

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

*Basic Financial Statements and Additional Information
for the Years Ended June 30, 2009 and 2008
and Independent Auditors' Reports*

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Issued on December 16, 2009

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

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NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Independent Auditors' Report

Board of Regents of the University 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, 2009 and 2008, 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 audit. We did not audit the consolidated financial statements of the University of Nebraska Foundation (the Foundation), a discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the UNMC Physicians, the UNeMed Corporation, University Dental Associates, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units); and the Obligations under the Master Trust Indenture. The Blended Component Units, and the Obligations under the Master Trust Indenture, represent 26 percent, 72 percent, 5 percent, and 19 percent, respectively, of the assets, liabilities, net assets, and revenues. Those financial statements, whose reports have been furnished to us, along with the Foundation report, which report appears herein, were audited by other auditors, and our opinion insofar as it relates to the discretely presented component unit financial statements of the Foundation, the Blended Component Units, and the Obligations under the Master Trust Indenture, is based solely on the reports of such other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation, the Blended Component Units, and the Obligations under the Master Trust Indenture, 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 audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports 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, 2009 and 2008, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009, 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 16 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying additional information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying additional information has been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Signed Original on File

Lincoln, Nebraska
December 14, 2009

Don Dunlap, CPA
Assistant Deputy Auditor

DANA F. COLE & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

12480 O STREET, SUITE 500

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, 2009 and 2008, 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, 2009 and 2008, 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
October 1, 2009

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 and 2008 (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, 2009 and 2008. 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				
	2005	2006	2007	2008	2009
UNL	21,792	21,675	22,106	22,973	23,573
UNMC	2,904	2,995	3,067	3,128	3,194
UNO	13,824	14,093	13,906	14,156	14,213
UNK	6,382	6,445	6,468	6,478	6,543
Total	44,902	45,208	45,547	46,735	47,523

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 2009) headcount enrollment was 47,523 students on the four campuses. This represents an increase of approximately 800 compared to the fall 2007 (fiscal 2008), a 1.6% increase, the fourth straight year of increases, and returns headcount enrollment to the highest level in a decade. The largest percent gainers within the underlying demographics are graduate students (up 4%) and first time freshman (up 2%). The primary campus behind the increase was UNL who posted a gain of 3%. 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 increased by 421 to 11,760, representing 25% 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 2% and 5%, respectively, and are attributable to several factors. First, the University's investment in the Nebraska Medical Center joint venture increased by \$3 million and is included in unrestricted net assets. Second, the trustee insurance balances increased approximately \$4 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, the University reduced expenditures during the latter part of the fiscal year to conserve State aided resources for the following year. Maintenance of a prudent level of reserves is a key to the long-term success of the University.
- ***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. Work was begun on a new suite style student residence hall and the Whittier Child Care Center at UNL. The second Durham Research Tower was completed at UNMC. A new student parking garage was completed at UNO and the renovation/addition to the UNO College of Public Affairs and Community Service building was completed. Several deferred maintenance projects financed by the UNFC bonds were completed during the year. Construction and renovation work continues at all of the campuses on several deferred maintenance projects financed by the UNFC Series 2006 Bonds.

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- ***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 margins and cash flow to replace and renew these strategic assets to keep them attractive to the University community.

The University marketed one new revenue bond issue under the Master Trust Indenture (MTI.) The Student Fees and Facilities, Series 2009A Bonds of \$52,370 were used to construct new student residences at the UNL campus. The UNFC issued one new financing in 2009, the Series 2009 Bonds, \$26,035, provided financing for the construction of the Health Professions Future project at UNMC that includes a College of Public Health building, an addition to the College of Nursing, and a Geriatric Center building.

- ***Increase in state appropriations.*** State non-capital appropriations increased by 5.6% in 2009 compared to 2008. The 2009 increase followed a 3.2% increase in 2008 over 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 2009, 2008, and 2007. 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 was solid at \$79 million even though the revenue source declined during 2009 due to general economic conditions. Revenues from the private sector are relied upon to fund University activities and greatly enhance academic pursuits and efforts devoted to 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 \$43 million in 2009 compared to \$71 million in 2008 and \$23 million in 2007. Even though capital gifts declined in 2009 compared to 2008, the University realized \$20 million more in 2009 compared to 2007. The largest of the gifts in 2009 were approximately \$21 million of donations relating to the UNMC Research Center for Excellence towers and \$11 from the University of Nebraska Foundation for several UNL projects including the Whittier Child Care Center, Jackie Gaughan Multicultural Center, and refurbishing the College of Law auditorium.

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 and 2008 (UNAUDITED)
(Columnar Amounts in Thousands)

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 are 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.

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: A fund 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 \$230 million, quasi-endowments of \$30 million, and net assets of the healthcare blended entities of \$57 million, net assets of the self insurance programs of \$90 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 disclose 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.

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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.

Condensed Financial Statements and Analysis

Condensed Statements of Net Assets

	June 30,		
	2009	2008	2007
Assets			
Current assets	\$ 777,946	\$ 657,630	\$ 619,938
Capital assets, net of accumulated depreciation	1,527,199	1,344,638	1,167,241
Other non-current assets	745,251	946,846	852,259
Total assets	<u>\$ 3,050,396</u>	<u>\$ 2,949,114</u>	<u>\$ 2,639,438</u>
Liabilities and Net Assets			
Current liabilities	\$ 339,004	\$ 313,940	\$ 273,821
Non-current liabilities	630,750	602,606	506,834
Total liabilities	<u>969,754</u>	<u>916,546</u>	<u>780,655</u>
Net assets:			
Invested in capital assets, net of related debt	863,298	841,385	769,459
Restricted for:			
Nonexpendable:			
Permanent endowment	156,480	216,338	217,070
Expendable:			
Externally restricted funds	120,448	150,669	137,247
Loan funds	43,946	44,009	44,692
Plant construction	103,398	43,462	37,127
Debt service	179,215	152,833	123,023
Unrestricted	613,857	583,872	530,165
Total net assets	<u>\$ 2,080,642</u>	<u>\$ 2,032,568</u>	<u>\$ 1,858,783</u>

THE UNIVERSITY OF NEBRASKA
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(Columnar Amounts in Thousands)

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

	Year Ended June 30,		
	2009	2008	2007
Operating Revenues:			
Tuition and fees	\$ 245,630	\$ 224,585	\$ 209,445
Federal grants and contracts - restricted	313,160	266,376	259,804
State grants and contracts - restricted	31,884	29,793	30,873
Private grants and contracts - restricted	79,225	106,016	102,179
Sales and services of educational activities	71,040	68,705	65,422
Sales and services of health care entities	192,899	181,824	156,519
Sales and services of auxiliary operations	130,018	117,674	113,692
Sales and services of auxiliary segments	80,639	72,017	64,752
Other operating revenues	12,706	7,594	12,620
Total operating revenues	<u>1,157,201</u>	<u>1,074,584</u>	<u>1,015,306</u>
Operating Expenses:			
Salaries and wages	812,691	770,885	727,199
Benefits	210,594	185,481	169,092
Total compensation and benefits	<u>1,023,285</u>	<u>956,366</u>	<u>896,291</u>
Supplies and materials	243,746	231,572	234,604
Contractual services	101,792	95,893	94,332
Repairs and maintenance	49,898	41,552	34,772
Utilities	35,972	32,975	29,950
Communications	13,909	14,583	13,738
Depreciation	68,525	69,977	73,498
Scholarships and fellowships	149,455	133,774	126,543
Total operating expenses	<u>1,686,582</u>	<u>1,576,692</u>	<u>1,503,728</u>
Operating Loss	<u>(529,381)</u>	<u>(502,108)</u>	<u>(488,422)</u>
Non-operating Revenues (Expenses):			
State of Nebraska noncapital appropriations	501,794	475,098	460,282
Gifts	72,772	75,543	75,532
Investment income	21,908	50,599	64,000
Increase (decrease) in fair value of investments	(65,328)	(25,121)	9,320
Interest on loans receivable	-	-	432
Interest on bond obligations	(23,634)	(23,570)	(22,242)
Capitalized interest on bond obligations	2,553	549	1,498
Equity in joint venture	8,861	24,543	17,983
Loss on disposal of plant assets	(1,772)	(755)	(7,149)
Net non-operating revenues	<u>517,154</u>	<u>576,886</u>	<u>599,656</u>
Income (Loss) before Other Revenues, Expenses, Gains or Losses	<u>(12,227)</u>	<u>74,778</u>	<u>111,234</u>
Other Revenues, Expenses, Gains or Losses:			
Capital grants and gifts	42,709	70,770	23,421
State of Nebraska capital appropriations	16,597	26,806	19,753
Additions to permanent endowments	995	1,431	1,911
Net other revenues, expenses, and gains or losses	<u>60,301</u>	<u>99,007</u>	<u>45,085</u>
Increase in net assets	48,074	173,785	156,319
Net Assets:			
Net assets, beginning of year	2,032,568	1,858,783	1,702,464
Net assets, end of year	<u>\$ 2,080,642</u>	<u>\$ 2,032,568</u>	<u>\$ 1,858,783</u>

THE UNIVERSITY OF NEBRASKA
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 and 2008 (UNAUDITED)
(Columnar Amounts in Thousands)

Analysis of Financial Position. Cash and cash equivalents represent the preponderance of current assets of the University. In 2009, cash and cash equivalents increased over the prior year due to slightly 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, 2009, total investment in capital assets was \$1.9 billion, yielding a net investment, after accumulated depreciation, of \$1.5 billion. The net increase in capital assets was \$182 million, consisting of net additions of \$251 million less depreciation of \$69 million. Among the more noteworthy increases were the Durham Research Tower II at a cost of \$70 million at UNMC, at UNO there was a student parking garage for \$12 million, the College of Public Affairs and Community Service (CPACS) renovation/addition for \$16 million, and the Health, Physical Education and Recreation (HPER) facility renovation at a cost of \$15 million, and, at UNL, a new student residence hall for \$13 million and student dining hall renovation at a cost of \$17 million. Additions to construction work in progress for the deferred maintenance projects totaled \$81 million. Capital gifts funded the Durham Research Tower II and the CPACS renovation/addition, which was also partially funded by a capital appropriation. The student housing, dining hall, parking, and HPER projects were funded by the Master Trust Indenture (MTI) revenue bond proceeds. The additions to deferred maintenance construction work in progress were financed by the UNFC Series 2006 Bonds proceeds.

Indebtedness grew by \$78 million (net of maturities) during fiscal year 2009, accounted for by the UNL Abel-Sandoz student housing project and the UNFC-financed Health Professions Future project at UNMC.

The unrestricted net assets of the University grew by 5% or \$30 million during the year to \$614 million. As discussed earlier, the growth is primarily attributable to the University's equity in the Nebraska Medical Center (NMC) joint venture, positive experiences in self-insurance activities, and planned departmental and college savings.

Analysis of Operations – Overview. The University generated \$1,157 million of operating revenues during 2009, an increase of \$83 million over 2008, while operating expenses were \$1,687 million, up \$110 million over the prior year. These changes increased the operating loss by \$27 million to \$529 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 \$28 million in 2009 compared to a similar "loss" of \$27 million in 2008. To management of the University, this consistent financial performance underscores the importance of continuing solid state support combined with modest tuition and increased grants and contract activity in fostering the success of the enterprise.

The Nebraska Legislature provided \$502 million in non-capital appropriations for 2009, an increase of \$27 million over 2008, which follows a \$15 million increase from 2007 to 2008. 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 \$115 million that, when combined with all and other non-operating revenues and expenses including investment income of \$22 million, netted an overall increase in net assets of about \$48 million.

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

Revenues. The following chart depicts the revenues for 2009 and 2008 and the comparative changes that occurred between those years.

	2009		2008		2009-2008 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Tuition and fees	\$ 245,630	21%	\$ 224,585	21%	\$ 21,045	9%
Federal grants and contracts - restricted	313,160	27%	266,376	25%	46,784	18%
State grants and contracts - restricted	31,884	3%	29,793	3%	2,091	7%
Private grants and contracts - restricted	79,225	7%	106,016	10%	(26,791)	-25%
Sales and services of educational activities	71,040	6%	68,705	6%	2,335	3%
Sales and services of health care entities	192,899	17%	181,824	17%	11,075	6%
Sales and services of auxiliary operations	130,018	11%	117,674	11%	12,344	10%
Sales and services of auxiliary segments	80,639	7%	72,017	6%	8,622	12%
Other operating revenues	12,706	1%	7,594	1%	5,112	67%
Total operating revenues	<u>\$ 1,157,201</u>	<u>100%</u>	<u>\$ 1,074,584</u>	<u>100%</u>	<u>\$ 82,617</u>	<u>8%</u>

The University's operating revenues increased in fiscal year 2009 by 8%, or \$82 million. Most of the revenue sources showed increases from the prior year.

- The largest increase in revenues was realized from Federal grants and contracts, which increased by 18% during 2009. The increase is attributed to additional funding from several agencies including the Department of Health and Human Services and the Department of Education. Department of Education Ford Loan Program revenues and student Pell grants increased during the year contributing to the overall increase.
- The second largest increase in revenue was realized from tuition, which increased on a net basis by \$21 million for the 2009 year. The Board of Regents approved an increase in tuition of 6%, which when coupled with a 1.6% increase in enrollment, yielded the overall 9% increase. The tuition rate increase of 6% included a general increase of 5% and an additional 1% to provide debt service for the LB 605 initiative.
- An increase of 6% was realized from sales and services of health care entities, which increased by \$11 million dollars for the 2009 year. UNMC Physicians, a blended entity, experienced a 5% increase in growth from the expansion of its clinical programs and contributed \$7 million of the increase with the remainder of the overall increase contributed by the UNMC campus clinics.
- Sales and services of auxiliary operations increased because of revenues from newly constructed student residences, an increase in freshman enrollment, and a 5.5% increase in housing rates. An increase in parking spaces and fees that ranged from 3% to 9% provided additional revenues. Increases in athletic revenues from ticket prices, increased attendance, and concession revenues contributed to the growth in revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 and 2008 (UNAUDITED)
(Columnar Amounts in Thousands)

- Sales and services of educational activities increased 3%. This change can be traced to an increase in technology fees, increases in conference activities, and higher commodity prices for sale of agricultural products marketed by the research division of the Institute of Agriculture and Natural Resources.
- State grants and contracts increased in 2009 by \$2 million compared to 2008 contributing to a variety of education and training activities of the University.
- Revenues from private grants and contracts decreased by approximately \$27 million reflecting reduced funding for research and development from the private sector due to general economic conditions. Included are individuals, corporations and educational research and health organizations.

Expenses. The following chart shows the University's expenses for 2009 and 2008 and comparative changes that occurred between those years.

