

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

*Basic Financial Statements and Additional Information
for the Years Ended June 30, 2008 and 2007
and Independent Auditors' Reports*

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the Auditor of Public Accounts.**

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Issued on December 12, 2008

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

TABLE OF CONTENTS

	Pages
INDEPENDENT AUDITORS' REPORT	1 - 2
COMPONENT UNIT - INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4 - 16
BASIC FINANCIAL STATEMENTS:	
Statements of Net Assets	17
Component Unit - Consolidated Statements of Financial Position	18
Statements of Revenues, Expenses, and Changes in Net Assets	19
Component Unit - Consolidated Statements of Activities	20 - 21
Statements of Cash Flows	22 - 23
Component Unit - Consolidated Statements of Cash Flows	24
Notes to Financial Statements	25 - 60
ADDITIONAL INFORMATION:	
<i>The University of Nebraska-Lincoln:</i>	
Schedules of Net Assets	61
Schedules of Revenues, Expenses, and Changes in Net Assets	62
Schedules of Cash Flows	63 - 64
<i>The University of Nebraska Medical Center:</i>	
Schedules of Net Assets	65
Schedules of Revenues, Expenses, and Changes in Net Assets	66
Schedules of Cash Flows	67 - 68
<i>The University of Nebraska at Omaha:</i>	
Schedules of Net Assets	69
Schedules of Revenues, Expenses, and Changes in Net Assets	70
Schedules of Cash Flows	71 - 72
<i>The University of Nebraska at Kearney:</i>	
Schedules of Net Assets	73
Schedules of Revenues, Expenses, and Changes in Net Assets	74
Schedules of Cash Flows	75 - 76

TABLE OF CONTENTS (Continued)

	Pages
<i>The University of Nebraska Central Administration:</i>	
Schedules of Net Assets	77
Schedules of Revenues, Expenses, and Changes in Net Assets	78
Schedules of Cash Flows	79 - 80
<i>The University of Nebraska Facilities Corporation:</i>	
Schedules of Net Assets (Deficit)	81
Schedules of Revenues, Expenses, and Changes in Net Assets (Deficit)	82
Schedules of Cash Flows	83
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 <i>Government Auditing Standards</i>	84 - 85



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 year ended June 30, 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. The financial statements of the University for the year ended June 30, 2007, were audited by other auditors whose report dated November 27, 2007, expressed an unqualified opinion on those statements. 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, 70 percent, 7 percent and 20 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 report 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 report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University of Nebraska, as of June 30, 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 9, 2008 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. The University's financial statements for the year ended June 30, 2007 were audited by other auditors and their report on the 2007 additional information stated that, in their opinion, such information was fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2007, taken as a whole.

Lincoln, Nebraska
December 9, 2008

Signed Original on File

Don Dunlap, CPA
Assistant Deputy Auditor

DANA F. COLE & COMPANY, LLP
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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, 2008 and 2007, 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, 2008 and 2007, and the results of its activities and the cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Dana F Cole + Company, LLP

Lincoln, Nebraska
September 9, 2008

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (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, 2008 and 2007. 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				
	2004	2005	2006	2007	2008
UNL	22,559	21,792	21,675	22,106	22,973
UNMC	2,865	2,904	3,002	3,067	3,128
UNO	13,997	13,824	14,093	13,906	14,156
UNK	6,379	6,382	6,445	6,468	6,478
Total	45,800	44,902	45,215	45,547	46,735

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.

THE UNIVERSITY OF NEBRASKA

(A Component Unit of the State of Nebraska)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (UNAUDITED) (Columnar Amounts in Thousands)

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 2008) headcount enrollment was 46,700 plus students on the four campuses. This represents an increase of approximately 1,200 compared to the fall 2006 (fiscal 2007). This 2.6% increase is the third straight year of increases and returns headcount enrollment to the highest level in a decade. The largest percent gainers within the demographics are first time freshman (up 5%) and graduate students (up over 4%). The primary campus behind the increase was UNL who posted a gain of 4%. 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 729 to 11,339, representing 24% of the student body, reflecting the University's commitment to its increasing prominence as a major research institution.

Financial and Operating Highlights

- **Growth in Net Assets.** Total net assets and unrestricted net assets of the University grew by approximately 9% and 10%, respectively, and are attributable to several factors. First, the University's investment in the Nebraska Medical Center joint venture increased by \$19 million and is included in unrestricted net assets. Second, the trustee insurance balances increased approximately \$16 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's cash reserves increased by \$6 million and UNMC Physicians, a blended entity, realized an increase in unrestricted net assets of \$5 million. 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. Projects completed during the year included the UNL Morrison Life Sciences building, devoted to research in biosciences, and the Quilt Study Center. New construction completed during the year at UNK includes a student residence hall. Construction and renovation work continues at all of the campuses on several deferred maintenance projects financed by the UNFC Series 2006 Bonds.
- **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 OF NEBRASKA
(A Component Unit of the State of Nebraska)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (UNAUDITED)
(Columnar Amounts in Thousands)

The University marketed three new revenue bond issues under the Master Trust Indenture (MTI.) The Series 2007 Bonds of \$29,765 were used to construct new student residences at the UNO campus. Series 2008 Bonds, \$42,920, are being used to finance the renovation and construction of an expansion to the existing health and recreation facility at UNO, and Series 2008A Bonds proceeds, \$30,255, are designated to renovate existing student living facilities in the Abel-Sandoz Residence Halls at UNL. One new UNFC financing was issued in 2008, the UNFC Series 2007 Bonds, \$23,630, provided financing for the construction of a second research center of excellence tower at the UNMC campus.

- ***Increase in state appropriations.*** State non-capital appropriations increased by another 4% in 2008. 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 2008. This 6% increase, that includes 1% dedicated to repay the debt financing of the LB 605 initiative, compares with increases of 6% and 5% for 2007 and 2006, respectively. At the same time, the University used this funding opportunity to invest in faculty salaries and to add additional funding for its programs of excellence initiative. The University will continue to work with the State with the hope of attracting similar levels of investment, which will be invested by management strategically while at the same time using such funding to keep college affordable.
- ***Private grants and contracts.*** Support from private sources increased by another 4% in 2008 after increases of 11% in 2007 and 67% in 2006. Revenues from the private sector 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 \$71 million in 2008, an increase of \$47 million over 2007 and \$53 million over 2006. The largest of the gifts in 2008 were approximately \$16 million of donations relating to the UNMC Research Center for Excellence towers, \$15 million for the UNMC Sorrell Center, \$11 million from the Nebraska Medical Center to UNMC for a transplant facility, and gifts of \$21 million received by UNL for the Morrison Life Sciences building and \$12 million for the Quilt Study Center.

Using the Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (UNAUDITED)
(Columnar Amounts in Thousands)

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: funds externally restricted by creditors, grantors, or contributors and includes grant and research funds, student loan programs, funds for plant construction, and debt service on bond obligations.
 - Non-expendable: permanent endowments.
- Unrestricted Net Assets. Comprised of the University's investment in the joint venture of the Nebraska Medical Center (NMC) of \$228 million, quasi-endowments of \$38 million, net assets of the healthcare blended entities of \$62 million, net assets of the self insurance programs of \$86 million with the balance representing designated departmental balances, encumbrances, and working capital funds.

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (UNAUDITED)
(Columnar Amounts in Thousands)

Condensed Financial Statements and Analysis

Condensed Statements of Net Assets

	June 30		
	2008	2007	2006
Assets			
Current assets	\$ 925,305	\$ 771,410	\$ 676,329
Capital assets, net of accumulated depreciation	1,344,638	1,167,241	1,122,917
Other non-current assets	679,171	700,787	516,670
Total assets	<u>2,949,114</u>	<u>2,639,438</u>	<u>2,315,916</u>
Liabilities and Net Assets			
Current liabilities	313,940	273,821	229,717
Non-current liabilities	602,606	506,834	383,735
Total liabilities	<u>916,546</u>	<u>780,655</u>	<u>613,452</u>
Net assets:			
Invested in capital assets, net of related debt	841,385	769,459	741,018
Restricted for:			
Nonexpendable:			
Permanent endowment	216,338	217,070	200,376
Expendable:			
Externally restricted funds	150,669	137,247	122,382
Loan funds	44,009	44,692	44,290
Plant construction	43,462	37,127	35,710
Debt service	152,833	123,023	93,053
Unrestricted	583,872	530,165	465,635
Total net assets	<u>\$ 2,032,568</u>	<u>\$ 1,858,783</u>	<u>\$ 1,702,464</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (UNAUDITED)
(Columnar Amounts in Thousands)

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

	Year Ended June 30,		
	2008	2007	2006
Operating Revenues:			
Tuition and fees	\$ 224,585	\$ 209,445	\$ 195,281
Federal grants and contracts - restricted	266,376	259,804	260,275
State grants and contracts - restricted	29,793	30,873	27,724
Private grants and contracts - restricted	106,016	102,179	91,912
Sales and services of educational activities	68,705	65,422	58,187
Sales and services of health care entities	181,824	156,519	146,512
Sales and services of auxiliary operations	117,674	113,692	120,287
Sales and services of auxiliary segments	72,017	64,752	61,410
Other operating revenues	6,851	8,462	8,297
Total operating revenues	1,073,841	1,011,148	969,885
Operating Expenses:			
Salaries and wages	770,885	727,199	686,449
Benefits	181,736	164,934	156,696
Total compensation and benefits	952,621	892,133	843,145
Supplies and materials	231,572	234,604	226,374
Contractual services	99,336	94,332	86,040
Repairs and maintenance	41,552	34,772	32,823
Utilities	32,975	29,950	32,096
Communications	14,583	13,738	13,844
Depreciation	69,977	73,498	59,711
Scholarships and fellowships	133,774	126,543	120,939
Total operating expenses	1,576,390	1,499,570	1,414,972
Operating Loss	(502,549)	(488,422)	(445,087)
Non-operating Revenues (Expenses):			
State of Nebraska non-capital appropriations	475,098	460,282	429,270
Gifts	75,543	75,532	57,718
Investment income	50,599	64,000	49,058
Increase (decrease) in fair value of investments	(25,121)	9,320	(6,276)
Interest on loans receivable	441	432	420
Interest on bond obligations	(23,570)	(22,242)	(17,018)
Capitalized interest on bond obligations	549	1,498	1,654
Equity in joint venture	24,543	17,983	43,898
Loss on disposal of plant assets	(755)	(7,149)	(9,098)
Net non-operating revenues	577,327	599,656	549,626
Income before Other Revenues, Expenses, Gains or Losses	74,778	111,234	104,539
Other Revenues, Expenses, Gains or Losses:			
State of Nebraska capital appropriations	26,806	19,753	9,933
Capital grants and gifts	70,770	23,421	17,909
Capital grant to Nebraska Medical Center	-	-	(10,000)
Additions to permanent endowments	1,431	1,911	5,942
Net other revenues, expenses, gains or losses	99,007	45,085	23,784
Increase in net assets	173,785	156,319	128,323
Net Assets:			
Net assets, beginning of year	1,858,783	1,702,464	1,574,141
Net assets, end of year	\$ 2,032,568	\$ 1,858,783	\$ 1,702,464

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (UNAUDITED)
(Columnar Amounts in Thousands)

Analysis of Financial Position. Cash and cash equivalents represent the preponderance of current assets of the University. In 2008, 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, 2008, total investment in capital assets was \$1.7 billion, yielding a net investment, after accumulated depreciation, of \$1.3 billion. The net increase in capital assets was \$177 million, consisting of net additions of \$247 million less depreciation of \$70 million. Among the more noteworthy increases were the Sorrell Center at UNMC at a cost of \$47 million, student housing at UNK of \$9 million, the Maverick Village student housing at UNO for \$16 million, the UNL Morrison Life Sciences building at \$20 million, and the UNL Quilt Study Center for \$12 million. Additions to construction work in progress for the deferred maintenance projects totaled \$82 million. The student housing projects were funded by the Master Trust Indenture (MTI) revenue bond proceeds. The Sorrell Center, Morrison Life Sciences building, and the Quilt Study Center were funded by capital gifts. The additions to deferred maintenance construction work in progress were financed by the UNFC Series 2006 Bonds proceeds.

Indebtedness grew by \$102 million (net of maturities) during fiscal 2008, accounted for by the following new issues mentioned earlier in this discussion: the UNO HPER and housing projects, the UNL Abel-Sandoz student housing project, and the UNFC-funded Sorrell Center project at UNMC.

