeds	\$ 48	\$ 92,994	\$ 34,140	\$ 127,182
Investment income	15,088	12,741	908	28,737
Realized gain on sale of assets	-	7,035	65,613	72,648
Unrealized gain on assets	-	28	15,605	15,633
	15,136	112,798	116,266	244,200
NET ASSETS RELEASED FROM RESTRICTIONS	<u>92,247</u>	<u>(64,667)</u>	<u>(27,580)</u>	<u>-</u>
Total support and revenue	107,383	48,131	88,686	244,200
EXPENSES:				
Salaries and wages	7,300	-	-	7,300
Payroll taxes	509	-	-	509
Employee benefits	1,224	-	-	1,224
Annuity payments	2	-	-	2
Postage	235	-	-	235
Office supplies and expense	145	-	-	145
Professional services	306	-	-	306
Travel and entertainment	483	-	-	483
Telephone	187	-	-	187
Insurance and bonds	126	-	-	126
Repair and maintenance	159	-	-	159
Equipment rental/purchase	43	-	-	43
Office rent	814	-	-	814
University Towers expense	9	-	-	9
Promotion expense	1,054	-	-	1,054
Auto expense	80	-	-	80
Dues and subscriptions	117	-	-	117
Alumni associations	517	-	-	517
Miscellaneous expense	91	-	-	91
Data processing expense	-	-	-	-
Recruiting and moving expense	6	-	-	6
Meetings and conferences	231	-	-	231
Investment expense	5,579	-	-	5,579
Academic support	25,920	-	-	25,920
Student assistance	18,820	-	-	18,820
Faculty assistance	4,186	-	-	4,186
Research	3,909	-	-	3,909
Museum, library, and fine arts	1,595	-	-	1,595
Campus and building improvements	32,189	-	-	32,189
Deferred compensation	163	-	-	163
Paid to beneficiaries	3,107	-	-	3,107
Bad debt and collection expense	5	-	-	5
Depreciation	663	-	-	663
Total	109,774	-	-	109,774
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS AND CHANGES	(2,391)	48,131	88,686	134,426
TRANSFERS AND RECLASSIFICATIONS BETWEEN FUNDS	-	4,504	(4,504)	-
INCREASE (DECREASE) IN NET ASSETS	(2,391)	52,635	84,182	134,426
NET ASSETS, beginning of year	8,335	318,399	692,064	1,018,798
NET ASSETS, end of year	\$ 5,944	\$371,034	\$776,246	\$ 1,153,224

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

(See Independent Auditors' Report on Pages 1 and 2)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 403,990	\$ 364,176
Tuition and fees	209,428	194,858
Sales and services of health care entities	156,860	135,718
Sales and services of auxiliary operations	133,370	122,348
Sales and services of educational activities	92,252	77,632
Sales and services of auxiliary segments	64,746	60,902
Student loans collected	7,973	9,332
Interest on loans receivable	432	420
Other receipts	26,585	29,614
Payments to employees	(876,077)	(824,606)
Payments to vendors	(448,964)	(430,781)
Scholarships paid to students	(126,543)	(120,939)
Student loans issued	(8,618)	(7,804)
Other payments	(171)	(163)
Net cash flows from operating activities	<u>(364,737)</u>	<u>(389,293)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	460,282	428,991
Gifts	60,913	57,014
Private gifts and bequests for endowment use	<u>1,873</u>	<u>5,843</u>
Net cash flows from non-capital financing activities	<u>523,068</u>	<u>491,848</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	140,595	55,635
State of Nebraska capital appropriations	19,641	10,214
Capital grants and gifts	14,173	13,574
Premium on issuance of bonds	3,979	-
Defeasance of bond obligations	-	(24,780)
Purchases of capital assets	(112,254)	(98,472)
Principal paid on bond obligations	(22,405)	(25,230)
Interest paid on bond obligations	(19,932)	(17,924)
Payments made on lease obligations	(6,395)	(4,350)
Other payments	(108)	(258)
Net cash flows from capital and related financing activities	<u>17,294</u>	<u>(91,591)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	390,184	145,446
Purchases of investments	(565,436)	(194,456)
Interest on investments	56,738	47,208
Distributions received from joint venture	<u>3,000</u>	<u>3,000</u>
Net cash flows from investing activities	<u>(115,514)</u>	<u>1,198</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	60,111	12,162
CASH AND CASH EQUIVALENTS, beginning of year	<u>457,034</u>	<u>444,872</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 517,145</u>	<u>\$ 457,034</u>

(Continued)

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

(See Independent Auditors' Report on Pages 1 and 2)

	<u>2007</u>	<u>2006</u>
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 253,701	\$ 221,912
Cash and cash equivalents - restricted (current)	263,251	227,969
Cash and cash equivalents - restricted (non-current)	<u>193</u>	<u>7,153</u>
Cash and cash equivalents, end of year	<u>\$ 517,145</u>	<u>\$ 457,034</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (473,648)	\$ (445,258)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	73,498	59,711
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	3,562	(21,400)
Loans to students	(551)	1,643
Other current assets	(1,732)	1,268
Accounts payable	17,769	(1,507)
Accrued salaries, wages, compensated absences, and post-retirement benefits	11,862	10,626
Deferred revenues and credits	3,774	6,907
Health and other insurance claims	<u>729</u>	<u>(1,283)</u>
Net cash flows from operating activities	<u>\$ (364,737)</u>	<u>\$ (389,293)</u>
NON-CASH TRANSACTIONS:		
Capital gifts and grants	\$ 118	\$ 5,962
Increase (decrease) in fair value of investments	9,320	(6,276)
Purchase of capital assets through lease obligations	7,083	1,298

See notes to financial statements.

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UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)
(See Independent Auditors' Report on Pages 1, 2, and 3)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	<u>\$ 118,940</u>	<u>\$ 134,426</u>
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	895	663
Gain on sale of assets	(78,070)	(72,648)
Appreciation of assets	(13,702)	(15,633)
Increase in pledges receivable	(6,575)	(16,481)
Increase in deferred annuities payable	2,451	663
Contribution to permanently restricted endowment funds	(27,170)	(34,140)
Real and personal property contributions received for the University	(1,312)	(621)
(Increase) decrease in:		
Accounts receivable	36	29
Interest receivable	(226)	(115)
Prepaid expense	(20)	36
Increase (decrease) in:		
Advances and accounts payable	10	(270)
University of Nebraska benefits payable	388	(228)
Scholarships, research, fellowships, and professorships payable	1,507	(994)
Accrued vacation payable	23	45
Taxes payable	2	(2)
Deferred revenue	1,458	207
Deposits held in custody for others	<u>82,419</u>	<u>17,375</u>
Total adjustments	<u>(37,886)</u>	<u>(122,114)</u>
Net cash provided by operating activities	<u>81,054</u>	<u>12,312</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in temporary cash investments	(23,580)	(23,204)
Net decrease in student loans	(10)	13
Net purchases in investments	(84,047)	(22,202)
Purchase of property and equipment	(370)	(234)
Sales of property and equipment	8	-
Net cash used in investing activities	<u>(107,999)</u>	<u>(45,627)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contribution to permanently restricted endowment funds	<u>27,170</u>	<u>34,140</u>
Net cash provided by financing activities	<u>27,170</u>	<u>34,140</u>
NET INCREASE IN CASH	225	825
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,283</u>	<u>458</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,508</u>	<u>\$ 1,283</u>

REQUIRED DISCLOSURE:

The Foundation expended no cash for interest or income taxes.

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The University of Nebraska (the University) is a land-grant University founded in 1869 and governed by an elected eight-member University of Nebraska Board of Regents (the Board of Regents). University activities are conducted at four primary campuses, with two located in Omaha and one each in Lincoln and Kearney, Nebraska. While the University is a legally separate entity, it is a component unit of the State of Nebraska (the State) because it is financially accountable to the State. The major accounting principles and practices followed by the University are presented below to assist the reader in evaluating the financial statements and the accompanying notes.

These statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The GASB has issued GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The University follows the “business-type” activities reporting format of GASB Statement No. 34. This reporting format requires the following elements:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements

The University follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements, and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989 to its financial statements.

Reporting Entity – Certain affiliated organizations for which the Board of Regents has financial accountability are included in the University's financial statements as component units.

The University's financial reporting entity consists of the University and the following component units. Their balances and transactions are blended into the accompanying financial statements and reported in a manner similar to the balances and transactions of the University itself.

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- The University of Nebraska Facilities Corporation (UNFC) was organized to finance the construction, repair, and renovation of buildings and the acquisition of land and equipment and to hold them in trust for the University. UNFC is governed by a Board of Directors comprised of the Board of Regents.
- The UNMC Physicians is a not-for-profit corporation organized by the Board of Regents for the purpose of billing, collecting, and distributing medical service fees generated by clinicians employed by the University of Nebraska Medical Center (UNMC). The distribution of fees is governed by the terms of the University of Nebraska Medical Services Plan applicable to the member clinicians.
- UNeMed was organized to develop and market biomedical technologies for the University of Nebraska and pay all related patent costs. UNeMed acts under the authority of the Board of Regents and changed its fiscal year from December 31 to June 30 on June 30, 2007.
- The University Dental Associates (UDA) is a not-for-profit corporation organized for the purpose of billing, collecting, and distributing dental service fees generated by dentists employed by the UNMC. The distribution of fees is governed by the terms of the University of Nebraska Dental Service Plan applicable to member dentists.
- Nebraska Utility Corporation (NUCorp) is a not-for-profit corporation formed under the Nebraska Interlocal Cooperation Act between the Board of Regents and Lincoln Electric System. The purpose of NUCorp is to purchase, lease, construct, and finance activities relating to furnishing energy requirements and utility and infrastructure facilities for the University of Nebraska-Lincoln (UNL). NUCorp is governed by a five-member Board, three of which are University officials. NUCorp's fiscal year end is December 31.
- The Peter Kiewit Institute Technology Development Corporation (PKITDC) is a not-for-profit corporation formed for the purpose of teaching and developing information science technology through students and faculty by conducting applied research.

Separate financial statements for UNFC, UNMC Physicians, UNeMed, UDA, and NUCorp may be obtained from the University of Nebraska Central Administration, Varner Hall, 3835 Holdrege, Lincoln, Nebraska 68583-0742.

The University of Nebraska Foundation's (the Foundation) financial statements are discretely presented within the University's financial statements. The Foundation is a non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code whose purpose is to provide financial support for the University system. The Foundation reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented (see Note R).

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Basis of Presentation – The financial statements of the University have been prepared on the accrual basis. The University recognizes revenues, net of discounts and allowances, when it is earned. Expenses are recorded when a liability is incurred. The University first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. All significant revenues and expenses resulting from intra-University transactions have been eliminated.

Cash and Cash Equivalents – Cash and cash equivalents are stated at fair value. Cash is deposited with the Nebraska State Treasurer on a pooled basis in a State fund. Income earned by the pool is allocated to the University based upon average daily balances. These funds are considered to be cash and cash equivalents, which are available for expenditures as needed. The investments of the pool include Commercial Paper, U.S. Government Securities, Federal Agency Debt Instruments, Corporate Bonds, Money Market Funds, and Bank Deposits. Additional information on the pool can be found in the State of Nebraska's Comprehensive Annual Financial Report.

For purposes of the statements of cash flows, cash includes cash and cash equivalents, both unrestricted and restricted, and investments with an original maturity of three months or less when purchased.

Investments – Investments are stated at fair value. Securities that are publicly traded are valued based on quoted market prices. Investments that do not have an established market are reported at estimated fair value. Investments received from donors as gifts are recognized as revenue at fair value at the date of the gift. Income from investments is recognized as earned and includes realized and unrealized gains and losses.

Investment in Joint Venture – Investment in joint venture is accounted for under the equity method.

Capital Assets – Land improvements, leasehold improvements, buildings, and equipment are stated at cost at the date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets except at UNL and for certain research buildings at UNMC, which are accounted for on a componentized basis. During 2007, UNMC changed its accounting policy to the componentization method and changed the estimated life for certain research buildings. As a result, the University incurred \$3.4 million of additional depreciation expense during 2007. The estimated useful lives are 15 to 50 years for buildings and their components and 20 to 30 years for land improvements. Equipment is generally depreciated from 2 to 10 years depending on its useful life. Leasehold improvements are depreciated using the straight-line method over the aforementioned estimated useful lives or the term of the related lease, if shorter. Maintenance, repairs, and minor replacements are charged to expense as incurred. The University maintains various collections of inexhaustible assets to which no value can be determined. Such collections include contributed works of art, historical treasures, and literature.

Capital assets are defined by the University as assets with initial, individual costs in excess of \$500 for buildings and renovations, \$100 for land improvements, and \$5 for equipment. It is the University's policy that library books are not capitalized.

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Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the University during 2007 and 2006 was \$20,744 and \$15,364, respectively, which is net of \$1,498 and \$1,654 that was capitalized.

The University has artwork and other collections that it does not capitalize. These collections adhere to the University's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. U.S. generally accepted accounting principles permit collections maintained in this manner to be charged to operations at time of purchase rather than capitalized.

Accrued Compensated Absences – University faculty and staff earn 12 to 25 days of vacation annually up to a maximum unused balance of 280 hours. Any unused accrued vacation balance is carried over into the next year. In future years, accrued vacation may be used or received as a cash payment upon retirement or termination. In addition, certain classified staff receive a cash payment of one-fourth of accrued sick leave upon retirement from the University. The University has recognized a liability for sick and annual leave earned but not yet taken by its faculty and staff. Certain University faculty and staff also earn a maximum of four floating holidays each year, which may be taken at any time during the year.

Deferred Revenues and Credits – These consist of advance payments on athletic tickets, fall semester student residence hall contracts, tuition deposits, unearned income on direct financing leases, and cash received in advance for grants and contracts.

Amortization of Bond Financial Expense and Bond Premium or Discount – Bond financial expense and premium or discount are being amortized or accreted to interest expense on a method that approximates the level-yield method.

Classification of Revenues and Expenses – The University has classified its revenues and expenses as either operating or non-operating revenues and expenses according to the following criteria:

Operating Revenues and Expenses – Operating revenues and expenses include activities that have the characteristics of exchange transactions.