	2009		2008		2009-2008 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Compensation and benefits	\$ 1,023,285	61%	\$ 956,366	61%	\$ 66,919	7%
Supplies and materials	243,746	14%	231,572	15%	12,174	5%
Contractual services	101,792	6%	95,893	6%	5,899	6%
Repairs and maintenance	49,898	3%	41,552	3%	8,346	20%
Utilities	35,972	2%	32,975	2%	2,997	9%
Communications	13,909	1%	14,583	1%	(674)	-5%
Depreciation	68,525	4%	69,977	4%	(1,452)	-2%
Scholarships and fellowships	149,455	9%	133,774	8%	15,681	12%
Total operating expenses	<u>\$ 1,686,582</u>	<u>100%</u>	<u>\$1,576,692</u>	<u>100%</u>	<u>\$ 109,890</u>	<u>7%</u>

Operating expenses were \$1,687 million for the 2009 fiscal year, an increase of 7% compared to 2008. Changes in the major expense classifications follow.

- Compensation and benefits increased by \$67 million in 2009 compared to 2008 and accounts for 60% of the total increase in expenses for the University. Faculty salaries and benefits increases averaged 4.4%. Additional amounts were expended for targeted areas including programs of excellence, funding for instructional workload salaries, research initiative programs, maintenance services for newly opened facilities, and intercampus development.
- Repairs and maintenance increased by 20% reflecting continued upgrades to buildings and facilities to gain energy efficiencies and to provide adequate space for patient clinics, research-related activities, and MTI obligated member student residences and food services.

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(Columnar Amounts in Thousands)

- Utilities increased by \$3 million, fueled primarily by the use of newly occupied facilities including research space that has a higher utility consumption. These increases were mitigated somewhat by savings from energy conservation measures undertaken to reduce consumption, which included window replacements and other deferred maintenance projects.
- A 6% increase in contractual services is attributed to increases in sub-grantee awards, and payments to medical specialists by UNMC Physicians, a blended entity.
- Scholarships and fellowships grew by \$16 million or 12% during 2009, roughly tracking tuition increases, which follows continued efforts to maintain affordability.

Non-Operating Revenues (Expenses). Net non-operating revenues decreased during 2009 compared to 2008 by \$60 million. This change is the net result of a decrease in investment income of \$29 million, a year-over-year decrease in fair value of investments of \$40 million, an increase in State of Nebraska noncapital appropriations of \$27 million, and a smaller equity increase from joint venture operations by \$16 million when compared to 2008.

Thanks to loyal support from the private sector and the Foundation, the University garnered non-capital and capital gifts during the year of \$73 million and \$43 million respectively. This compares to non-capital and capital gifts of \$76 million and \$71 million during 2008. Non-capital gifts support scholarships to students and a variety of academic and research pursuits. Capital gifts received in 2009 included \$21 million for the UNMC research center of excellence buildings, \$9 million for the UNMC Sorrell Center, and \$11 million for several UNL projects including the Whittier Child Care Center and the Jackie Gaughan Multicultural Center.

Other Revenues, Expenses, Gains, or Losses. State of Nebraska capital appropriations revenues decreased in 2009 by \$10 million for a total of \$17 million. This compares to an increase of \$7 million in 2008 and an increase of \$10 million in 2007. The capital appropriations in 2009 include a total of \$8 million for debt service on both the 1998 and 2006 Series of deferred maintenance bonds, \$3 million for the UNO College of Public Affairs and Community Service building and \$6 million for fire and life safety projects.

Capital Assets

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

- The Durham Research Tower II was completed at UNMC at a cost of \$70 million. The project was financed by the UNFC Series 2007 Bonds scheduled for repayment from capital gifts to the University of Nebraska Foundation.

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

- Several deferred maintenance projects financed by the UNFC Deferred Maintenance Bonds were completed in 2009. The projects completed include the UNK Burner Hall of Science at a cost of \$12.6 million, the UNK Campus Utility Plant at a cost of \$19 million, the UNO Library at a cost of \$9 million, and the UNMC Bennett Hall at a cost of \$9 million. Revenues to repay the UNFC Deferred Maintenance Series 2006 Bonds include capital appropriations from the Nebraska Legislature and a designated 1% increase in tuition approved by the Board of Regents.
- Renovation of the Mantor Hall student residence was completed at UNK for a cost of \$3 million. This project was financed by the Board of Regents approved expenditure of UNK Student Fees and Facilities Bonds surplus funds under the MTI.
- A student parking garage was completed at UNO at a cost of \$12 million. The project was financed by the UNO Student Housing/Parking bonds under the MTI.
- The College of Public Affairs and Community Service building renovation and addition was completed at a cost of \$16 million at UNO. This project was funded by private capital gifts and a capital appropriation by the Nebraska Legislature.
- 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. The University marketed one new revenue bond financing during 2009 through the Master Trust Indenture (MTI.) The Board of Regents issued \$52,370 of University of Nebraska-Lincoln Student Fees and Facilities Revenue Bonds, Series 2009A. The proceeds were used to construct new apartment suite-style facilities to house 565 students on the UNL campus. The cost of the project is estimated to be \$41 million.

The UNFC issued \$26,035 of Series 2009 Bonds to finance the construction of the University of Nebraska Medical Center Health Professions Futures project. The project includes the construction of the College of Public Health building, an addition to the College of Nursing, and a Geriatric Center building at the UNMC campus. The proceeds will be used to provide bridge financing for approximately \$36 million of donor pledge payments. The remainder of the project will be funded by other available University funds at a total project cost of approximately \$39 million.

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FOR THE YEARS ENDED JUNE 30, 2009 and 2008 (UNAUDITED)
(Columnar Amounts in Thousands)

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 1.6 times for the year ended June 30, 2009, compared to 1.8 times for the year ended June 30, 2008, and 1.9 times for the year ended June 30, 2007. The debt service ratio required by the MTI covenants is 1.15 times.

The UNFC met all debt service requirements during 2009. 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, the Sorrell Center project, and the Health Profession Future project. Funds from internal University Sources continue to meet expectations allowing the service of UNFC-related debt obligations in their normal course.

More detailed information on debt financing is disclosed in the Notes to the Financial Statements included in this report.

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 State of Nebraska is faced with by a downturn in state tax revenues and budget uncertainties. While this is not as profound as in other states, forecasts show State revenues trending down at 5% over the previous years with the preponderance of the shortfalls pinned to differences in taxes on capital gains traditionally realized by the State. The Governor called a special session of the Nebraska Legislature in early November 2009 to address the \$330 million revenue shortfall and the impact it will have on the State's spending level. The State has an unobligated \$325 million in cash reserves that safeguards the cash flow needs of the State and its budget in future years, but is inclined to preserve this balance to allow flexibility in the future. Another advantage Nebraska has versus other states is that it has no indebtedness.

The University's ultimate share in reductions will be determined during the special session. The President and campus leadership have pledged to work with the Governor and Legislature to explore options available while preserving the strong asset presented by the University. While there are difficult budget decisions in the offing, the University remains dedicated to preserving the development of programs of excellence and to provide its basic core mission of instruction, research, and community service to the people of Nebraska.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2009 and 2008 (UNAUDITED)
(Columnar Amounts in Thousands)

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, 2009 AND 2008

(Thousands)

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

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 253,694	\$ 213,097
Cash and cash equivalents - restricted	204,668	222,215
Cash and cash equivalents held by trustee - restricted	52,639	52,655
Investments - restricted	94,666	3,231
Investments held by trustee - restricted	13,948	1,114
Accounts receivable and unbilled charges, net	134,617	139,559
Loans to students, net	4,160	4,827
Other current assets	19,554	20,932
Total current assets	<u>777,946</u>	<u>657,630</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	39	404
Cash and cash equivalents held by trustee - restricted	149,414	142,053
Investments - restricted	210,707	366,355
Investments held by trustee - restricted	104,113	163,307
Investment in joint venture	230,369	227,508
Loans to students, net of current portion	33,085	32,555
Capital assets, net of accumulated depreciation	1,527,199	1,344,638
Other non-current assets	17,524	14,664
Total non-current assets	<u>2,272,450</u>	<u>2,291,484</u>
Total assets	<u>3,050,396</u>	<u>2,949,114</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	93,059	99,626
Accrued salaries, wages, and post-retirement benefits	50,635	47,057
Accrued compensated absences	50,741	46,182
Bond obligations payable	48,110	29,655
Capital lease obligations	3,411	3,430
Deferred revenues and credits	82,461	77,861
Health and other insurance claims	10,587	10,129
Total current liabilities	<u>339,004</u>	<u>313,940</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages and post-retirement benefits, net of current portion	772	865
Accrued compensated absences, net of current portion	16,759	15,292
Bond obligations payable, net of current portion	594,860	564,565
Capital lease obligations, net of current portion	5,948	9,329
Deferred revenues and credits, net of current portion	12,411	12,555
Total non-current liabilities	<u>630,750</u>	<u>602,606</u>
Total liabilities	<u>969,754</u>	<u>916,546</u>
NET ASSETS:		
Invested in capital assets, net of related debt	863,298	841,385
Restricted for:		
Nonexpendable:		
Permanent endowment	156,480	216,338
Expendable:		
Externally restricted funds for scholarships, student aid, and research	120,448	150,669
Loan funds	43,946	44,009
Plant construction	103,398	43,462
Debt service	179,215	152,833
Unrestricted	613,857	583,872
Total net assets	<u>\$2,080,642</u>	<u>\$2,032,568</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, 2009 AND 2008
(Thousands)
(See Independent Auditors' Report on Pages 1, 2, and 3)

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 2,181	\$ 2,523
Temporary cash investments	280,984	230,354
Advances and deposits	10	13
Accounts receivable (net of reserve for bad debts of \$1 in 2009 and \$4 in 2008)	816	539
Accrued interest receivable	2,475	2,276
Student loan receivable	604	554
Matching funds receivable	1	1
Prepaid expenses	44	63
Pledges receivable - restricted	102,035	118,222
Investments - restricted	979,146	1,243,820
Property and equipment, net of depreciation	<u>8,590</u>	<u>7,240</u>
Total assets	<u>\$ 1,376,886</u>	<u>\$ 1,605,605</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Advances and accounts payable	\$ 40	\$ 32
University of Nebraska benefits payable	1,276	2,407
Scholarships, research, fellowships and professorships payable	5,972	3,100
Accrued vacation payable	675	661
Taxes payable	57	60
Deferred annuities payable	22,131	24,935
Deposits held in custody for others	226,506	284,137
Deferred revenues	3,775	1,640
Total liabilities	<u>260,432</u>	<u>316,972</u>
NET ASSETS:		
Unrestricted	7,718	7,820
Temporarily restricted	429,880	461,542
Permanently restricted	678,856	819,271
Total net assets	<u>1,116,454</u>	<u>1,288,633</u>
Total liabilities and net assets	<u>\$ 1,376,886</u>	<u>\$ 1,605,605</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, 2009 AND 2008
(Thousands)

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

	2009	2008
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$72,018 and \$68,252 in 2009 and 2008, respectively)	\$ 245,630	\$ 224,585
Federal grants and contracts - restricted	313,160	266,376
State and local grants and contracts - restricted	31,884	29,793
Private grants and contracts - restricted	79,225	106,016
Sales and services of educational activities	71,040	68,705
Sales and services of health care entities	192,899	181,824
Sales and services of auxiliary operations	130,018	117,674
Sales and services of auxiliary segments (net of scholarship allowances of \$8,946 and \$8,432 in 2009 and 2008, respectively)	80,639	72,017
Other operating revenues	<u>12,706</u>	<u>7,594</u>
Total operating revenues	<u>1,157,201</u>	<u>1,074,584</u>
OPERATING EXPENSES:		
Salaries and wages	812,691	770,885
Benefits	<u>210,594</u>	<u>185,481</u>
Total compensation and benefits	1,023,285	956,366
Supplies and materials	243,746	231,572
Contractual services	101,792	95,893
Repairs and maintenance	49,898	41,552
Utilities	35,972	32,975
Communications	13,909	14,583
Depreciation	68,525	69,977
Scholarships and fellowships	<u>149,455</u>	<u>133,774</u>
Total operating expenses	<u>1,686,582</u>	<u>1,576,692</u>
OPERATING LOSS	<u>(529,381)</u>	<u>(502,108)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	501,794	475,098
Gifts	72,772	75,543
Investment income (net of investment management fees of \$2,038 and \$2,694 in 2009 and 2008, respectively)	21,908	50,599
Decrease in fair value of investments	(65,328)	(25,121)
Interest expense on bond obligations	(23,634)	(23,570)
Capitalized interest on bond obligations	2,553	549
Equity in earnings of joint venture	8,861	24,543
Loss on disposal of capital assets	<u>(1,772)</u>	<u>(755)</u>
Net non-operating revenues	<u>517,154</u>	<u>576,886</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>(12,227)</u>	<u>74,778</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
Capital grants and gifts	42,709	70,770
State of Nebraska capital appropriations	16,597	26,806
Private gifts and bequests for permanent endowments	<u>995</u>	<u>1,431</u>
Net other revenues, expenses, gains, or losses	<u>60,301</u>	<u>99,007</u>
INCREASE IN NET ASSETS	48,074	173,785
NET ASSETS:		
Net assets, beginning of year	<u>2,032,568</u>	<u>1,858,783</u>
Net assets, end of year	<u>\$2,080,642</u>	<u>\$2,032,568</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, 2009
(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	\$ 32	\$ 85,218	\$ 42,855	\$ 128,105
Investment income	22,999	15,248	(478)	37,769
Realized gain (loss) on sale of assets	8	(12,673)	(29,972)	(42,637)
Unrealized gain (loss) on assets	-	(39,266)	(124,160)	(163,426)
	<u>23,039</u>	<u>48,527</u>	<u>(111,755)</u>	<u>(40,189)</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>108,849</u>	<u>(79,540)</u>	<u>(29,309)</u>	<u>-</u>
Total support and revenues	<u>131,888</u>	<u>(31,013)</u>	<u>(141,064)</u>	<u>(40,189)</u>
EXPENSES:				
Salaries and wages	10,249	-	-	10,249
Payroll taxes	668	-	-	668
Employee benefits	1,942	-	-	1,942
Postage	290	-	-	290
Office supplies and expense	158	-	-	158
Professional services	428	-	-	428
Travel and entertainment	739	-	-	739
Telephone	226	-	-	226
Insurance and bonds	91	-	-	91
Repair and maintenance	314	-	-	314
Equipment rental/purchase	111	-	-	111
Office rent	1,368	-	-	1,368
University Towers expense	32	-	-	32
Promotion expense	1,807	-	-	1,807
Auto expense	157	-	-	157
Dues and subscriptions	183	-	-	183
Alumni associations	858	-	-	858
Miscellaneous expense	119	-	-	119
Recruiting and moving expense	40	-	-	40
Meetings and conferences	244	-	-	244
Investment expense	4,966	-	-	4,966
Academic support	29,169	-	-	29,169
Student assistance	17,721	-	-	17,721
Faculty assistance	5,331	-	-	5,331
Research	4,317	-	-	4,317
Museum, library, and fine arts	1,724	-	-	1,724
Campus and building improvements	43,638	-	-	43,638
Deferred compensation	39	-	-	39
Paid to beneficiaries	3,488	-	-	3,488
Bad debt and collection expense	(4)	-	-	(4)
Depreciation	1,577	-	-	1,577
Total	<u>131,990</u>	<u>-</u>	<u>-</u>	<u>131,990</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS AND CHANGES	<u>(102)</u>	<u>(31,013)</u>	<u>(141,064)</u>	<u>(172,179)</u>
TRANSFERS AND RECLASSIFICATIONS BETWEEN FUNDS	<u>-</u>	<u>(649)</u>	<u>649</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(102)</u>	<u>(31,662)</u>	<u>(140,415)</u>	<u>(172,179)</u>
NET ASSETS, beginning of year	<u>7,820</u>	<u>461,542</u>	<u>819,271</u>	<u>1,288,633</u>
NET ASSETS, end of year	<u>\$ 7,718</u>	<u>\$429,880</u>	<u>\$678,856</u>	<u>\$ 1,116,454</u>

See notes to financial statements.