The unrestricted net assets of the University grew by 10% or \$54 million during the year to \$584 million. As discussed earlier, the growth is primarily attributable to the University's equity in the Nebraska Medical Center (NMC) joint venture and positive experiences in self-insurance activities.

Analysis of Operations – Overview. The University generated \$1,074 million of operating revenues during 2008, an increase of \$63 million over 2007, while operating expenses were \$1,576 million, up \$77 million over the prior year. These changes increased the operating loss by \$14 million to \$503 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 \$27 million in 2008 compared to a similar loss of \$28 million in 2007. 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 \$475 million in non-capital appropriations for 2008, an increase of \$15 million over 2007, which follows a \$31 million increase from 2006 to 2007. 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 \$71 million that, when combined with all and other non-operating revenues and expenses including investment income of \$51 million, netted an overall increase in net assets of about \$174 million.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (UNAUDITED)
(Columnar Amounts in Thousands)

Revenues. The following chart depicts the revenues for 2008 and 2007 and the comparative changes that occurred between those years.

	2008		2007		2007-2008 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Tuition and fees	\$224,585	21%	\$209,445	21%	\$15,140	7%
Federal grants and contracts –restricted	266,376	25	259,804	26	6,572	3
State grants and contracts – restricted	29,793	3	30,873	3	(1,080)	(3)
Private grants and contracts – restricted	106,016	10	102,179	10	3,837	4
Sales and services of educational activities	68,705	6	65,422	7	3,283	5
Sales and services of health care entities	181,824	17	156,519	15	25,305	16
Sales and services of auxiliary operations	117,674	11	113,692	11	3,982	4
Sales and services of auxiliary segments	72,017	6	64,752	6	7,265	11
Other operating revenues	6,851	1	8,462	1	(1,611)	(19)
Total operating revenues	\$1,073,841	100%	\$1,011,148	100%	\$62,693	6%

The University's operating revenues increased in fiscal 2008 by 6%, or \$63 million. Most of the revenue sources showed increases from the prior year.

- The largest increase in revenues was realized from sales and services of health care entities, which increased by \$25 million dollars for the 2008 year. UNMC Physicians, a blended entity, experienced a 16% increase in growth from the expansion of its clinical programs.
- The second largest increase in revenue was realized from tuition, which increased on a net basis by \$15 million for the 2008 year. The Board of Regents approved an increase in tuition of 6%, which when coupled with a 2.6% increase in enrollment, yielded the overall 7% increase. The tuition increase of 6% included a general increase of 5% and an additional 1% to provide debt service for the LB 605 initiative.
- Revenues from private grants and contracts increased modestly by approximately \$4 million. The increase by 4% compared to the previous year is attributable to a broad base of private support from a variety of sources. Included are individuals and corporations, educational research and health organizations in support of medical studies; increased support from the University Foundation; and grants from the Nebraska Medical Center.
- Federal grants and contracts increased by 3% during 2008. The increase is attributed to additional funding from several agencies including the Departments of Defense, Transportation, and Education. Department of Education Ford Loan Program revenues and student Pell grants increased during the year contributing to a modest overall growth.
- Sales and services of educational activities increased 5%. This change can be traced to an increase in technology fees, increases in conference activities, and higher commodity prices for sale of grain and livestock by the research division of the Institute of Agriculture and Natural Resources.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (UNAUDITED)
(Columnar Amounts in Thousands)

- Sales and services of auxiliary operations increased because of revenues from newly constructed student residences, greater freshman enrollment, and a 5% increase in housing rates. An increase in parking spaces and fees of about 8% provided additional revenues. Increases in athletic revenues from ticket prices, increased attendance, and concession revenues contributed to the growth in revenues.
- State grants and contracts decreased in 2008 by \$1 million compared to 2007, but increased modestly by \$2 million from 2006. The 2008 decrease compared to 2007 is attributed to a Nebraska Department of Environmental Quality grant received during 2007 for the clean up of the Nebraska Ordinance Plant located on the University's Agricultural and Research Development Center property.

Expenses. The following chart shows the University's expenses for 2008 and 2007 and comparative changes that occurred between those years.

	2008		2007		2007-2008 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Compensation and benefits	\$952,621	60%	\$892,133	60%	\$60,488	7%
Supplies and materials	231,572	15	234,604	16	(3,032)	(1)
Contractual services	99,336	6	94,332	6	5,004	5
Repairs and maintenance	41,552	3	34,772	2	6,780	19
Utilities	32,975	2	29,950	2	3,025	10
Communications	14,583	1	13,738	1	845	6
Depreciation	69,977	4	73,498	5	(3,521)	(5)
Scholarships and fellowships	133,774	9	126,543	8	7,231	6
Total operating expenses	\$1,576,390	100%	\$1,499,570	100%	\$76,820	5%

Operating expenses were \$1,576 million for the 2008 fiscal year, an increase of 5% compared to 2007. Changes in the major expense classifications follow.

- Compensation and benefits increased by \$60 million in 2008 compared to 2007 and accounts for over three-fourths 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 19% 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.
- Utilities increased by \$3 million, fueled primarily by the use of newly occupied facilities including research space that has a higher utility consumption. Certain campus locations experienced a 5% increase in electricity rates. These increases were mitigated somewhat by savings from energy conservation measures undertaken to reduce consumption, which included window replacements and other deferred maintenance projects.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (UNAUDITED)
(Columnar Amounts in Thousands)

- A 5% increase in contractual services is attributed to a delayed two year payment to Nebraska Medicaid, expenses of a large research sub-grantee, and payments to medical specialists by UNMC Physicians, a blended entity.
- Scholarships and fellowships grew by \$7 million or 6% during 2008, roughly tracking tuition increases, which follows continued efforts to maintain affordability.

Non-Operating Revenues (Expenses). Net non-operating revenues decreased during 2008 compared to 2007 by \$22 million. This change is the net result of a decrease in investment income of \$13 million, a year-over-year decrease in fair value of investments of \$34 million, an increase in State of Nebraska noncapital appropriations of \$15 million, an increase in equity in joint venture operations of \$6 million when compared to 2007, and a decrease in the loss on disposal of plant assets of \$6 million versus 2007.

Thanks to continued strong support from the private sector and the Foundation, the University garnered non-capital and capital gifts during the year of \$76 million and \$71 million respectively. This compares to non-capital and capital gifts of \$76 million and \$23 million during 2007. Non-capital gifts support scholarships to students and a variety of academic and research pursuits. Capital gifts received in 2008 included \$16 million for the UNMC research center of excellence buildings, \$15 million for the UNMC Sorrell Center, \$21 million for the UNL Morrison Life Sciences building and \$12 million for the UNL Quilt Study Center.

Other Revenues, Expenses, Gains, or Losses. State of Nebraska capital appropriations revenues increased in 2008 by \$7 million for a total of \$27 million. This compares to an increase of \$10 million in 2007 and decrease of \$3 million in 2006. The capital appropriations in 2008 include a total of \$11 million for debt service on both the 1998 and 2006 Series of deferred maintenance bonds, \$9 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 William F. Sorrell Center for Health Science Education at a cost of \$47 million at UNMC. The Center is an advanced medical education building with flexible space that can be tailored to teaching needs and interactive study rooms amidst private study areas. Funding was from donations received through the Foundation.
- Maverick Village was completed at UNO at a cost of \$16 million providing an additional 384 student living spaces on-campus. The project was financed by the MTI Revenue Bonds, Series 2007.
- The Ken Morrison Life Sciences Research Center at a cost of \$20 million at UNL. This facility houses the Nebraska Center for Virology, one of the University's signature research programs. The project was funded by a donation received through the Foundation.

THE UNIVERSITY OF NEBRASKA

(A Component Unit of the State of Nebraska)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (UNAUDITED) (Columnar Amounts in Thousands)

- Completed the construction of William R. Nester Hall at UNK, a 160 bed suite-style residence at a cost of \$10 million. This project was financed by the 2006 UNK Student Fees and Facilities Bonds under the MTI.
- The International Quilt Study Center and Museum was completed at UNL for a cost of \$12 million. This project was funded by capital donations through the Foundation.
- 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 three new revenue bond financings during 2008 through the Master Trust Indenture (MTI.) 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 a 384 students on the UNO campus. The facilities consist of 8 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.

The Board of Regents issued \$42,920 of Revenue Bonds, Series 2008 (University of Nebraska at Omaha Student Health and Recreation (HPER) Project.) The proceeds are being 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.

The Board of Regents issued \$30,255 of University of Nebraska-Lincoln Student Fees and Facilities Revenue Bonds, Series 2008A. The proceeds are marked for renovation of 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.

The University though the UNFC issued Series 2007 Bonds, \$23,630, to bridge finance a portion of the construction cost of a second research center of excellence tower at UNMC. Donor pledge payments will repay principal and interest on the bonds. The remainder of the project will be funded by other available University funds with a total project cost of approximately \$74 million.

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 1.82 times for

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (UNAUDITED)
(Columnar Amounts in Thousands)

the year ended June 30, 2008 and 1.89 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 2008. The State Legislature has reaffirmed the appropriation of funds for their portion of the debt service pertaining to the Deferred Maintenance Project, which is combined with designated tuition revenues for debt service. The Foundation continues to receive funds from donor gifts pledged toward the funding of the University of Nebraska Medical Center Research Center project. Funds from internal University Sources continue to meet expectations allowing the service of UNFC-related debt obligations in their normal course.

Economic Outlook and Subsequent Events That Will Affect the Future

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

The economic performance of the State also offers an encouraging outlook in view of recent national and world-wide economic events. The State Tax Commissioner recently reported that State net receipts through the three months ended September 30, 2008 were \$25 million or 2.8% over projections. This followed a fiscal year ended June 30, 2008, where the State recorded net receipts \$117 million or 3.5% in excess of projected revenues. At June 30, 2008, the State had reserve funds totaling \$546 million. The strong reserve position of the State, which is precluded by law from issuing debt, should help cushion the State from some of the economic challenges facing other state-dependent colleagues around the country.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007 (UNAUDITED)
(Columnar Amounts in Thousands)

- 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, 2008 AND 2007

(Thousands)

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

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 301,857	\$ 267,891
Cash and cash equivalents - restricted	328,405	263,251
Investments - restricted	129,725	98,032
Accounts receivable and unbilled charges, net	139,559	116,727
Loans to students, net	4,827	7,616
Other current assets	<u>20,932</u>	<u>17,893</u>
Total current assets	<u>925,305</u>	<u>771,410</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	162	193
Investments - restricted	404,282	448,672
Investment in joint venture	227,508	208,965
Loans to students, net of current portion	32,555	28,044
Capital assets, net of accumulated depreciation	1,344,638	1,167,241
Other non-current assets	<u>14,664</u>	<u>14,913</u>
Total non-current assets	<u>2,023,809</u>	<u>1,868,028</u>
Total assets	<u>2,949,114</u>	<u>2,639,438</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	100,338	75,332
Accrued salaries, wages, and post-retirement benefits	46,345	44,197
Accrued compensated absences	46,182	43,334
Bond obligations payable	29,655	24,760
Capital lease obligations	3,430	3,238
Deferred revenues and credits	77,861	72,959
Health and other insurance claims	<u>10,129</u>	<u>10,001</u>
Total current liabilities	<u>313,940</u>	<u>273,821</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages and post-retirement benefits, net of current portion	865	1,313
Accrued compensated absences, net of current portion	15,292	14,551
Bond obligations payable, net of current portion	564,565	467,650
Capital lease obligations, net of current portion	9,329	11,658
Deferred revenues and credits, net of current portion	<u>12,555</u>	<u>11,662</u>
Total non-current liabilities	<u>602,606</u>	<u>506,834</u>
Total liabilities	<u>916,546</u>	<u>780,655</u>
NET ASSETS:		
Invested in capital assets, net of related debt	841,385	769,459
Restricted for:		
Nonexpendable:		
Permanent endowment	216,338	217,070
Expendable:		
Externally restricted funds for scholarships, student aid and research	150,669	137,247
Loan funds	44,009	44,692
Plant construction	43,462	37,127
Debt service	152,833	123,023
Unrestricted	<u>583,872</u>	<u>530,165</u>
Total net assets	<u>\$2,032,568</u>	<u>\$1,858,783</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, 2008 AND 2007
(Thousands)
(See Independent Auditors' Report on Pages 1, 2, and 3)