Non-Operating Revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, contributions, State appropriations, investment income, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

Non-Operating Expenses – Non-operating expenses are activities of non-operating nature and include interest expense on bond obligations and loss on disposal of plant assets.

Unrestricted Gifts – Revenue is recognized when an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received.

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Scholarships and Fellowships – The University receives funds that are restricted by donors and grantors for aid to students. When these funds are granted to students or when scholarships and fellowships are provided through student tuition waiver, the University records the expense for student aid and the corresponding revenue. Accordingly, at June 30, 2007 and 2006, Federal grants and contracts includes Pell grant awards amounting to \$19,343 and \$18,811 and Ford direct student loans amounting to \$64,152 and \$60,402, respectively. The combined awards of \$83,495 and \$79,213 at June 30, 2007 and 2006, respectively, are also included in Scholarships and Fellowships expense. For employee tuition waivers, the University records a benefit expense and corresponding revenue.

Health and Other Insurance Claims – The University is partially self-insured for comprehensive general liability, auto liability, property losses, and group health and dental liability. Its estimated liability is being funded annually and reflected as an expense.

Environmental – Environmental assessments are performed when environmental issues are identified on property owned by the Board of Regents. The cost of any assessments is expensed as incurred. Any cost of remediation is accrued when the University's obligation is probable and the amount can be reasonably estimated or determined.

Tax Status – The University qualifies as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required. However, income from unrelated activities is subject to federal and state income taxes. No provision is deemed necessary for any income taxes associated with unrelated activities.

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

Reclassifications – Certain 2006 amounts have been reclassified to conform to the current year presentation.

Recent Statements Issued by the Governmental Accounting Standards Board – The GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement provides standards for the measurement, recognition, and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. The University adopted this statement in 2007 and it did not have a significant effect on the financial statements.

B. DEPOSITS

Custodial credit risk – In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Bank balances of cash and cash equivalents amounted to approximately \$2,082 (book balance of approximately \$1,956) at June 30, 2007, with approximately \$1,187 covered by federal depository insurance. Bank balances of cash and cash

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equivalents amounted to approximately \$2,898 (book balance of approximately \$2,653) at June 30, 2006, with approximately \$1,451 at June 30, 2006, covered by federal depository insurance. Of the remaining bank balance at June 30, 2007 and 2006, approximately \$649 and \$1,191 was collateralized with securities held by the pledging financial institution, but not in the University's name, and approximately \$246 and \$256 was uninsured and uncollateralized, respectively.

C. INVESTMENTS

Funds held for the support of University operations, excluding trust funds, are invested according to State statute by the State Investment Officer. Regulatory oversight is provided by the Nebraska Investment Council. The University's fair value in the Nebraska Investment Council's investment pool is equal to its pool units. University trust funds are invested by the University, in conjunction with the State Investment Officer, in accordance with the prudent person rule as established by the University. The prudent person rule places no restrictions on the investment of these funds.

Investments as of June 30, 2007:

	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Investment type:					
Debt securities:					
U.S. treasuries	\$ 23,998	\$ 2,631	\$ 6,540	\$ 14,827	\$ -
U.S. agencies*	182,098	90,594	84,573	768	6,163
Corporate debt	40,585	4,807	9,395	7,412	18,971
Repurchase agreements	<u>5,823</u>	<u>-</u>	<u>-</u>	<u>5,823</u>	<u>-</u>
	252,504	<u>\$ 98,032</u>	<u>\$ 100,508</u>	<u>\$ 28,830</u>	<u>\$ 25,134</u>
Other investments:					
Equity securities - domestic	148,596				
Equity securities - international	57,317				
Mutual funds	76,958				
Real estate mutual funds	9,452				
Real estate held for investment purposes	640				
Money market funds	<u>1,237</u>				
Total	<u>\$ 546,704</u>				

* This amount includes \$42,449 of bonds in the 1-5 category which are callable in less than 1 year.

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Investments as of June 30, 2006:

	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Investment type:					
Debt securities:					
U.S. treasuries	\$ 22,618	\$ 7,063	\$ 6,747	\$ 8,261	\$ 547
U.S. agencies	58,270	34,366	19,981	2,709	1,214
Corporate debt	36,124	3,994	18,491	3,919	9,720
Repurchase agreements	<u>5,823</u>	<u>-</u>	<u>-</u>	<u>5,823</u>	<u>-</u>
	122,835	<u>\$ 45,423</u>	<u>\$ 45,219</u>	<u>\$ 20,712</u>	<u>\$ 11,481</u>
Other investments:					
Equity securities - domestic	146,487				
Equity securities - international	29,661				
Mutual funds	47,111				
Real estate mutual funds	9,253				
Real estate held for investment purposes	640				
Money market funds	<u>400</u>				
Total	<u>\$ 356,387</u>				

None of the bonds are callable.

Interest Rate Risk – The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Credit Risk – State statutes authorize the University to invest funds in accordance with the prudent man rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The University does not follow a more restrictive policy. Credit ratings for these investments that are rated are as follows:

	2007					
	Fair Value	Quality Ratings				
		AAA	AA	A	BAA - BBB	Unrated
Investment type:						
Debt securities:						
U.S. treasuries	\$ 23,998	\$ 23,998	\$ -	\$ -	\$ -	\$ -
U.S. agencies	182,098	182,098	-	-	-	-
Corporate debt	40,585	18,368	6,007	14,836	545	829
Repurchase agreements	5,823	-	-	-	-	5,823
Other investments:						
Equity securities - domestic	148,596	-	-	-	-	148,596
Equity securities - international	57,317	-	-	-	-	57,317
Mutual funds	76,958	-	-	-	-	76,958
Real estate mutual funds	9,452	-	-	-	-	9,452
Real estate held for investment purposes	640	-	-	-	-	640
Money market funds	1,237	-	-	-	-	1,237
	<u>\$ 546,704</u>	<u>\$ 224,464</u>	<u>\$ 6,007</u>	<u>\$ 14,836</u>	<u>\$ 545</u>	<u>\$ 300,852</u>

	2006					
	Fair Value	Quality Ratings				
		AAA	AA	A	BAA - BBB	Unrated
Investment type:						
Debt securities:						
U.S. treasuries	\$ 22,618	\$ 22,618	\$ -	\$ -	\$ -	\$ -
U.S. agencies	58,270	54,123	56	4,091	-	-
Corporate debt	36,124	11,994	9,076	13,975	883	196
Repurchase agreements	5,823	-	-	-	-	5,823
Other investments:						
Equity securities - domestic	146,487	-	-	-	-	146,487
Equity securities - international	29,661	-	-	-	-	29,661
Mutual funds	47,111	-	-	-	-	47,111
Real estate mutual funds	9,253	-	-	-	-	9,253
Real estate held for investment purposes	640	-	-	-	-	640
Money market funds	400	-	-	-	-	400
	<u>\$ 356,387</u>	<u>\$ 88,735</u>	<u>\$ 9,132</u>	<u>\$ 18,066</u>	<u>\$ 883</u>	<u>\$ 239,571</u>

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Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The University places no limit on the amount that may be invested in any one issuer. More than 5% of the University’s investments are in the following investment types at June 30:

	Concentration	
	2007	2006
Federal Home Loan Bank	32%	12%
Federal National Mortgage Association	32%	25%
U.S. treasuries	10%	18%
Federal Farm Credit Bank	-	6%
Federal Home Loan Mortgage Association	-	5%

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are stated at fair value and are uninsured, unregistered, and held by the trustee or an agent, but not in the name of the University. Of the University’s \$5.8 million investment in repurchase agreements in 2007 and 2006, \$6.2 million of underlying securities are held by the investment’s counterparty, but not in the name of the University.

D. ACCOUNTS RECEIVABLE, UNBILLED CHARGES, AND LOANS TO STUDENTS

Substantially all amounts included in accounts receivable and unbilled charges represent tuition receivables, grant reimbursements, unbilled charges, patient accounts receivable, and other receivables. Balances are stated net of allowances for doubtful accounts and contractual adjustments of approximately \$6,218 and \$6,182 at June 30, 2007 and 2006, respectively. In addition, the University maintains an allowance for doubtful collections of student loans of approximately \$1,159 and \$1,241 at June 30, 2007 and 2006, respectively.

E. INVESTMENT IN JOINT VENTURE

The University and Bishop Clarkson Memorial Hospital (Clarkson) entered into a Joint Operating Agreement in 1997 forming the Nebraska Health System, a Nebraska non-profit corporation doing business as the Nebraska Medical Center (NMC). A Board of Directors comprised of six members appointed by Clarkson and six members appointed by the Board of Regents govern NMC. Upon dissolution of NMC, the University and Clarkson will share equally in the remaining net assets. Because the University has an ongoing financial interest in NMC, the University is accounting for the joint venture under the equity method. The University has recorded 50% equity in earnings of NMC for the years ended June 30, 2007 and 2006 totaling \$17,983 and \$43,898, respectively. In addition, to the extent that sufficient funds are available, as determined by the NMC Board of Directors, the University will receive an annual capital distribution. A distribution of \$3,000 was declared by NMC and paid out to the University during both fiscal years 2007 and 2006.

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Separate financial statements of NMC can be obtained from the Nebraska Medical Center, 42nd Street and Dewey Avenue, Omaha, Nebraska 68105.

In conjunction with the Joint Operating Agreement, the University entered into an agreement to lease the former hospital building to NMC that extends through 2037. The hospital building is recorded at approximately \$131,000 and is included in the University's financial statements. Following are the minimum lease rental payments due from NMC:

Fiscal Year Ending June 30:

2008	\$ 4,009
2009	3,997
2010	4,004
2011	4,099
2012	<u>1,737</u>
	<u>\$ 17,846</u>

In addition, the University and NMC have entered into an Academic Affiliation Agreement for Education and Research. In connection with the agreement, NMC has agreed to financially support certain educational, research, operational, and clinical activities of the University College of Medicine that further the mission and objectives of NMC. During the fiscal years ended June 30, 2007 and 2006, respectively, the University received approximately \$23,230 and \$22,273 of support in connection with the agreement.

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F. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2007 and 2006 is as follows:

	2007			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 54,851	\$ 2,954	\$ (165)	\$ 57,640
Construction work in progress	<u>98,787</u>	<u>73,207</u>	<u>(90,436)</u>	<u>81,558</u>
Total capital assets not being depreciated	<u>153,638</u>	<u>76,161</u>	<u>(90,601)</u>	<u>139,198</u>
Capital assets, being depreciated:				
Land improvements	106,982	6,154	(1,831)	111,305
Leasehold improvements	13,209	-	-	13,209
Building	1,118,896	91,198	(10,134)	1,199,960
Equipment	<u>249,177</u>	<u>42,099</u>	<u>(11,389)</u>	<u>279,887</u>
Total capital assets, being depreciated	<u>1,488,264</u>	<u>139,451</u>	<u>(23,354)</u>	<u>1,604,361</u>
Less accumulated depreciation for:				
Land improvements	34,119	4,820	(1,530)	37,409
Leasehold improvements	1,201	441	-	1,642
Building	320,123	42,626	(4,214)	358,535
Equipment	<u>163,542</u>	<u>25,611</u>	<u>(10,421)</u>	<u>178,732</u>
Total accumulated depreciation other assets	<u>518,985</u>	<u>73,498</u>	<u>(16,165)</u>	<u>576,318</u>
Capital assets, net	<u>\$1,122,917</u>	<u>\$142,114</u>	<u>\$ (97,790)</u>	<u>\$1,167,241</u>

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	2006			Ending Balance
	Beginning Balance	Additions	Disposals	
Capital assets not being depreciated:				
Land	\$ 52,789	\$ 2,114	\$ (52)	\$ 54,851
Construction work in progress	<u>124,934</u>	<u>79,589</u>	<u>(105,736)</u>	<u>98,787</u>
Total capital assets not being depreciated	<u>177,723</u>	<u>81,703</u>	<u>(105,788)</u>	<u>153,638</u>
Capital assets, being depreciated:				
Land improvements	92,733	16,846	(2,597)	106,982
Leasehold improvements	13,209	-	-	13,209
Building	1,047,475	88,449	(17,028)	1,118,896
Equipment	<u>240,421</u>	<u>23,499</u>	<u>(14,743)</u>	<u>249,177</u>
Total capital assets, being depreciated	<u>1,393,838</u>	<u>128,794</u>	<u>(34,368)</u>	<u>1,488,264</u>
Less accumulated depreciation for:				
Land improvements	32,682	3,837	(2,400)	34,119
Leasehold improvements	760	441	-	1,201
Building	301,747	32,100	(13,724)	320,123
Equipment	<u>149,403</u>	<u>23,333</u>	<u>(9,194)</u>	<u>163,542</u>
Total accumulated depreciation other assets	<u>484,592</u>	<u>59,711</u>	<u>(25,318)</u>	<u>518,985</u>
Capital assets, net	<u>\$1,086,969</u>	<u>\$150,786</u>	<u>\$(114,838)</u>	<u>\$1,122,917</u>

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G. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2007	<u>\$ 50,782</u>	<u>\$ 39,735</u>	<u>\$ (32,632)</u>	<u>\$ 57,885</u>	<u>\$ 43,334</u>
2006	<u>\$ 44,556</u>	<u>\$ 38,787</u>	<u>\$ (32,561)</u>	<u>\$ 50,782</u>	<u>\$ 39,458</u>

H. BOND OBLIGATIONS PAYABLE

Bond obligations payable are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2007	<u>\$ 374,220</u>	<u>\$ 140,595</u>	<u>\$ (22,405)</u>	<u>\$ 492,410</u>	<u>\$ 24,760</u>
2006	<u>\$ 368,595</u>	<u>\$ 55,635</u>	<u>\$ (50,010)</u>	<u>\$ 374,220</u>	<u>\$ 22,405</u>

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Bond obligations payable at June 30, 2007 and 2006 consist of the following:

