

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

*Basic Financial Statements and Additional Information
for the Years Ended June 30, 2010 and 2009
and Independent Auditors' Reports*

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on December 21, 2010

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 - 17
BASIC FINANCIAL STATEMENTS:	
Statements of Net Assets	18
Component Unit - Consolidated Statements of Financial Position	19
Statements of Revenues, Expenses, and Changes in Net Assets	20
Component Unit - Consolidated Statements of Activities	21 - 22
Statements of Cash Flows	23 - 24
Component Unit - Consolidated Statements of Cash Flows	25
Notes to Financial Statements	26 - 63
ADDITIONAL INFORMATION:	
<i>The University of Nebraska-Lincoln:</i>	
Schedules of Net Assets	64
Schedules of Revenues, Expenses, and Changes in Net Assets	65
Schedules of Cash Flows	66 - 67
<i>The University of Nebraska Medical Center:</i>	
Schedules of Net Assets	68
Schedules of Revenues, Expenses, and Changes in Net Assets	69
Schedules of Cash Flows	70 - 71
<i>The University of Nebraska at Omaha:</i>	
Schedules of Net Assets	72
Schedules of Revenues, Expenses, and Changes in Net Assets	73
Schedules of Cash Flows	74 - 75
<i>The University of Nebraska at Kearney:</i>	
Schedules of Net Assets	76
Schedules of Revenues, Expenses, and Changes in Net Assets	77
Schedules of Cash Flows	78 - 79

(Continued)

TABLE OF CONTENTS (Continued)

	Pages
<i>The University of Nebraska Central Administration:</i>	
Schedules of Net Assets	80
Schedules of Revenues, Expenses, and Changes in Net Assets	81
Schedules of Cash Flows	82 - 83
<i>The University of Nebraska Facilities Corporation:</i>	
Schedules of Net Assets (Deficit)	84
Schedules of Revenues, Expenses, and Changes in Net Assets (Deficit)	85
Schedules of Cash Flows	86
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>	87 - 88



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

INDEPENDENT AUDITORS' REPORT

Board of Regents of the University of Nebraska
Lincoln, Nebraska:

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the University of Nebraska (the University) (a component unit of the State of Nebraska) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the consolidated financial statements of the University of Nebraska Foundation (the Foundation), a discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the UNMC Physicians, the UNeMed Corporation, University Dental Associates, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units); and the Obligations under the Master Trust Indenture. The Blended Component Units and the Obligations under the Master Trust Indenture represent 26 percent, 76 percent, 4 percent, and 21 percent, respectively, of the assets, liabilities, net assets, and revenues. Those financial statements, whose reports have been furnished to us, along with the Foundation report, which report appears herein, were audited by other auditors, and our opinion insofar as it relates to the discretely presented component unit financial statements of the Foundation, the Blended Component Units, and the Obligations under the Master Trust Indenture, is based solely on the reports of such other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University of Nebraska, as of June 30, 2010 and 2009, 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 17, 2010, on our consideration of the University's internal control over financial reporting and on 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 considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 17 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 required 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 financial statements that collectively comprise the University's basic financial statements. 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.

Lincoln, Nebraska
December 17, 2010

Signed Original on File

Don Dunlap, CPA
Assistant Deputy Auditor

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
12480 O STREET, SUITE 500
LINCOLN, NEBRASKA 68508

INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of Nebraska Foundation
Lincoln, Nebraska

We have audited the accompanying consolidated statements of financial position of the University of Nebraska Foundation as of June 30, 2010 and 2009, 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, 2010 and 2009, 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 20, 2010

THE UNIVERSITY OF NEBRASKA

(A Component Unit of the State of Nebraska)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (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, 2010 and 2009. 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.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

Campus	Student Enrollment - Headcount				
	Fall Semester of Fiscal Year				
	2006	2007	2008	2009	2010
UNL	21,675	22,106	22,973	23,573	24,100
UNMC	2,995	3,067	3,128	3,189	3,237
UNO	14,093	13,906	14,156	14,213	14,620
UNK	6,445	6,468	6,478	6,543	6,650
Total	45,208	45,547	46,735	47,518	48,607

The fall semester (fiscal 2010) headcount enrollment was 48,607 students on the four campuses. This represents an increase of approximately 1,089 compared to the fall 2008 (fiscal 2009), a 2.3% increase, the fifth straight year of increases, and returns headcount enrollment to the highest level in a decade. The largest percent increase within the underlying demographics is graduate students (up 5%). Undergraduate students increased 1.6%, while professional students remained flat. The primary campus behind the increase was UNL who posted a gain of 2.2%. Increasing enrollment is a strategic priority of the University and all campuses have devoted greater efforts to recruit both in-state and out-of-state students through such activities as improvement of student residences and facilities. The number of students enrolled in graduate and professional programs increased by 496 to 12,256, representing 25% of the student body, reflecting the University's commitment to its increasing prominence as a major research institution.

Financial and Operating Highlights

- **Growth in Net Assets.** Total net assets and unrestricted net assets of the University grew by approximately 11% and 16%, respectively, and are attributable to several factors. First, the University's investment in the Nebraska Medical Center joint venture increased by \$23 million and is included in unrestricted net assets. Second, the trustee insurance balances increased approximately \$18 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 \$2 million and UNMC Physicians, a blended entity, realized an increase in net assets of \$5 million. Fourth, Innovation Campus, formerly State Fair Park, valued at \$42 million was deeded to the University from the State of Nebraska. Lastly, the University reduced expenditures during the year to conserve State aided resources for the following biennium. Maintenance of a prudent level of reserves is a key to the long-term success of the University.
- **New Capital Construction.** Investment in capital construction followed University priorities. The following projects align behind the higher education, research, and public service missions and thereby make the University more competitive in continuing to attract high caliber students and faculty. Work began on Scott Court, a new suite style student residence hall at UNO in May 2010. Construction was completed on Jorgensen Hall and the Jackie Gaughan Multicultural Center at UNL during the year, along with the renovation of the Whittier Building. A renovation

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

of a student residence hall was completed at UNK. Construction of three Health Professions Futures structures was initiated at UNMC while renovation of the College of Dentistry building was completed. Construction and renovation work continues at all of the campuses on several deferred maintenance projects financed by the UNFC Series 2006 and Series 2009 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 marketed four new revenue bond issues under the Master Trust Indenture (MTI). The Student Fees and Facilities 2009B Bonds of \$10,680 were used to renovate the Abel-Sandoz dining center at the UNL campus. The UNL Parking 2009A and B Bonds of \$11,560 financed the construction of a new parking garage. The UNO Housing 2010A Bonds financed the purchase of University Village (formerly privately owned) located on campus. The UNO Housing 2010B Bonds financed the construction of Scott Court.

The UNFC issued two financings during fiscal 2010. The Deferred Maintenance Series 2009 Bonds of \$52,055 provide planned continuation financing for deferred maintenance projects. The UNMC OPPD Series 2010 Bonds of \$9,230 were used to prepare a certain property owned by UNMC for exchange with a property owned by the Omaha Public Power District (OPPD).

- **State appropriations.** State non-capital appropriations decreased by 1% in 2010 compared to 2009. The 2010 decrease followed a 5.6% increase in 2009 over 2008. The Board of Regents approved a modest tuition increase of 4%. This increase permitted the Board of Regents to provide an average salary and wage increase of 1.5% per year for faculty, administrators, and staff. The University will continue to work with the State with the hope of increasing investment, which will be deployed by management strategically while at the same time using such funding to keep college affordable. The 4% tuition increase compares to a 6% increase for 2009 and 2008.
- **Private grants and contracts.** Support from private sources increased to \$104 million in 2010, a level comparable to \$106 million in 2008, after declining to \$79 million in 2009. The decline in 2009 was attributed to general economic conditions. Revenues from the private sector are relied upon to fund University activities and greatly enhance academic pursuits and efforts devoted to research.
- **Capital grants and gifts.** Capital grants and gifts continue to be an important source of funding for facilities at the University. Capital grants and gifts totaled \$89 million in 2010 compared to \$51 million in 2009, and \$71 million in 2008. Even though capital gifts declined in 2009 compared to 2008, the University realized \$18 million more in 2010 compared to 2008. The largest of the gifts in 2010 included \$21 million from the Foundation for the UNO Mammel Hall project, \$10 million of donations relating to the UNMC Research Center for Excellence Towers, \$4 million for the UNMC Sorrel Center, and Innovation Campus deeded to the University.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

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.