	2008	2007
ASSETS		
Cash and cash equivalents	\$ 2,523	\$ 1,508
Temporary cash investments	230,354	190,137
Advances and deposits	13	10
Accounts receivable (net of reserve for bad debts of \$4 in 2008 and \$6 in 2007)	539	418
Accrued interest receivable	2,276	2,098
Student loan receivable	554	502
Matching funds receivable	1	1
Prepaid expenses	63	62
Pledges receivable - restricted	118,222	100,989
Investments - restricted	1,243,820	1,289,709
Property and equipment, net of depreciation	<u>7,240</u>	<u>5,356</u>
Total assets	<u>\$1,605,605</u>	<u>\$1,590,790</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Advances and accounts payable	\$ 32	\$ 35
University of Nebraska benefits payable	2,407	2,238
Scholarships, research, fellowships, and professorships payable	3,100	4,770
Accrued vacation payable	661	544
Taxes payable	60	52
Deferred annuities payable	24,935	24,691
Deposits held in custody for others	284,137	284,632
Deferred revenues	<u>1,640</u>	<u>1,664</u>
Total liabilities	<u>316,972</u>	<u>318,626</u>
NET ASSETS:		
Unrestricted	7,820	6,032
Temporarily restricted	461,542	420,807
Permanently restricted	<u>819,271</u>	<u>845,325</u>
Total net assets	<u>1,288,633</u>	<u>1,272,164</u>
Total liabilities and net assets	<u>\$1,605,605</u>	<u>\$1,590,790</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, 2008 AND 2007
(Thousands)

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

	2008	2007
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$68,252 and \$62,646 in 2008 and 2007, respectively)	\$ 224,585	\$ 209,445
Federal grants and contracts - restricted	266,376	259,804
State and local grants and contracts - restricted	29,793	30,873
Private grants and contracts - restricted	106,016	102,179
Sales and services of educational activities	68,705	65,422
Sales and services of health care entities	181,824	156,519
Sales and services of auxiliary operations	117,674	113,692
Sales and services of auxiliary segments (net of scholarship allowances of \$8,432 and \$7,392 in 2008 and 2007, respectively)	72,017	64,752
Other operating revenues	6,851	8,462
Total operating revenues	<u>1,073,841</u>	<u>1,011,148</u>
OPERATING EXPENSES:		
Salaries and wages	770,885	727,199
Benefits	181,736	164,934
Total compensation and benefits	952,621	892,133
Supplies and materials	231,572	234,604
Contractual services	99,336	94,332
Repairs and maintenance	41,552	34,772
Utilities	32,975	29,950
Communications	14,583	13,738
Depreciation	69,977	73,498
Scholarships and fellowships	133,774	126,543
Total operating expenses	<u>1,576,390</u>	<u>1,499,570</u>
OPERATING LOSS	<u>(502,549)</u>	<u>(488,422)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	475,098	460,282
Gifts	75,543	75,532
Investment income (net of investment management fees of \$2,694 and \$2,030 in 2008 and 2007, respectively)	50,599	64,000
Increase (decrease) in fair value of investments	(25,121)	9,320
Interest income on loans receivable	441	432
Interest expense on bond obligations	(23,570)	(22,242)
Capitalized interest on bond obligations	549	1,498
Equity in earnings of joint venture	24,543	17,983
Loss on disposal of capital assets	(755)	(7,149)
Net non-operating revenues	<u>577,327</u>	<u>599,656</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>74,778</u>	<u>111,234</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	26,806	19,753
Capital grants and gifts	70,770	23,421
Private gifts and bequests for permanent endowments	1,431	1,911
Net other revenues, expenses, gains, or losses	<u>99,007</u>	<u>45,085</u>
INCREASE IN NET ASSETS	173,785	156,319
NET ASSETS:		
Net assets, beginning of year	<u>1,858,783</u>	<u>1,702,464</u>
Net assets, end of year	<u>\$2,032,568</u>	<u>\$1,858,783</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, 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)
	<u>22,233</u>	<u>145,925</u>	<u>6,318</u>	<u>174,476</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
	<u>137,563</u>	<u>(107,624)</u>	<u>(29,939)</u>	<u>-</u>
Total support and revenue	<u>159,796</u>	<u>38,301</u>	<u>(23,621)</u>	<u>174,476</u>
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
Data processing expense	46	-	-	46
Recruiting and moving expense	59	-	-	59
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	<u>158,007</u>	<u>-</u>	<u>-</u>	<u>158,007</u>
INCREASE IN NET ASSETS BEFORE TRANSFERS AND CHANGES				
	1,789	38,301	(23,621)	16,469
TRANSFERS AND RECLASSIFICATIONS BETWEEN FUNDS				
	<u>-</u>	<u>2,433</u>	<u>(2,433)</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS				
	1,789	40,734	(26,054)	16,469
NET ASSETS, beginning of year				
	<u>6,031</u>	<u>420,808</u>	<u>845,325</u>	<u>1,272,164</u>
NET ASSETS, end of year				
	<u>\$ 7,820</u>	<u>\$461,542</u>	<u>\$819,271</u>	<u>\$ 1,288,633</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, 2007
(Thousands)

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

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

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Thousands)

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

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 387,054	\$ 404,138
Tuition and fees	225,701	209,428
Sales and services of health care entities	170,580	156,860
Sales and services of auxiliary operations	118,337	118,447
Sales and services of educational activities	95,571	92,252
Sales and services of auxiliary segments	72,347	64,746
Student loans collected	5,015	7,973
Interest on loans receivable	295	289
Other receipts	22,079	33,064
Payments to employees	(938,122)	(876,077)
Payments to vendors	(449,254)	(450,092)
Scholarships paid to students	(133,774)	(126,543)
Student loans issued	(6,867)	(8,618)
Other payments	(194)	(171)
Net cash flows from operating activities	<u>(431,232)</u>	<u>(374,304)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	475,412	460,282
Gifts	74,129	75,836
Private gifts and bequests for endowment use	<u>1,431</u>	<u>1,873</u>
Net cash flows from non-capital financing activities	<u>550,972</u>	<u>537,991</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	126,570	140,595
Capital grants and gifts	70,670	14,173
State of Nebraska capital appropriations	26,289	19,641
Premium on issuance of bonds	1,376	3,979
Purchases of capital assets	(236,800)	(111,127)
Principal paid on bond obligations	(24,760)	(22,405)
Interest paid on bond obligations	(22,847)	(19,932)
Payments made on lease obligations	(5,266)	(6,395)
Other payments	<u>(1,583)</u>	<u>(256)</u>
Net cash flows from capital and related financing activities	<u>(66,351)</u>	<u>18,273</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	523,151	390,184
Purchases of investments	(534,832)	(565,436)
Interest on investments	51,381	56,882
Distributions received from joint venture	<u>6,000</u>	<u>3,000</u>
Net cash flows from investing activities	<u>45,700</u>	<u>(115,370)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	99,089	66,590
CASH AND CASH EQUIVALENTS, beginning of year	<u>531,335</u>	<u>464,745</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 630,424</u>	<u>\$ 531,335</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, 2008 AND 2007
(Thousands)

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

	2008	2007
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 301,857	\$ 267,891
Cash and cash equivalents - restricted (current)	328,405	263,251
Cash and cash equivalents - restricted (non-current)	<u>162</u>	<u>193</u>
Cash and cash equivalents, end of year	<u>\$ 630,424</u>	<u>\$ 531,335</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (502,549)	\$ (488,422)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	69,977	73,498
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(28,325)	3,561
Loans to students	(1,721)	(551)
Other current assets	(40)	4,603
Accounts payable	20,807	16,642
Accrued salaries, wages, compensated absences, and post-retirement benefits	5,290	11,862
Deferred revenues and credits	5,201	3,774
Health and other insurance claims	<u>128</u>	<u>729</u>
Net cash flows from operating activities	<u>\$ (431,232)</u>	<u>\$ (374,304)</u>
NON-CASH TRANSACTIONS:		
Capital gifts and grants	\$ 142	\$ 118
Increase (Decrease) in fair value of investments	(25,121)	9,320
Purchase of capital assets through lease obligations	3,129	7,083

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, 2008 AND 2007

(Thousands)

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

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 16,469	\$ 118,940
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,225	895
(Gain) on sale of assets	(60,307)	(78,070)
Depreciation (appreciation) of assets	91,546	(13,702)
Increase in pledges receivable	(17,233)	(6,575)
Increase in deferred annuities payable	244	2,451
Contribution to permanently restricted endowment funds	(24,244)	(27,170)
Real and personal property contributions received for the University	(389)	(1,312)
(Increase) decrease in:		
Accounts receivable	(121)	36
Interest receivable	(178)	(226)
Prepaid expense	-	(20)
Increase (decrease) in:		
Advances and accounts payable	(2)	10
University of Nebraska benefits payable	169	388
Scholarships, research, fellowships, and professorships payable	(1,670)	1,507
Accrued vacation payable	117	23
Taxes payable	8	2
Deferred revenue	(25)	1,458
Deposits held in custody for others	26,187	82,419
Total adjustments	15,327	(37,886)
Net cash provided by operating activities	31,796	81,054
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase) in temporary cash investments	(40,216)	(23,580)
Net (increase) in student loans	(52)	(10)
Net (purchases) in investments	(11,686)	(84,047)
Purchase of property and equipment	(3,071)	(370)
Sales of property and equipment	-	8
Net cash used in investing activities	(55,025)	(107,999)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contribution to permanently restricted endowment funds	24,244	27,170
Net cash provided by financing activities	24,244	27,170
NET INCREASE IN CASH	1,015	225
CASH AND CASH EQUIVALENTS, beginning of year	1,508	1,283
CASH AND CASH EQUIVALENTS, end of year	\$ 2,523	\$ 1,508
REQUIRED DISCLOSURE:		
The Foundation expended no cash for interest or income taxes.		
NONCASH TRANSACTIONS:		
Deposits held in custody for others	\$ (495)	\$ 91,468
Unrealized (gain) loss on assets	26,682	(9,049)
Net change in deposits held in custody for others	\$ 26,187	\$ 82,419

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, 2008 and 2007
(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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

- 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
(A Component Unit of the State of Nebraska)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(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 are stated at fair value. Cash is deposited with the Nebraska State Treasurer on a pooled basis in a State fund. Income earned by the pool is allocated to the University based upon average daily balances. These funds are considered to be cash and cash equivalents, which are available for expenditures as needed. The investments of the pool include Commercial Paper, U.S. Government Securities, Federal Agency Debt Instruments, Corporate Bonds, Money Market Funds, and Bank Deposits. Additional information on the pool can be found in the State of Nebraska's Comprehensive Annual Financial Report.

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

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

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. During 2007, UNMC changed its accounting policy to the componentization method and changed the estimated life for certain research buildings. As a result, the University incurred \$3.4 million of additional depreciation expense during 2007. The estimated useful lives are 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.

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 2008 and 2007 was \$23,570 and \$22,242, respectively, which is net of \$549 and \$1,498 that was capitalized.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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 receive a cash payment of one-fourth of accrued sick leave upon retirement from the University. The University has recognized a liability for sick and annual leave earned but not yet taken by its faculty and staff. Certain University faculty and staff also earn 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, 2008 and 2007, Federal grants and contracts includes Pell grant awards amounting to \$22,498 and \$19,343 and Ford direct student loans amounting to \$67,805 and \$64,152, respectively. The combined awards of \$90,303 and \$83,495 at June 30, 2008 and

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

2007, 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 2007 amounts have been reclassified to conform to the current year presentation.

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

B. DEPOSITS

Custodial credit risk – In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Bank balances of cash and cash equivalents amounted to approximately \$1,654 (book balance of approximately \$1,337) at June 30, 2008, with approximately \$1,086 covered by federal depository insurance. Bank balances of cash and cash equivalents amounted to approximately \$2,082 (book balance of approximately \$1,956) at June 30, 2007, with approximately \$1,187 covered by federal depository insurance. Of the remaining bank balance at June 30, 2008 and 2007, approximately \$374 and \$649 was collateralized with securities held by the pledging financial institution, but not in the University's name, and approximately \$194 and \$246 was uninsured and uncollateralized, respectively.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

C. INVESTMENTS

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

Investments as of June 30, 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 (4)
International bonds	7,291	529	2,605	2,944	1,213
Repurchase agreements	5,823	-	-	5,823	-
	<u>256,455</u>	<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 1 year.

(2) This amount includes \$9,630 of bonds which are callable in less than 1 year.

(3) This amount includes \$367 of bonds which are callable in less than 3 years and \$92 callable in less than 9 years.