	Interest Rate	Annual Install- ment	Principal Amount Outstanding	
			2007	2006
Obligations under the master trust indenture:				
University of Nebraska-Lincoln:				
Student fees and facilities:				
Series 2002, revenue refunding, due through July 2016	3.10 - 5.00%	\$985 - \$2,760	\$ 12,640	\$ 13,555
Series 2003A, revenue bonds, due through July 2037	2.95 - 5.25%	405 - 1,595	25,930	25,930
Series 2003B, revenue bonds, due through July 2038	2.50 - 5.00%	1,085 - 3,890	68,885	68,885
Lincoln parking project:				
Series 2003, revenue refunding, due through June 2016	2.75 - 4.50%	450 - 1,615	6,415	6,855
Series 2005, revenue refunding, due through June 2025	3.50 - 4.50%	425 - 3,825	24,670	25,840
University of Nebraska at Omaha:				
Student center Series 2003:				
Revenue refunding bonds, due through May 2013	2.80 - 3.90%	505 - 1,180	3,875	4,370
Student housing Series 2003:				
Revenue bonds, due through May 2033	2.55 - 5.00%	320- 945	14,470	14,785
University of Nebraska Medical Center:				
Student housing revenue bonds				
Series 2003, due through June 2033	2.50 - 5.00%	115- 330	5,095	5,210
University of Nebraska at Kearney:				
Student fees and facilities:				
Series 2003 revenue refunding bonds, due through July 2011	2.15 - 2.90%	300 - 465	1,655	2,090
Series 2005, due through July 2020	3.00 - 4.10%	310- 1,080	5,520	5,815
Series 2006, due through July 2035	3.45 - 5.00%	340 - 1,385	22,625	22,625
Total obligations under the master trust indenture			191,780	195,960
Other University obligations:				
University of Nebraska-Lincoln:				
Athletics:				
2004A, revenue refunding, due November 2024	4.00 - 5.25%	1,695 - 5,195	48,035	51,430
2004B, revenue refunding, due November 2024	2.50 - 5.25%	1,920 - 3,270	7,305	9,225
Total University obligations			247,120	256,615
Obligations of blended entities:				
University of Nebraska Facilities Corporation:				
Series 2006 bonds (Sorrell Center), due through April 2016	3.60 - 4.00%	260 - 13,140	29,625	-
Series 2006 bonds (LB605), due through July 2020	3.65 - 5.00%	2,155 - 11,550	110,970	-
Series 2004 (library storage project), due through July 15, 2024	2.65 - 5.00%	115 - 565	3,210	3,320
Series 2003 (Alexander building project), due through December 2023	2.45- 5.00%	110- 205	2,495	2,600
Series 2002 bonds (Durham Center), due through February 2015	4.50 - 5.00%	3,070 - 21,215	40,270	44,610
Series 1998 bonds (LB1100), due through July 2011	4.45 - 5.25%	3,470 - 9,155	37,020	44,400
Series 1998-2 bonds (UNMC electrical system) due through October 2008	4.25 - 4.30%	265 - 275	540	795
Total University of Nebraska Facilities Corporation			224,130	95,725
Nebraska Utility Corporation (NUCorp):				
Series 2001 revenue bonds, due through January 2023	4.50 - 5.25%	750 - 1,620	21,160	21,880
Total bond obligations payable			\$ 492,410	\$ 374,220

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Annual maturities subject to mandatory redemption at June 30, 2007 are as follows:

	<u>Total University</u>		<u>UNFC</u>		<u>NUCorp</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 10,270	\$ 11,247	\$ 13,740	\$ 10,363	\$ 750	\$ 1,051	\$ 24,760	\$ 22,661
2009	13,105	10,789	15,250	9,692	785	1,017	29,140	21,498
2010	16,165	10,294	20,755	8,948	815	983	37,735	20,225
2011	9,530	9,617	23,760	8,086	855	946	34,145	18,649
2012	9,550	9,250	29,420	6,937	890	907	39,860	17,094
2013-2017	53,235	40,354	75,080	21,410	6,535	3,636	134,850	65,400
2018-2022	46,490	28,138	44,740	4,998	7,370	1,793	98,600	34,929
2023-2027	38,420	16,818	1,385	113	3,160	168	42,965	17,099
2028-2032	23,595	10,136	-	-	-	-	23,595	10,136
2033-2037	20,965	4,023	-	-	-	-	20,965	4,023
2038-2042	5,795	255	-	-	-	-	5,795	255
Total	<u>\$247,120</u>	<u>\$150,921</u>	<u>\$224,130</u>	<u>\$70,547</u>	<u>\$21,160</u>	<u>\$10,501</u>	<u>\$492,410</u>	<u>\$231,969</u>

At June 30, 2007 and 2006, the trustees for these bond funds held cash and investments in the amount of approximately \$303,627 and \$158,264, respectively, which is reflected as restricted cash and cash equivalents and investments on the statements of net assets.

Master Trust Indenture - The Board of Regents entered into a master trust indenture dated as of June 1, 1995 (as amended and supplemented from time to time, the Indenture) with a fiduciary with respect to the facilities (including student housing, student unions, student health facilities, and parking facilities) from which the Board of Regents derives revenues, fees, and earnings. The Indenture provides for the formation of an Obligated Group for the purpose of achieving lower borrowing costs through sharing accumulated excess revenues and earnings derived from such facilities. As of June 30, 2007, the members of the Obligated Group are (a) the student housing, student unions, and student health facilities on the University of Nebraska - Lincoln campuses (UNL Student Fees and Facilities), (b) the parking facilities on the University of Nebraska - Lincoln campuses (UNL Parking), (c) the Student Center at the University of Nebraska at Omaha (UNO Student Center), (d) certain student housing facilities at the University of Nebraska at Omaha (UNO Student Housing), (e) certain student housing facilities at the University of Nebraska Medical Center (UNMC Student Housing), and (f) the student housing facilities on the University of Nebraska Kearney campus (UNK Student Fees and Facilities) (collectively, the Obligated Group). The accumulated surplus revenues, fees, and other payments of such Obligated Group have been jointly pledged to the payment of revenue bonds issued with respect to such facilities. Other facilities will be added to the Obligated Group and the revenues, fees, and other payments derived from such facilities will be pledged under the Indenture in the future as circumstances permit.

Pledged revenues of the Obligated Group under the master trust indenture are defined as all of the revenues of each member that remain after payment of the expenses of such member. Pledged revenues do not include any balances in any debt service fund or debt service reserve fund, but shall include any balances in other reserve, replacement, or contingency fund and any surplus fund held for or on behalf of such members of the Obligated Group under a related resolution.

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University of Nebraska-Lincoln Memorial Stadium Bonds – In 2004, the Board of Regents authorized the issuance of \$64,380 of Series 2004A and 2004B bonds (2004 Memorial Stadium Project). The bonds were issued to pay the cost of constructing, equipping, and furnishing improvements to Memorial Stadium and to refund \$12,970 of 1997 UNFC Bonds, Series 1997. The 2004A and 2004B bonds are payable from a gross revenue pledge of certain revenues and fees of the athletic department, with such payment being prior to the payment of expenditures with respect to Memorial Stadium operations. Those revenues and fees include all Memorial Stadium ticket income, current skybox revenues, current club seating revenues, donations with respect to a new premium seating program involving approximately 6,400 seats, and all donations pledged to the construction of the 2004 Memorial Stadium Project.

The bonds are not obligations of the State, nor do they constitute debt of the Board of Regents, but shall be solely from the aforementioned pledged revenues and fees.

University of Nebraska Facilities Corporation

The UNFC bonds are not obligations of the State and no tax shall ever be levied to raise the funds for the principal payment thereof or the interest or premium thereon. The UNFC bonds do not constitute debt of the Board of Regents of the University, but shall be payable solely out of monies derived from designated tuition revenues, legislative appropriations, and UNL and UNMC lease payments.

Series 2006 Bonds – The Sorrell Center Project – In 2007, the UNFC authorized the issuance of \$29,625 of Series 2006 Bonds dated November 1, 2006.

The Sorrell Center Project is the construction of a multi-level building to house the educational activities of the UNMC College of Medicine.

UNMC has obtained pledges through the University of Nebraska Foundation, that when augmented by other funds UNMC has available, will be sufficient to make lease payments equivalent to principal and interest on the bonds. Bonds maturing after April 15, 2013 are redeemable at par plus accrued interest.

Series 2006 Bonds – LB605 Deferred Maintenance Project – UNFC authorized the issuance of \$110,970 of Deferred Maintenance Bonds, Series 2006 Bonds dated August 15, 2006.

The LB605 Project was created for the purpose of paying the construction costs for major renewal and renovation projects at each of the four University campuses authorized by Nebraska legislative bill 605 (LB605).

Principal and interest payments will be paid from appropriations by the State of Nebraska and matched by specified tuition revenues. Bonds maturing after July 15, 2017 are redeemable at par plus accrued interest.

Series 2004 Bonds – Library Storage Project – In 2004, the UNFC authorized the issuance of \$3,410 of Series 2004 Bonds, dated May 15, 2004.

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The library storage and retrieval facility provides a climate-controlled environment for the library's print volumes and other documents. The strictly controlled temperature, humidity, and air quality will minimize the deterioration of the books and other documents.

Principal and interest payments will come from lease payments received from UNL.

Series 2003 Bonds – Alexander Building Project – In 2003, the UNFC authorized the issuance of \$2,935 of Series 2003 Bonds, dated March 6, 2003.

The 2003 Project involved the purchase and refurbishing of the Alexander Building, including a heating, ventilation and air conditioning project on the city campus of UNL.

Principal and interest payments will come from lease payments received from UNL. Bonds maturing after June 1, 2008 are redeemable at par plus accrued interest. The 2003 Project states that if, at any time, the assigned revenues are insufficient to pay principal and interest of the Series 2003 Bonds as they become due, the deficiency will be paid from the University Cash Fund or other funds of the Regents available for such purpose.

Series 2002 Bonds – Durham Research Center Project – In 2002, the UNFC authorized the issuance of \$56,695 of Series 2002 Bonds, dated February 15, 2002. The Project was created for the purpose of paying a portion of the cost of construction of the Durham Center, which is a ten level medical research and education tower, and a multi-level parking structure on the campus of UNMC at a total estimated cost of \$93,000.

Through the University of Nebraska Foundation, the UNMC obtained pledges approximating \$85,000 for payment of the costs of the project, of which \$59,830 in pledge receipts have been received through June 30, 2007. The pledges will be received in installments through 2011. These pledges are augmented with the revenue from the lease agreement with a third party for a portion of the parking structure.

Bonds maturing after February 15, 2012 are redeemable at par plus accrued interest. If, at any time, the assigned revenues are insufficient to pay principal and interest of the Series 2002 Bonds as they become due, the deficiency will be paid from the University Cash Fund or other funds of the Regents available for such purpose.

Series 1998 Bonds – LB1100 Deferred Maintenance Project – UNFC authorized the issuance of \$80,190 of Series 1998 Bonds, dated July 15, 1998. The LB1100 Project was created for the purpose of paying the cost of certain deferred maintenance projects on each of the four campuses of the University of Nebraska authorized by Nebraska Legislative Bill 1100 (LB1100).

Principal and interest payments on the Bonds are secured by LB1100 appropriations and existing balances in the University Cash Fund, the University of Nebraska at Omaha Cash Fund, and the University of Nebraska at Kearney Cash Fund. Under LB1100, the Nebraska Legislature has appropriated \$5,500 each fiscal year through June 30, 2009. In addition, the Regents committed to provide \$5,200 for each fiscal year through June 30, 2011.

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Bonds maturing after July 15, 2008, are redeemable at par plus accrued interest.

Series 1998-2 Bonds – UNMC Electrical System Project – In 1998, the UNFC authorized the issuance of \$2,315 of Series 1998 Bonds, dated October 15, 1998. The Project was created for the purpose of constructing and installing an electrical power service line and related facilities to the UNMC.

Under the resolution for the Project, the Regents leased from UNFC the real property and improvements comprising the Electrical System Project and the existing facilities under a Site Lease dated October 15, 1998. The Regents have agreed to make lease rental payments to UNFC in such amounts and at such times so as to provide sufficient funds with which to make full and timely payments on the Series 1998-2 Bonds. The term of the Site Lease expires when all bonds have been paid in full or the payment of the bonds has been provided for in accordance with the Trust Indenture.

The principal and interest payments on the bonds are funded by lease payments received that are derived from monies to be budgeted and appropriated by the Regents. Bonds are redeemable at par plus accrued interest.

Nebraska Utility Corporation

In 2001, the NUCorp, an interlocal organization formed with a Lincoln, Nebraska-based utility, authorized the issuance of \$21,880 of Series 2001 Bonds. The proceeds from the debt are being utilized to address energy conservation and utility upgrades at UNL. Utility savings generated from these projects will provide funds for repayment of the bonds.

Bond Refinancing

On July 6, 2005, the Board of Regents issued \$26,925 of Revenue and Refunding Bonds, Series 2005 (University of Nebraska – Lincoln Parking Project.) The proceeds were used to construct an approximately 843-space addition to a multi-level parking garage located at 14th and Avery streets for an approximate cost of \$8,200 and to provide for the redemption of \$18,885 outstanding Revenue Bonds, Series 2000 (University of Nebraska-Lincoln Parking Project) on August 1, 2005. The refunding reduced total debt service payments by approximately \$3,099 and resulted in an economic gain of \$1,438. The accounting loss of \$262 is deferred and amortized over the life of the 2005 bonds.

On July 1, 2005, the Board of Regents issued \$6,085 of Refunding Bonds, Series 2005 (University of Nebraska at Kearney Student Fees and Facilities Bonds) to refund \$5,895 of outstanding Series 2000 Revenue Refunding Bonds (University of Nebraska at Kearney Student Fees and Facilities Bonds). The Series 2000 Revenue Refunding Bonds were called on August 16, 2005. The refunding reduced total debt service payments by approximately \$857 and resulted in an economic gain of approximately \$549. The accounting loss of \$244 is deferred and amortized over the life of the 2005 bonds.