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

Capital assets are presented net of accumulated depreciation.

Net assets are divided into three parts:

- Invested in Capital Assets Net of Related Debt. The University's total investment in capital assets less accumulated depreciation and outstanding bond obligations incurred to acquire, construct, or improve those assets.
- Restricted net assets:
 - Expendable: A fund externally restricted by creditors, grantors, or contributors and includes grant and research funds, student loan programs, funds for plant construction, and debt service on bond obligations.
 - Non-expendable: permanent endowments.
- Unrestricted Net Assets. Comprised of the University's investment in the joint venture of the Nebraska Medical Center (NMC) of \$253 million, quasi-endowments of \$35 million, and net assets of the healthcare blended entities of \$57 million, and net assets of the self insurance programs of \$106 million with the balance representing designated departmental balances, encumbrances, and working capital funds.

Statement of Revenues, Expenses, and Changes in Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets disclose the revenues and expenses of the University during the year. Revenues and expenses are classified as either operating or non-operating. Revenues realized from operating activities are offset by operating expenses, including depreciation, resulting in an operating income or loss. Most significantly, GASB requires that certain funding sources that are significant to the University, including State appropriations, gifts, certain Federal student aid programs, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

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.

Condensed Financial Statements and Analysis

Condensed Statements of Net Assets

	June 30,		
	2010	2009	2008
Assets			
Current assets	\$ 873,947	\$ 777,946	\$ 657,630
Capital assets, net of accumulated depreciation	1,736,116	1,527,199	1,344,638
Other non-current assets	728,315	745,251	946,846
Total assets	<u>3,338,378</u>	<u>3,050,396</u>	<u>2,949,114</u>
Liabilities and Net Assets			
Current liabilities	337,994	339,004	313,940
Non-current liabilities	<u>692,872</u>	<u>630,750</u>	<u>602,606</u>
Total liabilities	<u>1,030,866</u>	<u>969,754</u>	<u>916,546</u>
Net assets:			
Invested in capital assets, net of related debt	955,142	863,298	841,385
Restricted for:			
Nonexpendable:			
Permanent endowment	169,722	156,480	216,338
Expendable:			
Externally restricted funds	127,938	120,448	150,669
Loan funds	43,935	43,946	44,009
Plant construction	125,575	103,398	43,462
Debt service	175,655	179,215	152,833
Unrestricted	709,545	613,857	583,872
Total net assets	<u>\$ 2,307,512</u>	<u>\$ 2,080,642</u>	<u>\$ 2,032,568</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

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

	Years Ended June 30,		
	2010	2009	2008
Operating Revenues:			
Tuition and fees	\$ 258,559	\$ 245,630	\$ 224,585
Federal grants and contracts - restricted	221,133	190,661	176,023
State and local grants and contracts - restricted	33,650	31,884	29,793
Private grants and contracts - restricted	103,581	79,225	106,016
Sales and services of educational activities	73,609	71,040	68,705
Sales and services of health care entities	204,221	192,899	181,824
Sales and services of auxiliary operations	133,391	130,018	117,674
Sales and services of auxiliary segments	83,173	80,639	72,017
Other operating revenues	9,782	12,706	7,594
Total operating revenues	<u>1,121,099</u>	<u>1,034,702</u>	<u>984,231</u>
Operating Expenses:			
Salaries and wages	829,013	812,691	770,885
Benefits	214,826	210,594	185,481
Total compensation and benefits	<u>1,043,839</u>	<u>1,023,285</u>	<u>956,366</u>
Supplies and materials	231,900	243,746	231,572
Contractual services	113,097	101,792	95,893
Repairs and maintenance	76,050	49,898	41,552
Utilities	37,157	35,972	32,975
Communications	13,655	13,909	14,583
Depreciation	81,724	68,525	69,977
Scholarships and fellowships	58,702	50,442	65,969
Total operating expenses	<u>1,656,124</u>	<u>1,587,569</u>	<u>1,508,887</u>
Operating Loss	<u>(535,025)</u>	<u>(552,867)</u>	<u>(524,656)</u>
Non-operating Revenues (Expenses):			
State of Nebraska non-capital appropriations	496,963	501,794	475,098
Federal grants	35,746	23,486	22,548
Gifts	63,756	64,770	75,543
Investment income	18,396	21,908	50,599
Increase (decrease) in fair value of investments	33,452	(65,328)	(25,121)
Interest on bond obligations	(23,486)	(23,634)	(23,570)
Capitalized interest on bond obligations	4,118	2,553	549
Equity in joint venture	27,297	8,861	24,543
Loss on disposal of plant assets	(2,479)	(1,772)	(755)
Net non-operating revenues	<u>653,763</u>	<u>532,638</u>	<u>599,434</u>
Income (loss) before Other Revenues, Expenses, Gains or Losses	<u>118,738</u>	<u>(20,229)</u>	<u>74,778</u>
Other Revenues, Expenses, Gains or Losses:			
Capital grants and gifts	89,379	50,711	70,770
State of Nebraska capital appropriations	18,412	16,597	26,806
Private gifts and bequests for permanent endowments	341	995	1,431
Net other revenues, expenses, and gains or losses	<u>108,132</u>	<u>68,303</u>	<u>99,007</u>
Increase in net assets	226,870	48,074	173,785
Net Assets:			
Net assets, beginning of year	2,080,642	2,032,568	1,858,783
Net assets, end of year	<u>\$ 2,307,512</u>	<u>\$ 2,080,642</u>	<u>\$ 2,032,568</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

Analysis of Financial Position. Cash and cash equivalents represent the preponderance of current assets of the University. Cash and cash equivalents increased each year in 2010, 2009, and 2008 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, 2010, total investment in capital assets was \$2.1 billion, yielding a net investment, after accumulated depreciation, of \$1.7 billion. The net increase in capital assets was \$209 million, consisting of net additions of \$291 million less depreciation of \$82 million. Among the more noteworthy increases were Mammel Hall at UNO at a cost of \$28 million, UNL's Jorgenson Hall at a cost of \$37 million, renovations of the Whittier Building and Keim Hall at a cost of \$20 million and \$12 million, respectively, at UNL, the UNO Health, Physical Education, and Recreation (HPER) Building for \$37 million, the Jackie Gaughan Multicultural Center at UNL for \$8 million, and Innovation Campus for \$42 million. Additions to construction work in progress for the deferred maintenance projects totaled \$43 million. A capital gift funded Mammel Hall, the Jorgenson Hall and Keim Hall projects were financed by the Deferred Maintenance Bonds, the HPER and Jackie Gaughan Multicultural Center projects were funded by Master Trust Indenture (MTI) revenue bond proceeds. The additions to deferred maintenance construction work in progress were financed by the UNFC Series 2006 Bonds proceeds.

Indebtedness grew by \$118 million (net of maturities) during fiscal year 2010 compared to \$78 million in 2009. The growth in 2010 is accounted for by the UNL Abel-Sandoz dining center, UNL Parking garage, UNO Housing University Village purchase, and the UNO Housing new student residence. UNFC financings added the UNMC OPPD Exchange Project and planned continuation financing for the Deferred Maintenance projects.

The unrestricted net assets of the University grew by 16% or \$96 million during the year to \$710 million. As discussed earlier, the growth is primarily attributable to the University's equity in the NMC joint venture, positive experiences in self insurance activities, and planned departmental and college savings.

Analysis of Operations – Overview. The University generated \$1,121 million of operating revenues during 2010, an increase of \$86 million over 2009, while operating expenses were \$1,656 million, up \$69 million over the prior year. These changes decreased the operating loss by \$18 million to \$535 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 \$38 million in 2010 compared to a similar "loss" of \$51 million in 2009. 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 UNIVERSITY OF NEBRASKA
(A Component Unit of the State of Nebraska)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

The Nebraska Legislature provided \$497 million in non-capital appropriations for 2010, a decrease of \$5 million over 2009, but that followed a \$27 million increase from 2008 to 2009. 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 \$153 million (includes Innovation Campus for \$42 million from the State of Nebraska) that, when combined with all other non-operating revenues and expenses including investment income of \$18 million, netted an overall increase in net assets of about \$227 million.