(4) This amount includes \$485 of bonds which are callable in less than 3 year.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

Investments as of June 30, 2007:

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

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

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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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

	2008				
	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
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>

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(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	
	2008	2007
Federal Home Loan Bank	33%	32%
Federal National Mortgage Association	20%	32%
U.S. Treasuries	14%	10%
Federal Home Loan Mortgage Association	13%	-

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are stated at fair value and are uninsured, unregistered, and held by the trustee or an agent, but not in the name of the University. Of the University’s \$5.8 million investment in repurchase agreements in 2008 and 2007, \$6.4 million and \$6.2 million respectively of underlying securities are held by the investment’s counterparty, but not in the name of the University.

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

Substantially all amounts included in accounts receivable and unbilled charges represent tuition receivables, grant reimbursements, unbilled charges, patient accounts receivable, and other receivables. Balances are stated net of allowances for doubtful accounts and contractual adjustments of approximately \$6,551 and \$6,218 at June 30, 2008 and 2007, respectively. In addition, the University maintains an allowance for doubtful collections of student loans of approximately \$1,153 and \$1,159 at June 30, 2008 and 2007, 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, 2008 and 2007 totaling \$24,543 and \$17,983, 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 and \$3 million, respectively, were declared and paid for fiscal years 2008 and 2007.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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 at the time of the transaction (currently \$18,000 net of accumulated depreciation at June 30, 2008) and is included in the University's financial statements. Following are the minimum lease rental payments due from NMC through June 30, 2012:

Fiscal Year Ending June 30:

2009	\$ 3,997
2010	4,004
2011	4,099
2012	<u>1,737</u>
	<u>\$ 13,837</u>

In addition, the University and NMC have entered into an Academic Affiliation Agreement for Education and Research. In connection with the agreement, NMC has agreed to financially support certain educational, research, operational, and clinical activities of the University College of Medicine that further the mission and objectives of NMC. During the fiscal years ended June 30, 2008 and 2007, the University received approximately \$23,858 and \$23,230, respectively, of support in connection with the agreement.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

F. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2008 and 2007 is as follows:

	2008			Ending Balance
	Beginning Balance	Additions	Disposals	
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>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

G. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2008	<u>\$ 57,885</u>	<u>\$ 40,012</u>	<u>\$ (36,423)</u>	<u>\$ 61,474</u>	<u>\$ 46,182</u>
2007	<u>\$ 50,782</u>	<u>\$ 39,735</u>	<u>\$ (32,632)</u>	<u>\$ 57,885</u>	<u>\$ 43,334</u>

H. BOND OBLIGATIONS PAYABLE

Bond obligations payable are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2008	<u>\$ 492,410</u>	<u>\$ 126,570</u>	<u>\$ (24,760)</u>	<u>\$ 594,220</u>	<u>\$ 29,655</u>
2007	<u>\$ 374,220</u>	<u>\$ 140,595</u>	<u>\$ (22,405)</u>	<u>\$ 492,410</u>	<u>\$ 24,760</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

Bond obligations payable at June 30, 2008 and 2007 consist of the following:

	Interest Rate	Annual Installment	Principal Amount Outstanding	
			2008	2007
Obligations under the master trust indenture:				
University of Nebraska-Lincoln:				
Student fees and facilities:				
Series 2002, revenue refunding, due through July 2017	3.10 - 5.00%	\$985 - \$2,760	\$ 11,640	\$ 12,640
Series 2003A, revenue bonds, due through July 2038	2.95 - 5.25%	405 - 1,595	25,525	25,930
Series 2003B, revenue bonds, due through July 2039	2.50 - 5.00%	1,085 - 3,890	68,885	68,885
Series 2008A, revenue bonds, due through July 2028	3.00 - 5.00%	1,205 - 2,360	30,255	-
Lincoln parking project:				
Series 2003, revenue refunding, due through June 2016	3.50 - 4.50%	480 - 1,615	5,965	6,415
Series 2005, revenue refunding, due through June 2025	3.50 - 4.50%	425 - 3,825	23,470	24,670
University of Nebraska at Omaha:				
Student center Series 2003:				
Revenue refunding bonds, due through May 2013	3.15 - 3.90%	520 - 1,180	3,370	3,875
Student HPER Project Series 2008:				
Revenue bonds, due through May 2038	2.55 - 5.00%	845 - 2,700	42,920	-
Student housing Series 2003:				
Series 2003, revenue bonds, due through May 2033	2.85 - 5.00%	330 - 945	14,150	14,470
Series 2007, revenue bonds, due through May 2039	3.85 - 5.00%	515 - 2,395	29,765	-
University of Nebraska Medical Center:				
Student housing revenue bonds				
Series 2003, due through June 2033	2.75 - 5.00%	120 - 330	4,980	5,095
University of Nebraska at Kearney:				
Student fees and facilities:				
Series 2003 revenue refunding bonds, due through July 2011	2.40 - 2.90%	300 - 465	1,215	1,655
Series 2005, due through July 2020	3.10 - 4.10%	315 - 1,080	5,210	5,520
Series 2006, due through July 2035	3.45 - 5.00%	340 - 1,385	22,625	22,625
Total obligations under the master trust indenture			289,975	191,780
Other University obligations:				
University of Nebraska-Lincoln:				
Athletics:				
2004A, revenue refunding, due November 2024	4.00 - 5.25%	1,695 - 5,195	44,475	48,035
2004B, revenue refunding, due November 2024	3.40 - 3.70%	2070 - 3,270	5,340	7,305
Total University obligations			339,790	247,120
Obligations of blended entities:				
University of Nebraska Facilities Corporation:				
Series 2007 bonds (Research Center), due through February 2017	4.00 - 5.00%	9,840 - 13,790	23,630	-
Series 2006 bonds (Sorrell Center), due through April 2016	3.60 - 4.00%	260 - 13,140	29,625	29,625
Series 2006 bonds (LB605), due through July 2020	3.75 - 5.00%	3,290 - 11,550	108,815	110,970
Series 2004 (library storage project), due through July 15, 2024	3.05 - 5.00%	115 - 565	3,095	3,210
Series 2003 (Alexander building project), due through December 2023	2.90 - 5.00%	110 - 205	2,385	2,495
Series 2002 bonds (Durham Center), due through February 2015	4.50 - 5.00%	3,070 - 21,215	36,915	40,270
Series 1998 bonds (LB1100), due through July 2011	4.50 - 5.25%	3,470 - 9,155	29,280	37,020
Series 1998-2 bonds (UNMC electrical system) due through October 2008	4.30%	275	275	540
Total University of Nebraska Facilities Corporation			234,020	224,130
Nebraska Utility Corporation (NUCorp):				
Series 2001 revenue bonds, due through January 2023	4.35 - 5.25%	785 - 1,620	20,410	21,160
Total bond obligations payable			\$ 594,220	\$ 492,410

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

Annual maturities subject to mandatory redemption at June 30, 2008 are as follows:

	Total University		UNFC		NUCorp		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 13,620	\$ 15,037	\$ 15,250	\$ 10,943	\$ 785	\$ 1,017	29,655	26,997
2010	16,700	14,758	30,595	10,031	815	983	48,110	25,772
2011	10,930	14,218	23,760	8,776	855	946	35,545	23,940
2012	12,205	13,791	29,420	7,627	890	907	42,515	22,325
2013	13,255	13,315	10,775	6,439	1,180	857	25,210	20,611
2014-2018	67,200	58,294	88,390	21,156	6,795	3,294	162,385	82,744
2019-2023	68,000	42,965	34,845	3,011	7,470	1,403	110,315	47,379
2024-2028	53,775	27,627	985	53	1,620	43	56,380	27,723
2029-2033	43,685	16,295	-	-	-	-	43,685	16,295
2034-2038	35,875	6,112	-	-	-	-	35,875	6,112
2039-2043	4,545	174	-	-	-	-	4,545	174
Total	<u>\$339,790</u>	<u>\$222,586</u>	<u>\$234,020</u>	<u>\$68,036</u>	<u>\$20,410</u>	<u>\$ 9,450</u>	<u>\$594,220</u>	<u>\$300,072</u>

At June 30, 2008 and 2007, the trustees for these bond funds held cash and investments in the amount of approximately \$209,506 and \$303,627, respectively, which is reflected as restricted cash and cash equivalents and investments on the statements of net assets.

Master Trust Indenture – The Board of Regents entered into a master trust indenture dated as of June 1, 1995 (as amended and supplemented from time to time, the Indenture) with a fiduciary with respect to the facilities (including student housing, student unions, student health facilities, and parking facilities) from which the Board of Regents derives revenues, fees, and earnings. The Indenture provides for the formation of an Obligated Group for the purpose of achieving lower borrowing costs through sharing accumulated excess revenues and earnings derived from such facilities. As of June 30, 2008, 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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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 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.

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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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.

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

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

Principal and interest payments will come from lease payments received from UNL. Bonds 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 and \$59,830 in pledge receipts have been

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

received through June 30, 2008 and 2007, respectively. 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 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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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 8 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.

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, 2008 and 2007, 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, 2008 and 2007, \$5,689 and \$5,804, 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
2008	<u>\$ 14,896</u>	<u>\$ 3,129</u>	<u>\$ 5,266</u>	<u>\$ 12,759</u>	<u>\$ 3,430</u>
2007	<u>\$ 14,208</u>	<u>\$ 7,083</u>	<u>\$ 6,395</u>	<u>\$ 14,896</u>	<u>\$ 3,238</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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
2009	\$ 413	\$ 1,036	\$ 2,551	4,000
2010	413	1,036	2,331	3,780
2011	414	1,022	1,024	2,460
2012	-	1,024	376	1,400
2013	-	322	-	322
2014 - 2018	-	1,002	-	1,002
2019 - 2023	-	1,002	-	1,002
2024 - 2028	-	802	-	802
	<u>1,240</u>	<u>7,246</u>	<u>6,282</u>	<u>14,768</u>
Less interest and executory costs	<u>114</u>	<u>1,485</u>	<u>410</u>	<u>2,009</u>
	<u>\$ 1,126</u>	<u>\$ 5,761</u>	<u>\$ 5,872</u>	<u>\$ 12,759</u>

Capital assets held under capital lease obligations at June 30, 2008 are as follows:

	Cost	Accumulated Depreciation	Net
Land	\$ 1,420	\$ -	\$ 1,420
Buildings	13,591	1,177	12,414
Equipment	<u>6,995</u>	<u>1,757</u>	<u>5,238</u>
	<u>\$22,006</u>	<u>\$ 2,934</u>	<u>\$ 19,072</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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, 2006	\$ 1,658	\$ 2,514	\$ 5,100	\$ 9,272
Incurred claims	1,389	761	84,479	86,629
Payments on claims	<u>(194)</u>	<u>(827)</u>	<u>(84,879)</u>	<u>(85,900)</u>
Claim reserve, June 30, 2007	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	<u>\$ 3,085</u>	<u>\$ 2,044</u>	<u>\$ 5,000</u>	<u>\$ 10,129</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 rates used by the actuaries for estimation of the claim reserve was 5% for general liability. This estimate is accrued in the accompanying financial statements and includes a reserve for known claims as well as incurred but unreported incidents.

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

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

At June 30, 2008 and 2007, the trustees for the health and other insurance claims programs held cash and cash equivalents and investments totaling approximately \$95,392 and \$79,400, respectively, whose

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

use is limited to the payment of claims under the programs. These amounts are included in cash and cash equivalents and investments on the statements of net assets.

K. RETIREMENT PLANS

The University 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 2008 and 2007 was approximately \$742,558 and \$698,495, respectively, of which approximately \$563,341 and \$531,651 was covered by the plan. The University's contribution during 2008 and 2007 was approximately \$43,865, or 7.79%, and \$41,240, or 7.76%, of covered payroll, respectively, and the faculty and staff's contribution was approximately \$29,433, or 5.22%, and \$27,575, or 5.19%, 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 \$9,499 and \$8,737 for the years ended June 30, 2008 and 2007, 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 2008 and 2007 for the health insurance liability under new tenure buyout arrangements was \$424 and \$704, respectively. The expense incurred for 2008 and 2007 health insurance premium increases under all tenure buyout arrangements was \$57 and \$112, respectively. The total termination benefit obligation at June 30, 2008 and 2007 was \$1,878 and \$2,374, respectively.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

L. COMMITMENTS AND CONTINGENCIES

The University has contracted for the construction of facilities that are estimated to cost approximately \$610,750. As of June 30, 2008, the approximate remaining costs to complete these facilities were \$271,151, which will be financed as follows:

Bond funds	\$ 190,649
Federal funds	317
University funds	12,247
State capital appropriations	2,334
Private gifts, grants, and contracts	<u>65,604</u>
	<u>\$ 271,151</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 and the estimated remaining cost to complete the recommended action plan is \$2,000 and is accrued in the accompanying statements.