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On July 10, 2005, the Board of Regents authorized the redemption of the University of Nebraska at Kearney Student Fees and Facilities Revenue Bonds, Series 1966, maturing on July 1, 2006 from surplus funds held for these Revenue Bonds. The early redemption on July 10, 2005 of the Series 1966 Bonds resulted in net interest savings of approximately \$10. Additionally, the University of Nebraska at Kearney Student Fees and Facilities Housing Operations became a member of the University of Nebraska Master Trust Indenture upon the redemption of the Series 1966 Revenue Bonds.

Bond Resolutions

The bond resolutions specify the funds that need to be established, the required transfers between funds, and the maximum maturity limits for each funds' investments. The bond resolutions also require that specified amounts be deposited with the trustee for certain funds. At June 30, 2007 and 2006, the University, UNFC, and NUCorp are in compliance with these requirements.

I. CAPITAL LEASE OBLIGATIONS

The University is presently leasing real property, buildings, and equipment with either the option to purchase or transfer of title at the expiration of the lease term. Of capital leases outstanding at June 30, 2007 and 2006, \$5,804 and \$9,025, respectively, are leases with the Foundation.

Capital lease obligation activity for the year ended June 30 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2007	<u>\$ 14,208</u>	<u>\$ 7,083</u>	<u>\$ 6,395</u>	<u>\$ 14,896</u>	<u>\$ 3,238</u>
2006	<u>\$ 17,260</u>	<u>\$ 1,298</u>	<u>\$ 4,350</u>	<u>\$ 14,208</u>	<u>\$ 3,387</u>

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Minimum lease payments under capital leases together with the present value of the net minimum lease payments for the year ending June 30 are:

	Land	Buildings and Properties	Equipment	Total
2008	\$ 413	\$ 1,492	\$ 1,831	\$ 3,736
2009	413	1,431	1,343	3,187
2010	413	1,431	1,120	2,964
2011	415	1,415	1,042	2,872
2012	-	1,413	10	1,423
Thereafter	-	3,128	-	3,128
	<u>1,654</u>	<u>10,310</u>	<u>5,346</u>	<u>17,310</u>
Less interest and executory costs	<u>188</u>	<u>1,818</u>	<u>408</u>	<u>2,414</u>
	<u>\$ 1,466</u>	<u>\$ 8,492</u>	<u>\$ 4,938</u>	<u>\$ 14,896</u>

Capital assets held under capital lease obligations at June 30, 2007 are as follows:

	Cost	Accumulated Depreciation	Net
Land	\$ 1,585	\$ -	\$ 1,585
Buildings	13,592	954	\$ 12,638
Equipment	<u>6,636</u>	<u>1,409</u>	<u>5,227</u>
	<u>\$ 21,813</u>	<u>\$ 2,363</u>	<u>\$ 19,450</u>

J. HEALTH AND OTHER INSURANCE CLAIMS

Activity in the health and other insurance claims programs is as follows:

	Clinicians Self- Insurance	General Liability	Group Health and Dental	Total
Claim reserve, July 1, 2005	\$ 1,395	\$ 2,760	\$ 6,400	\$ 10,555
Incurred claims	362	1,384	76,225	77,971
Payments on claims	<u>(99)</u>	<u>(1,630)</u>	<u>(77,525)</u>	<u>(79,254)</u>
Claim reserve, June 30, 2006	1,658	2,514	5,100	9,272
Incurred claims	1,389	761	84,479	86,629
Payments on claims	<u>(194)</u>	<u>(827)</u>	<u>(84,879)</u>	<u>(85,900)</u>
Claim reserve, June 30, 2007	<u>\$ 2,853</u>	<u>\$ 2,448</u>	<u>\$ 4,700</u>	<u>\$ 10,001</u>

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The Board of Regents provides for protection against comprehensive general liability and property losses through a partially self-insured general liability program. The self-insured program also covers the retained deductible for directors and officers liability and miscellaneous claims not covered by insurance. The Board of Regents has purchased all-risk "blanket" policies for risks not covered by the partially self-insured general liability program. These policies provide for property coverage with a \$200 deductible/\$1,000 annual aggregate, educators legal liability coverage with a \$500 deductible/\$5,000 annual aggregate, and umbrella excess liability coverage for \$20,000 each loss/\$20,000 aggregate. A bank administers the general liability and self-insured trusts including the investments and payment of approved claims. The University estimates a range of loss for general liability and property claims using actuarial studies conducted by outside actuarial firms. The discount rates used by the actuaries for estimation of the claim reserve was 5% for general liability. This estimate is accrued in the accompanying financial statements and includes a reserve for known claims as well as incurred but unreported incidents.

The University participates in the State Excess Liability Fund that provides coverage from \$500 up to \$1,750 for each medical malpractice claim. Settled claims have not exceeded insurance coverage in any of the past three years.

The Board of Regents provides for faculty and staff group health and dental benefits through a self-insurance program. The University accrued an estimate for known and incurred but not reported claims based on claim history adjusted for current trends. A trust agreement with a bank provides for the collection, investment, and administration of premiums and for payment to the third-party administrators for claims paid.

At June 30, 2007 and 2006, the trustees for the health and other insurance claims programs held cash and cash equivalents and investments totaling approximately \$79,400 and \$56,130, respectively, whose use is limited to the payment of claims under the programs. These amounts are included in cash and cash equivalents and investments on the statements of net assets.

K. RETIREMENT PLANS

The University has a defined contribution retirement plan currently in effect that the Board of Regents established and has the authority to amend. The plan covers all academic faculty, administrative, and classified staff and provides investment options administered by Teachers Insurance and Annuity Association/College Retirement Equity Fund and Fidelity Investments. Under the plan, faculty and staff are required to contribute 3.5% or 5.5% if they participate in either Tier 1 or Tier 2 of the plan, respectively. The University matches faculty and staff participation by contributing 6.5% and 8.0% for Tier 1 and Tier 2, respectively. The University's policy is to fund costs accrued on an annual basis.

The University's total payroll for fiscal years 2007 and 2006 was approximately \$698,495 and \$666,260, respectively, of which approximately \$531,651 and \$507,429 was covered by the plan. The University's contribution during 2007 and 2006 was approximately \$41,240, or 7.76%, and \$39,289, or 7.74%, of covered payroll, respectively, and the faculty and staff's contribution was approximately \$27,575, or 5.19%, and \$26,225, or 5.17%, of covered payroll, respectively.

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Faculty and staff (at least 0.5 FTE) who attain age 26 and have completed 24 months of continuous service are eligible to participate in the retirement plan. Faculty and staff (at least 0.5 FTE) attaining age 30 following 24 months of continuous service are required to participate. The plan benefits are fully vested at the date of contribution.

UNMC Physicians has two defined contribution money purchase pension plans established under Section 401(a) of the Internal Revenue Code that are administered by a bank. Together, these plans cover substantially all employees who meet age and length of service requirements of the plans. The plans are funded through UNMC Physicians contributions based upon a fixed percentage of the employees' salary. Total pension expense was \$8,737 and \$7,698 for the years ended June 30, 2007 and 2006, respectively.

The GASB issued Statement No. 47, *Accounting for Termination Benefits*. Statement No. 47 requires a disclosure of the termination benefit liability incurred during the year for retirement plans. The University offered a tenure buyout option to faculty under a 1997 plan and a 2003 plan both of which are now closed. Both plans offered a buyout to faculty in exchange for tenured rights and included a provision for the University to pay health insurance premiums for the faculty member for a specified term. Currently, the administration may agree to a tenure buyout arrangement with a selected faculty member, but the buyout option is not generally open to the faculty. The expense incurred during 2007 and 2006 for the health insurance liability under new tenure buyout arrangements was \$704 and \$238, respectively. The expense incurred for 2007 and 2006 health insurance premium increases under all tenure buyout arrangements was \$112 and \$559, respectively. The total termination benefit obligation at June 30, 2007 and 2006 was \$2,374 and \$2,485, respectively.

L. COMMITMENTS AND CONTINGENCIES

The University has contracted for the construction of facilities that are estimated to cost approximately \$517,250. As of June 30, 2007, the approximate remaining costs to complete these facilities were \$316,673, which will be financed as follows:

Bond funds	\$ 151,771
Federal funds	3,230
University funds	16,433
State capital appropriations	7,957
Private gifts, grants, and contracts	<u>137,282</u>
	<u>\$ 316,673</u>

During the normal course of business, the University receives funds from the U.S. Government, state and local governments, and private donors for student loans, special projects, research grants, and research contracts. Substantially all of these funds are subject to audit by various federal and state agencies; however, it is the University's opinion that resulting adjustments, if any, would not have a material effect upon the accompanying financial statements.

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The University established its Agricultural Research and Development Center on approximately 9,000 acres acquired from the Nebraska Ordnance Plant (NOP) from 1962 to 1971. The Federal government produced munitions at NOP during World War II and the Korean Conflict, exposing the area to contaminants. The University legally disposed of certain materials at the site in the 1970s. In 1990, the NOP became a Federal Superfund site. An administrative order has been entered into between the Board of Regents and the Environmental Protection Agency (EPA) requiring a remedial investigation/feasibility study to determine the extent of contamination and removal actions necessary. A contractual arrangement was entered into between the Board of Regents and an engineering and consulting firm to perform the remedial investigation/feasibility study. This study was completed and the consulting firm made recommendations to the University for the removal and disposal of the contaminants at the site. The Board of Regents and the EPA subsequently agreed to an action for the remediation and restoration of the area and the estimated remaining cost to complete the recommended action plan is \$6,200 and is accrued in the accompanying statements.

The University has other claims and litigation pending, none of which is expected to result in any material loss to the University.

M. RELATED-PARTY TRANSACTIONS

The University routinely has transactions with the Nebraska Medical Center (NMC). The members of the faculty at the University are also members of the medical staff of NMC, and in many other areas, the operations of the University and NMC are integrated and overlap. The University provides certain operational and support services, as well as certain direct financial support to NMC. For the fiscal years ended June 30, 2007 and 2006, NMC purchased approximately \$43,683 and \$42,603 of goods and services from the University.

In October 2002, the Board of Regents approved a contingent commitment of funds to assist in the construction of the Clinical Center of Excellence. The amount advanced through June 30, 2005 was \$9,000 with an additional \$1,000 advanced in 2006. The \$10,000 was classified as a capital grant to Nebraska Medical Center in 2006.

As of June 30, 2007 and 2006, the University established a receivable to recognize a commitment of \$10,000 by NMC toward the construction of the Sorrell Center Project. At June 30, 2007, this amount is included in the accompanying financial statements as \$3,000 of other current assets and \$7,000 of other non-current assets in the statement of net assets.

As of June 30, 2007 and 2006, capital lease obligations include \$5,804 and \$8,008 due to the Foundation under various lease agreements.

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N. FUNCTIONAL CLASSIFICATIONS OF EXPENSES

For the year ended June 30, 2007:

	Compen- sation	Supplies and Materials	Contractual Services	Repairs and Maintenance	Utilities	Communi- cations	Scholarships and Fellowships	Deprecia- tion	Total
Instruction	\$320,431	\$ 32,263	\$ 8,670	\$ 1,966	\$ 22	\$ 2,991	\$ 3,164	\$ -	\$ 369,507
Research	143,618	35,459	33,600	7,280	71	1,462	1,552	-	223,042
Public service	59,547	12,366	13,032	1,019	649	817	221	-	87,651
Academic support	69,376	22,310	-	-	5	1,641	32	-	93,364
Student services	17,476	4,703	102	403	-	310	343	-	23,337
Institutional support	58,777	21,548	8,315	1,228	86	1,396	6	-	91,356
Operation and maintenance of plant	30,288	8,064	4,260	17,726	28,473	395	3	-	89,209
Healthcare entities	121,692	17,024	13,522	1,055	100	430	83	-	153,906
Scholarships and fellowships	3,263	242	1,208	-	-	-	119,347	-	124,060
Auxiliary operations	67,665	80,625	11,623	4,095	544	4,296	1,792	-	170,640
Depreciation	-	-	-	-	-	-	-	73,498	73,498
Total expenses	\$892,133	\$234,604	\$94,332	\$ 34,772	\$ 29,950	\$13,738	\$126,543	\$73,498	\$1,499,570

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For the year ended June 30, 2006:

	Compen- sation	Supplies and Materials	Contractual Services	Repairs and Maintenance	Utilities	Communi- cations	Scholarships and Fellowships	Deprecia- tion	Total
Instruction	\$311,846	\$ 32,027	\$ 8,225	\$ 1,409	\$ 19	\$ 2,867	\$ 2,595	\$ -	\$ 358,988
Research	134,264	38,707	33,094	4,449	59	1,154	1,561	-	213,288
Public service	56,619	11,633	8,827	1,094	513	811	250	-	79,747
Academic support	63,200	21,583	1,412	-	2	1,705	103	-	88,005
Student services	16,308	5,275	120	-	2	310	440	-	22,455
Institutional support	57,454	15,880	5,083	1,523	64	1,618	1,179	-	82,801
Operation and maintenance of plant	23,474	8,723	3,591	18,369	28,633	335	3	-	83,128
Healthcare entities	108,339	14,172	13,240	1,046	110	461	54	-	137,422
Scholarships and fellowships	2,579	251	1,201	-	-	-	113,549	-	117,580
Auxiliary operations	69,062	78,123	11,247	4,933	2,694	4,583	1,205	-	171,847
Depreciation	-	-	-	-	-	-	-	59,711	59,711
Total expenses	<u>\$843,145</u>	<u>\$226,374</u>	<u>\$86,040</u>	<u>\$ 32,823</u>	<u>\$ 32,096</u>	<u>\$13,844</u>	<u>\$120,939</u>	<u>\$59,711</u>	<u>\$1,414,972</u>

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O. AUXILIARY SEGMENT

The University issues revenue bonds to finance certain of its auxiliary activities under its Master Trust Indenture. Investors in these bonds rely on the revenue generated by the individual activities and other sources specified for repayment. Descriptive segment information for the Master Trust Indenture Obligated Group – includes the following:

UNL Student Fees and Facilities Bonds, Series 2002, Series 2003A, and Series 2003B – These bonds are used to provide student housing and related facilities as allowed by the bond covenants for the UNL campus. Operating revenues consist primarily of room and board charges.