Revenues. The following chart depicts the revenues for 2010 and 2009 and the comparative changes that occurred between those years.

	2010		2009		2010-2009 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Tuition and fees	\$ 258,559	23%	\$ 245,630	24%	\$ 12,929	5%
Federal grants and contracts - restricted	221,133	20	190,661	18	30,472	16
State grants and contracts - restricted	33,650	3	31,884	3	1,766	6
Private grants and contracts - restricted	103,581	9	79,225	8	24,356	31
Sales and services of educational activities	73,609	7	71,040	7	2,569	4
Sales and services of health care entities	204,221	18	192,899	19	11,322	6
Sales and services of auxiliary operations	133,391	12	130,018	12	3,373	3
Sales and services of auxiliary segments	83,173	7	80,639	8	2,534	3
Other operating revenues	9,782	1	12,706	1	(2,924)	(23)
Total operating revenues	<u>\$ 1,121,099</u>	<u>100%</u>	<u>\$ 1,034,702</u>	<u>100%</u>	<u>\$ 86,397</u>	<u>8%</u>

The University's operating revenues increased in fiscal year 2010 by 8%, or \$86 million. Most of the revenue sources showed increases from the prior year. A three year comparison of revenues for the years 2010, 2009, and 2008 is presented on page 9.

- The largest increase in revenues was realized from Federal grants and contracts, which increased by 16% during 2010. The increase is attributed to additional funding from several agencies including the U.S. Department of Health and Human Services, the U.S. Department of Defense, the National Science Foundation, and ARRA stimulus funds from several agencies. This compares to an 8% increase during 2009.
- The second largest increase in revenue was realized from private grants and contracts which increased by 31% over 2009. This level of support is comparable to past experience and the \$106 million of revenue realized during 2008.
- The third largest increase in revenue was realized from tuition, which increased on a net basis by \$13 million for the 2010 year. The Board of Regents approved an increase in tuition of 4% which, when coupled with a 2.3% increase in enrollment, yielded the overall 5% increase.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

- An increase of 6% was realized from sales and services of health care entities, which increased by \$11 million dollars for the 2010 year. UNMC Physicians, a blended entity, experienced an 8% increase in growth from the expansion of its clinical programs and contributed \$11 million of the increase with the remainder of the overall increase contributed by the UNMC campus clinics.
- Sales and services of auxiliary operations increased because of revenues from newly constructed student residences, high occupancies in student residences, and a 5% increase in housing rates. Increases in athletic revenues from ticket prices, increased attendance, and concession revenues contributed to the growth in revenues.
- Sales and services of educational activities increased 4%. This increase resulted from an increase in technology fees, increases in conference activities, and higher commodity prices for sale of agricultural products marketed by the Research Division of the Institute of Agriculture and Natural Resources.
- State and local grants and contracts increased by \$2 million in 2010 compared to 2009 contributing to a variety of education and training activities of the University. The increase was similar to the \$2 million increase realized in 2009 over 2008.

Expenses. The following chart shows the University's expenses for 2010 and 2009 and comparative changes that occurred between those years. A three year comparison of expenses for the years 2010, 2009, and 2008 is presented on page 9.

	2010		2009		2010-2009 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Compensation and benefits	\$ 1,043,839	63%	\$ 1,023,285	65%	\$ 20,554	2%
Supplies and materials	231,900	14	243,746	15	(11,846)	(5)
Contractual services	113,097	7	101,792	7	11,305	11
Repairs and maintenance	76,050	4	49,898	3	26,152	52
Utilities	37,157	2	35,972	2	1,185	3
Communications	13,655	1	13,909	1	(254)	(2)
Depreciation	81,724	5	68,525	4	13,199	19
Scholarships and fellowships	58,702	4	50,442	3	8,260	16
Total operating expenses	<u>\$ 1,656,124</u>	<u>100%</u>	<u>\$ 1,587,569</u>	<u>100%</u>	<u>\$ 68,555</u>	<u>4%</u>

Operating expenses were \$1,656 million for the 2010 fiscal year, an increase of 4% compared to 2009. Changes in the major expense classifications follow.

- Compensation and benefits increased by \$21 million in 2010 compared to 2009 and accounts for 30% of the total increase in expenses for the University. Faculty salaries and benefits increased an average of 1.5%. Additional amounts were expended for targeted areas including continued support for programs of excellence, funding for instructional workload salaries, research initiative programs, maintenance services for newly opened facilities, and intercampus development.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

- Repairs and maintenance increased by 52%, reflecting continued upgrades to buildings and facilities to gain energy efficiencies, partially funded by ARRA energy efficiency grants, and to provide adequate space for patient clinics, research-related activities, and MTI obligated member student residences and food services.
- Utilities increased by \$1 million, fueled primarily by the use of newly occupied facilities including research space that has a higher utility consumption. These increases were mitigated by savings from energy conservation measures undertaken to reduce consumption, which included window replacements and other deferred maintenance projects.
- An 11% increase in contractual services is attributed to increases in sub-grantee awards, and a 48% increase in contractual payments to medical specialists by UNMC Physicians, a blended entity.
- Scholarships and fellowships grew by \$8 million, approximating tuition increases, which is an effort to maintain affordability.

Non-Operating Revenues (Expenses). Net non-operating revenues increased during 2010 compared to 2009 by \$121 million. This change is primarily driven by the net result of a year-over-year increase in fair value of investments of \$99 million.

Thanks to vital support from the private sector and the Foundation, the University garnered non-capital and capital gifts during the year of \$64 million and \$89 million respectively. This compares to \$65 million and \$51 million during 2009. Non-capital gifts support scholarships to students and a variety of academic and research pursuits.

Other Revenues, Expenses, Gains, or Losses. State of Nebraska capital appropriations increased in 2010 by \$2 million for a total of \$18 million. This compares to a decrease of \$10 million in 2009 and an increase of \$7 million in 2008. The capital appropriations in 2010 included a total of \$11 million for debt service on both the 2006 and 2009 Series of deferred maintenance bonds and \$7 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:

- Construction of Jorgensen Hall was completed at a cost of \$37 million at UNL. Financing for this project came from UNFC Deferred Maintenance Bonds. The structure will house the Physics and Astronomy departments.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

- The renovation of Keim Hall at UNL was substantially completed at a cost of \$12 million. Keim Hall houses the Agronomy and Horticulture departments of the Institute of Agriculture and Natural Resources. The renovation was financed by the Deferred Maintenance Bonds.
- Work continued on several more deferred maintenance projects financed by the UNFC Deferred Maintenance Bonds, which included the completion of the UNMC College of Dentistry renovation at a cost of \$8 million. Revenues to repay the UNFC Deferred Maintenance Series 2006 and 2009 Bonds include capital appropriations from the Nebraska Legislature and designated matching tuition revenue approved by the Board of Regents.
- Renovation of the Whittier Building was completed at a cost of \$20 million, funded by private gifts and University funds. Whittier is home to several UNL research teams and the University Children's Center.
- The Jackie Gaughan Multicultural Center was completed for \$8 million financed by capital gifts and the UNL Student Fees and Facilities bond proceeds.
- The renovation of a student residence, Men's Hall, was completed at UNK at a cost of \$3 million. The renovation was financed by UNK Student Housing bonds issued under the MTI.
- The purchase of University Village, a privately owned student residence hall located at UNO, was financed by UNO Housing, Series 2010 Bonds, at a cost of \$16 million.
- Construction of Mammel Hall was essentially completed at a cost of \$28 million at UNO.
- The expansion and renovation of the UNO Health, Physical Education, and Recreation Building at UNO was completed at a total cost of \$37 million with \$21 million spent during 2010. Construction was financed by the UNO Student Facilities, Series 2008, under the MTI.
- 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 four new revenue bond financings during 2010 through the Master Trust Indenture (MTI).