Innovation Campus - The Nebraska Legislature at 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 before a property transfer is made, namely, the University of Nebraska, the City of Grand Island, and the State Treasurer must transfer specified amounts into the Nebraska State Fair Relocation Cash Fund (Relocation Fund) and the University of Nebraska must provide a master plan and business plan to carry out the master plan for the Innovation Campus to be located on the former Fair Grounds.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

The University of Nebraska is obligated to pay \$21,500 in cash or legally binding commitments, in the following cumulative increments into the Relocation Fund. This transaction is not accrued in the accompanying statements.

	<u>Balance of</u>
October 1, 2008	\$ 7,500
February 1, 2009	14,500
July 1, 2009	21,500

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, 2008 and 2007, NMC purchased approximately \$45,644 and \$43,683 of goods and services from the University.

As of June 30, 2008 and 2007, the University established a receivable to recognize a commitment of \$7,000 and \$10,000, respectively, by NMC toward the construction of the Sorrell Center Project. At June 30, 2008, this amount is included in the accompanying financial statements as \$3,000 of other current assets and \$4,000 of other non-current assets in the statement of net assets. At June 30, 2007, this amount is included in the accompanying financial statements as \$3,000 of other current assets and \$7,000 of other non-current assets in the statement of net assets.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

N. FUNCTIONAL CLASSIFICATIONS OF EXPENSES

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	\$343,901	\$ 32,673	\$ 8,293	\$ 2,127	\$ 21	\$ 3,103	\$ 3,629	\$ -	\$ 393,747
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>\$952,621</u>	<u>\$231,572</u>	<u>\$99,336</u>	<u>\$ 41,552</u>	<u>\$ 32,975</u>	<u>\$14,583</u>	<u>\$133,774</u>	<u>\$69,977</u>	<u>\$1,576,390</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

For the year ended June 30, 2007:

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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, and Series 2008A – 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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Condensed Statements of Net Assets		
Assets:		
Current assets	\$ 144,394	\$ 90,897
Non-current assets:		
Capital assets	241,516	196,023
Other non-current assets	<u>31,403</u>	<u>11,114</u>
Total assets	<u>417,313</u>	<u>298,034</u>
Liabilities:		
Current liabilities	35,011	20,625
Non-current liabilities	<u>286,352</u>	<u>190,279</u>
Total liabilities	<u>321,363</u>	<u>210,904</u>
Net assets:		
Invested in capital assets, net of related debt	10,777	20,225
Restricted:		
Expendable:		
Plant construction	7,919	8,317
Debt service	65,813	50,039
Unrestricted	<u>11,441</u>	<u>8,549</u>
Total net assets	<u>\$ 95,950</u>	<u>\$ 87,130</u>

	<u>Year Ended</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Condensed Statements of Revenues, Expenses, and Changes in Net Assets		
Operating revenues	\$ 81,305	\$ 73,711
Operating expenses:		
Depreciation	7,805	6,929
Other operating expenses	<u>62,461</u>	<u>56,421</u>
Operating income	11,039	10,361
Non-operating expense	<u>(2,219)</u>	<u>(3,627)</u>
Change in net assets	8,820	6,734
Net assets, beginning of year	<u>87,130</u>	<u>80,396</u>
Net assets, end of year	<u>\$ 95,950</u>	<u>\$ 87,130</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

	Year Ended	
	June 30, 2008	June 30, 2007
Condensed Statements of Cash Flows		
Net cash flows from operating activities	\$ 19,669	\$ 16,847
Net cash flows from capital and related financing activities	48,247	(18,880)
Net cash flows from investing activities	<u>(22,843)</u>	<u>6,310</u>
Net change in cash and cash equivalents	45,073	4,277
Cash and cash equivalents, beginning of year	<u>66,293</u>	<u>62,016</u>
Cash and cash equivalents, end of year	<u>\$ 111,366</u>	<u>\$ 66,293</u>

P. SUBSEQUENT EVENTS

On April 18, 2008, the Board of Regents authorized the issuance of UNL Student Fees and Facilities Bonds not to exceed \$48,500 to finance the construction of the 17th & R student residence hall and the multi-cultural Gaughan Center on the UNL campus. These bonds have not been issued, but may have up to a 35 year maturity when issued. The project is a part of the Obligated Group under the Master Trust Indenture.

The fair value of investments declined after June 30, 2008 due to changes in economic and market conditions. It isn't known what impact, if any, the decline will have on future endowment earnings.

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, 2008 and 2007, the Foundation's net assets (including unrealized gains) totaled \$1,288,633 and \$1,272,164 as of June 30, 2008 and 2007, respectively.

During the years ended June 30, 2008 and 2007, the Foundation contributed \$65 million and \$53 million, respectively, to the University for academic support, student assistance, faculty assistance,

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

research, and museums and libraries. In addition, the Foundation provided capital gifts of \$65 million and \$36 million during 2008 and 2007, 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 non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code whose purpose is to provide financial support of the University of Nebraska System. Its wholly-owned Limited Liability Company, University of Nebraska Technology Park LLC provides incubator facilities for emerging businesses. During 2004, the Foundation established a new non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, UNF Charitable Gift Fund, whose purpose is to accept gifts and distribute funds to approved 501(c)(3) tax exempt organizations. The UNF Charitable Gift Fund is organized as a supporting organization of the University of Nebraska Foundation.

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

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

Unrestricted Net Assets – Unrestricted net assets include revenues and expenses associated with the general operation of the Foundation and include gifts with no donor restrictions. Property and

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

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

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

	2008		
	Book Value	Unrealized Gain (Loss)	Fair Value
INVESTMENTS STATED AT FAIR VALUE:			
United States and municipal Government securities	\$ 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>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

	<u>2007</u>		
	Book	Unrealized	Fair
	Value	Gain	Value
		(Loss)	
INVESTMENTS STATED AT FAIR VALUE:			
United States and municipal Government securities	\$ 63,460	\$ 1,609	\$ 65,069
Other bonds	18,948	(227)	18,721
Common stock	379,549	98,544	478,093
Mutual funds	350,357	44,637	394,994
Limited partnerships	197,730	42,148	239,878
Preferred stocks	<u>57</u>	<u>-</u>	<u>57</u>
	<u>\$1,010,101</u>	<u>\$186,711</u>	<u>\$1,196,812</u>
		Book Value	Book Value
		2008	2007
INVESTMENTS STATED AT OTHER THAN FAIR VALUE:			
Certificates of deposit, savings and money funds		\$ 35,150	\$ 29,997
Real estate		26,950	31,358
Real estate mortgage and contracts		24,053	24,226
Miscellaneous		3,272	3,273
Cash value of life insurance		4,381	3,834
Annuity contracts		<u>208</u>	<u>209</u>
		<u>94,014</u>	<u>92,897</u>
TOTAL INVESTMENTS:			
Stated at fair value		1,149,806	1,196,812
Stated at other than fair value		<u>94,014</u>	<u>92,897</u>
		<u>\$1,243,820</u>	<u>\$1,289,709</u>

3. LEASE COMMITMENTS

The Foundation has entered into a contract for the rental of office space in Lincoln beginning January 1, 2003 for a period of 10 years and continuing on a month-to-month basis. The annual rental is \$400 for the first five years and \$467 for the second five years. A second agreement has been entered into for rental of additional office space in Lincoln at a rate of \$8 per month from September 2007 through December 2007 and then \$9 per month for the next 60 months. The Foundation had entered into a contract for rental of office space in Omaha through December 31, 2005, with annual increases and subsequently entered into an extension for two additional years through December 31, 2007 at a rate of \$12 per month. The Foundation has entered into a new

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

agreement for office space in Omaha beginning September 1, 2008 at a rate of \$32 per month for the first 60 months. The Foundation also renewed an agreement to lease office space in Kearney through October 31, 2008 at \$3 per month. The minimum rentals for leases with guaranteed terms for the five fiscal years after June 30, 2008, are as follows:

June 30, 2009	\$ 963
June 30, 2010	965
June 30, 2011	965
June 30, 2012	965
June 30, 2013	677

4. RETIREMENT PLAN

The Foundation sponsors a retirement plan that covers employees of the University of Nebraska Foundation and the University of Nebraska Technology Park LLC with one year of service who work in excess of 1,000 hours annually and have attained the age of 21 years or previous participation in the TIAA-CREF or Fidelity annuity plan. Participation in the plan is mandatory upon attainment of age 30. The plan is an annuity arrangement under Code Section 403b(1) of the Internal Revenue Code using annuities under TIAA-CREF and Fidelity investments. Under the plan, the employee chooses to contribute either 5.5% or 3.5% of their salary to the plan and the Foundation matches the amount with either 8% or 6.5% of salary, respectively. The Foundation and LLC contributions to the plans for the years ending June 30, 2008 and 2007 were \$567 and \$535, respectively.

5. CONCENTRATION OF CREDIT RISK

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

6. CONTINGENCIES AND COMMITMENTS

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

7. RESTRICTED NET ASSETS

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

and improvements. Only income from the permanently restricted net assets are available for these purposes.

The amount of the net assets are as follows:

	<u>2008</u>
Temporarily restricted - charitable trusts and annuities	\$ 32,527
Temporarily restricted - available for specific purposes	376,229
Temporarily restricted - use at discretion of Foundation Board	52,786
Permanently restricted - available for specific purposes	61,524
Permanently restricted - endowment	746,031
Permanently restricted - student loans	<u>11,716</u>
	<u>\$ 1,280,813</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:

	<u>2008</u>	<u>2007</u>
Gross amount due in:		
One year or less	\$ 22,902	\$ 21,731
One to five years	108,789	88,666
More than five years	<u>11,147</u>	<u>12,100</u>
	142,838	122,497
Less discount to present value	<u>20,959</u>	<u>18,385</u>
	121,879	104,112
Less allowance for doubtful accounts - 3%	<u>3,657</u>	<u>3,123</u>
	<u>\$ 118,222</u>	<u>\$ 100,989</u>

The discount will be recognized as contribution income in years 2009 through 2031.

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
(A Component Unit of the State of Nebraska)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 and 2007
(Thousands)

9. PROPERTY AND EQUIPMENT

The property and equipment of the Foundation at June 30, 2008 and 2007 are as follows:

	2008	2007
Property	\$ 909	\$ 330
Leasehold improvements	2,210	1,538
Aircraft	4,177	4,177
Automobiles	157	157
Furniture, equipment and software	<u>4,854</u>	<u>3,034</u>
	12,307	9,236
Less accumulated depreciation	<u>5,067</u>	<u>3,880</u>
Net property and equipment	<u>\$ 7,240</u>	<u>\$ 5,356</u>

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

THE UNIVERSITY OF NEBRASKA-LINCOLN
ADDITIONAL INFORMATION
SCHEDULES OF NET ASSETS
JUNE 30, 2008 AND 2007
(Thousands)

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 177,925	\$ 157,104
Cash and cash equivalents - restricted	114,551	93,084
Investments - restricted	2,861	6,431
Accounts receivable and unbilled charges, net	46,052	43,995
Loans to students, net	1,948	3,284
Due from other campuses	4,498	-
Other current assets	9,938	9,442
Total current assets	<u>357,773</u>	<u>313,340</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	162	193
Investments - restricted	191,002	195,893
Loans to students, net of current portion	13,699	11,169
Capital assets, net of accumulated depreciation	645,472	602,814
Other non-current assets	3,465	3,459
Total non-current assets	<u>853,800</u>	<u>813,528</u>
Total assets	<u>1,211,573</u>	<u>1,126,868</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	30,859	22,701
Accrued salaries, wages, and post-retirement benefits	21,945	20,595
Accrued compensated absences	18,997	18,142
Bond obligations payable	11,815	9,330
Capital lease obligations	161	496
Due to other campuses	-	39
Capital lease obligations due to other campuses	467	473
Deferred revenues and credits	58,420	56,702
Total current liabilities	<u>142,664</u>	<u>128,478</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	474	866
Accrued compensated absences, net of current portion	7,449	7,026
Bond obligations payable, net of current portion	224,150	205,710
Capital lease obligations, net of current portion	1,050	1,212
Capital lease obligations due to other campuses, net of current portion	4,217	4,313
Deferred revenues and credits, net of current portion	2,146	2,072
Total non-current liabilities	<u>239,486</u>	<u>221,199</u>
Total liabilities	<u>382,150</u>	<u>349,677</u>
NET ASSETS:		
Invested in capital assets, net of related debt	402,882	365,239
Restricted for:		
Non-expendable:		
Permanent endowment	185,485	186,140
Expendable:		
Externally restricted funds for scholarships, student aid and research	28,720	25,105
Loan funds	17,689	17,616
Plant construction	15,118	16,982
Debt service	44,493	39,492
Unrestricted	<u>135,036</u>	<u>126,617</u>
Total net assets	<u>\$ 829,423</u>	<u>\$ 777,191</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, 2008 AND 2007
(Thousands)