University of Nebraska Revenue Bonds, Series 2003, and Series 2005 – These bonds are used to provide parking-related facilities as allowed by the bond covenants for the UNL campus. Operating revenues consists of parking fee revenues.

UNO Student Center Project – Series 2003 – The Student Center provides a variety of services for the benefit of the University and its students. Student fees and bookstore and food services are the primary sources of operating revenues.

UNO Student Housing Project – Series 2003 – The bonds are used to provide student housing and related facilities as allowed by the bond covenants for the University. Operating revenues consist primarily of rentals and student fees.

UNMC Student Housing Project – Series 2003 – These bonds are used to provide student housing and related facilities as allowed by the bond covenants for UNMC. Facility rental revenues comprise the operating revenues of this segment.

UNK Student Fees and Facilities Revenue Bonds, Series 2003, Series 2005, and Series 2006 – The bonds are used to provide student housing and related facilities as allowed by the bond covenants for the UNK campus. Operating revenues consist primarily of rentals, food service income, and student fees.

Pledges pertaining to these issues are disclosed in Note H.

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Condensed financial information for the University's segment follows (in thousands):

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Condensed Statements of Net Assets		
Assets:		
Current assets	\$ 90,897	\$ 87,352
Non-current assets:		
Capital assets	196,023	191,983
Other non-current assets	<u>11,114</u>	<u>12,799</u>
Total assets	<u>298,034</u>	<u>292,134</u>
Liabilities:		
Current liabilities	20,625	16,718
Non-current liabilities	<u>190,279</u>	<u>195,020</u>
Total liabilities	<u>210,904</u>	<u>211,738</u>
Net assets:		
Invested in capital assets, net of related debt	20,225	25,187
Restricted:		
Expendable:		
Plant construction	8,317	5,180
Debt service	50,039	42,459
Unrestricted	<u>8,549</u>	<u>7,570</u>
Total net assets	<u>\$ 87,130</u>	<u>\$ 80,396</u>

	<u>Year Ended</u>	
	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Condensed Statements of Revenues, Expenses, and Changes in Net Assets		
Operating revenues	\$ 73,711	\$ 70,055
Operating expenses:		
Depreciation	6,929	6,771
Other operating expenses	<u>56,421</u>	<u>54,583</u>
Operating income	10,361	8,701
Non-operating expense	<u>(3,627)</u>	<u>(5,035)</u>
Change in net assets	6,734	3,666
Net assets, beginning of year	<u>80,396</u>	<u>76,730</u>
Net assets, end of year	<u>\$ 87,130</u>	<u>\$ 80,396</u>

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	Year Ended	
	June 30, 2007	June 30, 2006
Condensed Statements of Cash Flows		
Net cash flows from operating activities	\$ 17,211	\$ 13,163
Net cash flows from capital and related financing activities	(19,244)	(1,205)
Net cash flows from investing activities	<u>6,310</u>	<u>(16,443)</u>
Net change in cash and cash equivalents	4,277	(4,485)
Cash and cash equivalents, beginning of year	<u>62,016</u>	<u>66,501</u>
Cash and cash equivalents, end of year	<u>\$ 66,293</u>	<u>\$ 62,016</u>

P. SUBSEQUENT EVENTS

On July 25, 2007, the Board of Regents issued \$29,765 of Revenue Bonds, Series 2007 (University of Nebraska at Omaha Student Facilities Project). The proceeds will be used to construct new apartment suite-style facilities for 384 students and to construct a 900 space parking garage, both located on the UNO campus.

Q. UNIVERSITY OF NEBRASKA FOUNDATION

The Foundation is a separate, non-profit organization incorporated in the State of Nebraska and has as its purpose to encourage private financial support of the University from individuals, corporations, and other foundations. Oversight of the Foundation is the responsibility of a separate and independent Board of Trustees, not otherwise affiliated with the University. In carrying out its responsibilities, the Board of Trustees of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation.

Although the University does not control the timing or amount of receipts from the Foundation, the resources that the Foundation holds and invests, or the income thereon, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is therefore discretely presented with the University's financial statements. Based on the Foundation's audited financial statements as of June 30, 2007 and 2006, the Foundation's net assets (including unrealized gains) totaled \$1,272,164 and \$1,153,224 for the years ended June 30, 2007 and 2006, respectively.

During the years ended June 30, 2007 and 2006, the Foundation contributed \$53 million and \$54 million, respectively, to the University for academic support, student assistance, faculty assistance, research, and museums and libraries. In addition, the Foundation provided capital gifts of \$36 million and \$32 million during 2007 and 2006, respectively, to the University. These contributions provided support for several projects, including the construction of the Research Center of Excellence Project (Durham Research Center) and the Memorial Stadium Project.

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Complete financial statements for the Foundation can be obtained from the University of Nebraska Foundation, 1010 Lincoln Mall, Suite 300, Lincoln, Nebraska 68508-2886.

R. COMPONENT UNIT DISCLOSURES

The following are the notes taken directly from the audited financial statements of the Foundation:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the University of Nebraska Foundation (Foundation) are described below to enhance the usefulness of the financial statements to the reader.

Nature of the Entity and Principles of Consolidation – The University of Nebraska Foundation is a non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code whose purpose is to provide financial support of the University of Nebraska System. Its wholly-owned Limited Liability Company, University of Nebraska Technology Park LLC provides incubator facilities for emerging businesses. During 2004, the Foundation established a new non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, UNF Charitable Gift Fund, whose purpose is to accept gifts and distribute funds to approved 501(c)(3) tax exempt organizations. The UNF Charitable Gift Fund is organized as a supporting organization of the University of Nebraska Foundation.

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis and include all funds controlled by and in the custody of the Foundation. Funds in control of the Foundation include the wholly owned Limited Liability Company, University of Nebraska Technology Park LLC.

Financial Statement Presentation – The Foundation utilizes Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, in the financial statement presentation. SFAS No. 117 set standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. A description of the three net asset categories follows:

Unrestricted Net Assets – Unrestricted net assets include revenues and expenses associated with the general operation of the Foundation and include gifts with no donor restrictions. Property and equipment assets associated with the general operation of the Foundation are also included in this category.

Temporarily Restricted Net Assets – Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met, trust activity, deferred gifts and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted or determined.

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Assets with restrictions imposed by the Foundation Board are categorized as temporarily restricted assets also.

Permanently Restricted Net Assets – Permanently restricted net assets include gifts, trusts, and pledges receivable which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions and gifts which have been donor stipulated to provide loans to students.

Pledges Receivable – Pledges receivable are recorded on the balance sheet as assets net of an approximate 3% allowance for uncollectible accounts and discounted at the present value and recorded as donations on the statement of activities. As payments are received on pledges, the amounts will be included as donations on the statement of activities for any difference not recorded as a donation and adjusted annually for the present value.

Investments – The Foundation adopted Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. SFAS No. 124 establishes standards of reporting at fair value certain investments, debt and equity securities, held by not-for-profit organizations.

Therefore, investments in equity securities that have a readily determinable fair value and debt securities are stated at fair value. All other investments are stated at cost or if received by gift at fair value or appraised value at date of receipt.

Property and Equipment – Property and equipment assets, consisting of real estate, furniture, equipment and computer software, is stated at cost or, if contributed, at fair market value at date of contribution. The Foundation's policy is to capitalize property and equipment purchases in excess of five hundred dollars.

Depreciation – The Foundation follows the policy of reducing the property and equipment by depreciation applicable to the related assets. Depreciation is computed by the straight-line method over the estimated useful life of the asset ranging from three to 31-½ years. Assets are depreciated to a normal estimated salvage value.

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

Compensated Absences – Employees of the Foundation are entitled to paid vacation days, depending on the job classification and length of service. The Foundation adopted the policy of accruing vacation pay at year-end.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposit accounts, time deposits accounts and money market accounts.

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2. INVESTMENTS

The investments in equity securities with a readily determinable fair market quotations and debt securities are stated at fair value. All other investments purchased by the Foundation are stated at cost or fair value or appraised value at date of receipt for those investments received as donations.

	2007		
	Book Value	Unrealized Gain (Loss)	Fair Value
INVESTMENTS STATED AT FAIR VALUE:			
United States and municipal Government securities	\$ 63,460	\$ 1,609	\$ 65,069
Other bonds	18,948	(227)	18,721
Common stock	379,549	98,544	478,093
Mutual funds	350,357	44,637	394,994
Limited partnerships	197,730	42,148	239,878
Preferred stocks	57	-	57
	<u>\$1,010,101</u>	<u>\$186,711</u>	<u>\$ 1,196,812</u>
	2006		
	Book Value	Unrealized Gain (Loss)	Fair Value
INVESTMENTS STATED AT FAIR VALUE:			
United States and municipal Government securities	\$ 34,494	\$ 780	\$ 35,274
Other bonds	18,049	(427)	17,622
Common stock	326,791	77,615	404,406
Mutual funds	280,959	32,626	313,585
Limited partnerships	191,651	52,476	244,127
Preferred stocks	104	(3)	101
	<u>\$852,048</u>	<u>\$163,067</u>	<u>\$ 1,015,115</u>

THE UNIVERSITY OF NEBRASKA
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NOTES TO FINANCIAL STATEMENTS
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	Book Value 2007	Book Value 2006
INVESTMENTS STATED AT OTHER THAN FAIR VALUE:		
Certificates of deposit, savings and money funds	\$ 29,997	\$ 29,580
Limited partnerships		
Real estate	31,358	28,597
Real estate mortgage and contracts	24,226	23,865
Miscellaneous	3,273	2,956
Cash value of life insurance	3,834	3,544
Annuity contracts	209	209
	<u>92,897</u>	<u>88,751</u>
TOTAL INVESTMENTS:		
Stated at fair value	1,196,812	1,015,115
Stated at other than fair value	<u>92,897</u>	<u>88,751</u>
	<u>\$ 1,289,709</u>	<u>\$ 1,103,866</u>

3. LEASE COMMITMENTS

The Foundation has entered into a contract for the rental of office space in Lincoln beginning January 1, 2003 for a period of 10 years and continuing on a month-to-month basis. The annual rental is \$400 for the first five years and \$467 for the second five years. A second agreement has been entered into for rental of additional office space in Lincoln at a rate of \$8 per month from September 2007 through December 2007 and then \$9 per month for the next 60 months. The Foundation had entered into a contract for rental of office space in Omaha through December 31, 2005, with annual increases and subsequently entered into an extension for two additional years through December 31, 2007 at a rate of \$12 per month. The Foundation has entered into a new agreement for office space in Omaha beginning June 1, 2007 at a rate of \$32 per month for the first 60 months. The Foundation also renewed an agreement to lease office space in Kearney through October 31, 2008 at \$3 per month. The minimum rentals for leases with guaranteed terms for the five fiscal years after June 30, 2007, are as follows:

June 30, 2008	\$ 724
June 30, 2009	979
June 30, 2010	965
June 30, 2011	965
June 30, 2012	965

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NOTES TO FINANCIAL STATEMENTS
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4. RETIREMENT PLAN

The Foundation sponsors a retirement plan that covers employees of the University of Nebraska Foundation and the University of Nebraska Technology Park LLC with one year of service who work in excess of 1,000 hours annually and have attained the age of 21 years or previous participation in the TIAA-CREF or Fidelity annuity plan. Participation in the plan is mandatory upon attainment of age 30. The plan is an annuity arrangement under Code Section 403b(1) of the Internal Revenue Code using annuities under TIAA-CREF and Fidelity investments. Under the plan, the employee chooses to contribute either 5.5% or 3.5% of their salary to the plan and the Foundation matches the amount with either 8% or 6.5% of salary, respectively. The Foundation and LLC contributions to the plans for the years ending June 30, 2007 and 2006 were \$536 and \$471, respectively.

5. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances and certificates of deposit at financial institutions located in Nebraska. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100. At various times during the fiscal year, the Foundation's cash in bank balances exceeded the federally insured limits. The Foundation has maintained its cash balances and certificates of deposit at financial institutions in accordance with all Foundation policies and procedures.

6. CONTINGENCIES AND COMMITMENTS

The Foundation is involved in several legal actions. The Foundation believes it has defenses for all such claims, believes the claims are substantially without merit, and is vigorously defending the actions. In the opinion of management, the final disposition of these matters will not have a material effect on the Foundation financial position.

7. RESTRICTED NET ASSETS

Net assets are restricted by donors for various purposes in support of activities at the University of Nebraska, including the campuses at Lincoln, Kearney, Omaha and the Medical Center in Omaha. The purposes include scholarships, fellowships, research, academic support and campus building and improvements. Only income from the permanently restricted net assets are available for these purposes.

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(Thousands)

The amount of the net assets are as follows:

	<u>2007</u>
Temporarily restricted - charitable trusts and annuities	\$ 33,818
Temporarily restricted - available for specific purposes	331,148
Temporarily restricted - use at discretion of Foundation Board	55,841
Permanently restricted - available for specific purposes	57,176
Permanently restricted - endowment	776,350
Permanently restricted - student loans	<u>11,799</u>
	<u>\$ 1,266,132</u>

8. PLEDGES RECEIVABLE

Promises to give, net of discount to present value at 6% and allowance for doubtful accounts, are due to be collected for the year-ended June 30, 2007 as follows:

	<u>2007</u>	<u>2006</u>
Gross amount due in:		
One year or less	\$ 21,731	\$ 26,417
One to five years	88,666	53,596
More than five years	<u>12,100</u>	<u>35,905</u>
	122,497	115,918
Less discount to present value	<u>18,385</u>	<u>18,584</u>
	104,112	97,334
Less allowance for doubtful accounts - 3%	<u>3,123</u>	<u>2,920</u>
	<u>\$ 100,989</u>	<u>\$ 94,414</u>

The discount will be recognized as contribution income in years 2008 through 2025.

In addition, the Foundation has been informed of intentions to give in the form of possible future bequests, currently of indeterminable value, that have not been reflected in the accompanying financial statements because they are not unconditional promises.