- On September 9, 2009, the Board of Regents issued \$10,680 of Series 2009B Bonds (\$6,140 of revenue and \$4,540 of taxable revenue bonds [Build America Bonds]) (University of Nebraska-Lincoln Student Fees and Facilities). The proceeds will be used to pay the costs of renovations,

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

remodeling, and repairs to the food preparation and dining facilities in the Abel-Sandoz Residence Hall Complex at the University of Nebraska-Lincoln, at a cost of approximately \$10 million.

- On November 4, 2009, the Board of Regents issued \$11,560 of Series 2009A Bonds (\$6,405 of revenue and \$5,155 of taxable revenue bonds [Build America Bonds]) (University of Nebraska-Lincoln Parking Project). The proceeds will be used to pay the costs of constructing approximately 1,100 spaces of parking consisting of a multi-level parking garage, together with incidental surface parking, located on the northwest corner of 19th and Vine Streets on the UNL city campus.
- On February 24, 2010, the Board of Regents issued \$17,230 of University of Nebraska at Omaha Student Housing Project Revenue Bonds, Series 2010. The proceeds were used to purchase a privately owned student residence facility, University Village, constructed in 1999. The facility consists of 12 three-story buildings each containing 12 four-bedroom apartments and a commons building for student amenities and support services. The cost of the facility was \$16,180.
- On May 26, 2010, the Board of Regents issued \$17,715 of University of Nebraska at Omaha Student Housing Project Revenue Bonds, Series 2010B. The proceeds will be used to acquire and construct an approximately 480 bed new student residence facility consisting of four three-story buildings with 30 units in each building. The project is being constructed pursuant to a ground lease/purchase agreement between the Board of Regents and the Suzanne and Walter Scott Foundation (Scott Foundation). The total cost of the project is approximately \$23.5 million. The Scott Foundation will transfer its interest in the Project to the Board of Regents on August 11, 2011.

The University of Nebraska Facilities Corporation issued two new bond financings during 2010.

- On December 8, 2009, the UNFC issued \$52,055 Deferred Maintenance Bonds, Series 2009. The bonds are planned continuation financing of deferred maintenance projects initiated and partially financed by the Series 2006 Bonds. Principal and interest payments will be paid from appropriations by the State of Nebraska and matched designated tuition revenues.
- On February 3, 2010, the UNFC issued \$9,230 of Series 2010 Bonds. The proceeds will be used to prepare a certain UNMC property for exchange with a property owned by the Omaha Public Power District. Principal and interest payments will come from lease payments received from UNMC.

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 1.5 times for the year ended June 30, 2010, compared to 1.6 times for the year ended June 30, 2009, and 1.8 times for the year ended June 30, 2008. The debt service ratio required by the MTI covenants is 1.15 times.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

The UNFC met all debt service requirements during 2010. The State Legislature has reaffirmed the appropriation of funds for their portion of the debt service pertaining to the Deferred Maintenance Project, which is combined with designated tuition revenues for debt service. The Foundation continues to receive funds from donor gifts pledged toward the funding of the University of Nebraska Medical Center Research Center project, the Sorrell Center project, and the Health Professionals Futures project. Funds from internal University Sources continue to meet expectations allowing the service of UNFC-related debt obligations in their normal course.

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

Economic Outlook and Subsequent Events That Will Affect the Future

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

The Legislature will enter its January 2011 session with a projected \$986 million dollar shortfall (projected revenues less expenses) for the 2011-2013 biennium, based on a November legislative report. The shortfall includes \$857 million of new spending, which is an average of 7.6% over the two years. Approximately 60% of the \$857 is to replace ARRA stimulus funds that went to K-12, Medicaid, and corrections. Another 19% and 10% of the new spending, respectively, is for School Aid and retirement contributions (defined benefit plans covering K-12 schools, state patrol and judges). Collectively, these three factors combine to account for \$745 million of the \$857 million. Another factor in the legislative debate is that the State currently has \$321 million in its "rainy day" fund, which could also be used to meet the foregoing challenge.

While the percentage of the state budget going to the University has decreased from 21% to 14% over the last twenty years, appropriations are still a vital part in allowing the University to meet its goals. The debate in the coming session will be very important in positioning the University to enjoy continued successes.

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (UNAUDITED)
(Columnar Amounts in Thousands)

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

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

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

STATEMENTS OF NET ASSETS

JUNE 30, 2010 AND 2009

(Thousands)

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

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 305,448	\$ 253,694
Cash and cash equivalents - restricted	191,570	204,668
Cash and cash equivalents held by trustee - restricted	54,917	52,639
Investments - restricted	123,921	94,666
Investments held by trustee - restricted	16,315	13,948
Accounts receivable and unbilled charges, net	156,673	134,617
Loans to students, net	4,695	4,160
Other current assets	20,408	19,554
Total current assets	<u>873,947</u>	<u>777,946</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	3,462	39
Cash and cash equivalents held by trustee - restricted	139,218	149,414
Investments - restricted	222,939	210,707
Investments held by trustee - restricted	64,936	104,113
Investment in joint venture	253,410	230,369
Loans to students, net of current portion	31,892	33,085
Capital assets, net of accumulated depreciation	1,736,116	1,527,199
Other non-current assets	12,458	17,524
Total non-current assets	<u>2,464,431</u>	<u>2,272,450</u>
Total assets	<u>3,338,378</u>	<u>3,050,396</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	101,771	93,059
Accrued salaries, wages, and post-retirement benefits	51,365	50,635
Accrued compensated absences	52,480	50,741
Bond obligations payable	42,600	48,110
Capital lease obligations	2,461	3,411
Deferred revenues and credits	75,799	82,461
Health and other insurance claims	11,518	10,587
Total current liabilities	<u>337,994</u>	<u>339,004</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages and post-retirement benefits, net of current portion	483	772
Accrued compensated absences, net of current portion	17,561	16,759
Bond obligations payable, net of current portion	658,105	594,860
Capital lease obligations, net of current portion	4,125	5,948
Deferred revenues and credits, net of current portion	12,598	12,411
Total non-current liabilities	<u>692,872</u>	<u>630,750</u>
Total liabilities	<u>1,030,866</u>	<u>969,754</u>
NET ASSETS:		
Invested in capital assets, net of related debt	955,142	863,298
Restricted for:		
Nonexpendable:		
Permanent endowment	169,722	156,480
Expendable:		
Externally restricted funds for scholarships, student aid, and research	127,938	120,448
Loan funds	43,935	43,946
Plant construction	125,575	103,398
Debt service	175,655	179,215
Unrestricted	709,545	613,857
Total net assets	<u>\$2,307,512</u>	<u>\$2,080,642</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, 2010 AND 2009
(Thousands)
(See Independent Auditors' Reports on Pages 1, 2, and 3)

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 4,963	\$ 2,181
Temporary cash investments	250,364	280,984
Advances and deposits	10	10
Accounts receivable (net of reserve for bad debts of \$3 in 2010 and \$1 in 2009)	211	816
Accrued interest receivable	2,604	2,475
Student loan receivable	758	604
Matching funds receivable	1	1
Prepaid expenses	66	44
Pledges receivable - restricted	137,968	102,035
Investments - restricted	1,147,004	979,146
Property and equipment, net of depreciation	<u>7,878</u>	<u>8,590</u>
Total assets	<u>\$ 1,551,827</u>	<u>\$ 1,376,886</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Advances and accounts payable	\$ 804	\$ 40
University of Nebraska benefits payable	1,770	1,276
Scholarships, research, fellowships and professorships payable	2,821	5,972
Accrued vacation payable	713	675
Taxes payable	162	57
Deferred annuities payable	23,041	22,131
Deposits held in custody for others	235,719	226,506
Deferred revenues	3,715	3,775
Total liabilities	<u>268,745</u>	<u>260,432</u>
NET ASSETS:		
Unrestricted	7,934	7,718
Temporarily restricted	427,055	429,880
Permanently restricted	848,093	678,856
Total net assets	<u>1,283,082</u>	<u>1,116,454</u>
Total liabilities and net assets	<u>\$ 1,551,827</u>	<u>\$ 1,376,886</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, 2010 AND 2009
(Thousands)