	2008	2007
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$41,903 and \$37,463 in 2008 and 2007, respectively)	\$ 120,176	\$ 110,181
Federal grants and contracts - restricted	193,770	181,572
State and local grants and contracts - restricted	6,637	6,120
Private grants and contracts - restricted	39,215	39,476
Sales and services of educational activities	50,031	46,941
Sales and services of auxiliary operations	89,860	83,923
Sales and services of auxiliary segments (net of scholarship allowances of \$5,738 and \$5,208 in 2008 and 2007, respectively)	47,190	43,234
Other operating revenues	<u>5,711</u>	<u>5,133</u>
Total operating revenues	<u>552,590</u>	<u>516,580</u>
OPERATING EXPENSES:		
Salaries and wages	353,423	331,739
Benefits	<u>97,145</u>	<u>91,769</u>
Total compensation and benefits	450,568	423,508
Supplies and materials	134,937	131,871
Contractual services	36,561	34,352
Repairs and maintenance	12,681	12,551
Utilities	20,395	19,793
Communications	8,630	8,441
Depreciation	37,329	37,272
Scholarships and fellowships	<u>107,883</u>	<u>101,501</u>
Total operating expenses	<u>808,984</u>	<u>769,289</u>
TRANSFERS:		
Intercampus reallocation	(9,638)	(6,302)
Other	<u>8,071</u>	<u>512</u>
Total transfers	<u>(1,567)</u>	<u>(5,790)</u>
OPERATING LOSS	<u>(257,961)</u>	<u>(258,499)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	238,677	230,771
Gifts	47,505	46,609
Investment income (net of investment management fees of \$2,184 and \$1,988 in 2008 and 2007, respectively)	28,190	35,549
Increase (decrease) in fair value of investments	(18,400)	5,585
Retirement of lease obligation	102	112
Interest income on loans receivable	140	143
Interest expense on bond and lease obligations	(9,798)	(10,279)
Capitalized interest on bond obligations	172	1,322
Loss on disposal of capital assets	<u>(862)</u>	<u>(870)</u>
Net non-operating revenues	<u>285,726</u>	<u>308,942</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>27,765</u>	<u>50,443</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
State of Nebraska capital appropriations	2,354	1,681
Capital grants and gifts	21,443	9,060
Private gifts and bequests for permanent endowments	<u>670</u>	<u>1,575</u>
Net other revenues, expenses, gains, or losses	<u>24,467</u>	<u>12,316</u>
INCREASE IN NET ASSETS	52,232	62,759
NET ASSETS:		
Net assets, beginning of year	<u>777,191</u>	<u>714,432</u>
Net assets, end of year	<u>\$ 829,423</u>	<u>\$ 777,191</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, 2008 AND 2007
(Thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 234,206	\$ 238,855
Tuition and fees	120,878	110,315
Sales and services of auxiliary operations	92,823	87,123
Sales and services of educational activities	76,823	73,800
Sales and services of auxiliary segments	47,515	43,209
Student loans collected	1,885	3,377
Other receipts	5,004	4,082
Payments to employees	(448,331)	(420,349)
Payments to vendors	(242,402)	(236,010)
Scholarships paid to students	(107,883)	(101,501)
Student loans issued	(3,209)	(3,661)
Other payments	(194)	(171)
Transfers:		
Intercampus reallocation	(9,638)	(6,302)
Other	8,071	512
Net cash flows from operating activities	<u>(224,452)</u>	<u>(206,721)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	238,991	230,772
Gifts	47,505	46,609
Private gifts and bequests for endowment use	670	1,575
Net cash flows from non-capital financing activities	<u>287,166</u>	<u>278,956</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	30,255	-
Capital grants and gifts	23,084	3,007
State of Nebraska capital appropriations	2,283	1,680
Purchases of capital assets	(74,607)	(50,342)
Principal paid on bond obligations	(9,330)	(8,560)
Interest paid on bond obligations	(9,812)	(10,317)
Payment of bond financial expense	(21)	(2)
Payments made on lease obligations	(852)	(3,713)
Net cash flows from capital and related financing activities	<u>(39,000)</u>	<u>(68,247)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	236,554	191,432
Purchases of investments	(246,493)	(214,270)
Interest on investments	28,482	35,592
Net cash flows from investing activities	<u>18,543</u>	<u>12,754</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,257	16,742
CASH AND CASH EQUIVALENTS, beginning of year	<u>250,381</u>	<u>233,639</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 292,638</u>	<u>\$ 250,381</u>

(Continued)

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

THE UNIVERSITY OF NEBRASKA - LINCOLN
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Thousands)

	2008	2007
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 177,925	\$ 157,104
Cash and cash equivalents - restricted (current)	114,551	93,084
Cash and cash equivalents - restricted (non-current)	<u>162</u>	<u>193</u>
Cash and cash equivalents - end of year	<u>\$ 292,638</u>	<u>\$ 250,381</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (257,961)	\$ (258,499)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	37,329	37,272
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(4,158)	9,364
Loans to students	(1,193)	(191)
Other current assets	(798)	52
Accounts payable	(1,919)	(2,826)
Accrued salaries, wages, compensated absences, and post-retirement benefits	2,237	3,159
Deferred revenues and credits	<u>2,011</u>	<u>4,948</u>
Net cash flows from operating activities	<u>\$ (224,452)</u>	<u>\$ (206,721)</u>
NON-CASH TRANSACTIONS:		
Purchase of capital assets through lease obligations	\$ 355	\$ 371
Increase (decrease) in fair value of investments	(18,400)	5,585

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 NET ASSETS
JUNE 30, 2008 AND 2007
(Thousands)

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 41,010	\$ 39,470
Cash and cash equivalents - restricted	87,490	96,220
Investments - restricted	540	509
Accounts receivable and unbilled charges, net	77,963	60,448
Loans to students, net	1,654	2,404
Due from other campuses	-	4,798
Other current assets	6,129	5,703
Total current assets	<u>214,786</u>	<u>209,552</u>
NON-CURRENT ASSETS:		
Investments - restricted	49,292	51,079
Investment in joint venture	227,508	208,965
Loans to students, net of current portion	10,288	9,685
Capital assets, net of accumulated depreciation	440,781	360,888
Other non-current assets	5,525	7,083
Total non-current assets	<u>733,394</u>	<u>637,700</u>
Total assets	<u>948,180</u>	<u>847,252</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	15,565	14,846
Accrued salaries, wages, and post-retirement benefits	12,809	12,296
Accrued compensated absences	21,725	20,139
Bond obligations payable	120	115
Capital lease obligations	898	913
Capital lease obligations due to other campuses	1,716	283
Deferred revenues and credits	10,170	8,682
Health and other insurance claims	3,085	2,853
Due to other campuses	653	-
Total current liabilities	<u>66,741</u>	<u>60,127</u>
NON-CURRENT LIABILITIES:		
Accrued compensated absences, net of current portion	5,777	5,713
Bond obligations payable, net of current portion	4,860	4,980
Capital lease obligations, net of current portion	2,942	3,994
Capital lease obligations due to other campuses, net of current portion	15,613	11,283
Total non-current liabilities	<u>29,192</u>	<u>25,970</u>
Total liabilities	<u>95,933</u>	<u>86,097</u>
NET ASSETS:		
Invested in capital assets, net of related debt	411,655	336,345
Restricted for:		
Non-expendable:		
Permanent endowment	1,633	1,703
Expendable:		
Externally restricted funds for scholarships, student aid and research	113,498	104,743
Loan funds	15,906	16,533
Plant construction	261	9,406
Debt service	600	339
Unrestricted	308,694	292,086
Total net assets	<u>\$ 852,247</u>	<u>\$ 761,155</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, 2008 AND 2007
(Thousands)

	2008	2007
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$4,615 and \$4,959 in 2008 and 2007, respectively)	\$ 30,601	\$ 29,320
Federal grants and contracts - restricted	51,919	56,684
State and local grants and contracts - restricted	17,953	17,012
Private grants and contracts - restricted	62,857	59,601
Sales and services of educational activities	5,380	5,599
Sales and services of health care entities	181,824	156,519
Sales and services of auxiliary operations	19,878	19,904
Sales and services of auxiliary segments	495	490
Other operating revenues	91	530
Total operating revenues	<u>370,998</u>	<u>345,659</u>
OPERATING EXPENSES:		
Salaries and wages	285,334	267,960
Benefits	66,770	60,607
Total compensation and benefits	<u>352,104</u>	<u>328,567</u>
Supplies and materials	46,974	50,392
Contractual services	51,316	43,927
Repairs and maintenance	20,957	17,352
Utilities	6,490	4,417
Communications	3,541	3,181
Depreciation	22,019	26,546
Scholarships and fellowships	8,598	8,420
Total operating expenses	<u>511,999</u>	<u>482,802</u>
TRANSFERS:		
Intercampus reallocation	(5,072)	(3,970)
Other	58,657	11,219
Total transfers	<u>53,585</u>	<u>7,249</u>
OPERATING LOSS	<u>(87,416)</u>	<u>(129,894)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	121,647	118,435
Gifts	14,908	19,794
Investment income (net of investment management fees of \$88 and \$23 in 2008 and 2007, respectively)	6,001	11,551
Increase (decrease) in fair value of investments	(3,388)	67
Retirement of lease obligation	270	257
Increase in lease obligation	(6,033)	(11,029)
Interest income on loans receivable	194	194
Interest expense on bond obligations	(228)	(230)
Equity in earnings of joint venture	24,543	17,983
Gain (Loss) on disposal of capital assets	275	(6,116)
Net non-operating revenues	<u>158,189</u>	<u>150,906</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>70,773</u>	<u>21,012</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	2,686	3,471
Capital grants and gifts	17,633	5,660
Private gifts and bequests for permanent endowments	-	40
Net other revenues, expenses, gains, or losses	<u>20,319</u>	<u>9,171</u>
INCREASE IN NET ASSETS	91,092	30,183
NET ASSETS:		
Net assets, beginning of year	<u>761,155</u>	<u>730,972</u>
Net assets, end of year	<u>\$ 852,247</u>	<u>\$ 761,155</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, 2008 AND 2007
(Thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 122,473	\$ 132,344
Tuition and fees	30,416	29,348
Sales and services of health care entities	170,580	156,860
Sales and services of auxiliary operations	17,904	21,711
Sales and services of educational activities	5,379	5,599
Sales and services of auxiliary segments	502	483
Student loans collected	1,697	2,439
Interest on loans receivable	188	194
Other receipts	91	446
Payments to employees	(324,873)	(296,489)
Payments to vendors	(141,869)	(146,768)
Scholarships paid to students	(8,598)	(8,420)
Student loans issued	(1,550)	(2,723)
Transfers:		
Intercampus reallocation	(5,072)	(3,970)
Other	58,657	11,219
Net cash flows from operating activities	<u>(74,075)</u>	<u>(97,727)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	121,647	118,435
Gifts	15,195	19,793
Net cash flows from non-capital financing activities	<u>136,842</u>	<u>138,228</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and gifts	18,070	2,583
State of Nebraska capital appropriations	2,533	3,475
Purchases of capital assets	(100,069)	(45,905)
Principal paid on bond obligations	(115)	(115)
Interest paid on bond obligations	(228)	(230)
Payments made on lease obligations	(1,330)	(1,132)
Net cash flows from capital and related financing activities	<u>(81,139)</u>	<u>(41,324)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	9,981	33,414
Purchases of investments	(10,837)	(33,387)
Interest on investments	6,038	6,069
Distributions received from joint venture	6,000	3,000
Net cash flows from investing activities	<u>11,182</u>	<u>9,096</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,190)	8,273
CASH AND CASH EQUIVALENTS, beginning of year	<u>135,690</u>	<u>127,417</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 128,500</u>	<u>\$ 135,690</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, 2008 AND 2007
(Thousands)