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YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

9. PROPERTY AND EQUIPMENT

The property and equipment of the Foundation at June 30, 2007 and 2006 are as follows:

	2007	2006
Property	\$ 330	\$ 489
Leasehold improvements	1,538	1,536
Aircraft	4,177	4,177
Automobiles	157	144
Furniture, equipment and software	<u>3,034</u>	<u>5,404</u>
	9,236	11,750
Less accumulated depreciation	<u>3,880</u>	<u>6,198</u>
Net property and equipment	<u>\$ 5,356</u>	<u>\$ 5,552</u>

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Foundation in estimating the fair value of its financial instruments:

Cash and cash equivalents – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Investments – The fair value of investments in marketable equity and debt securities is based on quoted market prices. Non-marketable debt securities are valued based on estimated discounted future cash flows; non-marketable equity securities are carried at estimated current value if it is possible to determine this, otherwise at cost.

Pledges receivable – The fair value of contributions receivable is estimated by discounting the future cash flows using the average rates earned on investments.

Accrued interest receivable – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of interest payments.

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THE UNIVERSITY OF NEBRASKA-LINCOLN
ADDITIONAL INFORMATION
SCHEDULES OF NET ASSETS
JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 157,104	\$ 139,869
Cash and cash equivalents - restricted	93,084	86,617
Investments - restricted	6,431	4,046
Accounts receivable and unbilled charges, net	43,995	47,364
Loans to students, net	3,284	3,231
Due from other campuses	-	1,106
Other current assets	9,442	9,353
Total current assets	<u>313,340</u>	<u>291,586</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	193	7,153
Investments - restricted	195,893	169,854
Loans to students, net of current portion	11,169	11,031
Capital assets, net of accumulated depreciation	602,814	589,284
Other non-current assets	3,459	3,827
Total non-current assets	<u>813,528</u>	<u>781,149</u>
Total assets	<u>1,126,868</u>	<u>1,072,735</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	22,701	27,452
Accrued salaries, wages, and post-retirement benefits	20,595	19,635
Accrued compensated absences	18,142	17,209
Bond obligations payable	9,330	8,560
Capital lease obligations	496	2,174
Due to other campuses	39	-
Capital lease obligations due to other campuses	473	468
Deferred revenues and credits	56,702	51,556
Total current liabilities	<u>128,478</u>	<u>127,054</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	866	1,016
Accrued compensated absences, net of current portion	7,026	5,611
Bond obligations payable, net of current portion	205,710	215,040
Capital lease obligations, net of current portion	1,212	2,876
Capital lease obligations due to other campuses, net of current portion	4,313	4,430
Deferred revenues and credits, net of current portion	2,072	2,276
Total non-current liabilities	<u>221,199</u>	<u>231,249</u>
Total liabilities	<u>349,677</u>	<u>358,303</u>
NET ASSETS:		
Invested in capital assets, net of related debt	365,239	339,808
Restricted for:		
Non-expendable:		
Permanent endowment	186,140	174,035
Expendable:		
Externally restricted funds for scholarships, student aid and research	25,105	20,490
Loan funds	17,616	17,363
Plant construction	16,982	25,193
Debt service	39,492	33,795
Unrestricted	126,617	103,748
Total net assets	<u>\$ 777,191</u>	<u>\$ 714,432</u>

See independent auditors' report.

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THE UNIVERSITY OF NEBRASKA-LINCOLN
ADDITIONAL INFORMATION
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$37,463 and \$33,933 in 2007 and 2006, respectively)	\$ 110,181	\$ 101,663
Federal grants and contracts - restricted	181,572	178,451
State and local grants and contracts - restricted	6,120	5,601
Private grants and contracts - restricted	39,476	31,722
Sales and services of educational activities	46,941	42,493
Sales and services of auxiliary operations	98,846	93,224
Sales and services of auxiliary segments (net of scholarship allowances of \$5,208 and \$4,841 in 2007 and 2006, respectively)	43,234	40,152
Other operating revenues	<u>5,133</u>	<u>6,213</u>
Total operating revenues	<u>531,503</u>	<u>499,519</u>
OPERATING EXPENSES:		
Salaries and wages	331,739	316,047
Benefits	<u>91,769</u>	<u>88,090</u>
Total compensation and benefits	423,508	404,137
Supplies and materials	131,871	130,446
Contractual services	34,352	33,999
Repairs and maintenance	12,551	16,261
Utilities	19,793	20,156
Communications	8,441	8,215
Depreciation	37,272	32,250
Scholarships and fellowships	<u>101,501</u>	<u>96,272</u>
Total operating expenses	<u>769,289</u>	<u>741,736</u>
TRANSFERS:		
Intercampus reallocation	(6,302)	(1,978)
Other	<u>512</u>	<u>2,282</u>
Total transfers	<u>(5,790)</u>	<u>304</u>
OPERATING LOSS	<u>(243,576)</u>	<u>(241,913)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	230,771	221,569
Gifts	31,686	30,456
Investment income (net of investment management fees of \$1,988 and \$1,850 in 2007 and 2006, respectively)	35,549	33,209
Increase (decrease) in fair value of investments	5,585	(4,603)
Retirement of lease obligation	115	-
Increase in lease obligation	(3)	-
Interest income on loans receivable	143	143
Interest expense on bond and lease obligations	(10,279)	(10,269)
Capitalized interest on bond obligations	1,322	1,625
Loss on disposal of capital assets	<u>(870)</u>	<u>(4,127)</u>
Net non-operating revenues	<u>294,019</u>	<u>268,003</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>50,443</u>	<u>26,090</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
State of Nebraska capital appropriations	1,681	1,136
Capital grants and gifts	9,060	1,948
U.S. Government advances	-	-
Private gifts and bequests for permanent endowments	<u>1,575</u>	<u>5,552</u>
Net other revenues, expenses, gains, or losses	<u>12,316</u>	<u>8,636</u>
INCREASE IN NET ASSETS	62,759	34,726
NET ASSETS:		
Net assets, beginning of year	<u>714,432</u>	<u>679,706</u>
Net assets, end of year	<u>\$ 777,191</u>	<u>\$ 714,432</u>

See independent auditors' report.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

THE UNIVERSITY OF NEBRASKA - LINCOLN
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 238,855	\$ 212,524
Tuition and fees	110,315	101,407
Sales and services of auxiliary operations	102,046	96,262
Sales and services of educational activities	73,800	62,063
Sales and services of auxiliary segments	43,209	39,680
Student loans collected	3,377	3,481
Interest on loans receivable	143	143
Other receipts	4,082	7,154
Payments to employees	(420,349)	(398,177)
Payments to vendors	(234,882)	(231,719)
Scholarships paid to students	(101,501)	(96,272)
Student loans issued	(3,661)	(3,094)
Other payments	(171)	(163)
Transfers:		
Intercampus reallocation	(6,302)	(1,978)
Other	512	2,282
Net cash flows from operating activities	<u>(190,527)</u>	<u>(206,407)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	230,772	221,291
Gifts	31,686	30,456
Private gifts and bequests for endowment use	1,575	5,552
Net cash flows from non-capital financing activities	<u>264,033</u>	<u>257,299</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	-	26,925
Capital grants and gifts	3,007	3,565
State of Nebraska capital appropriations	1,680	1,137
U.S. Government advances	-	-
Purchases of capital assets	(51,469)	(69,789)
Principal paid on bond obligations	(8,560)	(6,380)
Defeasance of bond obligations	-	(18,885)
Interest paid on bond obligations	(10,317)	(10,675)
Payment of bond financial expense	(2)	(388)
Payments made on lease obligations	(3,713)	(2,563)
Net cash flows from capital and related financing activities	<u>(69,374)</u>	<u>(77,053)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	191,432	103,126
Purchases of investments	(214,270)	(101,222)
Interest on investments	35,448	33,429
Net cash flows from investing activities	<u>12,610</u>	<u>35,333</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,742	9,172
CASH AND CASH EQUIVALENTS, beginning of year	<u>233,639</u>	<u>224,467</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 250,381</u>	<u>\$ 233,639</u>

THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA - LINCOLN
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 157,104	\$ 139,869
Cash and cash equivalents - restricted (current)	93,084	86,617
Cash and cash equivalents - restricted (non-current)	<u>193</u>	<u>7,153</u>
Cash and cash equivalents - end of year	<u>\$ 250,381</u>	<u>\$ 233,639</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (243,576)	\$ (241,913)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	37,272	32,250
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	9,364	(7,642)
Loans to students	(191)	501
Other current assets	196	1,323
Accounts payable	(1,699)	(2,084)
Accrued salaries, wages, compensated absences, and post-retirement benefits	3,159	5,960
Deferred revenues and credits	<u>4,948</u>	<u>5,198</u>
Net cash flows from operating activities	<u>\$ (190,527)</u>	<u>\$ (206,407)</u>
NON-CASH TRANSACTIONS:		
Purchase of capital assets through lease obligations	\$ 371	\$ 406
Increase (decrease) in fair value of investments	5,585	(4,603)

See independent auditors' report.

THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA MEDICAL CENTER
ADDITIONAL INFORMATION
SCHEDULES OF NET ASSETS
JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 39,470	\$ 33,779
Cash and cash equivalents - restricted	96,220	93,638
Investments - restricted	509	905
Accounts receivable and unbilled charges, net	60,448	59,486
Loans to students, net	2,404	3,453
Due from other campuses	4,798	-
Other current assets	5,703	4,536
Total current assets	<u>209,552</u>	<u>195,797</u>
NON-CURRENT ASSETS:		
Investments - restricted	51,079	44,661
Investment in joint venture	208,965	193,982
Loans to students, net of current portion	9,685	8,352
Capital assets, net of accumulated depreciation	360,888	346,154
Other non-current assets	7,083	10,086
Total non-current assets	<u>637,700</u>	<u>603,235</u>
Total assets	<u>847,252</u>	<u>799,032</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	14,846	13,541
Accrued salaries, wages, and post-retirement benefits	12,296	8,576
Accrued compensated absences	20,139	17,366
Bond obligations payable	115	115
Capital lease obligations	913	878
Capital lease obligations due to other campuses	283	283
Deferred revenues and credits	8,682	10,610
Health and other insurance claims	2,853	1,658
Due to other campuses	-	365
Total current liabilities	<u>60,127</u>	<u>53,392</u>
NON-CURRENT LIABILITIES:		
Accrued compensated absences, net of current portion	5,713	4,156
Bond obligations payable, net of current portion	4,980	5,095
Capital lease obligations, net of current portion	3,994	4,906
Capital lease obligations due to other campuses, net of current portion	11,283	511
Total non-current liabilities	<u>25,970</u>	<u>14,668</u>
Total liabilities	<u>86,097</u>	<u>68,060</u>
NET ASSETS:		
Invested in capital assets, net of related debt	336,345	334,601
Restricted for:		
Non-expendable:		
Permanent endowment	1,703	1,545
Expendable:		
Externally restricted funds for scholarships, student aid and research	104,743	95,528
Loan funds	16,533	16,318
Plant construction	9,406	5,196
Debt service	339	338
Unrestricted	292,086	277,446
Total net assets	<u>\$ 761,155</u>	<u>\$ 730,972</u>

See independent auditors' report.

THE UNIVERSITY OF NEBRASKA

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THE UNIVERSITY OF NEBRASKA MEDICAL CENTER

ADDITIONAL INFORMATION

SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

(Thousands)

	2007	2006
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$4,959 and \$4,752 in 2007 and 2006, respectively)	\$ 29,320	\$ 26,737
Federal grants and contracts - restricted	56,684	60,325
State and local grants and contracts - restricted	17,012	16,428
Private grants and contracts - restricted	59,601	57,730
Sales and services of educational activities	5,599	3,656
Sales and services of health care entities	156,519	146,512
Sales and services of auxiliary operations	19,904	17,903
Sales and services of auxiliary segments	490	461
Other operating revenues	530	541
Total operating revenues	<u>345,659</u>	<u>330,293</u>
OPERATING EXPENSES:		
Salaries and wages	267,960	248,542
Benefits	60,607	56,937
Total compensation and benefits	328,567	305,479
Supplies and materials	50,392	45,599
Contractual services	43,927	42,272
Repairs and maintenance	17,352	18,240
Utilities	4,417	5,959
Communications	3,181	3,319
Depreciation	26,546	18,299
Scholarships and fellowships	8,420	7,726
Total operating expenses	<u>482,802</u>	<u>446,893</u>
TRANSFERS:		
Intercampus reallocation	(3,970)	(4,707)
Other	11,219	(649)
Total transfers	<u>7,249</u>	<u>(5,356)</u>
OPERATING LOSS	<u>(129,894)</u>	<u>(121,956)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	118,435	107,697
Gifts	19,794	14,309
Investment income (net of investment management fees of \$23 and \$23 in 2007 and 2006, respectively)	11,551	7,101
Increase (decrease) in fair value of investments	67	(153)
Retirement of lease obligation	254	-
Increase in lease obligation	(11,026)	-
Interest income on loans receivable	194	169
Interest expense on bond obligations	(230)	(233)
Equity in earnings of joint venture	17,983	43,898
Loss on disposal of capital assets	(6,116)	(3,468)
Net non-operating revenues	<u>150,906</u>	<u>169,320</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>21,012</u>	<u>47,364</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	3,471	2,966
Capital grants and gifts	5,660	-
Capital grant to Nebraska Medical Center	-	(10,000)
U.S. Government advances	-	19
Private gifts and bequests for permanent endowments	40	100
Net other revenues, expenses, gains, or losses	<u>9,171</u>	<u>(6,915)</u>
INCREASE IN NET ASSETS	30,183	40,449
NET ASSETS:		
Net assets, beginning of year	<u>730,972</u>	<u>690,523</u>
Net assets, end of year	<u>\$ 761,155</u>	<u>\$ 730,972</u>

See independent auditors' report.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