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

	2010	2009
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$82,285 and \$72,018 in 2010 and 2009, respectively)	\$ 258,559	\$ 245,630
Federal grants and contracts - restricted	221,133	190,661
State and local grants and contracts - restricted	33,650	31,884
Private grants and contracts - restricted	103,581	79,225
Sales and services of educational activities	73,609	71,040
Sales and services of health care entities	204,221	192,899
Sales and services of auxiliary operations	133,391	130,018
Sales and services of auxiliary segments (net of scholarship allowances of \$10,370 and \$8,946 in 2010 and 2009, respectively)	83,173	80,639
Other operating revenues	9,782	12,706
Total operating revenues	<u>1,121,099</u>	<u>1,034,702</u>
OPERATING EXPENSES:		
Salaries and wages	829,013	812,691
Benefits	214,826	210,594
Total compensation and benefits	1,043,839	1,023,285
Supplies and materials	231,900	243,746
Contractual services	113,097	101,792
Repairs and maintenance	76,050	49,898
Utilities	37,157	35,972
Communications	13,655	13,909
Depreciation	81,724	68,525
Scholarships and fellowships	58,702	50,442
Total operating expenses	<u>1,656,124</u>	<u>1,587,569</u>
OPERATING LOSS	<u>(535,025)</u>	<u>(552,867)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	496,963	501,794
Federal Grants	35,746	23,486
Gifts	63,756	64,770
Investment income (net of investment management fees of \$2,213 and \$2,038 in 2010 and 2009, respectively)	18,396	21,908
Increase (decrease) in fair value of investments	33,452	(65,328)
Interest expense on bond obligations	(23,486)	(23,634)
Capitalized interest on bond obligations	4,118	2,553
Equity in earnings of joint venture	27,297	8,861
Loss on disposal of capital assets	(2,479)	(1,772)
Net non-operating revenues	<u>653,763</u>	<u>532,638</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>118,738</u>	<u>(20,229)</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
Capital grants and gifts	89,379	50,711
State of Nebraska capital appropriations	18,412	16,597
Private gifts and bequests for permanent endowments	341	995
Net other revenues, expenses, gains, or losses	<u>108,132</u>	<u>68,303</u>
INCREASE IN NET ASSETS	226,870	48,074
NET ASSETS:		
Net assets, beginning of year	<u>2,080,642</u>	<u>2,032,568</u>
Net assets, end of year	<u>\$2,307,512</u>	<u>\$2,080,642</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, 2010
(Thousands)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Gifts, bequests and life insurance proceeds	\$ 75	\$ 76,899	\$ 59,920	\$ 136,894
Investment income	24,029	12,365	(1,456)	34,938
Realized gain (loss) on sale of assets	7	494	(17,827)	(17,326)
Unrealized gain (loss) on assets	-	12,077	136,216	148,293
	24,111	101,835	176,853	302,799
NET ASSETS RELEASED FROM RESTRICTIONS	113,939	(83,416)	(30,523)	-
Total support and revenues	<u>138,050</u>	<u>18,419</u>	<u>146,330</u>	<u>302,799</u>
EXPENDITURES:				
Salaries and wages	10,089	-	-	10,089
Payroll taxes	692	-	-	692
Employee benefits	2,087	-	-	2,087
Postage	261	-	-	261
Office supplies and expense	205	-	-	205
Professional services	174	-	-	174
Travel and entertainment	742	-	-	742
Telephone	208	-	-	208
Insurance and bonds	99	-	-	99
Repair and maintenance	317	-	-	317
Equipment rental/purchase	30	-	-	30
Office rent	1,504	-	-	1,504
University Towers expense	28	-	-	28
Promotion expense	2,185	-	-	2,185
Auto expense	110	-	-	110
Dues and subscriptions	144	-	-	144
Alumni Associations	1,028	-	-	1,028
Miscellaneous expense	124	-	-	124
Recruiting and moving expense	29	-	-	29
Meetings and conferences	220	-	-	220
Investment expense	4,722	-	-	4,722
Academic support	30,291	-	-	30,291
Student assistance	18,025	-	-	18,025
Faculty assistance	4,907	-	-	4,907
Research	6,095	-	-	6,095
Museum, library, and fine arts	1,027	-	-	1,027
Campus and building improvements	45,848	-	-	45,848
Deferred compensation	35	-	-	35
Paid to beneficiaries	3,108	-	-	3,108
Bad debt and collection expense	8	-	-	8
Depreciation	1,830	-	-	1,830
Total	<u>136,172</u>	<u>-</u>	<u>-</u>	<u>136,172</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS AND CHANGES	1,878	18,419	146,330	166,627
TRANSFERS AND RECLASSIFICATIONS BETWEEN FUNDS	(1,662)	(21,244)	22,907	1
INCREASE (DECREASE) IN NET ASSETS	216	(2,825)	169,237	166,628
NET ASSETS, beginning of year	<u>7,718</u>	<u>429,880</u>	<u>678,856</u>	<u>1,116,454</u>
NET ASSETS, end of year	<u>\$ 7,934</u>	<u>\$427,055</u>	<u>\$848,093</u>	<u>\$ 1,283,082</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, 2009
(Thousands)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Gifts, bequests and life insurance proceeds	\$ 32	\$ 85,218	\$ 42,855	\$ 128,105
Investment income	22,999	15,248	(478)	37,769
Realized gain (loss) on sale of assets	8	(12,673)	(29,972)	(42,637)
Unrealized gain (loss) on assets	-	(39,266)	(124,160)	(163,426)
	<u>23,039</u>	<u>48,527</u>	<u>(111,755)</u>	<u>(40,189)</u>
NET ASSETS RELEASED FROM RESTRICTIONS	108,849	(79,540)	(29,309)	-
Total support and revenues	<u>131,888</u>	<u>(31,013)</u>	<u>(141,064)</u>	<u>(40,189)</u>
EXPENDITURES:				
Salaries and wages	10,249	-	-	10,249
Payroll taxes	668	-	-	668
Employee benefits	1,942	-	-	1,942
Postage	290	-	-	290
Office supplies and expense	158	-	-	158
Professional services	428	-	-	428
Travel and entertainment	739	-	-	739
Telephone	226	-	-	226
Insurance and bonds	91	-	-	91
Repair and maintenance	314	-	-	314
Equipment rental/purchase	111	-	-	111
Office rent	1,368	-	-	1,368
University Towers expense	32	-	-	32
Promotion expense	1,807	-	-	1,807
Auto expense	157	-	-	157
Dues and subscriptions	183	-	-	183
Alumni Associations	858	-	-	858
Miscellaneous expense	119	-	-	119
Recruiting and moving expense	40	-	-	40
Meetings and conferences	244	-	-	244
Investment expense	4,966	-	-	4,966
Academic support	29,169	-	-	29,169
Student assistance	17,721	-	-	17,721
Faculty assistance	5,331	-	-	5,331
Research	4,317	-	-	4,317
Museum, library, and fine arts	1,724	-	-	1,724
Campus and building improvements	43,638	-	-	43,638
Deferred compensation	39	-	-	39
Paid to beneficiaries	3,488	-	-	3,488
Bad debt and collection expense	(4)	-	-	(4)
Depreciation	1,577	-	-	1,577
Total	<u>131,990</u>	<u>-</u>	<u>-</u>	<u>131,990</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS AND CHANGES	(102)	(31,013)	(141,064)	(172,179)
TRANSFERS AND RECLASSIFICATIONS BETWEEN FUNDS	-	(649)	649	-
INCREASE (DECREASE) IN NET ASSETS	(102)	(31,662)	(140,415)	(172,179)
NET ASSETS, beginning of year	<u>7,820</u>	<u>461,542</u>	<u>819,271</u>	<u>1,288,633</u>
NET ASSETS, end of year	<u>\$ 7,718</u>	<u>\$429,880</u>	<u>\$678,856</u>	<u>\$ 1,116,454</u>

See notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(Thousands)