(Continued)

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, 2008
(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	\$ 61	\$ 142,235	\$ 24,244	\$ 166,540
Investment income	22,173	15,723	1,279	39,175
Realized gain (loss) on sale of assets	(1)	4,928	55,380	60,307
Unrealized gain (loss) on assets	-	(16,961)	(74,585)	(91,546)
	22,233	145,925	6,318	174,476
NET ASSETS RELEASED FROM RESTRICTIONS	137,563	(107,624)	(29,939)	-
Total support and revenues	159,796	38,301	(23,621)	174,476
EXPENSES:				
Salaries and wages	9,338	-	-	9,338
Payroll taxes	613	-	-	613
Employee benefits	1,682	-	-	1,682
Postage	348	-	-	348
Office supplies and expense	188	-	-	188
Professional services	540	-	-	540
Travel and entertainment	666	-	-	666
Telephone	190	-	-	190
Insurance and bonds	91	-	-	91
Repair and maintenance	367	-	-	367
Equipment rental/purchase	121	-	-	121
Office rent	959	-	-	959
University Towers expense	28	-	-	28
Promotion expense	1,465	-	-	1,465
Auto expense	106	-	-	106
Dues and subscriptions	136	-	-	136
Alumni associations	508	-	-	508
Miscellaneous expense	125	-	-	125
Recruiting and moving expense	59	-	-	59
Data processing expense	46	-	-	46
Meetings and conferences	323	-	-	323
Investment expense	5,608	-	-	5,608
Academic support	35,586	-	-	35,586
Student assistance	19,154	-	-	19,154
Faculty assistance	4,472	-	-	4,472
Research	3,780	-	-	3,780
Museum, library, and fine arts	1,703	-	-	1,703
Campus and building improvements	64,809	-	-	64,809
Deferred compensation	91	-	-	91
Paid to beneficiaries	3,678	-	-	3,678
Bad debt and collection expense	1	-	-	1
Depreciation	1,226	-	-	1,226
Total	158,007	-	-	158,007
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS AND CHANGES	1,789	38,301	(23,621)	16,469
TRANSFERS AND RECLASSIFICATIONS BETWEEN FUNDS	-	2,433	(2,433)	-
INCREASE (DECREASE) IN NET ASSETS	1,789	40,734	(26,054)	16,469
NET ASSETS, beginning of year	6,031	420,808	845,325	1,272,164
NET ASSETS, end of year	\$ 7,820	\$461,542	\$819,271	\$ 1,288,633

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, 2009 AND 2008
(Thousands)

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

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 437,576	\$ 387,054
Tuition and fees	244,591	225,701
Sales and services of health care entities	183,583	170,580
Sales and services of auxiliary operations	128,228	118,337
Sales and services of educational activities	96,969	95,571
Sales and services of auxiliary segments	80,636	72,347
Student loans collected	4,848	5,015
Other receipts	17,195	22,512
Payments to employees	(1,008,262)	(938,122)
Payments to vendors	(489,975)	(449,254)
Scholarships paid to students	(149,455)	(133,774)
Student loans issued	(4,806)	(6,867)
Other payments	(294)	(194)
Net cash flows from operating activities	<u>(459,166)</u>	<u>(431,094)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	501,618	475,412
Gifts	74,311	74,129
Private gifts and bequests for endowment use	994	1,431
Net cash flows from non-capital financing activities	<u>576,923</u>	<u>550,972</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	78,275	126,570
Capital grants and gifts	46,574	70,670
State of Nebraska capital appropriations	16,770	26,289
Premium on issuance of bonds	997	1,376
Purchases of capital assets	(248,157)	(236,800)
Principal paid on bond obligations	(29,655)	(24,760)
Interest paid on bond obligations	(23,293)	(22,847)
Payments made on lease obligations	(3,817)	(5,266)
Other payments	(117)	(1,583)
Net cash flows from capital and related financing activities	<u>(162,423)</u>	<u>(66,351)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	438,705	523,151
Purchases of investments	(393,388)	(534,832)
Interest on investments	23,379	51,243
Distributions received from joint venture	6,000	6,000
Net cash flows from investing activities	<u>74,696</u>	<u>45,562</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	30,030	99,089
CASH AND CASH EQUIVALENTS, beginning of year	<u>630,424</u>	<u>531,335</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 660,454</u>	<u>\$ 630,424</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, 2009 AND 2008
(Thousands)

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

	2009	2008
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 253,694	\$ 213,097
Cash and cash equivalents - restricted (current)	204,668	222,215
Cash and cash equivalents held by trustee - restricted (current)	52,639	52,655
Cash and cash equivalents - restricted (non-current)	39	404
Cash and cash equivalents held by trustee - restricted (non-current)	<u>149,414</u>	<u>142,053</u>
Cash and cash equivalents, end of year	<u>\$ 660,454</u>	<u>\$ 630,424</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (529,381)	\$ (502,108)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	68,525	69,977
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(6,953)	(28,355)
Loans to students	136	(1,721)
Other current assets	(22)	(311)
Accounts payable	(4,178)	20,805
Accrued salaries, wages, compensated absences, and post-retirement benefits	8,726	5,290
Deferred revenues and credits	3,523	5,201
Health and other insurance claims	<u>458</u>	<u>128</u>
Net cash flows from operating activities	<u>\$ (459,166)</u>	<u>\$ (431,094)</u>
NON-CASH TRANSACTIONS:		
Capital gifts and grants	\$ 311	\$ 142
Decrease in fair value of investments	(65,328)	(25,121)
Purchase of capital assets through lease obligations	417	3,129

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 CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008

(Thousands)

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

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ (172,179)	\$ 16,469
Adjustments to reconcile changes in net assets to net cash provided (used in) by operating activities:		
Depreciation	1,577	1,225
(Gain) on sale of assets	42,637	(60,307)
Depreciation (Appreciation) of assets	163,427	91,546
(Increase) Decrease in pledges receivable	16,187	(17,233)
Increase (Decrease) in deferred annuities payable	(2,804)	244
Contribution to permanently restricted endowment funds	(42,855)	(24,244)
Real and personal property contributions received for the University	(726)	(389)
(Increase) Decrease in:		
Accounts receivable	(277)	(121)
Interest receivable	(198)	(178)
Prepaid expense	18	-
Increase (Decrease) in:		
Advances and accounts payable	8	(2)
University of Nebraska benefits payable	(1,131)	169
Scholarships, research, fellowships, and professorships payable	2,871	(1,670)
Accrued vacation payable	14	117
Taxes payable	(3)	8
Deferred revenue	2,135	(25)
Deposits held in custody for others	11,140	26,187
Total adjustments	<u>192,020</u>	<u>15,327</u>
Net cash provided by (used in) operating activities	<u>19,841</u>	<u>31,796</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase) decrease in temporary cash investments	(50,630)	(40,216)
Net (increase) decrease in student loans	(50)	(52)
Net sales (purchases) in investments	(9,407)	(11,686)
Purchase of property and equipment	(2,951)	(3,071)
Net cash provided by (used in) investing activities	<u>(63,038)</u>	<u>(55,025)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contribution to permanently restricted endowment funds	42,855	24,244
Net cash provided by financing activities	<u>42,855</u>	<u>24,244</u>
NET INCREASE (DECREASE) IN CASH	(342)	1,015
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,523</u>	<u>1,508</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,181</u>	<u>\$ 2,523</u>
REQUIRED DISCLOSURE:		
The Foundation expended no cash for interest or income taxes.	<u>\$ 0</u>	<u>\$ 0</u>
NONCASH TRANSACTIONS:		
Deposits held in custody for others	\$ 57,630	\$ (495)
Unrealized (gain) loss on assets	<u>(46,490)</u>	<u>26,682</u>
Net change in deposits held in custody for others	<u>\$ 11,140</u>	<u>\$ 26,187</u>

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 and 2008
(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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NOTES TO FINANCIAL STATEMENTS
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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).

THE UNIVERSITY OF NEBRASKA
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 and 2008
(Thousands)

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 and cash and cash equivalents – restricted are stated at fair value. Cash and cash equivalents – restricted is cash received from external sources designated for specific purposes. 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.

Cash and cash equivalents held by trustee – restricted is cash held by bond fund trustees and held for the purposes designated by the respective bond covenants.

For purposes of the statements of cash flows, cash includes cash and cash equivalents, both unrestricted and restricted, and cash and cash equivalents held by trustee – 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.

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. At UNL and for certain research buildings at UNMC, estimated useful lives for buildings are accounted for on a componentized basis. The estimated useful lives are 25 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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NOTES TO FINANCIAL STATEMENTS
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(Thousands)

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 2009 and 2008 was \$21,081 and \$23,021, respectively, which is net of \$2,553 and \$549 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 be capitalized.

Accrued Compensated Absences – University faculty and staff earn 12 to 25 days of vacation annually. Vacation is no longer earned once an employee accrues 280 hours of unused vacation. Any unused accrued vacation balance is carried over into the next year. Vacation may be used or received as a cash payment upon retirement or termination. In addition, certain classified staff receives 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 four floating holidays each year, which may be taken at any time during the year subject to a 32 hour cap.

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.

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 capital 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.

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, 2009 and 2008, Federal grants and contracts includes

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Pell grant awards amounting to \$23,500 and \$22,498 and Ford direct student loans amounting to \$99,013 and \$67,805, respectively. The combined awards of \$122,513 and \$90,303 at June 30, 2009 and 2008, 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. The 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 2008 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. 51, *Accounting and Financial Reporting by Employers for Intangible Assets*. This statement provides standards for identification, recognition, and inclusion of tangible assets as capital assets for accounting and financial reporting purposes. The University initiated the implementation of an enterprise resource planning (ERP) student information system during 2009 and capitalized \$10 million of related expenses.

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. The University does not have a formal custodial risk policy. Bank balances of cash and cash equivalents amounted to approximately \$2,343 (book balance of approximately \$1,762) at June 30, 2009, with approximately \$1,714 covered by federal depository insurance. Bank balances of cash and cash equivalents amounted to approximately \$1,654 (book balance of approximately \$1,337) at June 30, 2008, with approximately \$1,086 covered by federal

THE UNIVERSITY OF NEBRASKA
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 and 2008
(Thousands)

depository insurance. Of the remaining bank balance at June 30, 2009 and 2008, approximately \$102 and \$374 was collateralized with securities held by the pledging financial institution, but not in the University's name, and approximately \$526 and \$194 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 and its designated investment managers, 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, 2009:

	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Investment type:					
Debt securities:					
Certificates of Deposit	\$ 493	\$ -	\$ 493	\$ -	\$ -
U.S. treasuries	47,923	10,895	10,074	26,954	-
U.S. agencies	111,771	50,674	53,168 (1)	417	7,512
Corporate debt	40,089	4,211	16,312	9,232 (2)	10,334
International bonds	10,008	10,008	-	-	-
Repurchase agreements	5,823	5,823	-	-	-
	<u>216,107</u>	<u>\$ 81,611</u>	<u>\$ 80,047</u>	<u>\$ 36,603</u>	<u>\$ 17,846</u>
Other investments:					
Equity securities - domestic	78,462				
Equity securities - international	37,686				
Mutual funds	78,874				
Real estate mutual funds	5,666				
Real estate held for investment purposes	932				
Money market funds	5,707				
Total	<u>\$ 423,434</u>				

(1) This amount includes \$29,707 of bonds which are callable in less than one year.

(2) This amount includes \$338 of bonds which are callable in less than two years, and \$89 callable in less than eight years.

THE UNIVERSITY OF NEBRASKA
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 and 2008
(Thousands)

Investments as of June 30, 2008:

	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Investment type:					
Debt securities:					
U.S. treasuries	\$ 35,149	\$ 2,316	\$ 13,599	\$ 19,234	\$ -
U.S. agencies	174,557	124,840	(1) 42,617	(2) 103	6,997
Corporate debt	33,635	2,040	8,540	3,724	(3) 19,331
International bonds	7,291	529	2,605	2,944	1,213
Repurchase agreements	<u>5,823</u>	<u>-</u>	<u>-</u>	<u>5,823</u>	<u>-</u>
	256,455	<u>\$ 129,725</u>	<u>\$ 67,361</u>	<u>\$ 31,828</u>	<u>\$ 27,541</u>
Other investments:					
Equity securities - domestic	108,371				
Equity securities - international	52,793				
Mutual funds	95,873				
Real estate mutual funds	8,096				
Real estate held for investment purposes	640				
Money market funds	<u>11,779</u>				
Total	<u>\$ 534,007</u>				

(1) This amount includes \$4,996 of bonds which are callable in less than one year.

(2) This amount includes \$9,630 of bonds which are callable in less than one year.

(3) This amount includes \$367 of bonds which are callable in less than three years and \$92 callable in less than nine years.

(4) This amount includes \$485 of bonds which are callable in less than three years.

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.

Credit Risk – State statutes authorize the University to invest funds in accordance with the prudent person 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:

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NOTES TO FINANCIAL STATEMENTS
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(Thousands)

	2009						
	Fair Value	Quality Ratings					Unrated
		AAA	AA	A	B-BAA	C-CAA	
Investment type:							
Debt securities:							
Certificates of Deposit	\$ 493	\$ -	\$ -	\$ -	\$ 247	\$ -	\$ 246
U.S. treasuries	47,923	47,923	-	-	-	-	-
U.S. agencies	111,771	111,771	-	-	-	-	-
Corporate debt	40,089	14,232	6,691	11,713	2,765	2,308	2,380
International bonds	10,008	10,008	-	-	-	-	-
Repurchase agreements	5,823	-	-	-	-	-	5,823
Other investments:							
Equity securities - domestic	78,462	-	-	-	-	-	78,462
Equity securities - international	37,686	-	-	-	-	-	37,686
Mutual funds	78,874	-	-	-	-	-	78,874
Real estate mutual funds	5,666	-	-	-	-	-	5,666
Real estate held for investment purposes	932	-	-	-	-	-	932
Money market funds	5,707	-	-	-	-	-	5,707
	<u>\$ 423,434</u>	<u>\$ 183,934</u>	<u>\$ 6,691</u>	<u>\$ 11,713</u>	<u>\$ 3,012</u>	<u>\$ 2,308</u>	<u>\$ 215,776</u>

	2008				
	Fair Value	Quality Ratings			Unrated
		AAA	AA	A	
Investment type:					
Debt securities:					
U.S. treasuries	\$ 35,149	\$ 35,149	\$ -	\$ -	\$ -
U.S. agencies	174,557	174,557	-	-	-
Corporate debt	33,635	16,750	4,923	11,962	-
International bonds	7,291	750	4,946	1,595	-
Repurchase agreements	5,823	-	-	-	5,823
Other investments:					
Equity securities - domestic	108,371	-	-	-	108,371
Equity securities - international	52,793	-	-	-	52,793
Mutual funds	95,873	-	-	-	95,873
Real estate mutual funds	8,096	-	-	-	8,096
Real estate held for investment purposes	640	-	-	-	640
Money market funds	11,779	-	-	-	11,779
	<u>\$ 534,007</u>	<u>\$ 227,206</u>	<u>\$ 9,869</u>	<u>\$ 13,557</u>	<u>\$ 283,375</u>

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NOTES TO FINANCIAL STATEMENTS
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(Thousands)

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	
	2009	2008
Federal Farm Credit Bank	5%	-
Federal Home Loan Mortgage Corporation	10%	13%
Federal National Mortgage Association	19%	20%
Federal Home Loan Bank	20%	33%
U.S. Treasuries	23%	14%

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. The University does not have a formal custodial credit risk policy. 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 2009 and 2008, \$6.1 million and \$6.4 million respectively of underlying securities are held by the investment’s counterparty, but not in the name of the University.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not have a formal policy to limit foreign currency risk. Primary exposure to foreign currency risk is presented in the following table.