THE UNIVERSITY OF NEBRASKA MEDICAL CENTER
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 132,344	\$ 122,292
Tuition and fees	29,348	26,751
Sales and services of health care entities	156,860	135,718
Sales and services of auxiliary operations	21,711	15,719
Sales and services of educational activities	5,599	3,656
Sales and services of auxiliary segments	483	446
Student loans collected	2,439	3,463
Interest on loans receivable	194	169
Other receipts	446	541
Payments to employees	(296,489)	(273,959)
Payments to vendors	(146,768)	(129,719)
Scholarships paid to students	(8,420)	(7,726)
Student loans issued	(2,723)	(2,890)
Transfers:		
Intercampus reallocation	(3,970)	(4,707)
Other	11,219	(649)
Net cash flows from operating activities	<u>(97,727)</u>	<u>(110,895)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	118,435	107,697
Gifts	19,793	14,489
Net cash flows from non-capital financing activities	<u>138,228</u>	<u>122,186</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and gifts	2,583	-
State of Nebraska capital appropriations	3,475	3,117
U.S. Government advances	-	19
Purchases of capital assets	(45,905)	(21,247)
Principal paid on bond obligations	(115)	(110)
Interest paid on bond obligations	(230)	(233)
Payments made on lease obligations	(1,132)	(1,094)
Net cash flows from capital and related financing activities	<u>(41,324)</u>	<u>(19,548)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	33,414	-
Purchases of investments	(33,387)	(10,712)
Interest on investments	6,069	5,609
Distributions received from joint venture	3,000	3,000
Net cash flows from investing activities	<u>9,096</u>	<u>(2,103)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,273	(10,360)
CASH AND CASH EQUIVALENTS, beginning of year	<u>127,417</u>	<u>137,777</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 135,690</u>	<u>\$ 127,417</u>

(Continued)

THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA MEDICAL CENTER
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 39,470	\$ 33,779
Cash and cash equivalents - restricted (current)	<u>96,220</u>	<u>93,638</u>
Cash and cash equivalents - end of year	<u>\$ 135,690</u>	<u>\$ 127,417</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (129,894)	\$ (121,956)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	26,546	18,299
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(4,895)	(14,741)
Loans to students	(284)	573
Other current assets	(973)	(794)
Accounts payable	4,639	2,568
Accrued salaries, wages, compensated absences, and post-retirement benefits	7,866	3,143
Deferred revenues and credits	(1,927)	1,750
Health and other insurance claims	<u>1,195</u>	<u>263</u>
Net cash flows from operating activities	<u>\$ (97,727)</u>	<u>\$ (110,895)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ 67	\$ (153)
Purchase of capital assets through lease obligations	255	238

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THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA AT OMAHA
ADDITIONAL INFORMATION
SCHEDULES OF NET ASSETS
JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21,329	\$ 19,205
Cash and cash equivalents - restricted	10,967	8,276
Accounts receivable and unbilled charges, net	6,999	6,429
Loans to students, net	1,576	1,463
Other current assets	2,440	1,447
Total current assets	<u>43,311</u>	<u>36,820</u>
NON-CURRENT ASSETS:		
Investments – restricted	9,072	8,588
Loans to students, net of current portion	4,911	4,993
Capital assets, net of accumulated depreciation	123,411	114,703
Other non-current assets	3,215	3,280
Total non-current assets	<u>140,609</u>	<u>131,564</u>
Total assets	<u>183,920</u>	<u>168,384</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	4,977	2,762
Accrued salaries, wages, and post-retirement benefits	7,229	6,833
Accrued compensated absences	3,058	3,009
Bond obligations payable	825	810
Capital lease obligations	1,511	-
Due to other campuses	1,796	25
Deferred revenues and credits	6,090	5,405
Total current liabilities	<u>25,486</u>	<u>18,844</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	349	394
Accrued compensated absences, net of current portion	1,135	912
Bond obligations payable, net of current portion	17,520	18,345
Capital lease obligations, net of current portion	4,238	-
Deferred revenues and credits, net of current portion	3,020	3,060
Total non-current liabilities	<u>26,262</u>	<u>22,711</u>
Total liabilities	<u>51,748</u>	<u>41,555</u>
NET ASSETS:		
Invested in capital assets, net of related debt	99,536	95,792
Restricted for:		
Non-expendable:		
Permanent endowment	834	756
Expendable:		
Externally restricted funds for scholarships, student aid and research	2,208	1,910
Loan funds	7,637	7,695
Plant construction	3,866	4,209
Debt service	3,757	3,940
Unrestricted	<u>14,334</u>	<u>12,527</u>
Total net assets	<u>\$ 132,172</u>	<u>\$ 126,829</u>

See independent auditors' report.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

THE UNIVERSITY OF NEBRASKA AT OMAHA
ADDITIONAL INFORMATION
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$13,673 and \$12,120 in 2007 and 2006, respectively)	\$ 50,633	\$ 48,500
Federal grants and contracts - restricted	13,428	13,696
State and local grants and contracts - restricted	3,400	4,009
Private grants and contracts - restricted	2,723	1,759
Sales and services of educational activities	8,634	8,026
Sales and services of auxiliary operations	6,217	5,773
Sales and services of auxiliary segments (net of scholarship allowances of \$295 and \$279 in 2007 and 2006, respectively)	11,884	11,673
Other operating revenues	441	431
Total operating revenues	<u>97,360</u>	<u>93,867</u>
OPERATING EXPENSES:		
Salaries and wages	83,629	79,824
Benefits	20,879	20,755
Total compensation and benefits	104,508	100,579
Supplies and materials	25,738	24,020
Contractual services	6,039	5,353
Repairs and maintenance	3,136	3,086
Utilities	3,058	3,166
Communications	1,313	1,345
Depreciation	4,978	4,977
Scholarships and fellowships	11,179	11,616
Total operating expenses	<u>159,949</u>	<u>154,142</u>
TRANSFERS:		
Intercampus reallocation	(2,058)	(1,856)
Other	303	4
Total transfers	<u>(1,755)</u>	<u>(1,852)</u>
OPERATING LOSS	<u>(64,344)</u>	<u>(62,127)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	57,310	53,275
Gifts	7,554	11,024
Investment income (net of investment management fees of \$13 and \$12 in 2007 and 2006, respectively)	2,430	1,603
Decrease in fair value of investments	(39)	(121)
Interest income on loans receivable	71	79
Interest expense on bond obligations	(822)	(838)
Loss on disposal of capital assets	(195)	(783)
Net non-operating revenues	<u>66,309</u>	<u>64,239</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	<u>1,965</u>	<u>2,112</u>
OTHER REVENUES, EXPENSES, GAINS OR LOSSES:		
State of Nebraska capital appropriations	3,268	307
U.S. Government advances	110	112
Capital gifts and grants	-	8
Total other revenues, expenses, gains or losses	<u>3,378</u>	<u>427</u>
INCREASE IN NET ASSETS	5,343	2,539
NET ASSETS:		
Net assets, beginning of year	<u>126,829</u>	<u>124,290</u>
Net assets, end of year	<u>\$132,172</u>	<u>\$126,829</u>

See independent auditors' report.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

THE UNIVERSITY OF NEBRASKA AT OMAHA
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 20,164	\$ 19,284
Tuition and fees	50,349	48,264
Sales and services of auxiliary operations	5,996	6,869
Sales and services of educational activities	8,588	7,841
Sales and services of auxiliary segments	11,884	11,673
Student loans collected	1,744	1,853
Interest on loans receivable	71	79
Other receipts	330	472
Payments to employees	(103,885)	(99,331)
Payments to vendors	(37,207)	(37,725)
Scholarships paid to students	(11,179)	(11,616)
Student loans issued	(1,776)	(1,408)
Transfers:		
Intercampus reallocation	(2,058)	(1,856)
Other	303	4
Net cash flows from operating activities	<u>(56,676)</u>	<u>(55,597)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	57,310	53,275
Gifts	7,759	9,994
Net cash flows from non-capital financing activities	<u>65,069</u>	<u>63,269</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and gifts	-	8
State of Nebraska capital appropriations	3,193	428
U.S. Government advances	110	112
Purchases of capital assets	(6,493)	(5,592)
Payments made on lease obligations	(655)	-
Principal paid on bond obligations	(810)	(795)
Interest paid on bond obligations	(826)	(841)
Net cash flows from capital and related financing activities	<u>(5,481)</u>	<u>(6,680)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	21,784	6,612
Purchases of investments	(22,312)	(7,479)
Interest on investments	2,431	1,598
Net cash flows from investing activities	<u>1,903</u>	<u>731</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,815	1,723
CASH AND CASH EQUIVALENTS, beginning of year	<u>27,481</u>	<u>25,758</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 32,296</u>	<u>\$ 27,481</u>

(Continued)

THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA AT OMAHA
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 21,329	\$ 19,205
Cash and cash equivalents - restricted (current)	<u>10,967</u>	<u>8,276</u>
Cash and cash equivalents - end of year	<u>\$ 32,296</u>	<u>\$ 27,481</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (64,344)	\$ (62,127)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	4,978	4,977
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(697)	981
Loans to students	(31)	445
Other current assets	(857)	208
Accounts payable	3,005	(1,134)
Accrued salaries, wages, compensated absences, and post-retirement benefits	623	1,248
Deferred revenues and credits	<u>647</u>	<u>(195)</u>
Net cash flows from operating activities	<u>\$ (56,676)</u>	<u>\$ (55,597)</u>
NON-CASH TRANSACTIONS:		
Decrease in fair value of investments	\$ (39)	\$ (121)
Purchase of capital assets through lease obligations	6,404	-

See independent auditors' report.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

THE UNIVERSITY OF NEBRASKA AT KEARNEY
ADDITIONAL INFORMATION
SCHEDULES OF NET ASSETS
JUNE 30, 2007 AND 2006
(Thousands)

ASSETS	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents	\$ 15,157	\$ 12,913
Cash and cash equivalents - restricted	11,718	12,151
Investments - restricted	16,164	19,817
Accounts receivable and unbilled charges, net	1,814	1,834
Loans to students, net	352	442
Due from other campuses	-	6
Other current assets	308	360
Total current assets	<u>45,513</u>	<u>47,523</u>
NON-CURRENT ASSETS:		
Investments - restricted	4,436	3,006
Loans to students, net of current portion	2,279	2,144
Capital assets, net of accumulated depreciation	76,465	68,959
Other non-current assets	627	666
Total non-current assets	<u>83,807</u>	<u>74,775</u>
Total assets	<u>129,320</u>	<u>122,298</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	5,167	988
Accrued salaries, wages, and post-retirement benefits	3,975	3,844
Accrued compensated absences	1,132	1,087
Bond obligations payable	750	730
Capital lease obligations	54	79
Due to other campuses	90	-
Deferred revenues and credits	1,432	1,314
Total current liabilities	<u>12,600</u>	<u>8,042</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	98	164
Accrued compensated absences, net of current portion	500	478
Bond obligations payable, net of current portion	29,050	29,800
Capital lease obligations, net of current portion	143	704
Deferred revenues and credits	1,329	1,360
Total non-current liabilities	<u>31,120</u>	<u>32,506</u>
Total liabilities	<u>43,720</u>	<u>40,548</u>
NET ASSETS:		
Invested in capital assets, net of related debt	55,508	56,208
Restricted for:		
Non-expendable:		
Permanent endowment	66	66
Expendable:		
Externally restricted funds for scholarships, student aid and research	969	1,086
Loan funds	2,906	2,914
Plant construction	2,351	1,062
Debt service	15,380	13,290
Unrestricted	8,420	7,124
Total net assets	<u>\$ 85,600</u>	<u>\$ 81,750</u>

See independent auditors' report.

THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA AT KEARNEY
ADDITIONAL INFORMATION
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$6,551 and \$6,378 in 2007 and 2006, respectively)	\$ 19,311	\$ 18,381
Federal grants and contracts - restricted	6,955	6,002
State and local grants and contracts - restricted	1,561	1,686
Private grants and contracts - restricted	309	567
Sales and services of educational activities	4,248	4,012
Sales and services of auxiliary operations	3,183	3,176
Sales and services of auxiliary segments (net of scholarship allowances of \$1,889 and \$1,761 in 2007 and 2006, respectively)	9,144	9,124
Other operating revenues	<u>138</u>	<u>178</u>
Total operating revenues	<u>44,849</u>	<u>43,126</u>
OPERATING EXPENSES:		
Salaries and wages	38,162	37,037
Benefits	<u>10,588</u>	<u>10,390</u>
Total compensation and benefits	48,750	47,427
Supplies and materials	13,905	12,468
Contractual services	1,759	1,233
Repairs and maintenance	1,380	1,123
Utilities	2,602	2,751
Communications	721	837
Depreciation	3,680	3,150
Scholarships and fellowships	<u>4,603</u>	<u>4,404</u>
Total operating expenses	<u>77,400</u>	<u>73,393</u>
TRANSFERS:		
Intercampus reallocation	(1,073)	(859)
Other	<u>16</u>	<u>200</u>
Total transfers	<u>(1,057)</u>	<u>(659)</u>
OPERATING LOSS	<u>(33,608)</u>	<u>(30,926)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	34,005	31,339
Gifts	1,403	1,485
Investment income (net of investment management fees of \$6 and \$12 in 2007 and 2006, respectively)	2,573	1,510
Increase (decrease) in fair value of investments	67	(96)
Interest income on loans receivable	24	29
Capitalized interest on bond obligations	176	29
Interest expense on bond obligations	(1,342)	(807)
Loss on disposal of capital assets	<u>37</u>	<u>(712)</u>
Net non-operating revenues	<u>36,943</u>	<u>32,777</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>3,335</u>	<u>1,851</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	333	24
Capital grants and gifts	143	5,977
U.S. Government advances	<u>39</u>	<u>40</u>
Net other revenues, expenses, gains, or losses	<u>515</u>	<u>6,041</u>
INCREASE IN NET ASSETS	3,850	7,892
NET ASSETS:		
Net assets, beginning of year	<u>81,750</u>	<u>73,858</u>
Net assets, end of year	<u>\$ 85,600</u>	<u>\$ 81,750</u>

See independent auditors' report.