	2008	2007
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 41,010	\$ 39,470
Cash and cash equivalents - restricted (current)	<u>87,490</u>	<u>96,220</u>
Cash and cash equivalents - end of year	<u>\$ 128,500</u>	<u>\$ 135,690</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (87,416)	\$ (129,894)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	22,019	26,546
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(21,526)	(4,895)
Loans to students	147	(284)
Other current assets	(426)	(973)
Accounts payable	9,245	4,639
Accrued salaries, wages, compensated absences, and post-retirement benefits	2,163	7,866
Deferred revenues and credits	1,487	(1,927)
Health and other insurance claims	<u>232</u>	<u>1,195</u>
Net cash flows from operating activities	<u>\$ (74,075)</u>	<u>\$ (97,727)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ (3,388)	\$ 67
Purchase of capital assets through lease obligations	263	255

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, 2008 AND 2007
(Thousands)

	2008	2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 17,544	\$ 21,329
Cash and cash equivalents - restricted	26,273	10,967
Investments - restricted	25,219	-
Accounts receivable and unbilled charges, net	9,310	6,999
Loans to students, net	917	1,576
Due from other campuses	691	-
Other current assets	2,594	2,440
Total current assets	<u>82,548</u>	<u>43,311</u>
NON-CURRENT ASSETS:		
Investments - restricted	19,969	9,072
Loans to students, net of current portion	6,186	4,911
Capital assets, net of accumulated depreciation	164,755	123,411
Other non-current assets	4,549	3,215
Total non-current assets	<u>195,459</u>	<u>140,609</u>
Total assets	<u>278,007</u>	<u>183,920</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	9,073	4,977
Accrued salaries, wages, and post-retirement benefits	7,337	7,229
Accrued compensated absences	3,356	3,058
Bond obligations payable	1,365	825
Capital lease obligations	2,244	1,511
Due to other campuses	-	1,796
Deferred revenues and credits	7,410	6,090
Total current liabilities	<u>30,785</u>	<u>25,486</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	349	349
Accrued compensated absences, net of current portion	1,271	1,135
Bond obligations payable, net of current portion	88,840	17,520
Capital lease obligations, net of current portion	3,250	4,238
Deferred revenues and credits, net of current portion	3,502	3,020
Total non-current liabilities	<u>97,212</u>	<u>26,262</u>
Total liabilities	<u>127,997</u>	<u>51,748</u>
NET ASSETS:		
Invested in capital assets, net of related debt	107,173	99,536
Restricted for:		
Non-expendable:		
Permanent endowment	778	834
Expendable:		
Externally restricted funds for scholarships, student aid and research	2,412	2,208
Loan funds	7,519	7,637
Plant construction	5,417	3,866
Debt service	10,559	3,757
Unrestricted	16,152	14,334
Total net assets	<u>\$ 150,010</u>	<u>\$ 132,172</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, 2008 AND 2007
(Thousands)

	2008	2007
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$14,695 and \$13,673 in 2008 and 2007, respectively)	\$ 54,109	\$ 50,633
Federal grants and contracts - restricted	13,162	13,538
State and local grants and contracts - restricted	3,477	3,400
Private grants and contracts - restricted	3,644	2,723
Sales and services of educational activities	8,692	8,634
Sales and services of auxiliary operations	4,611	6,217
Sales and services of auxiliary segments (net of scholarship allowances of \$495 and \$295 in 2008 and 2007, respectively)	15,092	11,884
Other operating revenues	474	441
Total operating revenues	<u>103,261</u>	<u>97,470</u>
OPERATING EXPENSES:		
Salaries and wages	86,209	83,629
Benefits	21,495	20,879
Total compensation and benefits	107,704	104,508
Supplies and materials	27,200	25,738
Contractual services	6,492	6,039
Repairs and maintenance	5,536	3,136
Utilities	3,346	3,058
Communications	1,420	1,313
Depreciation	5,999	4,978
Scholarships and fellowships	11,738	11,179
Total operating expenses	<u>169,435</u>	<u>159,949</u>
TRANSFERS:		
Intercampus reallocation	(2,901)	(2,058)
Other	6,820	303
Total transfers	<u>3,919</u>	<u>(1,755)</u>
OPERATING LOSS	<u>(62,255)</u>	<u>(64,234)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	58,994	57,310
Gifts	11,016	7,554
Investment income (net of investment management fees of \$45 and \$13 in 2008 and 2007, respectively)	3,206	2,430
Decrease in fair value of investments	(702)	(39)
Interest income on loans receivable	77	71
Interest expense on bond obligations	(2,650)	(822)
Loss on disposal of capital assets	(108)	(195)
Net non-operating revenues	<u>69,833</u>	<u>66,309</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	<u>7,578</u>	<u>2,075</u>
OTHER REVENUES, EXPENSES, GAINS OR LOSSES:		
State of Nebraska capital appropriations	<u>10,260</u>	<u>3,268</u>
INCREASE IN NET ASSETS	17,838	5,343
NET ASSETS:		
Net assets, beginning of year	<u>132,172</u>	<u>126,829</u>
Net assets, end of year	<u>\$150,010</u>	<u>\$132,172</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, 2008 AND 2007
(Thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 21,697	\$ 20,274
Tuition and fees	54,546	50,349
Sales and services of auxiliary operations	4,188	5,996
Sales and services of educational activities	8,612	8,588
Sales and services of auxiliary segments	15,092	11,884
Student loans collected	1,055	1,744
Interest on loans receivable	77	71
Other receipts	478	330
Payments to employees	(107,162)	(103,885)
Payments to vendors	(45,396)	(37,207)
Scholarships paid to students	(11,738)	(11,179)
Student loans issued	(1,671)	(1,776)
Transfers:		
Intercampus reallocation	(2,901)	(2,058)
Other	6,820	303
Net cash flows from operating activities	<u>(56,303)</u>	<u>(56,566)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	58,994	57,310
Gifts	9,400	7,759
Net cash flows from non-capital financing activities	<u>68,394</u>	<u>65,069</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	72,685	-
State of Nebraska capital appropriations	9,910	3,193
Purchases of capital assets	(42,750)	(6,493)
Premium on issuance of bonds	566	-
Payments made on lease obligations	(2,766)	(655)
Principal paid on bond obligations	(825)	(810)
Payment of bond financial expense	(1,473)	-
Interest paid on bond obligations	(1,865)	(826)
Net cash flows from capital and related financing activities	<u>33,482</u>	<u>(5,591)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	29,266	21,784
Purchases of investments	(66,256)	(22,312)
Interest on investments	2,938	2,431
Net cash flows from investing activities	<u>(34,052)</u>	<u>1,903</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,521	4,815
CASH AND CASH EQUIVALENTS, beginning of year	<u>32,296</u>	<u>27,481</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 43,817</u>	<u>\$ 32,296</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, 2008 AND 2007
(Thousands)

	2008	2007
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 17,544	\$ 21,329
Cash and cash equivalents - restricted (current)	<u>26,273</u>	<u>10,967</u>
Cash and cash equivalents - end of year	<u>\$ 43,817</u>	<u>\$ 32,296</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (62,255)	\$ (64,234)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	5,999	4,978
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	95	(697)
Loans to students	(616)	(31)
Other current assets	14	(857)
Accounts payable	(1,339)	3,005
Accrued salaries, wages, compensated absences, and post-retirement benefits	542	623
Deferred revenues and credits	<u>1,257</u>	<u>647</u>
Net cash flows from operating activities	<u>\$ (56,303)</u>	<u>\$ (56,566)</u>
NON-CASH TRANSACTIONS:		
Decrease in fair value of investments	\$ (702)	\$ (39)
Purchase of capital assets through lease obligations	2,511	6,404

See independent auditors' report.

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

THE UNIVERSITY OF NEBRASKA AT KEARNEY
ADDITIONAL INFORMATION
SCHEDULES OF NET ASSETS
JUNE 30, 2008 AND 2007
(Thousands)

ASSETS	2008	2007
CURRENT ASSETS:		
Cash and cash equivalents	\$ 20,137	\$ 15,157
Cash and cash equivalents - restricted	12,477	11,718
Investments - restricted	1,050	16,164
Accounts receivable and unbilled charges, net	2,184	1,814
Loans to students, net	308	352
Other current assets	235	308
Total current assets	<u>36,391</u>	<u>45,513</u>
NON-CURRENT ASSETS:		
Investments - restricted	9,703	4,436
Loans to students, net of current portion	2,382	2,279
Capital assets, net of accumulated depreciation	90,589	76,465
Other non-current assets	588	627
Total non-current assets	<u>103,262</u>	<u>83,807</u>
Total assets	<u>139,653</u>	<u>129,320</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	3,828	5,167
Accrued salaries, wages, and post-retirement benefits	4,143	3,975
Accrued compensated absences	1,179	1,132
Bond obligations payable	1,105	750
Capital lease obligations	59	54
Due to other campuses	21	90
Deferred revenues and credits	1,794	1,432
Total current liabilities	<u>12,129</u>	<u>12,600</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	42	98
Accrued compensated absences, net of current portion	543	500
Bond obligations payable, net of current portion	27,945	29,050
Capital lease obligations, net of current portion	84	143
Deferred revenues and credits	1,451	1,329
Total non-current liabilities	<u>30,065</u>	<u>31,120</u>
Total liabilities	<u>42,194</u>	<u>43,720</u>
NET ASSETS:		
Invested in capital assets, net of related debt	61,302	55,508
Restricted for:		
Non-expendable:		
Permanent endowment	66	66
Expendable:		
Externally restricted funds for scholarships, student aid and research	1,031	969
Loan funds	2,895	2,906
Plant construction	2,466	2,351
Debt service	17,061	15,380
Unrestricted	<u>12,638</u>	<u>8,420</u>
Total net assets	<u>\$ 97,459</u>	<u>\$ 85,600</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, 2008 AND 2007
(Thousands)

	2008	2007
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$7,039 and \$6,551 in 2008 and 2007, respectively)	\$ 19,699	\$ 19,311
Federal grants and contracts - restricted	6,749	6,994
State and local grants and contracts - restricted	1,695	1,561
Private grants and contracts - restricted	223	309
Sales and services of educational activities	4,602	4,248
Sales and services of auxiliary operations	3,106	3,183
Sales and services of auxiliary segments (net of scholarship allowances of \$2,199 and \$1,889 in 2008 and 2007, respectively)	9,240	9,144
Other operating revenues	129	138
Total operating revenues	<u>45,443</u>	<u>44,888</u>
OPERATING EXPENSES:		
Salaries and wages	39,688	38,162
Benefits	<u>10,980</u>	<u>10,588</u>
Total compensation and benefits	50,668	48,750
Supplies and materials	13,402	13,905
Contractual services	1,337	1,759
Repairs and maintenance	1,508	1,380
Utilities	2,678	2,602
Communications	787	721
Depreciation	3,888	3,680
Scholarships and fellowships	<u>4,835</u>	<u>4,603</u>
Total operating expenses	<u>79,103</u>	<u>77,400</u>
TRANSFERS:		
Inter-campus reallocation	(966)	(1,073)
Other	<u>8,143</u>	<u>16</u>
Total transfers	<u>7,177</u>	<u>(1,057)</u>
OPERATING LOSS	<u>(26,483)</u>	<u>(33,569)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	34,583	34,005
Gifts	1,700	1,403
Investment income (net of investment management fees of \$6 and \$6 in 2008 and 2007, respectively)	2,150	2,573
Increase (decrease) in fair value of investments	137	67
Interest income on loans receivable	30	24
Capitalized interest on bond obligations	377	176
Interest expense on bond obligations	(1,325)	(1,342)
Loss on disposal of capital assets	<u>17</u>	<u>37</u>
Net non-operating revenues	<u>37,669</u>	<u>36,943</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>11,186</u>	<u>3,374</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	506	333
Capital grants and gifts	<u>167</u>	<u>143</u>
Net other revenues, expenses, gains, or losses	<u>673</u>	<u>476</u>
INCREASE IN NET ASSETS	11,859	3,850
NET ASSETS:		
Net assets, beginning of year	<u>85,600</u>	<u>81,750</u>
Net assets, end of year	<u>\$ 97,459</u>	<u>\$ 85,600</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, 2008 AND 2007
(Thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 8,348	\$ 8,876
Tuition and fees	19,861	19,416
Sales and services of auxiliary operations	3,193	3,158
Sales and services of educational activities	4,757	4,265
Sales and services of auxiliary segments	9,238	9,170
Student loans collected	378	413
Interest on loans receivable	30	24
Other receipts	129	138
Payments to employees	(50,466)	(48,619)
Payments to vendors	(19,770)	(19,363)
Scholarships paid to students	(4,835)	(4,603)
Student loans issued	(437)	(458)
Transfers:		
Intercampus reallocation	(966)	(1,073)
Other	<u>8,143</u>	<u>16</u>
Net cash flows from operating activities	<u>(22,397)</u>	<u>(28,640)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	34,583	34,005
Gifts	<u>1,630</u>	<u>1,426</u>
Net cash flows from non-capital financing activities	<u>36,213</u>	<u>35,431</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and gifts	25	25
State of Nebraska capital appropriations	563	293
Purchases of capital assets	(19,177)	(7,514)
Principal paid on bond obligations	(750)	(730)
Interest paid on bond obligations	(939)	(1,156)
Payments made on lease obligations	<u>(54)</u>	<u>(639)</u>
Net cash flows from capital and related financing activities	<u>(20,332)</u>	<u>(9,721)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	16,302	28,545
Purchases of investments	(6,180)	(26,487)
Interest on investments	<u>2,133</u>	<u>2,683</u>
Net cash flows from investing activities	<u>12,255</u>	<u>4,741</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,739	1,811
CASH AND CASH EQUIVALENTS, beginning of year	<u>26,875</u>	<u>25,064</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 32,614</u>	<u>\$ 26,875</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, 2008 AND 2007
(Thousands)