	Foreign Currency	
	2009	2008
Australian Dollar	\$ 1,186	\$ 1,823
British Pound	661	277
Canadian Dollar	353	534
EMU Euro	3,535	1,212
Malaysian Ringgit	529	674
New Zealand Dollar	393	312
Poland Zloty	380	544
South African Rand	280	376
Singapore Dollar	-	667
Swedish Krona	284	456
Norway Dollar	-	216
Totals	<u>\$ 7,601</u>	<u>\$ 7,091</u>

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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 \$8,858 and \$6,551 at June 30, 2009 and 2008, respectively. In addition, the University maintains an allowance for doubtful collections of student loans of approximately \$1,293 and \$1,153 at June 30, 2009 and 2008, 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, and accordingly, equity in joint venture in the accompanying statement of net assets represents its one-half undivided interest based on the separate financial statements of the venture. The University has recorded 50% equity in earnings of NMC for the years ended June 30, 2009 and 2008 totaling \$8,861 and \$24,543, 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. Distributions of \$6 million, shared equally by the venturers, were declared and paid for both 2009 and 2008.

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 lease agreement lists lease rental payments through 2012 with a provision for payments after July 1, 2012, to be determined in the future. The hospital building was recorded at approximately \$131,000 and is included in the University's financial statements at \$16,270 net of depreciation. Following are the minimum lease rental payments due from NMC through June 30, 2012:

Fiscal Year Ending June 30:	
2010	\$ 4,004
2011	4,099
2012	<u>1,737</u>
	<u>\$ 9,840</u>

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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, 2009 and 2008, the University received approximately \$25,040 and \$23,858, respectively, of support in connection with the agreement.

F. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2009 and 2008 is as follows:

	2009			Ending Balance
	Beginning Balance	Additions	Disposals	
Capital assets not being depreciated:				
Land	\$ 59,577	\$ 1,240	\$ (5)	\$ 60,812
Construction work in progress	<u>222,316</u>	<u>217,719</u>	<u>(237,872)</u>	<u>202,163</u>
Total capital assets not being depreciated	<u>281,893</u>	<u>218,959</u>	<u>(237,877)</u>	<u>262,975</u>
Capital assets, being depreciated:				
Land improvements	120,879	14,540	(4,298)	131,121
Leasehold improvements	13,209	-	-	13,209
Buildings	1,251,148	214,644	(4,827)	1,460,965
Equipment	<u>285,785</u>	<u>43,129</u>	<u>(19,175)</u>	<u>309,739</u>
Total capital assets, being depreciated	<u>1,671,021</u>	<u>272,313</u>	<u>(28,300)</u>	<u>1,915,034</u>
Less accumulated depreciation for:				
Land improvements	40,437	5,843	(4,281)	41,999
Leasehold improvements	2,083	441	-	2,524
Buildings	379,053	34,919	(4,125)	409,847
Equipment	<u>186,703</u>	<u>27,322</u>	<u>(17,585)</u>	<u>196,440</u>
Total accumulated depreciation other assets	<u>608,276</u>	<u>68,525</u>	<u>(25,991)</u>	<u>650,810</u>
Capital assets, net	<u>\$1,344,638</u>	<u>\$422,747</u>	<u>\$ (240,186)</u>	<u>\$1,527,199</u>

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	2008			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 57,640	\$ 2,055	\$ (118)	\$ 59,577
Construction work in progress	<u>81,558</u>	<u>226,574</u>	<u>(85,816)</u>	<u>222,316</u>
Total capital assets not being depreciated	<u>139,198</u>	<u>228,629</u>	<u>(85,934)</u>	<u>281,893</u>
Capital assets, being depreciated:				
Land improvements	111,301	14,883	(5,305)	120,879
Leasehold improvements	13,209	-	-	13,209
Buildings	1,199,961	68,595	(17,408)	1,251,148
Equipment	<u>279,887</u>	<u>32,051</u>	<u>(26,153)</u>	<u>285,785</u>
Total capital assets, being depreciated	<u>1,604,358</u>	<u>115,529</u>	<u>(48,866)</u>	<u>1,671,021</u>
Less accumulated depreciation for:				
Land improvements	37,408	5,574	(2,545)	40,437
Leasehold improvements	1,642	441	-	2,083
Buildings	358,536	38,023	(17,506)	379,053
Equipment	<u>178,729</u>	<u>25,939</u>	<u>(17,965)</u>	<u>186,703</u>
Total accumulated depreciation other assets	<u>576,315</u>	<u>69,977</u>	<u>(38,016)</u>	<u>608,276</u>
Capital assets, net	<u>\$1,167,241</u>	<u>\$274,181</u>	<u>\$ (96,784)</u>	<u>\$1,344,638</u>

G. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2009	<u>\$ 61,474</u>	<u>\$ 44,074</u>	<u>\$ (38,048)</u>	<u>\$ 67,500</u>	<u>\$ 50,741</u>
2008	<u>\$ 57,885</u>	<u>\$ 40,012</u>	<u>\$ (36,423)</u>	<u>\$ 61,474</u>	<u>\$ 46,182</u>

H. BOND OBLIGATIONS PAYABLE

Bond obligations payable are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2009	<u>\$ 594,220</u>	<u>\$ 78,405</u>	<u>\$ (29,655)</u>	<u>\$ 642,970</u>	<u>\$ 48,110</u>
2008	<u>\$ 492,410</u>	<u>\$ 126,570</u>	<u>\$ (24,760)</u>	<u>\$ 594,220</u>	<u>\$ 29,655</u>

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Bond obligations payable at June 30, 2009 and 2008 consist of the following:

	Interest Rate	Annual Installment	Principal Amount Outstanding	
			2009	2008
Obligations under the master trust indenture:				
University of Nebraska-Lincoln:				
Student fees and facilities:				
Series 2002, revenue refunding, due through July 2017	4.50 - 5.00%	\$1,015 - \$2,760	\$ 10,655	\$ 11,640
Series 2003A, revenue bonds, due through July 2038	3.48 - 5.25%	430 - 1,595	25,110	25,525
Series 2003B, revenue bonds, due through July 2039	3.50 - 5.00%	1,085 - 3,890	66,795	68,885
Series 2008A, revenue bonds, due through July 2028	3.00 - 5.00%	1,205 - 2,360	30,255	30,255
Series 2009A, revenue bonds, due through July 2043	2.00 - 5.25%	650 - 2,990	52,370	
Lincoln parking project:				
Series 2003, revenue refunding, due through June 2016	3.50 - 4.50%	590 - 1,615	5,485	5,965
Series 2005, revenue refunding, due through June 2025	3.50 - 4.50%	425 - 3,825	22,225	23,470
University of Nebraska at Omaha:				
Student center Series 2003:				
Revenue refunding bonds, due through May 2013	3.40 - 3.90%	540 - 1,180	2,850	3,370
Student HPER Project Series 2008:				
Revenue bonds, due through May 2038	2.55 - 5.00%	845 - 2,700	42,920	42,920
Student housing Series 2003:				
Series 2003, revenue bonds, due through May 2033	3.15 - 5.00%	340 - 945	13,820	14,150
Series 2007, revenue bonds, due through May 2039	3.90 - 5.00%	535 - 2,395	29,250	29,765
University of Nebraska Medical Center:				
Student housing revenue bonds				
Series 2003, due through June 2033	3.00 - 5.00%	120 - 330	4,860	4,980
University of Nebraska at Kearney:				
Student fees and facilities:				
Series 2003 revenue refunding bonds, due through July 2011	2.70 - 2.90%	300 - 465	765	1,215
Series 2005, due through July 2020	3.25 - 4.10%	325 - 1,080	4,895	5,210
Series 2006, due through July 2035	3.55 - 5.00%	435 - 1,385	22,285	22,625
Total obligations under the master trust indenture			334,540	289,975
Other University obligations:				
University of Nebraska-Lincoln:				
Athletics:				
2004A, revenue refunding, due November 2024	4.00 - 5.25%	1,695 - 5,195	40,730	44,475
2004B, revenue refunding, due November 2009	3.70%	3,270	3,270	5,340
Total University obligations			378,540	339,790
Obligations of blended entities:				
University of Nebraska Facilities Corporation:				
Series 2009 bonds (Health Professions Futures), due through Aug 2013	2.25 - 4.20%	700 - 18,235	26,035	-
Series 2007 bonds (Research Center), due through February 2017	4.00 - 5.00%	9,840 - 13,790	23,630	23,630
Series 2006 bonds (Sorrell Center), due through April 2016	3.75 - 4.00%	1,700 - 13, 140	29,365	29,625
Series 2006 bonds (LB605), due through July 2020	4.00 - 5.00%	4,915 - 11,550	105,525	108,815
Series 2004 (library storage project), due through July 15, 2024	3.40 - 5.00%	120 - 565	2,980	3,095
Series 2003 (Alexander building project), due through December 2023	3.25 - 5.00%	115 - 205	2,275	2,385
Series 2002 bonds (Durham Center), due through February 2015	4.75 - 5.00%	3,080 - 21, 215	33,845	36,915
Series 1998 bonds (LB1100), due through July 2011	4.65 - 5.25%	3,470 - 9,155	21,150	29,280
Series 1998-2 bonds (UNMC electrical system) due through October 2008	4.30%	275	-	275
Total University of Nebraska Facilities Corporation			244,805	234,020
Nebraska Utility Corporation (NUCorp):				
Series 2001 revenue bonds, due through January 2023	4.50 - 5.25%	815 - 1,620	19,625	20,410
Total bond obligations payable			\$ 642,970	\$ 594,220

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Annual maturities subject to mandatory redemption at June 30, 2009 are as follows:

	Total University		UNFC		NUCorp		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 16,700	\$ 17,074	\$ 30,595	\$10,911	\$ 815	\$ 983	\$ 48,110	\$ 28,968
2011	10,930	16,679	29,960	9,766	855	946	41,745	27,391
2012	12,855	16,244	30,320	8,420	890	907	44,065	25,571
2013	13,920	15,756	11,475	7,213	1,180	857	26,575	23,826
2014	13,995	15,199	28,410	6,302	1,240	798	43,645	22,299
2015-2019	73,870	66,925	89,020	16,754	7,060	2,936	169,950	86,615
2020-2024	76,430	49,915	24,460	1,530	7,585	1,007	108,475	52,452
2025-2029	58,820	33,327	565	14	-	-	59,385	33,341
2030-2034	52,070	19,694	-	-	-	-	52,070	19,694
2035-2039	45,960	15,373	-	-	-	-	45,960	15,373
2040-2044	2,990	78	-	-	-	-	2,990	78
Total	<u>\$378,540</u>	<u>\$266,264</u>	<u>\$244,805</u>	<u>\$60,910</u>	<u>\$19,625</u>	<u>\$ 8,434</u>	<u>\$642,970</u>	<u>\$335,608</u>

At June 30, 2009 and 2008, the trustees for these bond funds held cash and investments in the amount of approximately \$202,053 and \$194,708, respectively, which is reflected as cash and cash equivalents held by trustee – restricted and investments held by trustee – restricted 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, 2009, 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 and the HPER facility University of Nebraska at Omaha (UNO Student Center), (d) certain student housing and parking facilities at the University of Nebraska at Omaha (UNO Student Housing and Parking), (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 members of the 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.

University of Nebraska Medical Center Health Professionals Futures (“The 2009 Project”) – In 2009, the UNFC authorized the issuance of \$26,035 of Series 2009 Bonds dated March 25, 2009.

The 2009 Project is the construction of the College of Public Health building, as addition to the College of Nursing, and a Geriatric Center building at the UNMC campus. The bond proceeds will be used to provide interim financing for approximately \$36 million of donor pledged payments. The remainder of the project will be funded by other available University funds at a total project cost of approximately \$39 million.

UNMC obtained pledges through the University of Nebraska Foundation that, when augmented by other funds UNMC has available, will be sufficient to pay principal and interest on the bonds. The pledges will be received in installments through 2017.

The Bonds are not redeemable prior to maturity. The 2009 Project provides that if, at any time, the assigned pledged receipts are insufficient to pay principle and interest of the Series 2009 Bonds as they become due, the deficiency will be paid from the University Cash Fund or other funds of Regents available for such purpose.

University of Nebraska Medical Center Research Center Project (“The 2007 Project”) – In 2008, the UNFC authorized the issuance of \$23,630 of Series 2007 Bonds dated December 19, 2007.

The 2007 Project is the construction of the Research Center of Excellence II. The bond proceeds will be used to provide interim financing for approximately \$22 million of donor pledge payments. The remainder of the project will be funded by other available University funds at a total project cost of approximately \$74 million.

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UNMC obtained pledges through the University of Nebraska Foundation that when augmented by other funds UNMC has available, will be sufficient to pay principal and interest on the bonds. The pledges will be received in installments through 2011.

Bonds maturing on or after February 15, 2018 are redeemable at par plus accrued interest. The 2007 Project provides that if, at any time, the assigned pledged receipts are insufficient to pay principal and interest of the Series 2007 Bonds as they become due, the deficiency will be paid from the University Cash Fund or other funds of Regents available for such purpose.

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.

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. Bonds maturing after July 15, 2014 are redeemable at par plus accrued interest. The 2004 Project states that if, at any time, the assigned revenues are insufficient to pay principal and interest of the Series 2004 Bonds as they become due, the deficiency will be paid from the University Cash Fund or other funds of the Board of Regents available for such purpose.

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

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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 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 these projects, of which \$67,380 in pledge receipts have been received through June 30, 2009. 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.

Bonds 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

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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. Bonds maturing on or after January 13, 2013, are redeemable at par plus accrued interest.

Bond Financing

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 were used to construct new apartment suite-style facilities for 384 students on the UNO campus. The facilities consist of eight three-story buildings, each containing 12 four-bedroom apartments together with common areas and other support space. The Project also includes the construction of an approximately 900 stall parking garage on the UNO campus. The combined cost of both projects is approximately \$28 million.