THE UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

THE UNIVERSITY OF NEBRASKA AT KEARNEY
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 8,838	\$ 8,206
Tuition and fees	19,416	18,436
Sales and services of auxiliary operations	3,158	3,161
Sales and services of educational activities	4,265	4,072
Sales and services of auxiliary segments	9,170	9,103
Student loans collected	413	535
Interest on loans receivable	24	29
Other receipts	138	178
Payments to employees	(48,619)	(47,302)
Payments to vendors	(19,363)	(18,509)
Scholarships paid to students	(4,603)	(4,404)
Student loans issued	(458)	(412)
Transfers:		
Intercampus reallocation	(1,073)	(859)
Other	<u>16</u>	<u>200</u>
Net cash flows from operating activities	<u>(28,678)</u>	<u>(27,566)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	34,005	31,338
Gifts	<u>1,426</u>	<u>1,592</u>
Net cash flows from non-capital financing activities	<u>35,431</u>	<u>32,930</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	-	28,710
Refunding of bond obligations	-	(5,895)
Capital grants and gifts	25	25
State of Nebraska capital appropriations	293	32
U.S. Government advances	38	40
Purchases of capital assets	(7,514)	(1,551)
Principal paid on bond obligations	(730)	(1,180)
Interest paid on bond obligations	(1,156)	(768)
Payment of bond financial expense	-	(41)
Payments made on lease obligations	<u>(639)</u>	<u>(90)</u>
Net cash flows from capital and related financing activities	<u>(9,683)</u>	<u>19,282</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	28,545	7,511
Purchases of investments	(26,487)	(26,067)
Interest on investments	<u>2,683</u>	<u>1,155</u>
Net cash flows from investing activities	<u>4,741</u>	<u>(17,401)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,811	7,245
CASH AND CASH EQUIVALENTS, beginning of year	<u>25,064</u>	<u>17,819</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 26,875</u>	<u>\$ 25,064</u>

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THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA AT KEARNEY
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 15,157	\$ 12,913
Cash and cash equivalents - restricted (current)	<u>11,718</u>	<u>12,151</u>
Cash and cash equivalents - end of year	<u>26,875</u>	<u>25,064</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	(33,608)	(30,926)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	3,680	3,150
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	44	(107)
Loans to students	(45)	124
Other current assets	120	(30)
Accounts payable	881	(62)
Accrued salaries, wages, compensated absences, and post-retirement benefits	132	124
Deferred revenues and credits	<u>118</u>	<u>161</u>
Net cash flows from operating activities	<u>\$ (28,678)</u>	<u>\$ (27,566)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ 67	\$ (96)
Capital grants and gifts	118	5,962
Purchase of capital assets through lease obligations	53	60

See independent auditors' report.

THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA CENTRAL ADMINISTRATION
ADDITIONAL INFORMATION
SCHEDULES OF NET ASSETS
JUNE 30, 2007 and 2006
(Thousands)

ASSETS	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents	\$ 20,641	\$ 16,146
Cash and cash equivalents - restricted	5,641	3,551
Investments - restricted	73,853	50,767
Accounts receivable and unbilled charges, net	<u>1,160</u>	<u>1,117</u>
Total current assets	<u>101,295</u>	<u>71,581</u>
NON-CURRENT ASSETS:		
Investments - restricted	35,938	30,352
Capital assets, net of accumulated depreciation	<u>3,663</u>	<u>3,817</u>
Total non-current assets	<u>39,601</u>	<u>34,169</u>
Total assets	<u>140,896</u>	<u>105,750</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	6,876	592
Accrued salaries, wages, and post-retirement benefits	102	106
Accrued compensated absences	863	787
Capital lease obligations	264	256
Due to other campuses	655	425
Deferred revenues and credits	53	66
Health and other insurance claims	<u>7,148</u>	<u>7,614</u>
Total current liabilities	<u>15,961</u>	<u>9,846</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	-	-
Accrued compensated absences, net of current portion	177	167
Capital lease obligations, net of current portion	<u>2,071</u>	<u>2,335</u>
Total non-current liabilities	<u>2,248</u>	<u>2,502</u>
Total liabilities	<u>18,209</u>	<u>12,348</u>
NET ASSETS:		
Invested in capital assets, net of related debt	1,328	1,220
Restricted for:		
Non-expendable:		
Permanent endowment	28,327	23,974
Expendable:		
Externally restricted funds for scholarships, student aid and research	4,222	3,368
Plant construction	102	50
Unrestricted	<u>88,708</u>	<u>64,790</u>
Total net assets	<u>\$ 122,687</u>	<u>\$ 93,402</u>

See independent auditors' report.

THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA CENTRAL ADMINISTRATION
ADDITIONAL INFORMATION
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
OPERATING REVENUES:		
Federal grants and contracts - restricted	\$ 1,016	\$ 1,630
State and local grants and contracts - restricted	2,780	-
Private grants and contracts - restricted	70	134
Sales and services of auxiliary operations	465	211
Other operating revenues	<u>22,237</u>	<u>21,400</u>
Total operating revenues	<u>26,568</u>	<u>23,375</u>
OPERATING EXPENSES:		
Salaries and wages	5,709	4,999
Benefits	<u>1,108</u>	<u>990</u>
Total compensation and benefits	6,817	5,989
Supplies and materials	12,698	6,755
Contractual services	8,255	3,183
Repairs and maintenance	283	836
Utilities	80	64
Communications	82	128
Depreciation	1,022	1,035
Scholarships and fellowships	<u>840</u>	<u>921</u>
Total operating expenses	<u>30,077</u>	<u>18,911</u>
TRANSFERS:		
Intercampus reallocation	3,396	1,070
Other	<u>2,356</u>	<u>(50)</u>
Total transfers	<u>5,752</u>	<u>1,020</u>
OPERATING INCOME	<u>2,243</u>	<u>5,484</u>
NON-OPERATING REVENUES (EXPENSES)		
State of Nebraska non-capital appropriations	19,761	15,390
Gifts	172	444
Investment income	3,645	3,736
Increase (decrease) in fair value of investments	3,338	(1,075)
Interest expense on bond obligations	(165)	(130)
Loss on disposal of capital assets	<u>(5)</u>	<u>(8)</u>
Net non-operating revenues	<u>26,746</u>	<u>18,357</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>28,989</u>	<u>23,841</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
Private gifts and bequests for permanent endowments	<u>296</u>	<u>290</u>
Net other revenues, expenses, gains, or losses	<u>296</u>	<u>290</u>
INCREASE IN NET ASSETS	29,285	24,131
NET ASSETS:		
Net assets, beginning of year	<u>93,402</u>	<u>69,271</u>
Net assets, end of year	<u>\$ 122,687</u>	<u>\$ 93,402</u>

See independent auditors' report.

THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA CENTRAL ADMINISTRATION
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 3,789	\$ 1,870
Sales and services of auxiliary operations	459	337
Other receipts	21,589	21,269
Payments to employees	(6,735)	(5,837)
Payments to vendors	(14,884)	(12,470)
Scholarships paid to students	(840)	(816)
Transfers:		
Intercampus reallocation	3,396	1,070
Other	<u>2,356</u>	<u>(50)</u>
Net cash flows from operating activities	<u>9,130</u>	<u>5,373</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	19,760	15,390
Gifts	249	584
Private gifts and bequests for endowment use	<u>298</u>	<u>291</u>
Net cash flows from non-capital financing activities	<u>20,307</u>	<u>16,265</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(873)	(293)
Interest paid on bond obligations	(165)	(131)
Payments made on lease obligations	<u>(256)</u>	<u>(603)</u>
Net cash flows from capital and related financing activities	<u>(1,294)</u>	<u>(1,027)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	71,706	14,614
Purchases of investments	(97,040)	(36,499)
Interest on investments	<u>3,776</u>	<u>3,388</u>
Net cash flows from investing activities	<u>(21,558)</u>	<u>(18,497)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,585	2,114
CASH AND CASH EQUIVALENTS, beginning of year	<u>19,697</u>	<u>17,583</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 26,282</u></u>	<u><u>\$ 19,697</u></u>

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THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA CENTRAL ADMINISTRATION
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 20,641	\$ 16,146
Cash and cash equivalents - restricted (current)	<u>5,641</u>	<u>3,551</u>
Cash and cash equivalents - end of year	<u>\$ 26,282</u>	<u>\$ 19,697</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 2,243	\$ 5,484
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation expense:	1,022	1,035
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(254)	214
Other current assets	-	-
Accounts payable	6,515	42
Accrued salaries, wages, compensated absences, and post-retirement benefits	82	151
Deferred revenues and credits	(12)	(7)
Health and other insurance claims	<u>(466)</u>	<u>(1,546)</u>
Net cash flows from operating activities	<u>\$ 9,130</u>	<u>\$ 5,373</u>
NON-CASH TRANSACTIONS:		
Purchase of capital assets through capital leases	\$ -	\$ 594
Increase (decrease) in fair value of investments	3,338	(1,075)

THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION
ADDITIONAL INFORMATION
SCHEDULES OF NET ASSETS (DEFICIT)
JUNE 30, 2007 AND 2006
(Thousands)

ASSETS	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents - restricted	\$ 45,621	\$ 23,736
Investments - restricted	71,582	10,006
Accounts receivable and unbilled charges, net	2,311	392
Capital lease obligation receivable due from other campuses	<u>756</u>	<u>751</u>
Total current assets	<u>120,270</u>	<u>34,885</u>
NON-CURRENT ASSETS:		
Investments - restricted	81,747	14,385
Capital lease obligation receivable due from other campuses	15,596	4,941
Other non-current assets	<u>529</u>	<u>310</u>
Total non-current assets	<u>97,872</u>	<u>19,636</u>
Total assets	<u>218,142</u>	<u>54,521</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	6,575	1,915
Bond obligations payable	13,740	12,190
Due to other campuses	<u>2,218</u>	<u>297</u>
Total current liabilities	<u>22,533</u>	<u>14,402</u>
NON-CURRENT LIABILITIES:		
Bond obligations payable, net of current portion	210,390	83,535
Deferred revenues and credits	<u>5,241</u>	<u>1,505</u>
Total non-current liabilities	<u>215,631</u>	<u>85,040</u>
Total liabilities	<u>238,164</u>	<u>99,442</u>
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	(88,497)	(86,611)
Restricted for:		
Expendable:		
Plant construction	4,420	-
Debt service	<u>64,055</u>	<u>41,690</u>
Total net assets (deficit)	<u>\$ (20,022)</u>	<u>\$ (44,921)</u>

See independent auditors' report.

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THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION
ADDITIONAL INFORMATION
SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
OPERATING EXPENSES:		
Repairs and maintenance	\$ 70	\$ 363
Total operating expenses	<u>70</u>	<u>363</u>
TRANSFERS:		
Intercampus reallocation	10,007	8,330
Other	<u>(14,406)</u>	<u>(1,787)</u>
Total transfers	<u>(4,399)</u>	<u>6,543</u>
OPERATING INCOME (LOSS)	(4,469)	6,180
NON-OPERATING REVENUES (EXPENSES):		
Investment income	8,252	1,899
Increase (decrease) in fair value of investments	302	(228)
Retirement of lease obligation	(369)	-
Increase in lease obligation	11,029	-
Interest expense on bond obligations	<u>(9,404)</u>	<u>(4,741)</u>
Net non-operating expenses	<u>9,810</u>	<u>(3,070)</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>5,341</u>	<u>3,110</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
State of Nebraska capital appropriations	11,000	5,500
Capital grants and gifts	<u>8,558</u>	<u>9,976</u>
Net other revenues, expenses, gains, or losses	<u>19,558</u>	<u>15,476</u>
INCREASE IN NET ASSETS (DEFICIT)	24,899	18,586
NET ASSETS (DEFICIT):		
Net assets (deficit), beginning of year	<u>(44,921)</u>	<u>(63,507)</u>
Net assets (deficit), end of year	<u>\$ (20,022)</u>	<u>\$ (44,921)</u>

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THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
(Thousands)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to vendors	\$ 4,140	\$ (639)
Transfers:		
Intercampus reallocation	10,007	8,330
Other	<u>(14,406)</u>	<u>(1,787)</u>
Net cash flows from operating activities	<u>(259)</u>	<u>5,904</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	\$ 140,595	-
Capital grants and gifts	8,558	9,976
State of Nebraska capital appropriations	11,000	5,500
Premium on the issuance of bonds	3,979	-
Principal paid on bond obligations	(12,190)	(16,765)
Interest paid on bond obligations	(7,238)	(5,276)
Payment of bond financial expense	<u>(254)</u>	<u>-</u>
Net cash flows from capital and related financing activities	<u>144,450</u>	<u>(6,565)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	43,303	13,583
Purchases of investments	(171,940)	(12,477)
Interest on investments	<u>6,331</u>	<u>1,823</u>
Net cash flows from investing activities	<u>(122,306)</u>	<u>2,929</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,885	2,268
CASH AND CASH EQUIVALENTS, beginning of year	<u>23,736</u>	<u>21,468</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 45,621</u>	<u>\$ 23,736</u>
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current) - end of year	<u>\$ 45,621</u>	<u>\$ 23,736</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (4,469)	\$ 6,180
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Changes in assets and liabilities:		
Other current assets	(218)	561
Accounts payable	<u>4,428</u>	<u>(837)</u>
Net cash flows from operating activities	<u>\$ (259)</u>	<u>\$ 5,904</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ 302	\$ (228)

See independent auditors' report.



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**Independent Auditors' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Regents of the University of Nebraska and
the Auditor of Public Accounts of the State of Nebraska
Lincoln, Nebraska:

We have audited the financial statements of the business-type activities and discretely presented component unit of the University of Nebraska (the University) (a component unit of the State of Nebraska) as of and for the year ended June 30, 2007, which collectively comprise the University's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 27, 2007. Our report includes a reference to the report of other auditors. Our report also refers to a change in accounting method effected by a change in estimate. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the University of Nebraska Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described as follows to be a significant deficiency in internal control over financial reporting:

During 2001, the University had capitalized property of approximately \$6 million which was not owned by the University. During 2007, this property was expensed when the error was discovered. The internal controls over capital asset additions failed to catch a significant error.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the University in a separate letter dated November 27, 2007.

This report is intended solely for the information and use of the State of Nebraska Auditor of Public Accounts, Board of Regents of the University, management of the University, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

Lincoln, Nebraska
November 27, 2007