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

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 383,590	\$ 315,077
Tuition and fees	254,216	244,591
Sales and services of health care entities	169,732	183,583
Sales and services of auxiliary operations	133,832	128,228
Sales and services of educational activities	100,404	96,969
Sales and services of auxiliary segments	83,781	80,636
Student loans collected	5,242	4,848
Other receipts	15,701	17,195
Payments to employees	(1,038,723)	(1,008,262)
Payments to vendors	(490,663)	(489,975)
Scholarships paid to students	(58,702)	(50,442)
Student loans issued	(4,766)	(4,806)
Other payments	(179)	(294)
Net cash flows from operating activities	<u>(446,535)</u>	<u>(482,652)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	496,661	501,618
Federal grants	35,746	23,486
Gifts	57,964	66,309
Private gifts and bequests for endowment use	2,991	994
Direct lending receipts	110,680	99,013
Direct lending payments	<u>(110,680)</u>	<u>(99,013)</u>
Net cash flows from non-capital financing activities	<u>593,362</u>	<u>592,407</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	122,427	79,172
Capital grants and gifts	49,579	54,576
State of Nebraska capital appropriations	18,108	16,770
Purchases of capital assets	(262,993)	(248,157)
Principal paid on bond obligations	(60,735)	(29,655)
Interest paid on bond obligations	(24,558)	(23,310)
Payments made on lease obligations	<u>(8,543)</u>	<u>(3,817)</u>
Net cash flows from capital and related financing activities	<u>(166,715)</u>	<u>(154,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	426,827	438,705
Purchases of investments	(397,351)	(393,388)
Interest on investments	18,573	23,379
Distributions received from joint venture	<u>6,000</u>	<u>6,000</u>
Net cash flows from investing activities	<u>54,049</u>	<u>74,696</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,161	30,030
CASH AND CASH EQUIVALENTS, beginning of year	<u>660,454</u>	<u>630,424</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 694,615</u>	<u>\$ 660,454</u>

See notes to financial statements.

(Continued)

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

STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(Thousands)

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

	<u>2010</u>	<u>2009</u>
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 305,448	\$ 253,694
Cash and cash equivalents - restricted (current)	191,570	204,668
Cash and cash equivalents held by trustee - restricted (current)	54,917	52,639
Cash and cash equivalents - restricted (non-current)	3,462	39
Cash and cash equivalents held by trustee - restricted (non-current)	<u>139,218</u>	<u>149,414</u>
Cash and cash equivalents, end of year	<u>\$ 694,615</u>	<u>\$ 660,454</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (535,025)	\$ (552,867)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	81,724	68,525
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(5,588)	(6,953)
Loans to students	552	136
Other current assets	(1,780)	(22)
Accounts payable	15,209	(4,178)
Accrued salaries, wages, compensated absences, and post-retirement benefits	3,759	8,726
Deferred revenues and credits	(6,317)	3,523
Health and other insurance claims	<u>931</u>	<u>458</u>
Net cash flows from operating activities	<u>\$ (446,535)</u>	<u>\$ (482,652)</u>
NON-CASH TRANSACTIONS:		
Capital gifts and grants	\$ 91	\$ 311
Increase (decrease) in fair value of investments	33,452	(65,328)
Purchase of capital assets through lease obligations	5,770	417

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, 2010 AND 2009

(Thousands)

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

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in net assets	\$ 166,628	\$ (172,179)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,830	1,577
Loss on sale of assets	17,326	42,637
Depreciation (Appreciation) of assets	(148,294)	163,427
Contribution to permanently restricted endowment funds	(59,919)	(42,855)
Real and personal property contributions received for the University	(350)	(726)
(Increase) Decrease in:		
Accounts receivable	605	(277)
Interest receivable	(129)	(198)
Prepaid expense	(22)	18
Pledges receivable	(35,933)	16,187
Increase (Decrease) in:		
Advances and accounts payable	764	8
University of Nebraska benefits payable	494	(1,131)
Scholarships, research, fellowships, and professorships payable	(3,151)	2,871
Accrued vacation payable	39	14
Taxes payable	105	(3)
Deferred annuities payable	910	(2,804)
Deposits held in custody for others	(16,535)	(11,140)
Deferred revenue	(60)	2,135
Total adjustments	<u>(242,320)</u>	<u>169,740</u>
Net cash provided by (used in) operating activities	<u>(75,692)</u>	<u>(2,439)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (increase) decrease in temporary cash investments	30,620	(50,630)
Net (increase) in student loans	(154)	(50)
Net (purchases) sales in investments	(11,134)	12,873
Purchase of property and equipment	(777)	(2,951)
Net cash provided by (used in) investing activities	<u>18,555</u>	<u>(40,758)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contribution to permanently restricted endowment funds	59,919	42,855
Net cash provided by financing activities	<u>59,919</u>	<u>42,855</u>
NET INCREASE (DECREASE) IN CASH	2,782	(342)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,181</u>	<u>2,523</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 4,963</u>	<u>\$ 2,181</u>
REQUIRED DISCLOSURE:		
The Foundation expended no cash for interest or income taxes.	\$ -	\$ -
NONCASH TRANSACTIONS:		
Change in deposits held in custody for others	\$ 9,212	\$ (57,630)
Unrealized (gain) loss on assets	<u>(25,747)</u>	<u>46,490</u>
Net change in deposits held in custody for others	<u>\$ (16,535)</u>	<u>\$ (11,140)</u>

See notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(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, 2010 and 2009
(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.
- 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, 2010 and 2009
(Thousands)

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

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

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

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

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

Capital Assets – Land improvements, leasehold improvements, buildings, and equipment are stated at cost at the date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. At UNL and for certain research buildings at UNMC, estimated useful lives for buildings are accounted for on a componentized basis. The estimated useful lives are 25 to 50 years for buildings and their components and 20 to 30 years for land improvements. Equipment is generally depreciated from 2 to 10 years depending on its useful life. Leasehold improvements are depreciated using the straight-line method over the aforementioned estimated useful lives or the term of the related lease, if shorter. Maintenance, repairs, and minor replacements are charged to expense as incurred. The University maintains various collections of inexhaustible assets to which no value can be determined. Such collections include contributed works of art, historical treasures, and literature.

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the University during 2010 and 2009 was \$19,368 and \$21,081, respectively, which is net of \$4,118 and \$2,553 that was capitalized.

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

Accrued Compensated Absences – University faculty and staff earn 12 to 25 days of vacation annually. Vacation is no longer earned once an employee accrues 280 hours of unused vacation. Any unused accrued vacation balance is carried over into the next year. Vacation may be used or received as a cash payment upon retirement or termination. In addition, certain classified staff receives a cash payment of one-fourth of accrued sick leave upon retirement from the University. The University has recognized a liability for sick and annual leave earned but not yet taken by its faculty and staff. Certain University faculty and staff also earn four floating holidays each year, which may be taken at any time during the year subject to a 32 hour cap.

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

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

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

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

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

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

Scholarships and Fellowships – The University receives funds that are restricted by donors and grantors for aid to students. When these funds are granted to students or when scholarships and fellowships are provided through student tuition waiver, the University records the expense for student aid and the corresponding revenue. Accordingly, at June 30, 2010 and 2009, Federal grants and contracts includes

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

Pell grant awards amounting to \$37,497 and \$23,500, respectively, and are also included in Scholarships and Fellowships expense. For employee tuition waivers, the University records a benefit expense and corresponding revenue. Ford direct student loans amounting to \$110,680 and \$99,013 at June 30, 2010 and 2009, respectively, are treated as agency funds.

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 2009 amounts have been reclassified to conform to the current year presentation.

B. DEPOSITS

Custodial credit risk – In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a formal custodial risk policy. Bank balances of cash and cash equivalents amounted to approximately \$2,088 (book balance of approximately \$1,667) at June 30, 2010, with approximately \$2,066 covered by Federal depository insurance. Bank balances of cash and cash equivalents amounted to approximately \$2,343 (book balance of approximately \$1,762) at June 30, 2009, with approximately \$1,714 covered by Federal depository insurance. Of the remaining bank balance at June 30, 2010 and 2009, approximately \$22 and \$102 was collateralized with securities held by the pledging financial institution, but not in the University's name, and approximately \$0 and \$526 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, 2010 and 2009
(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 and its designated investment managers, in conjunction with the State Investment Officer, in accordance with the prudent person rule as established by the University. The prudent person rule places no restrictions on the investment of these funds.