On April 2, 2008, the Board of Regents issued \$42,920 of Revenue Bonds, Series 2008 (University of Nebraska at Omaha Student Health and Recreation Project.) The proceeds were used to renovate and construct an expansion to the existing health and recreation facility on the UNO campus. The new space will be dedicated to recreation activities and student health offices and expansion of the programs supporting these activities. The cost of HPER project will be approximately \$38 million.

On June 5, 2008, the Board of Regents issued \$30,255 of University of Nebraska-Lincoln Student Fees and Facilities Revenue Bonds, Series 2008A. The proceeds were used to renovate existing student living facilities in Abel-Sandoz Residence Halls. Constructed in 1965, much of the architectural and mechanical /electrical infrastructure in these facilities has reached the end of a normal life expectancy and replacement is required. The approximate cost of this renovation project is \$28 million.

On January 22, 2009, the Board of Regents issued \$52,370 of University of Nebraska-Lincoln Student Fees and Facilities Revenue Bonds, Series 2009A. The proceeds were used to construct new suite-style facilities designed to house 565 students on the UNL campus. The facilities consist of either two double-bedroom suites or four single bedroom suites, although nine single suites will be provided. Each suite will include a shared living area and bathroom. The cost of the project will be approximately \$41 million.

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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, 2009 and 2008, 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, 2009 and 2008, \$9,359 and \$5,689, 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
2009	<u>\$ 12,759</u>	<u>\$ 417</u>	<u>\$ 3,817</u>	<u>\$ 9,359</u>	<u>\$ 3,411</u>
2008	<u>\$ 14,896</u>	<u>\$ 3,129</u>	<u>\$ 5,266</u>	<u>\$ 12,759</u>	<u>\$ 3,430</u>

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
2010	\$ 413	\$ 1,021	\$ 2,353	\$ 3,787
2011	414	1,022	1,087	2,523
2012	-	1,022	382	1,404
2013	-	322	6	328
2014	-	322	1	323
2015-2019	-	1,141	-	1,141
2020-2024	-	850	-	850
2025-2029	-	493	-	493
	<u>827</u>	<u>6,193</u>	<u>3,829</u>	<u>10,849</u>
Less interest and executory costs	<u>58</u>	<u>1,246</u>	<u>186</u>	<u>1,490</u>
	<u>\$ 769</u>	<u>\$ 4,947</u>	<u>\$ 3,643</u>	<u>\$ 9,359</u>

Capital assets held under capital lease obligations at June 30, 2009 are as follows:

	Cost	Accumulated Depreciation	Net
Land	\$ 5,385	\$ -	\$ 5,385
Buildings	9,467	1,400	8,067
Equipment	<u>6,849</u>	<u>3,450</u>	<u>3,399</u>
	<u>\$ 21,701</u>	<u>\$ 4,850</u>	<u>\$ 16,851</u>

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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, 2007	\$ 2,853	\$ 2,448	\$ 4,700	\$ 10,001
Incurred claims	329	92	94,663	95,084
Payments on claims	<u>(97)</u>	<u>(496)</u>	<u>(94,363)</u>	<u>(94,956)</u>
Claim reserve, June 30, 2008	3,085	2,044	5,000	10,129
Incurred claims	1,229	1,101	104,416	106,746
Payments on claims	<u>(826)</u>	<u>(1,348)</u>	<u>(104,114)</u>	<u>(106,288)</u>
Claim reserve, June 30, 2009	<u>\$ 3,488</u>	<u>\$ 1,797</u>	<u>\$ 5,302</u>	<u>\$ 10,587</u>

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 rate 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 as well as 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, 2009 and 2008, the trustees for the health and other insurance claims programs held cash and cash equivalents and investments totaling approximately \$99,371 and \$95,392, 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.

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K. RETIREMENT PLANS

The University sponsors a defined contribution retirement plan 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 2009 and 2008 was approximately \$780,725 and \$742,558, respectively, of which approximately \$596,357 and \$563,341 was covered by the plan. The University's contribution during 2009 and 2008 was approximately \$46,522, or 7.80%, and \$43,865, or 7.79%, of covered payroll, respectively, and the faculty and staff's contribution was approximately \$31,266, or 5.24%, and \$29,433, or 5.22%, of covered payroll, respectively.

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 \$10,260 and \$9,499 for the years ended June 30, 2009 and 2008, 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 2009 and 2008 for the health insurance liability under new tenure buyout arrangements was \$479 and \$424, respectively. The expense incurred for 2009 and 2008 health insurance premium increases under all tenure buyout arrangements was \$227 and \$57, respectively. The total termination benefit obligation at June 30, 2009 and 2008 was \$1,453 and \$1,878, respectively.

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L. COMMITMENTS AND CONTINGENCIES

The University has contracted for the construction of facilities that are estimated to cost approximately \$636,776. As of June 30, 2009, the approximate remaining costs to complete these facilities were \$257,576, which will be financed as follows:

Bond funds	\$ 194,970
Federal funds	299
University funds	8,996
State capital appropriations	3,109
Private gifts, grants, and contracts	<u>50,202</u>
	<u>\$ 257,576</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.

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. The recommended action plan has been completed pending acceptance of the final remedial investigation feasibility study report filed with the Environmental Protection Agency.

Innovation Campus – The Nebraska Legislature in the Second Session of the One Hundredth Legislature enacted LB1116 which relocates the Nebraska State Fair (Fair) to Grand Island, Nebraska from Lincoln, Nebraska. LB1116 provides for the transfer of ownership of the Fair grounds in Lincoln, Nebraska to the Board of Regents of the University of Nebraska on or before December 31, 2009. Certain provisions must be met by the University and other parties before a property transfer is made. The University must transfer \$21,500 by July 2009 into the Nebraska State Fair Relocation Cash Fund (Relocation Fund) and must provide a master plan and business plan to carry out the master plan by December 1, 2009 for the Fair grounds, now known as the Innovation Campus.

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The \$21,500 is not accrued in the accompanying financial statements. On July 5, 2009, the University paid \$21,500 to the Relocation Fund.

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, 2009 and 2008, NMC purchased approximately \$47,171 and \$45,644 of goods and services from the University.

In 2006, the University established a receivable to recognize a \$10,000 commitment by NMC toward the construction of the Sorrell Center project. The balances due at June 30, 2009 and 2008 are \$6,000 and \$7,000. Of each of these amounts, \$3,000 is included in the accompanying financial statements in other current assets. The remaining balances in each year are included in other non-current assets.

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N. FUNCTIONAL CLASSIFICATIONS OF EXPENSES

For the year ended June 30, 2009:

	Compen- sation	Supplies and Materials	Contractual Services	Repairs and Maintenance	Utilities	Communi- cations	Scholarships and Fellowships	Deprecia- tion	Total
Instruction	\$ 374,037	\$ 31,384	\$ 11,075	\$ 2,879	\$ 19	\$ 2,904	\$ 3,461	\$ -	\$ 425,759
Research	160,353	40,769	32,184	7,690	73	1,193	1,057	-	243,319
Public service	65,245	14,956	13,321	650	308	858	142	-	95,480
Academic support	76,834	25,281	1,291	32	15	1,494	110	-	105,057
Student services	19,038	5,116	666	1,043	5	333	401	-	26,602
Institutional support	67,036	17,211	4,698	835	65	1,769	53	-	91,667
Operation and maintenance of plant	33,441	9,826	3,713	26,768	31,377	301	29	-	105,455
Healthcare entities	144,993	13,862	17,566	3,077	223	636	812	-	181,169
Scholarships and fellowships	2,612	257	2,944	10	-	-	141,467	-	147,290
Auxiliary operations	79,696	85,084	14,334	6,914	3,887	4,421	1,923	-	196,259
Depreciation	-	-	-	-	-	-	-	68,525	68,525
Total expenses	<u>\$1,023,285</u>	<u>\$ 243,746</u>	<u>\$ 101,792</u>	<u>\$ 49,898</u>	<u>\$ 35,972</u>	<u>\$13,909</u>	<u>\$ 149,455</u>	<u>\$ 68,525</u>	<u>\$ 1,686,582</u>

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For the year ended June 30, 2008:

	Compen- sation	Supplies and Materials	Contractual Services	Repairs and Maintenance	Utilities	Communi- cations	Scholarships and Fellowships	Deprecia- tion	Total
Instruction	\$ 347,646	\$ 32,673	\$ 4,850	\$ 2,127	\$ 21	\$ 3,103	\$ 3,629	\$ -	\$ 394,049
Research	146,210	36,791	30,723	7,096	72	1,522	1,550	-	223,964
Public service	62,439	12,893	12,871	935	606	842	1,628	-	92,214
Academic support	74,182	24,270	(979)	678	14	1,577	125	-	99,867
Student services	24,303	5,123	312	344	3	338	50	-	30,473
Institutional support	63,855	17,940	7,585	1,680	71	1,621	-	-	92,752
Operation and maintenance of plant	31,807	7,736	3,310	20,275	30,326	356	50	-	93,860
Healthcare entities	133,024	12,593	14,851	2,311	200	477	1,401	-	164,857
Scholarships and fellowships	2,631	287	5,100	-	1	-	123,862	-	131,881
Auxiliary operations	70,269	81,266	17,270	6,106	1,661	4,747	1,479	-	182,798
Depreciation	-	-	-	-	-	-	-	69,977	69,977
Total expenses	<u>\$ 956,366</u>	<u>\$ 231,572</u>	<u>\$95,893</u>	<u>\$ 41,552</u>	<u>\$ 32,975</u>	<u>\$14,583</u>	<u>\$ 133,774</u>	<u>\$69,977</u>	<u>\$ 1,576,692</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, Series 2003B, Series 2008A, and Series 2009A – 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 consist of parking fee revenues.

UNO Student Activities Project Bonds, Series 2003 and Series 2008 – These bonds are used to provide a variety of services for the benefit of the University and its students in the Student Center and to provide health, physical education, and recreation services in the HPER building.

UNO Student Housing/Parking Project Bonds, Series 2003 and Series 2007 – The bonds are used to provide student housing, parking, and related facilities as allowed by the covenants for the University. Operating revenues consist primarily of rentals, student fees, and parking fees.

UNMC Student Housing Project Bonds, 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):

	Year Ended	
	June 30, 2009	June 30, 2008
Condensed Statements of Net Assets		
Assets:		
Current assets	\$ 45,976	\$ 40,935
Non-current assets:		
Capital assets	293,300	241,516
Other non-current assets	<u>134,294</u>	<u>134,862</u>
Total assets	<u>473,570</u>	<u>417,313</u>
Liabilities:		
Current liabilities	37,766	35,011
Non-current liabilities	<u>330,294</u>	<u>286,352</u>
Total liabilities	<u>368,060</u>	<u>321,363</u>
Net assets:		
Invested in capital assets, net of related debt	11,618	10,777
Restricted:		
Expendable:		
Plant construction	7,843	7,919
Debt service	74,058	65,813
Unrestricted	<u>11,991</u>	<u>11,441</u>
Total net assets	<u>\$ 105,510</u>	<u>\$ 95,950</u>

	Year Ended	
	June 30, 2009	June 30, 2008
Condensed Statements of Revenues, Expenses, and Changes in Net Assets		
Operating revenues	\$ 90,408	\$ 81,305
Operating expenses:		
Depreciation	7,629	7,805
Other operating expenses	<u>66,857</u>	<u>62,461</u>
Operating income	15,922	11,039
Non-operating expense	<u>(6,362)</u>	<u>(2,219)</u>
Change in net assets	9,560	8,820
Net assets, beginning of year	<u>95,950</u>	<u>87,130</u>
Net assets, end of year	<u>\$ 105,510</u>	<u>\$ 95,950</u>

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	<u>Year Ended</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Condensed Statements of Cash Flows		
Net cash flows from operating activities	\$ 22,894	\$ 19,669
Net cash flows from capital and related financing activities	(21,853)	48,247
Net cash flows from investing activities	<u>25,314</u>	<u>(22,843)</u>
Net change in cash and cash equivalents	26,355	45,073
Cash and cash equivalents, beginning of year	<u>111,366</u>	<u>66,293</u>
Cash and cash equivalents, end of year	<u>\$ 137,721</u>	<u>\$ 111,366</u>

P. SUBSEQUENT EVENTS

On September 1, 2009, the University of Nebraska Facilities Corporation authorized the call of the remaining outstanding Deferred Maintenance Project, Series 1998 Bonds (LB 1100) as of that date for redemption on October 1, 2009. The outstanding bonds of \$12,625 were called at par plus accrued interest.

On September 9, 2009, the Board of Regents issued \$10,680 of Series 2009B Bonds (\$6,140 of revenue and \$4,540 of taxable revenue [Build America Bonds]) (University of Nebraska-Lincoln Student fees and Facilities.) The proceeds will be used to pay a portion of the costs of renovations, remodeling, and repairs to the food preparation and dining facilities in the Abel-Sandoz residence Hall Complex at the University of Nebraska-Lincoln, at a cost of approximately \$10 million.

On November 4, 2009, the Board of Regents issued \$11,560 of Series 2009A and 2009B Bonds (\$6,405 of revenue and \$5,155 of taxable revenue [Build America Bonds]) (University of Nebraska-Lincoln Parking Project.) The proceeds, along with approximately \$4 million of parking funds, will be used to construct a multi-level parking garage, which together with incidental surface parking, will provide an additional 1,100 spaces on the UNL campus. The total cost of the project is estimated at \$13.9 million.

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 are primarily 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, 2009 and 2008, the Foundation's net assets (including unrealized gains) totaled \$1,116,454, and \$1,288,633 as of June 30, 2009 and 2008, respectively.

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During the years ended June 30, 2009 and 2008, the Foundation contributed \$58 million and \$64 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 \$43 million and \$65 million during 2009 and 2008, 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.

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 nonprofit 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.

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 Made,” SFAS No. 117, “Financial Statements of Not-for-Profit Organizations,” and FSP FAS 117-1, “Endowments 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:

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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. 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, are 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 31½ 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.

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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.

2. INVESTMENTS

During 2009, the Foundation adopted Statement No. 157, “Fair Value Measurements,” which provides a framework for measuring fair value under generally accepted accounting principles. Statement No. 157 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in Statement No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

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For the fiscal year ended June 30, 2009, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Marketable Equity Securities – The fair value of marketable equity securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

The table below presents the balances of assets measured at June 30, 2009 at fair value on a recurring basis.

	2009			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S., State and Local Government securities and sovereign debt	\$ 54,428	\$ 54,428	\$ -	\$ -
Other bonds	19,231	19,231	-	-
Common stock	318,028	318,028	-	-
Mutual funds	346,124	346,124	-	-
Limited partnerships	162,566	-	162,566	-
Preferred stock	98	98	-	-
Total	<u>\$ 900,475</u>	<u>\$ 737,909</u>	<u>\$ 162,566</u>	<u>\$ -</u>

Management evaluates securities for other than temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial conditions and near-term prospects of the issuer, and (3) the intent and ability of the Foundation to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

The investments in equity securities with 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.