	2008	2007
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 20,137	\$ 15,157
Cash and cash equivalents - restricted (current)	<u>12,477</u>	<u>11,718</u>
Cash and cash equivalents - end of year	<u>32,614</u>	<u>26,875</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	(26,483)	(33,569)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	3,888	3,680
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(320)	43
Loans to students	(59)	(45)
Other current assets	45	120
Accounts payable	(102)	881
Accrued salaries, wages, compensated absences, and post-retirement benefits	202	132
Deferred revenues and credits	<u>432</u>	<u>118</u>
Net cash flows from operating activities	<u>\$ (22,397)</u>	<u>\$ (28,640)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ 137	\$ 67
Capital grants and gifts	142	118
Purchase of capital assets through lease obligations	-	53

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, 2008 and 2007
(Thousands)

ASSETS	2008	2007
CURRENT ASSETS:		
Cash and cash equivalents	\$ 45,241	\$ 34,831
Cash and cash equivalents - restricted	2,768	5,641
Investments - restricted	534	3,346
Accounts receivable and unbilled charges, net	2,467	1,160
Due from other campuses	<u>458</u>	<u>-</u>
Total current assets	<u>51,468</u>	<u>44,978</u>
NON-CURRENT ASSETS:		
Investments - restricted	121,114	106,445
Capital assets, net of accumulated depreciation	<u>3,041</u>	<u>3,663</u>
Total non-current assets	<u>124,155</u>	<u>110,108</u>
Total assets	<u>175,623</u>	<u>155,086</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	19,230	21,066
Accrued salaries, wages, and post-retirement benefits	111	102
Accrued compensated absences	925	863
Capital lease obligations	68	264
Due to other campuses		655
Deferred revenues and credits	67	53
Health and other insurance claims	<u>7,044</u>	<u>7,148</u>
Total current liabilities	<u>27,445</u>	<u>30,151</u>
NON-CURRENT LIABILITIES:		
Accrued compensated absences, net of current portion	252	177
Capital lease obligations, net of current portion	<u>2,003</u>	<u>2,071</u>
Total non-current liabilities	<u>2,255</u>	<u>2,248</u>
Total liabilities	<u>29,700</u>	<u>32,399</u>
NET ASSETS:		
Invested in capital assets, net of related debt	970	1,328
Restricted for:		
Non-expendable:		
Permanent endowment	28,376	28,327
Expendable:		
Externally restricted funds for scholarships, student aid and research	5,008	4,222
Plant construction	217	102
Unrestricted	<u>111,352</u>	<u>88,708</u>
Total net assets	<u>\$ 145,923</u>	<u>\$ 122,687</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, 2008 AND 2007
(Thousands)

	2008	2007
OPERATING REVENUES:		
Federal grants and contracts - restricted	\$ 776	\$ 1,016
State and local grants and contracts - restricted	31	2,780
Private grants and contracts - restricted	77	70
Sales and services of auxiliary operations	219	465
Other operating revenues	<u>16,305</u>	<u>22,237</u>
Total operating revenues	<u>17,408</u>	<u>26,568</u>
OPERATING EXPENSES:		
Salaries and wages	6,231	5,709
Benefits	<u>1,205</u>	<u>1,108</u>
Total compensation and benefits	7,436	6,817
Supplies and materials	9,059	12,698
Contractual services	3,630	8,255
Repairs and maintenance	800	283
Utilities	66	80
Communications	205	82
Depreciation	742	1,022
Scholarships and fellowships	<u>720</u>	<u>840</u>
Total operating expenses	<u>22,658</u>	<u>30,077</u>
TRANSFERS:		
Intercampus reallocation	6,610	3,396
Other	<u>98</u>	<u>2,356</u>
Total transfers	<u>6,708</u>	<u>5,752</u>
OPERATING INCOME	<u>1,458</u>	<u>2,243</u>
NON-OPERATING REVENUES (EXPENSES)		
State of Nebraska non-capital appropriations	21,197	19,761
Gifts	414	172
Investment income (net of investment management fees of \$371 and \$0)	2,847	3,645
Increase (decrease) in fair value of investments	(3,202)	3,338
Interest expense on bond obligations	(162)	(165)
Loss on disposal of capital assets	<u>(77)</u>	<u>(5)</u>
Net non-operating revenues	<u>21,017</u>	<u>26,746</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>22,475</u>	<u>28,989</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
Private gifts and bequests for permanent endowments	<u>761</u>	<u>296</u>
INCREASE IN NET ASSETS	23,236	29,285
NET ASSETS:		
Net assets, beginning of year	<u>122,687</u>	<u>93,402</u>
Net assets, end of year	<u>\$ 145,923</u>	<u>\$ 122,687</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, 2008 AND 2007
(Thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 330	\$ 3,789
Sales and services of auxiliary operations	229	459
Other receipts	16,377	28,068
Payments to employees	(7,290)	(6,735)
Payments to vendors	(17,630)	(14,884)
Scholarships paid to students	(720)	(840)
Transfers:		
Intercampus reallocation	6,610	3,396
Other	98	2,356
Net cash flows from operating activities	<u>(1,996)</u>	<u>15,609</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	21,197	19,760
Gifts	399	249
Private gifts and bequests for endowment use	761	298
Net cash flows from non-capital financing activities	<u>22,357</u>	<u>20,307</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(197)	(873)
Interest paid on bond obligations	(162)	(165)
Payments made on lease obligations	(264)	(256)
Net cash flows from capital and related financing activities	<u>(623)</u>	<u>(1,294)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	95,435	71,706
Purchases of investments	(110,493)	(97,040)
Interest on investments	2,857	3,776
Net cash flows from investing activities	<u>(12,201)</u>	<u>(21,558)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,537	13,064
CASH AND CASH EQUIVALENTS, beginning of year	<u>40,472</u>	<u>27,408</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 48,009</u>	<u>\$ 40,472</u>

(Continued)

THE UNIVERSITY OF NEBRASKA CENTRAL ADMINISTRATION
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
(Thousands)

	2008	2007
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 45,241	\$ 34,831
Cash and cash equivalents - restricted (current)	<u>2,768</u>	<u>5,641</u>
Cash and cash equivalents - end of year	<u>\$ 48,009</u>	<u>\$ 40,472</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 1,458	\$ 2,243
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation expense:	742	1,022
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(2,416)	(254)
Other current assets	918	6,479
Accounts payable	(2,754)	6,515
Accrued salaries, wages, compensated absences, and post-retirement benefits	146	82
Deferred revenues and credits	14	(12)
Health and other insurance claims	<u>(104)</u>	<u>(466)</u>
Net cash flows from operating activities	<u>\$ (1,996)</u>	<u>\$ 15,609</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	(3,202)	3,338

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, 2008 AND 2007
(Thousands)

ASSETS	2008	2007
CURRENT ASSETS:		
Cash and cash equivalents - restricted	\$ 84,846	\$ 45,621
Investments - restricted	99,521	71,582
Accounts receivable and unbilled charges, net	1,583	2,311
Due from other campuses	2,183	
Capital lease obligation receivable due from other campuses	<u>2,036</u>	<u>756</u>
Total current assets	<u>190,169</u>	<u>120,270</u>
NON-CURRENT ASSETS:		
Investments - restricted	13,202	81,747
Capital lease obligation receivable due from other campuses	19,830	15,596
Other non-current assets	<u>537</u>	<u>529</u>
Total non-current assets	<u>33,569</u>	<u>97,872</u>
Total assets	<u>223,738</u>	<u>218,142</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	21,783	6,575
Bond obligations payable	15,250	13,740
Due to other campuses	<u>4,973</u>	<u>2,218</u>
Total current liabilities	<u>42,006</u>	<u>22,533</u>
NON-CURRENT LIABILITIES:		
Bond obligations payable, net of current portion	218,770	210,390
Deferred revenues and credits	<u>5,456</u>	<u>5,241</u>
Total non-current liabilities	<u>224,226</u>	<u>215,631</u>
Total liabilities	<u>266,232</u>	<u>238,164</u>
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	(142,597)	(88,497)
Restricted for:		
Expendable:		
Plant construction	19,983	4,420
Debt service	<u>80,120</u>	<u>64,055</u>
Total net assets (deficit)	<u>\$ (42,494)</u>	<u>\$ (20,022)</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, 2008 AND 2007
(Thousands)

	2008	2007
OPERATING EXPENSES:		
Repairs and maintenance	\$ 70	\$ 70
Total operating expenses	<u>70</u>	<u>70</u>
TRANSFERS:		
Intercampus reallocation	11,967	10,007
Other	<u>(81,789)</u>	<u>(14,406)</u>
Total transfers	<u>(69,822)</u>	<u>(4,399)</u>
OPERATING INCOME (LOSS)	(69,892)	(4,469)
NON-OPERATING REVENUES (EXPENSES):		
Investment income	8,205	8,252
Increase (decrease) in fair value of investments	434	302
Retirement of lease obligation	(372)	(369)
Increase in lease obligation	6,033	11,029
Interest expense on bond obligations	<u>(9,407)</u>	<u>(9,404)</u>
Net non-operating expenses	<u>4,893</u>	<u>9,810</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>(64,999)</u>	<u>5,341</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
State of Nebraska capital appropriations	11,000	11,000
Capital grants and gifts	<u>31,527</u>	<u>8,558</u>
Net other revenues, expenses, gains, or losses	<u>42,527</u>	<u>19,558</u>
INCREASE (DECREASE) IN NET ASSETS (DEFICIT)	(22,472)	24,899
NET ASSETS (DEFICIT):		
Net assets (deficit), beginning of year	<u>(20,022)</u>	<u>(44,921)</u>
Net assets (deficit), end of year	<u>\$ (42,494)</u>	<u>\$ (20,022)</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, 2008 AND 2007
(Thousands)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to vendors	\$ 17,813	\$ 4,140
Transfers:		
Intercampus reallocation	11,967	10,007
Other	<u>(81,789)</u>	<u>(14,406)</u>
Net cash flows from operating activities	<u>(52,009)</u>	<u>(259)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	\$ 23,630	\$ 140,595
Capital grants and gifts	29,491	8,558
State of Nebraska capital appropriations	11,000	11,000
Premium on the issuance of bonds	810	3,979
Principal paid on bond obligations	(13,740)	(12,190)
Interest paid on bond obligations	(9,841)	(7,238)
Payment of bond financial expense	<u>(89)</u>	<u>(254)</u>
Net cash flows from capital and related financing activities	<u>41,261</u>	<u>144,450</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	135,613	43,303
Purchases of investments	(94,573)	(171,940)
Interest on investments	<u>8,933</u>	<u>6,331</u>
Net cash flows from investing activities	<u>49,973</u>	<u>(122,306)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	39,225	21,885
CASH AND CASH EQUIVALENTS, beginning of year	<u>45,621</u>	<u>23,736</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 84,846</u>	<u>\$ 45,621</u>
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current) - end of year	<u>\$ 84,846</u>	<u>\$ 45,621</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (69,892)	\$ (4,469)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Changes in assets and liabilities:		
Other current assets	207	(218)
Accounts payable	<u>17,676</u>	<u>4,428</u>
Net cash flows from operating activities	<u>\$ (52,009)</u>	<u>\$ (259)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ 434	\$ 302

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 year ended June 30, 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 9, 2008. 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 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 9, 2008

Signed Original on File

Don Dunlap, CPA
Assistant Deputy Auditor