THE UNIVERSITY OF NEBRASKA
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 and 2008
(Thousands)

	2009		
	Book Value	Unrealized Gain (Loss)	Fair Value
INVESTMENTS STATED AT FAIR VALUE:			
U.S., State and Local Government securities and sovereign debt	\$ 51,062	\$ 3,366	\$ 54,428
Other bonds	20,389	(1,158)	19,231
Common stock	340,465	(22,437)	318,028
Mutual funds	414,946	(68,822)	346,124
Limited partnerships	217,205	(54,639)	162,566
Preferred stocks	75	23	98
	<u>\$ 1,044,142</u>	<u>\$ (143,667)</u>	<u>\$ 900,475</u>
2008			
	Book Value	Unrealized Gain (Loss)	Fair Value
INVESTMENTS STATED AT FAIR VALUE:			
U.S., State and Local Government securities and sovereign debt	\$ 53,823	\$ 3,934	\$ 57,757
Other bonds	18,809	140	18,949
Common stock	321,914	50,882	372,796
Mutual funds	394,541	4,406	398,947
Limited partnerships	293,693	7,617	301,310
Preferred stocks	51	(4)	47
	<u>\$ 1,082,831</u>	<u>\$ 66,975</u>	<u>\$ 1,149,806</u>
Book Value 2009 Book Value 2008			
INVESTMENTS STATED AT OTHER THAN FAIR VALUE:			
Certificates of deposit, savings and money funds	\$ 18,505	\$ 35,150	
Real estate	27,732	26,950	
Real estate mortgage and contracts	24,167	24,053	
Miscellaneous	3,415	3,272	
Cash value of life insurance	4,642	4,381	
Annuity contracts	209	208	
	<u>\$ 78,670</u>	<u>\$ 94,014</u>	
TOTAL INVESTMENTS:			
Stated at fair value	\$ 900,476	\$ 1,149,806	
Stated at other than fair value	78,670	94,014	
	<u>\$ 979,146</u>	<u>\$ 1,243,820</u>	

THE UNIVERSITY OF NEBRASKA
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NOTES TO FINANCIAL STATEMENTS
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(Thousands)

3. LEASE COMMITMENTS

The Foundation has entered into an amended lease agreement for rental of office space on the 2nd and 3rd floors in Lincoln, beginning September 1, 2007 and extending through August 31, 2017. The annual rental is \$577 through calendar year 2012, with a possible increase based on the consumer price index for the period from January 1, 2013 through August 31, 2017. The Foundation had also entered into a contract for rental of office space in Omaha for 15 years beginning on November 1, 2008 with increases every 60 months. The annual rental is \$388 for the first 5 years and \$419 for the next 5 years. The Foundation entered into an amended lease agreement for office space in Kearney for the period from November 1, 2008 to October 31, 2010 at a rental rate of \$4 per month. The minimum rentals for leases with guaranteed terms for the five fiscal years after June 30, 2009, are as follows:

June 30, 2010	\$ 1,007
June 30, 2011	979
June 30, 2012	965
June 30, 2013	965
June 30, 2014	986

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 8.0% or 6.5% of salary, respectively. The Foundation and LLC contributions to the plans for the years ending June 30, 2009 and 2008 were \$640 and \$567, respectively.

5. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances and certificates of deposit at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250. 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.

THE UNIVERSITY OF NEBRASKA
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 and 2008
(Thousands)

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.

The amounts of the net assets are as follows:

Temporarily restricted - charitable trusts and annuities	\$ 24,846
Temporarily restricted - available for specific purposes	355,289
Temporarily restricted - discretion of Foundation Board	49,745
Permanently restricted - endowment	602,405
Permanently restricted - available for specific purposes	65,915
Permanently restricted - student loans	<u>10,536</u>
	<u>\$ 1,108,736</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 as follows:

Gross amount due in:	<u>2009</u>	<u>2008</u>
One year or less	\$ 21,871	\$ 22,902
One to five years	91,141	108,789
More than five years	<u>15,535</u>	<u>11,147</u>
	128,547	142,838
Less discount to present value	<u>23,356</u>	<u>20,959</u>
	105,191	121,879
Less allowance for doubtful accounts - 3%	<u>3,156</u>	<u>3,657</u>
	<u>\$ 102,035</u>	<u>\$ 118,222</u>

The discount will be recognized as contribution income in years 2010 through 2021.

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.

THE UNIVERSITY OF NEBRASKA
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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2009 and 2008
(Thousands)

9. PROPERTY AND EQUIPMENT

The property and equipment of the Foundation at June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Property	\$ 1,683	\$ 909
Leasehold improvements	2,986	2,210
Aircraft	4,177	4,177
Automobiles	206	157
Furniture, equipment and software	<u>6,205</u>	<u>4,854</u>
	15,257	12,307
Less accumulated depreciation	<u>6,667</u>	<u>5,067</u>
Net property and equipment	<u>\$ 8,590</u>	<u>\$ 7,240</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. Nonmarketable debt securities are valued based on estimated discounted future cash flows; nonmarketable 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.

THE UNIVERSITY OF NEBRASKA
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THE UNIVERSITY OF NEBRASKA-LINCOLN
ADDITIONAL INFORMATION
SCHEDULES OF NET ASSETS
JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 101,170	\$ 89,165
Cash and cash equivalents - restricted	124,295	114,551
Cash and cash equivalents held by trustee - restricted	18,543	19,385
Investments - restricted	3,116	2,332
Investments held by trustee - restricted	6,823	-
Accounts receivable and unbilled charges, net	50,172	46,052
Loans to students, net	1,748	1,948
Due from other campuses	7,180	4,498
Other current assets	9,501	9,938
Total current assets	<u>322,548</u>	<u>287,869</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	39	162
Cash and cash equivalents held by trustee - restricted	80,761	69,375
Investments - restricted	138,993	191,531
Investments held by trustee - restricted	2,667	-
Loans to students, net of current portion	13,498	13,699
Capital assets, net of accumulated depreciation	726,491	645,472
Other non-current assets	3,813	3,465
Total non-current assets	<u>966,262</u>	<u>923,704</u>
Total assets	<u>1,288,810</u>	<u>1,211,573</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	34,320	30,859
Accrued salaries, wages, and post-retirement benefits	23,450	21,945
Accrued compensated absences	20,308	18,997
Bond obligations payable	14,750	11,815
Capital lease obligations	164	161
Capital lease obligations due to other campuses	469	467
Deferred revenues and credits	61,876	58,420
Total current liabilities	<u>155,337</u>	<u>142,664</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	222	474
Accrued compensated absences, net of current portion	8,064	7,449
Bond obligations payable, net of current portion	261,770	224,150
Capital lease obligations, net of current portion	908	1,050
Capital lease obligations due to other campuses, net of current portion	4,104	4,217
Deferred revenues and credits, net of current portion	1,979	2,146
Total non-current liabilities	<u>277,047</u>	<u>239,486</u>
Total liabilities	<u>432,384</u>	<u>382,150</u>
NET ASSETS:		
Invested in capital assets, net of related debt	431,931	402,882
Restricted for:		
Non-expendable:		
Permanent endowment	133,566	185,485
Expendable:		
Externally restricted funds for scholarships, student aid, and research	31,445	28,720
Loan funds	17,649	17,689
Plant construction	31,839	15,118
Debt service	55,006	44,493
Unrestricted	<u>154,990</u>	<u>135,036</u>
Total net assets	<u>\$ 856,426</u>	<u>\$ 829,423</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 REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$44,285 and \$41,903 in 2009 and 2008, respectively)	\$ 133,161	\$ 120,176
Federal grants and contracts - restricted	226,281	193,770
State and local grants and contracts - restricted	8,006	6,637
Private grants and contracts - restricted	20,507	39,215
Sales and services of educational activities	51,941	50,031
Sales and services of auxiliary operations	97,398	89,860
Sales and services of auxiliary segments (net of scholarship allowances of \$5,789 and \$5,738 in 2009 and 2008, respectively)	50,684	47,190
Other operating revenues	<u>6,947</u>	<u>5,851</u>
Total operating revenues	<u>594,925</u>	<u>552,730</u>
OPERATING EXPENSES:		
Salaries and wages	365,633	353,423
Benefits	<u>102,115</u>	<u>97,145</u>
Total compensation and benefits	467,748	450,568
Supplies and materials	138,722	134,937
Contractual services	38,200	36,561
Repairs and maintenance	16,442	12,681
Utilities	23,623	20,395
Communications	7,355	8,630
Depreciation	31,976	37,329
Scholarships and fellowships	<u>121,274</u>	<u>107,883</u>
Total operating expenses	<u>845,340</u>	<u>808,984</u>
TRANSFERS:		
Intercampus reallocation	(3,735)	(9,638)
Other	<u>32,677</u>	<u>8,071</u>
Total transfers	<u>28,942</u>	<u>(1,567)</u>
OPERATING LOSS	<u>(221,473)</u>	<u>(257,821)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	244,728	238,677
Gifts	36,597	47,505
Investment income (net of investment management fees of \$1,641 and \$2,184 in 2009 and 2008, respectively)	9,918	28,190
Increase (decrease) in fair value of investments	(46,872)	(18,400)
Retirement of lease obligation	114	102
Increase in lease obligation	(3)	-
Interest expense on bond and lease obligations	(11,241)	(9,798)
Capitalized interest on bond obligations	2,443	172
Loss on disposal of capital assets	<u>(992)</u>	<u>(862)</u>
Net non-operating revenues	<u>234,692</u>	<u>285,586</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>13,219</u>	<u>27,765</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
State of Nebraska capital appropriations	2,177	2,354
Capital grants and gifts	11,260	21,443
Private gifts and bequests for permanent endowments	347	670
Net other revenues, expenses, gains, or losses	<u>13,784</u>	<u>24,467</u>
INCREASE IN NET ASSETS	27,003	52,232
NET ASSETS:		
Net assets, beginning of year	<u>829,423</u>	<u>777,191</u>
Net assets, end of year	<u>\$ 856,426</u>	<u>\$ 829,423</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, 2009 AND 2008
(Thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 256,099	\$ 234,206
Tuition and fees	132,828	120,878
Sales and services of auxiliary operations	94,467	92,823
Sales and services of educational activities	77,755	76,823
Sales and services of auxiliary segments	50,644	47,515
Student loans collected	1,878	1,885
Other receipts	7,047	5,142
Payments to employees	(464,570)	(448,331)
Payments to vendors	(250,764)	(242,402)
Scholarships paid to students	(121,274)	(107,883)
Student loans issued	(1,622)	(3,209)
Other payments	(294)	(194)
Transfers:		
Intercampus reallocation	(3,735)	(9,638)
Other	32,677	8,071
Net cash flows from operating activities	<u>(188,864)</u>	<u>(224,314)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	244,553	238,991
Gifts	36,597	47,505
Private gifts and bequests for endowment use	346	670
Net cash flows from non-capital financing activities	<u>281,496</u>	<u>287,166</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	52,370	30,255
Capital grants and gifts	12,377	23,084
State of Nebraska capital appropriations	2,128	2,283
Purchases of capital assets	(110,213)	(74,607)
Principal paid on bond obligations	(11,815)	(9,330)
Interest paid on bond obligations	(10,048)	(9,812)
Payment of bond financial expense	-	(21)
Payments made on lease obligations	(530)	(852)
Net cash flows from capital and related financing activities	<u>(65,731)</u>	<u>(39,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	207,664	236,554
Purchases of investments	(212,273)	(246,493)
Interest on investments	9,878	28,344
Net cash flows from investing activities	<u>5,269</u>	<u>18,405</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	32,170	42,257
CASH AND CASH EQUIVALENTS, beginning of year	<u>292,638</u>	<u>250,381</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 324,808</u>	<u>\$ 292,638</u>

(Continued)

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, 2009 AND 2008
(Thousands)

	2009	2008
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 101,170	\$ 89,165
Cash and cash equivalents - restricted (current)	124,295	114,551
Cash and cash equivalents held by trustee - restricted (current)	18,543	19,385
Cash and cash equivalents - restricted (non-current)	39	162
Cash and cash equivalents held by trustee - restricted (non-current)	<u>80,761</u>	<u>69,375</u>
Cash and cash equivalents - end of year	<u>\$ 324,808</u>	<u>\$ 292,638</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (221,473)	\$ (257,821)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	31,976	37,329
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(4,507)	(4,158)
Loans to students	399	(1,193)
Other current assets	613	(798)
Accounts payable	(1,498)	(1,921)
Accrued salaries, wages, compensated absences, and post-retirement benefits	3,178	2,237
Deferred revenues and credits	<u>2,448</u>	<u>2,011</u>
Net cash flows from operating activities	<u>\$ (188,864)</u>	<u>\$ (224,314)</u>
NON-CASH TRANSACTIONS:		
Purchase of capital assets through lease obligations	\$ 391	\$ 355
Increase (decrease) in fair value of investments	(46,872)	(18,400)

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, 2009 AND 2008
(Thousands)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 60,108	\$ 41,010
Cash and cash equivalents - restricted	58,564	86,983
Cash and cash equivalents held by trustee - restricted	267	265
Investments - restricted	365	365
Accounts receivable and unbilled charges, net	69,880	77,963
Loans to students, net	1,399	1,654
Due from other campuses	236	-
Other current assets	5,592	6,129
Total current assets	<u>196,411</u>	<u>214,369</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	-	242
Cash and cash equivalents held by trustee - restricted	62	-
Investments - restricted	42,033	49,291
Investments held by trustee - restricted	397	176
Investment in joint venture	230,369	227,508
Loans to students, net of current portion	10,955	10,288
Capital assets, net of accumulated depreciation	479,940	440,781
Other non-current assets	8,200	5,525
Total non-current assets	<u>771,956</u>	<u>733,811</u>
Total assets	<u>968,367</u>	<u>948,180</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	18,313	14,853
Accrued salaries, wages, and post-retirement benefits	14,454	13,521
Accrued compensated absences	24,557	21,725
Bond obligations payable	125	120
Capital lease obligations	938	898
Capital lease obligations due to other campuses	5,882	1,716
Deferred revenues and credits	11,039	10,170
Health and other insurance claims	3,488	3,085
Due to other campuses	-	653
Total current liabilities	<u>78,796</u>	<u>66,741</u>
NON-CURRENT LIABILITIES:		
Accrued compensated absences, net of current portion	6,460	5,777
Bond obligations payable, net of current portion	4,735	4,860
Capital lease obligations, net of current portion	2,004	2,942
Capital lease obligations due to other campuses, net of current portion	8,366	15,613
Deferred revenues and credits, net of current portion	13	-
Total non-current liabilities	<u>21,578</u>	<u>29,192</u>
Total liabilities	<u>100,374</u>	<u>95,933</u>
NET ASSETS:		
Invested in capital assets, net of related debt	454,827	411,655
Restricted for:		
Non-expendable:		
Permanent endowment	1,686	1,633
Expendable:		
Externally restricted funds for scholarships, student aid and research	79,008	113,498
Loan funds	15,935	15,906
Plant construction	6,068	261
Debt service	592	600
Unrestricted	<u>309,877</u>	<u>308,694</u>
Total net assets	<u>\$ 867,993</u>	<u>\$ 852,247</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 REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$4,777 and \$4,615 in 2009 and 2008, respectively)	\$ 33,875	\$ 30,601
Federal grants and contracts - restricted	62,477	51,919
State and local grants and contracts - restricted	18,369	17,953
Private grants and contracts - restricted	53,762	62,857
Sales and services of educational activities	3,718	5,380
Sales and services of health care entities	192,899	181,824
Sales and services of auxiliary operations	24,511	19,878
Sales and services of auxiliary segments	502	495
Other operating revenues	324	285
Total operating revenues	<u>390,437</u>	<u>371,192</u>
OPERATING EXPENSES:		
Salaries and wages	308,020	285,334
Benefits	76,251	70,213
Total compensation and benefits	<u>384,271</u>	<u>355,547</u>
Supplies and materials	52,371	46,974
Contractual services	51,997	47,873
Repairs and maintenance	25,287	20,957
Utilities	6,005	6,490
Communications	3,750	3,541
Depreciation	24,527	22,019
Scholarships and fellowships	9,412	8,598
Total operating expenses	<u>557,620</u>	<u>511,999</u>
TRANSFERS:		
Intercampus reallocation	(5,187)	(5,072)
Other	19,289	58,657
Total transfers	<u>14,102</u>	<u>53,585</u>
OPERATING LOSS	<u>(153,081)</u>	<u>(87,222)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	129,042	121,647
Gifts	17,601	14,908
Investment income (net of investment management fees of \$64 and \$23 in 2009 and 2008, respectively)	4,375	6,001
Increase (decrease) in fair value of investments	(7,771)	(3,388)
Retirement of lease obligation	3,794	270
Increase in lease obligation	(713)	(6,033)
Interest expense on bond obligations	(225)	(228)
Equity in earnings of joint venture	8,861	24,543
Gain (Loss) on disposal of capital assets	(668)	275
Net non-operating revenues	<u>154,296</u>	<u>157,995</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>1,215</u>	<u>70,773</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	2,830	2,686
Capital grants and gifts	11,701	17,633
Net other revenues, expenses, gains, or losses	<u>14,531</u>	<u>20,319</u>
INCREASE IN NET ASSETS	15,746	91,092
NET ASSETS:		
Net assets, beginning of year	<u>852,247</u>	<u>761,155</u>
Net assets, end of year	<u>\$ 867,993</u>	<u>\$ 852,247</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, 2009 AND 2008
(Thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 146,911	\$ 122,473
Tuition and fees	33,679	30,416
Sales and services of health care entities	183,583	170,580
Sales and services of auxiliary operations	24,893	17,904
Sales and services of educational activities	3,718	5,379
Sales and services of auxiliary segments	498	502
Student loans collected	1,638	1,697
Other receipts	324	279
Payments to employees	(370,646)	(324,873)
Payments to vendors	(145,624)	(141,869)
Scholarships paid to students	(9,412)	(8,598)
Student loans issued	(2,050)	(1,550)
Transfers:		
Intercampus reallocation	(5,187)	(5,072)
Other	19,289	58,657
Net cash flows from operating activities	<u>(118,386)</u>	<u>(74,075)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	129,042	121,647
Gifts	18,565	15,195
Net cash flows from non-capital financing activities	<u>147,607</u>	<u>136,842</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and gifts	12,724	18,070
State of Nebraska capital appropriations	2,769	2,533
Purchases of capital assets	(62,914)	(100,069)
Principal paid on bond obligations	(120)	(115)
Interest paid on bond obligations	(225)	(228)
Payments made on lease obligations	(898)	(1,330)
Net cash flows from capital and related financing activities	<u>(48,664)</u>	<u>(81,139)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	4,076	9,981
Purchases of investments	(4,542)	(10,837)
Interest on investments	4,410	6,038
Distributions received from joint venture	6,000	6,000
Net cash flows from investing activities	<u>9,944</u>	<u>11,182</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,499)	(7,190)
CASH AND CASH EQUIVALENTS, beginning of year	<u>128,500</u>	<u>135,690</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 119,001</u>	<u>\$ 128,500</u>

(Continued)

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

THE UNIVERSITY OF NEBRASKA MEDICAL CENTER
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 60,108	\$ 41,010
Cash and cash equivalents - restricted (current)	58,564	86,983
Cash and cash equivalents held by trustee - restricted (current)	267	265
Cash and cash equivalents held by trustee - restricted (non-current)	<u>62</u>	<u>242</u>
Cash and cash equivalents - end of year	<u>\$ 119,001</u>	<u>\$ 128,500</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (153,081)	\$ (87,222)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	24,527	22,019
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(1,217)	(21,526)
Loans to students	(411)	147
Other current assets	537	(620)
Accounts payable	6,308	9,245
Accrued salaries, wages, compensated absences, and post-retirement benefits	3,665	2,163
Deferred revenues and credits	883	1,487
Health and other insurance claims	<u>403</u>	<u>232</u>
Net cash flows from operating activities	<u>\$ (118,386)</u>	<u>\$ (74,075)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ (7,771)	\$ (3,388)
Purchase of capital assets through lease obligations	-	263

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 NET ASSETS
JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 22,541	\$ 17,544
Cash and cash equivalents - restricted	16,290	15,391
Cash and cash equivalents held by trustee - restricted	4,881	4,743
Investments held by trustee - restricted	690	1,060
Accounts receivable and unbilled charges, net	8,174	9,310
Loans to students, net	726	917
Due from other campuses	-	691
Other current assets	1,696	2,594
Total current assets	<u>54,998</u>	<u>52,250</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents held by trustee - restricted	17,396	6,139
Investments - restricted	3,277	4,419
Investments held by trustee - restricted	14,983	39,709
Loans to students, net of current portion	6,176	6,186
Capital assets, net of accumulated depreciation	189,516	164,755
Other non-current assets	4,428	4,549
Total non-current assets	<u>235,776</u>	<u>225,757</u>
Total assets	<u>290,774</u>	<u>278,007</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	8,512	9,073
Accrued salaries, wages, and post-retirement benefits	7,852	7,337
Accrued compensated absences	3,581	3,356
Bond obligations payable	1,415	1,365
Capital lease obligations	2,189	2,244
Due to other campuses	404	-
Deferred revenues and credits	8,313	7,410
Total current liabilities	<u>32,266</u>	<u>30,785</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	227	349
Accrued compensated absences, net of current portion	1,335	1,271
Bond obligations payable, net of current portion	87,425	88,840
Capital lease obligations, net of current portion	1,061	3,250
Deferred revenues and credits, net of current portion	3,435	3,502
Total non-current liabilities	<u>93,483</u>	<u>97,212</u>
Total liabilities	<u>125,749</u>	<u>127,997</u>
NET ASSETS:		
Invested in capital assets, net of related debt	121,193	107,173
Restricted for:		
Non-expendable:		
Permanent endowment	598	778
Expendable:		
Externally restricted funds for scholarships, student aid and research	2,662	2,412
Loan funds	7,405	7,519
Plant construction	8,837	5,417
Debt service	8,470	10,559
Unrestricted	15,860	16,152
Total net assets	<u>\$ 165,025</u>	<u>\$ 150,010</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, 2009 AND 2008
(Thousands)

	2009	2008
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$15,448 and \$14,695 in 2009 and 2008, respectively)	\$ 57,102	\$ 54,109
Federal grants and contracts - restricted	16,161	13,162
State and local grants and contracts - restricted	3,528	3,477
Private grants and contracts - restricted	4,510	3,644
Sales and services of educational activities	9,950	8,692
Sales and services of auxiliary operations	4,363	4,611
Sales and services of auxiliary segments (net of scholarship allowances of \$650 and \$495 in 2009 and 2008, respectively)	18,850	15,092
Other operating revenues	724	551
Total operating revenues	<u>115,188</u>	<u>103,338</u>
OPERATING EXPENSES:		
Salaries and wages	91,119	86,209
Benefits	22,756	21,495
Total compensation and benefits	113,875	107,704
Supplies and materials	27,968	27,200
Contractual services	8,440	6,492
Repairs and maintenance	6,512	5,536
Utilities	3,463	3,346
Communications	1,406	1,420
Depreciation	7,141	5,999
Scholarships and fellowships	12,984	11,738
Total operating expenses	<u>181,789</u>	<u>169,435</u>
TRANSFERS:		
Intercampus reallocation	(2,071)	(2,901)
Other	5,505	6,820
Total transfers	<u>3,434</u>	<u>3,919</u>
OPERATING LOSS	<u>(63,167)</u>	<u>(62,178)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	61,029	58,994
Gifts	16,346	11,016
Investment income (net of investment management fees of \$33 and \$45 in 2009 and 2008, respectively)	2,500	3,206
Decrease in fair value of investments	(642)	(702)
Interest expense on bond obligations	(4,121)	(2,650)
Loss on disposal of capital assets	(95)	(108)
Net non-operating revenues	<u>75,017</u>	<u>69,756</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>11,850</u>	<u>7,578</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	3,165	10,260
INCREASE IN NET ASSETS	15,015	17,838
NET ASSETS:		
Net assets, beginning of year	<u>150,010</u>	<u>132,172</u>
Net assets, end of year	<u>\$165,025</u>	<u>\$150,010</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, 2009 AND 2008
(Thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 24,076	\$ 21,697
Tuition and fees	56,952	54,546
Sales and services of auxiliary operations	5,147	4,188
Sales and services of educational activities	10,193	8,612
Sales and services of auxiliary segments	18,850	15,092
Student loans collected	991	1,055
Other receipts	828	555
Payments to employees	(113,193)	(107,162)
Payments to vendors	(46,138)	(45,396)
Scholarships paid to students	(12,984)	(11,738)
Student loans issued	(790)	(1,671)
Transfers:		
Intercampus reallocation	(2,071)	(2,901)
Other	5,505	6,820
Net cash flows from operating activities	<u>(52,634)</u>	<u>(56,303)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	61,029	58,994
Gifts	<u>16,920</u>	<u>9,400</u>
Net cash flows from non-capital financing activities	<u>77,949</u>	<u>68,394</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	-	72,685
State of Nebraska capital appropriations	3,447	9,910
Purchases of capital assets	(31,798)	(42,750)
Premium on issuance of bonds	-	566
Payments made on lease obligations	(2,244)	(2,766)
Principal paid on bond obligations	(1,365)	(825)
Payment of bond financial expense	-	(1,473)
Interest paid on bond obligations	<u>(4,439)</u>	<u>(1,865)</u>
Net cash flows from capital and related financing activities	<u>(36,399)</u>	<u>33,482</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	29,879	29,266
Purchases of investments	(4,479)	(66,256)
Interest on investments	<u>2,975</u>	<u>2,938</u>
Net cash flows from investing activities	<u>28,375</u>	<u>(34,052)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	17,291	11,521
CASH AND CASH EQUIVALENTS, beginning of year	<u>43,817</u>	<u>32,296</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 61,108</u>	<u>\$ 43,817</u>

(Continued)

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

THE UNIVERSITY OF NEBRASKA AT OMAHA
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 22,541	\$ 17,544
Cash and cash equivalents - restricted (current)	16,290	15,391
Cash and cash equivalents held by trustee - restricted (current)	4,881	4,743
Cash and cash equivalents held by trustee - restricted (non-current)	<u>17,396</u>	<u>6,139</u>
Cash and cash equivalents - end of year	<u>\$ 61,108</u>	<u>\$ 43,817</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (63,167)	\$ (62,178)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	7,141	5,999
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	1	95
Loans to students	201	(616)
Other current assets	1,019	(63)
Accounts payable	632	(1,339)
Accrued salaries, wages, compensated absences, and post-retirement benefits	682	542
Deferred revenues and credits	<u>857</u>	<u>1,257</u>
Net cash flows from operating activities	<u>\$ (52,634)</u>	<u>\$ (56,303)</u>
NON-CASH TRANSACTIONS:		
Decrease in fair value of investments	\$ (642)	\$ (702)
Purchase of capital assets through lease obligations	-	2,511

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, 2009 AND 2008
(Thousands)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 23,967	\$ 20,137
Cash and cash equivalents - restricted	2,336	2,522
Cash and cash equivalents held by trustee - restricted	2,490	2,402
Accounts receivable and unbilled charges, net	2,810	2,184
Loans to students, net	287	308
Due from other campuses	36	-
Other current assets	297	235
Total current assets	<u>32,223</u>	<u>27,788</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents held by trustee - restricted	898	7,553
Investments held by trustee - restricted	13,427	10,753
Loans to students, net of current portion	2,456	2,382
Capital assets, net of accumulated depreciation	115,654	90,589
Other non-current assets	539	588
Total non-current assets	<u>132,974</u>	<u>111,865</u>
Total assets	<u>165,197</u>	<u>139,653</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	3,218	3,828
Accrued salaries, wages, and post-retirement benefits	4,754	4,143
Accrued compensated absences	1,272	1,179
Bond obligations payable	1,225	1,105
Capital lease obligations	49	59
Due to other campuses	-	21
Deferred revenues and credits	1,187	1,794
Total current liabilities	<u>11,705</u>	<u>12,129</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	323	42
Accrued compensated absences, net of current portion	607	543
Bond obligations payable, net of current portion	26,720	27,945
Capital lease obligations, net of current portion	43	84
Deferred revenues and credits	1,289	1,451
Total non-current liabilities	<u>28,982</u>	<u>30,065</u>
Total liabilities	<u>40,687</u>	<u>42,194</u>
NET ASSETS:		
Invested in capital assets, net of related debt	87,254	61,302
Restricted for:		
Non-expendable:		
Permanent endowment	66	66
Expendable:		
Externally restricted funds for scholarships, student aid and research	1,074	1,031
Loan funds	2,957	2,895
Plant construction	1,358	2,466
Debt service	15,443	17,061
Unrestricted	16,358	12,638
Total net assets	<u>\$ 124,510</u>	<u>\$ 97,459</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 REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$7,508 and \$7,039 in 2009 and 2008, respectively)	\$ 21,492	\$ 19,699
Federal grants and contracts - restricted	7,034	6,749
State and local grants and contracts - restricted	1,981	1,695
Private grants and contracts - restricted	355	223
Sales and services of educational activities	5,431	4,602
Sales and services of auxiliary operations	3,462	3,106
Sales and services of auxiliary segments (net of scholarship allowances of \$2,507 and \$2,199 in 2009 and 2008, respectively)	10,603	9,240
Other operating revenues	594	159
Total operating revenues	<u>50,952</u>	<u>45,473</u>
OPERATING EXPENSES:		
Salaries and wages	41,887	39,688
Benefits	11,993	10,980
Total compensation and benefits	53,880	50,668
Supplies and materials	15,353	13,402
Contractual services	1,416	1,337
Repairs and maintenance	992	1,508
Utilities	2,820	2,678
Communications	749	787
Depreciation	4,266	3,888
Scholarships and fellowships	5,124	4,835
Total operating expenses	<u>84,600</u>	<u>79,103</u>
TRANSFERS:		
Intercampus reallocation	(844)	(966)
Other	22,581	8,143
Total transfers	<u>21,737</u>	<u>7,177</u>
OPERATING LOSS	<u>(11,911)</u>	<u>(26,453)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	35,689	34,583
Gifts	2,035	1,700
Investment income (net of investment management fees of \$6 and \$6 in 2009 and 2008, respectively)	1,666	2,150
Increase (decrease) in fair value of investments	228	137
Capitalized interest on bond obligations	110	377
Interest expense on bond obligations	(1,290)	(1,325)
Loss on disposal of capital assets	(16)	17
Net non-operating revenues	<u>38,422</u>	<u>37,639</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>26,511</u>	<u>11,186</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	175	506
Capital grants and gifts	365	167
Net other revenues, expenses, gains, or losses	<u>540</u>	<u>673</u>
INCREASE IN NET ASSETS	27,051	11,859
NET ASSETS:		
Net assets, beginning of year	<u>97,459</u>	<u>85,600</u>
Net assets, end of year	<u>\$124,510</u>	<u>\$ 97,459</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, 2009 AND 2008
(Thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 9,203	\$ 8,348
Tuition and fees	21,132	19,861
Sales and services of auxiliary operations	3,445	3,193
Sales and services of educational activities	5,303	4,757
Sales and services of auxiliary segments	10,644	9,238
Student loans collected	341	378
Other receipts	(217)	159
Payments to employees	(52,831)	(50,466)
Payments to vendors	(21,007)	(19,770)
Scholarships paid to students	(5,124)	(4,835)
Student loans issued	(344)	(437)
Transfers:		
Intercampus reallocation	(844)	(966)
Other	<u>22,581</u>	<u>8,143</u>
Net cash flows from operating activities	<u>(7,718)</u>	<u>(22,397)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	35,688	34,583
Gifts	<u>2,041</u>	<u>1,630</u>
Net cash flows from non-capital financing activities	<u>37,729</u>	<u>36,213</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and gifts	54	25
State of Nebraska capital appropriations	176	563
Purchases of capital assets	(30,059)	(19,177)
Principal paid on bond obligations	(1,105)	(750)
Interest paid on bond obligations	(1,169)	(939)
Payment of bond financial expense	(17)	-
Payments made on lease obligations	<u>(77)</u>	<u>(54)</u>
Net cash flows from capital and related financing activities	<u>(32,197)</u>	<u>(20,332)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	1,039	16,302
Purchases of investments	(3,482)	(6,180)
Interest on investments	<u>1,706</u>	<u>2,133</u>
Net cash flows from investing activities	<u>(737)</u>	<u>12,255</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,923)	5,739
CASH AND CASH EQUIVALENTS, beginning of year	<u>32,614</u>	<u>26,875</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 29,691</u>	<u>\$ 32,614</u>

(Continued)

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

THE UNIVERSITY OF NEBRASKA AT KEARNEY
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 23,967	\$ 20,137
Cash and cash equivalents - restricted (current)	2,336	2,522
Cash and cash equivalents held by trustee - restricted (current)	2,490	2,402
Cash and cash equivalents held by trustee - restricted (non-current)	<u>898</u>	<u>7,553</u>
Cash and cash equivalents - end of year	<u>\$ 29,691</u>	<u>\$ 32,614</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (11,911)	\$ (26,453)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	4,266	3,888
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(746)	(350)
Loans to students	(53)	(59)
Other current assets	(22)	45
Accounts payable	344	(102)
Accrued salaries, wages, compensated absences, and post-retirement benefits	1,049	202
Deferred revenues and credits	<u>(645)</u>	<u>432</u>
Net cash flows from operating activities	<u>\$ (7,718)</u>	<u>\$ (22,397)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ 228	\$ 137
Capital grants and gifts	311	142
Purchase of capital assets through lease obligations	26	-

See independent auditors' report.

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

THE UNIVERSITY OF NEBRASKA CENTRAL ADMINISTRATION
ADDITIONAL INFORMATION
SCHEDULES OF NET ASSETS
JUNE 30, 2009 and 2008
(Thousands)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 45,908	\$ 45,241
Cash and cash equivalents - restricted	3,183	2,768
Investments - restricted	91,185	534
Accounts receivable and unbilled charges, net	2,956	2,467
Due from other campuses	-	458
Other current assets	2,468	-
Total current assets	<u>145,700</u>	<u>51,468</u>
NON-CURRENT ASSETS:		
Investments - restricted	26,404	121,114
Capital assets, net of accumulated depreciation	15,598	3,041
Total non-current assets	<u>42,002</u>	<u>124,155</u>
Total assets	<u>187,702</u>	<u>175,623</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	18,707	19,230
Accrued salaries, wages, and post-retirement benefits	125	111
Accrued compensated absences	1,023	925
Capital lease obligations	71	68
Due to other campuses	1,136	-
Deferred revenues and credits	46	67
Health and other insurance claims	7,099	7,044
Total current liabilities	<u>28,207</u>	<u>27,445</u>
NON-CURRENT LIABILITIES:		
Accrued compensated absences, net of current portion	293	252
Capital lease obligations, net of current portion	1,932	2,003
Total non-current liabilities	<u>2,225</u>	<u>2,255</u>
Total liabilities	<u>30,432</u>	<u>29,700</u>
NET ASSETS:		
Invested in capital assets, net of related debt	13,595	970
Restricted for:		
Non-expendable:		
Permanent endowment	20,564	28,376
Expendable:		
Externally restricted funds for scholarships, student aid and research	6,259	5,008
Plant construction	80	217
Unrestricted	116,772	111,352
Total net assets	<u>\$ 157,270</u>	<u>\$ 145,923</u>

See independent auditors' report.

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

THE UNIVERSITY OF NEBRASKA CENTRAL ADMINISTRATION
ADDITIONAL INFORMATION
SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
OPERATING REVENUES:		
Federal grants and contracts - restricted	\$ 1,207	\$ 776
State and local grants and contracts - restricted	-	31
Private grants and contracts - restricted	91	77
Sales and services of auxiliary operations	284	219
Other operating revenues	<u>7,780</u>	<u>16,305</u>
Total operating revenues	<u>9,362</u>	<u>17,408</u>
OPERATING EXPENSES:		
Salaries and wages	6,032	6,231
Benefits	<u>1,142</u>	<u>1,205</u>
Total compensation and benefits	7,174	7,436
Supplies and materials	9,332	9,059
Contractual services	1,739	3,630
Repairs and maintenance	579	800
Utilities	61	66
Communications	649	205
Depreciation	615	742
Scholarships and fellowships	<u>661</u>	<u>720</u>
Total operating expenses	<u>20,810</u>	<u>22,658</u>
TRANSFERS:		
Intercampus reallocation	(642)	6,610
Other	<u>1,358</u>	<u>98</u>
Total transfers	<u>716</u>	<u>6,708</u>
OPERATING INCOME	<u>(10,732)</u>	<u>1,458</u>
NON-OPERATING REVENUES (EXPENSES)		
State of Nebraska non-capital appropriations	31,306	21,197
Gifts	193	414
Investment income (net of investment management fees of \$294 and \$371)	(180)	2,847
Increase (decrease) in fair value of investments	(9,735)	(3,202)
Interest expense on bond obligations	(152)	(162)
Loss on disposal of capital assets	<u>(1)</u>	<u>(77)</u>
Net non-operating revenues	<u>21,431</u>	<u>21,017</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>10,699</u>	<u>22,475</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
Private gifts and bequests for permanent endowments	<u>648</u>	<u>761</u>
INCREASE IN NET ASSETS	11,347	23,236
NET ASSETS:		
Net assets, beginning of year	<u>145,923</u>	<u>122,687</u>
Net assets, end of year	<u>\$ 157,270</u>	<u>\$ 145,923</u>

See independent auditors' report.

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

THE UNIVERSITY OF NEBRASKA CENTRAL ADMINISTRATION
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 1,287	\$ 330
Sales and services of auxiliary operations	276	229
Other receipts	9,213	16,377
Payments to employees	(7,022)	(7,290)
Payments to vendors	(15,619)	(17,630)
Scholarships paid to students	(661)	(720)
Transfers:		
Intercampus reallocation	(642)	6,610
Other	1,358	98
Net cash flows from operating activities	<u>(11,810)</u>	<u>(1,996)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	31,306	21,197
Gifts	188	399
Private gifts and bequests for endowment use	648	761
Net cash flows from non-capital financing activities	<u>32,142</u>	<u>22,357</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(13,173)	(197)
Interest paid on bond obligations	(152)	(162)
Payments made on lease obligations	(68)	(264)
Net cash flows from capital and related financing activities	<u>(13,393)</u>	<u>(623)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	79,600	95,435
Purchases of investments	(85,277)	(110,493)
Interest on investments	(180)	2,857
Net cash flows from investing activities	<u>(5,857)</u>	<u>(12,201)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,082	7,537
CASH AND CASH EQUIVALENTS, beginning of year	<u>48,009</u>	<u>40,472</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 49,091</u>	<u>\$ 48,009</u>

(Continued)

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

THE UNIVERSITY OF NEBRASKA CENTRAL ADMINISTRATION
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 45,908	\$ 45,241
Cash and cash equivalents - restricted (current)	<u>3,183</u>	<u>2,768</u>
Cash and cash equivalents - end of year	<u>\$ 49,091</u>	<u>\$ 48,009</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ (10,732)	\$ 1,458
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation expense:	615	742
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(484)	(2,416)
Other current assets	825	918
Accounts payable	(2,221)	(2,754)
Accrued salaries, wages, compensated absences, and post-retirement benefits	152	146
Deferred revenues and credits	(20)	14
Health and other insurance claims	<u>55</u>	<u>(104)</u>
Net cash flows from operating activities	<u>\$ (11,810)</u>	<u>\$ (1,996)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ (9,735)	\$ (3,202)

See independent auditors' report.

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

THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION
ADDITIONAL INFORMATION
SCHEDULES OF NET ASSETS (DEFICIT)
JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents held by trustee - restricted	\$ 26,458	\$ 25,860
Investments held by trustee - restricted	6,435	54
Accounts receivable and unbilled charges, net	625	1,583
Capital lease obligation receivable due from other campuses	6,351	2,183
Other current assets	-	2,036
Total current assets	<u>39,869</u>	<u>31,716</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents held by trustee - restricted	50,297	58,986
Investments held by trustee - restricted	72,639	112,669
Capital lease obligation receivable due from other campuses	12,470	19,830
Other non-current assets	544	537
Total non-current assets	<u>135,950</u>	<u>192,022</u>
Total assets	<u>175,819</u>	<u>223,738</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	9,989	21,783
Bond obligations payable	30,595	15,250
Due to other campuses	5,912	4,973
Total current liabilities	<u>46,496</u>	<u>42,006</u>
NON-CURRENT LIABILITIES:		
Bond obligations payable, net of current portion	214,210	218,770
Deferred revenues and credits	5,695	5,456
Total non-current liabilities	<u>219,905</u>	<u>224,226</u>
Total liabilities	<u>266,401</u>	<u>266,232</u>
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	(245,502)	(142,597)
Restricted for:		
Expendable:		
Plant construction	55,216	19,983
Debt service	99,704	80,120
Total net assets (deficit)	<u>\$ (90,582)</u>	<u>\$ (42,494)</u>

See independent auditors' report.

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

THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION
ADDITIONAL INFORMATION
SCHEDULES OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
OPERATING EXPENSES:		
Repairs and maintenance	\$ 86	\$ 70
Total operating expenses	<u>86</u>	<u>70</u>
TRANSFERS:		
Intercampus reallocation	12,479	11,967
Other	<u>(81,410)</u>	<u>(81,789)</u>
Total transfers	<u>(68,931)</u>	<u>(69,822)</u>
OPERATING INCOME (LOSS)	<u>(69,017)</u>	<u>(69,892)</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income	3,629	8,205
Increase (decrease) in fair value of investments	(536)	434
Retirement of lease obligation	(3,908)	(372)
Increase in lease obligation	716	6,033
Interest expense on bond obligations	<u>(6,605)</u>	<u>(9,407)</u>
Net non-operating expenses	<u>(6,704)</u>	<u>4,893</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>(75,721)</u>	<u>(64,999)</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
State of Nebraska capital appropriations	8,250	11,000
Capital grants and gifts	<u>19,383</u>	<u>31,527</u>
Net other revenues, expenses, gains, or losses	<u>27,633</u>	<u>42,527</u>
INCREASE (DECREASE) IN NET ASSETS (DEFICIT)	(48,088)	(22,472)
NET ASSETS (DEFICIT):		
Net assets (deficit), beginning of year	<u>(42,494)</u>	<u>(20,022)</u>
Net assets (deficit), end of year	<u>\$ (90,582)</u>	<u>\$ (42,494)</u>

See independent auditors' report.

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

THE UNIVERSITY OF NEBRASKA FACILITIES CORPORATION
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(Thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to vendors	\$ (10,823)	\$ 17,813
Transfers:		
Intercampus reallocation	12,479	11,967
Other	<u>(81,410)</u>	<u>(81,789)</u>
Net cash flows from operating activities	<u>(79,754)</u>	<u>(52,009)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	25,905	23,630
Capital grants and gifts	21,419	29,491
State of Nebraska capital appropriations	8,250	11,000
Premium on the issuance of bonds	997	810
Principal paid on bond obligations	(15,250)	(13,740)
Interest paid on bond obligations	(7,260)	(9,841)
Payment of bond financial expense	<u>(100)</u>	<u>(89)</u>
Net cash flows from capital and related financing activities	<u>33,961</u>	<u>41,261</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	116,447	135,613
Purchases of investments	(83,335)	(94,573)
Interest on investments	<u>4,590</u>	<u>8,933</u>
Net cash flows from investing activities	<u>37,702</u>	<u>49,973</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(8,091)	39,225
CASH AND CASH EQUIVALENTS, beginning of year	<u>84,846</u>	<u>45,621</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 76,755</u>	<u>\$ 84,846</u>
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents held by trustee - restricted (current)	\$ 26,458	\$ 25,860
Cash and cash equivalents held by trustee - restricted (non-current)	<u>50,297</u>	<u>58,986</u>
Cash and cash equivalents (current) - end of year	<u>\$ 76,755</u>	<u>\$ 84,846</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (69,017)	\$ (69,892)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Changes in assets and liabilities:		
Other current assets	(2,994)	207
Accounts payable	<u>(7,743)</u>	<u>17,676</u>
Net cash flows from operating activities	<u>\$ (79,754)</u>	<u>\$ (52,009)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ (536)	\$ 434

See independent auditors' report.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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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
Lincoln, Nebraska:

We have audited the financial statements of the business-type activities and discretely presented component unit of the University of Nebraska (University) (a component unit of the State of Nebraska) as of and for the years ended June 30, 2009 and 2008, which collectively comprise the University's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 14, 2009. Our report was modified to include a reference to reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University of Nebraska Foundation (the Foundation), the discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the UNMC Physicians, the UNeMed Corporation, University Dental Associates, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units); and the Obligations under the Master Trust Indenture; as described in our report on the University's financial statements. The financial statements of these entities 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 our 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.

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 University'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 University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

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 University'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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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, noncompliance 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 noncompliance 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.

This report is intended solely for the information and use of management, Board of Regents of the University of Nebraska, others within the University, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Lincoln, Nebraska
December 14, 2009

Signed Original on File

Don Dunlap, CPA
Assistant Deputy Auditor