Investments as of June 30, 2010:

	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Investment type:					
Debt securities:					
Certificates of Deposit	\$ 256	\$ -	\$ 256	\$ -	\$ -
U.S. treasuries	35,621	3,998	14,741	16,882	-
U.S. agencies	92,766	28,360	43,958 (1)	5,842 (2)	14,606 (3)
Corporate debt	51,676	609	34,454 (4)	12,023 (5)	4,590 (6)
International bonds	9,929	1,651	1,711	2,250	4,317
Repurchase agreements	5,823	-	5,823	-	-
	<u>196,071</u>	<u>\$ 34,618</u>	<u>\$ 100,943</u>	<u>\$ 36,997</u>	<u>\$ 23,513</u>
Other investments:					
Equity securities - domestic	99,404				
Equity securities - international	41,661				
Mutual funds	76,216				
Real estate mutual funds	6,641				
Real estate held for investment purposes	932				
Money market funds	7,186				
Total	<u>\$ 428,111</u>				

(1) This amount includes \$25,949 of bonds which are callable in less than 5 years.

(2) This amount includes \$9,138 of bonds which are callable in less than 10 years.

(3) This amount includes \$360 of bonds which are callable in less than 13 years and \$918 callable in less than 20 years.

(4) This amount includes \$380 of bonds which are callable in less than 1 year.

(5) This amount includes \$106 of bonds which are callable in less than 6 years.

(6) This amount includes \$1 of bonds which are callable in less than 23 years.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

Investments as of June 30, 2009:

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

	2010				
	Fair	Quality Ratings			
		Value	AAA	AA	A
Investment type:					
Debt securities:					
Certificates of Deposit	\$ 256	\$ -	\$ -	\$ -	\$ 256
U.S. treasuries	35,621	35,621	-	-	-
U.S. agencies	92,766	92,766	-	-	-
Corporate debt	51,676	12,704	10,016	26,039	2,917
International bonds	9,929	5,133	1,331	865	2,600
Repurchase agreements	5,823	-	-	-	5,823
Other investments:					
Equity securities - domestic	99,404	-	-	-	99,404
Equity securities - international	41,661	-	-	-	41,661
Mutual funds	76,216	-	-	-	76,216
Real estate mutual funds	6,641	-	-	-	6,641
Real estate held for investment purposes	932	-	-	-	932
Money market funds	7,186	-	-	-	7,186
	<u>\$ 428,111</u>	<u>\$ 146,224</u>	<u>\$ 11,347</u>	<u>\$ 26,904</u>	<u>\$ 243,636</u>

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(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	
	2010	2009
Federal Home Loan Mortgage Corporation	-	5%
Federal National Mortgage Association	6%	9%
Federal Home Loan Bank	8%	10%
U.S. Treasuries	7%	11%

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal custodial credit risk policy. Investments are stated at fair value and are uninsured, unregistered, and held by the trustee or an agent, but not in the name of the University. Of the University’s \$5.8 million investment in repurchase agreements in 2010 and 2009, \$6.4 million and \$6.1 million respectively of underlying securities are held by the investment’s counterparty, but not in the name of the University.

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

	Foreign Currency	
	2010	2009
Australian Dollar	\$ 1,316	\$ 1,186
British Pound	1,095	661
Canadian Dollar	371	353
EMU Euro	3,484	3,535
South Korea Won	483	-
Malaysian Ringgit	571	529
Mexican Peso	192	-
New Zealand Dollar	449	393
Norwegian Krone	581	-
Poland Zloty	724	380
South African Rand	140	280
Swedish Krona	523	284
Totals	<u>\$ 9,929</u>	<u>\$ 7,601</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

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 \$10,061 and \$8,858 at June 30, 2010 and 2009, respectively. In addition, the University maintains an allowance for doubtful collections of student loans of approximately \$1,294 and \$1,293 at June 30, 2010 and 2009, 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, 2010 and 2009 totaling \$29,041 and \$8,861, respectively. In addition, to the extent that sufficient funds are available, as determined by the NMC Board of Directors, the University will receive an annual capital distribution. Distributions of \$6 million, shared equally by the venturers, were declared and paid for both 2010 and 2009.

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 \$132,000 and is included in the University's financial statements at \$13,961 net of depreciation. Following are the minimum lease rental payments due from NMC through June 30, 2012:

Fiscal Year Ending June 30:	
2011	\$ 4,099
2012	<u>1,737</u>
	<u>\$ 5,836</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

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, 2010 and 2009, the University received approximately \$24,700 and \$25,040, respectively, of support in connection with the agreement.

F. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2010 and 2009 is as follows:

	2010			Ending Balance
	Beginning Balance	Additions	Disposals	
Capital assets not being depreciated:				
Land	\$ 60,812	\$ 10,305	\$ -	\$ 71,117
Construction work in progress	<u>202,163</u>	<u>225,201</u>	<u>(177,202)</u>	<u>250,162</u>
Total capital assets not being depreciated	<u>262,975</u>	<u>235,506</u>	<u>(177,202)</u>	<u>321,279</u>
Capital assets, being depreciated:				
Land improvements	131,121	5,668	(1,771)	135,018
Leasehold improvements	13,209	-	-	13,209
Buildings	1,460,965	197,241	(13,893)	1,644,313
Equipment	<u>309,739</u>	<u>32,281</u>	<u>(15,586)</u>	<u>326,434</u>
Total capital assets, being depreciated	<u>1,915,034</u>	<u>235,190</u>	<u>(31,250)</u>	<u>2,118,974</u>
Less accumulated depreciation for:				
Land improvements	41,999	5,744	(1,662)	46,081
Leasehold improvements	2,524	441	-	2,965
Buildings	409,847	45,294	(12,005)	443,136
Equipment	<u>196,440</u>	<u>30,245</u>	<u>(14,730)</u>	<u>211,955</u>
Total accumulated depreciation other assets	<u>650,810</u>	<u>81,724</u>	<u>(28,397)</u>	<u>704,137</u>
Capital assets, net	<u>\$1,527,199</u>	<u>\$388,972</u>	<u>\$(180,055)</u>	<u>\$1,736,116</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

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

G. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2010	\$ 67,500	\$ 48,186	\$ (45,645)	\$ 70,041	\$ 52,480
2009	<u>\$ 61,474</u>	<u>\$ 44,074</u>	<u>\$ (38,048)</u>	<u>\$ 67,500</u>	<u>\$ 50,741</u>

H. BOND OBLIGATIONS PAYABLE

Bond obligations payable are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2010	\$ 642,970	\$ 118,470	\$ (60,735)	\$ 700,705	\$ 42,600
2009	<u>\$ 594,220</u>	<u>\$ 78,405</u>	<u>\$ (29,655)</u>	<u>\$ 642,970</u>	<u>\$ 48,110</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

Bond obligations payable at June 30, 2010 and 2009 consist of the following:

Obligations under the master trust indenture:	Interest Rate	Annual Installment	Principal Amount 2010	Outstanding 2009
University of Nebraska-Lincoln:				
Student fees and facilities:				
Series 2002, revenue refunding	4.50 - 5.00%	\$1,070 - \$2,760	\$ 9,640	\$ 10,655
Series 2003A, revenue bonds	3.73 - 5.25%	445 - 1,595	24,680	25,110
Series 2003B, revenue bonds	3.80 - 5.00%	1,085 - 3,890	64,650	66,795
Series 2008A, revenue bonds	3.00 - 5.00%	1,205 - 2,360	30,255	30,255
Series 2009A, revenue bonds	2.00 - 5.25%	650 - 2,990	52,370	52,370
Series 2009B, revenue bonds	2.00 - 5.70%	435 - 1,840	10,680	-
Lincoln parking project:				
Series 2003, revenue refunding	3.50 - 4.50%	610 - 1,615	4,895	5,485
Series 2005, revenue refunding	3.50 - 4.50%	425 - 3,825	20,935	22,225
Series 2009A&B, revenue bonds	3.50 - 6.00%	695-1,110	11,560	-
University of Nebraska at Omaha:				
Student center Series 2003:				
Revenue refunding bonds	3.65 - 3.90%	555 - 1,180	2,310	2,850
Student HPER Project Series 2008:				
Revenue bonds	2.55 - 5.00%	845 - 2,700	42,920	42,920
Student housing Series 2003:				
Series 2003, revenue bonds	3.45 - 5.00%	350 - 945	13,480	13,820
Series 2007, revenue bonds	4.25 - 5.00%	555 - 2,395	28,715	29,250
Series 2010A, revenue bonds	1.00 - 4.83%	670 - 1,175	17,230	-
Series 2010B, revenue bonds	.90 - 5.00%	370 - 1,060	17,715	-
University of Nebraska Medical Center:				
Student housing revenue bonds				
Series 2003	3.30 - 5.00%	125 - 330	4,735	4,860
University of Nebraska at Kearney:				
Student fees and facilities:				
Series 2003 revenue refunding bonds	2.90%	300	300	765
Series 2005	3.30 - 4.10%	335 - 1,080	4,570	4,895
Series 2006	3.60 - 5.00%	490 - 1,385	21,850	22,285
Total obligations under the master trust indenture			383,490	334,540
Other University obligations:				
University of Nebraska-Lincoln:				
Athletics:				
2004A, revenue refunding	4.00 - 5.00%	1,695 - 3,250	35,535	40,730
2004B, revenue refunding	3.70%	3,270	-	3,270
Total University obligations			419,025	378,540
Obligations of blended entities:				
University of Nebraska Facilities Corporation:				
Series 2010 bonds (OPPD Exchange Project)	1.25 - 3.00%	1,535 - 1,540	9,230	-
Series 2009 bonds (LB605)	0.55 - 4.66%	3,655 - 7,530	52,055	-
Series 2009 bonds (Health Professions Futures)	2.25 - 4.20%	700 - 18,235	26,035	26,035
Series 2007 bonds (Research Center)	5.00%	13,790	13,790	23,630
Series 2006 bonds (Sorrell Center)	3.75 - 4.00%	1,700 - 13, 140	25,365	29,365
Series 2006 bonds (LB605)	4.00 - 5.00%	6,910 - 11,550	100,610	105,525
Series 2004 (library storage project)	3.60 - 5.00%	125 - 565	2,860	2,980
Series 2003 (Alexander building project)	3.55- 5.00%	115 - 205	2,160	2,275
Series 2002 bonds (Durham Center)	5.00%	9,550 - 21,215	30,765	33,845
Series 1998 bonds (LB1100)			-	21,150
Total University of Nebraska Facilities Corporation			262,870	244,805
Nebraska Utility Corporation (NUCorp):				
Series 2001 revenue bonds	4.50 - 5.25%	855 - 1,620	18,810	19,625
Total bond obligations payable			\$ 700,705	\$ 642,970

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

Annual maturities subject to mandatory redemption at June 30, 2010, are as follows:

	<u>Total University</u>		<u>UNFC</u>		<u>NUCorp</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 11,600	\$ 19,036	\$ 30,145	\$11,169	\$ 855	\$ 946	\$ 42,600	\$ 31,151
2012	13,900	18,617	29,255	9,962	890	907	44,045	29,486
2013	14,980	18,110	19,695	8,840	1,180	857	35,855	27,807
2014	15,505	17,542	36,760	7,762	1,240	797	53,505	26,101
2015	15,770	16,967	40,310	6,657	1,300	733	57,380	24,357
2016-2020	87,710	74,502	93,030	13,891	7,340	2,559	188,080	90,952
2021-2025	88,220	54,585	13,675	579	6,005	651	107,900	55,815
2026-2030	72,420	35,461	-	-	-	-	72,420	35,461
2031-2035	55,150	18,842	-	-	-	-	55,150	18,842
2036-2040	<u>43,770</u>	<u>5,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,770</u>	<u>5,332</u>
Total	<u>\$419,025</u>	<u>\$278,994</u>	<u>\$262,870</u>	<u>\$58,860</u>	<u>\$18,810</u>	<u>\$ 7,450</u>	<u>\$700,705</u>	<u>\$345,304</u>

At June 30, 2010 and 2009, the trustees for these bond funds held cash and investments in the amount of approximately \$275,386 and \$320,114, respectively, which is reflected as cash and cash equivalents held by trustee – restricted and investments held by trustee – restricted on the statements of net assets.

Master Trust Indenture – The Board of Regents entered into a master trust indenture dated 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, 2010, 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, 2010 and 2009
(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 of Nebraska, but shall be payable solely out of monies derived from designated tuition revenues, legislative appropriations, and UNL and UNMC lease payments.

UNMC – OPPD Exchange Project (“The Exchange Project”) - In 2010, the UNFC authorized the issuance of \$9,230 of Series 2010 Bonds, dated February 3, 2010.

The Board of Regents and OPPD entered into an exchange agreement on January 24, 2008 that provides for the Board of Regents to acquire certain OPPD property in exchange for specified Board property and improvements to be constructed on it. The Exchange Project was created to construct the improvements to the property of the Board of Regents and facilitate the property exchange with OPPD.

Principal and interest payments will come from lease payments received from UNMC. The Bonds are not redeemable prior to maturity.

Deferred Maintenance Project (“The 2009 Maintenance Project”) – UNFC authorized the issuance of \$52,055 Deferred Maintenance Bonds, Series 2009 Bonds dated December 8, 2009.

The 2009 Maintenance Project represents planned continuation financing of deferred maintenance projects initiated and partially financed by the Series 2006 Bonds – LB 605 Deferred Maintenance Project (2006 Project). The 2006 Project was created to pay the construction costs for major renewal and renovation projects at each of the four University campuses.

Principal and interest payments will be paid from appropriations by the State of Nebraska and matched by specified tuition revenues. The bonds are not redeemable prior to maturity.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

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

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

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

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

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

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

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 the Board of Regents available for such purpose.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

Series 2006 Bonds – LB 605 Deferred Maintenance Project – UNFC authorized the issuance of \$110,970 of Series 2006 Bonds dated August 15, 2006.

The LB 605 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 (LB 605).

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

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

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

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

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

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 Board of 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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

Through the University of Nebraska Foundation, the UNMC obtained pledges approximating \$85,000 for payment of the costs of these projects, of which \$80,552 in pledge receipts have been received through June 30, 2010. 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 Board of Regents available for such purpose.

Series 1998 Bonds – Deferred Maintenance Project (“The 1998 Project”) – UNFC authorized the issuance of \$80,190 of Series 1998 Bonds, dated July 15, 1998. The 1998 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 (LB 1100). On September 9, 2009, the UNFC called the remaining outstanding bonds of \$12,763 of the 1998 Project. Sufficient funds were available in the bond and bond reserve funds to call the bonds at that time.

Nebraska Utility Corporation

In 2001, the NUCorp, an interlocal organization formed with a Lincoln, Nebraska-based utility, authorized the issuance of \$21,880 of Series 2001 Bonds. The proceeds from the debt are being utilized to address energy conservation and utility upgrades at UNL. Utility savings generated from these projects will provide funds for repayment of the bonds. Bonds maturing on or after January 13, 2013, are redeemable at par plus accrued interest.

Bond Financing

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

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

On November 4, 2009, the Board of Regents issued \$11,560 of Series 2009A Bonds (\$6,405 of revenue and \$5,155 of taxable revenue [Build America Bonds]) (University of Nebraska-Lincoln Parking Project). The proceeds will be used to pay the costs of constructing approximately 1,100 spaces of parking consisting of a multi-level parking garage, together with incidental surface parking, located on the northwest corner of 19th and Vine Streets on the UNL city campus.

On February 24, 2010, the Board of Regents issued \$17,230 of University of Nebraska at Omaha Student Housing Project Revenue Bonds, Series 2010. The proceeds were used to purchase a privately owned student residence facility, University Village, constructed in 1999. The facility consists of 12 three-story buildings each containing 12 four-bedroom apartments and a commons building for student amenities and support services. The cost of the facility was \$16,180.

On May 26, 2010, the Board of Regents issued \$17,715, of University of Nebraska at Omaha Student Housing Project Revenue Bonds, Series 2010B. The proceeds will be used to acquire and construct an approximately 480 bed new student residence facility consisting of four three-story buildings with 30 units in each building. The project is being constructed pursuant to a ground lease/purchase agreement between the Board of Regents and the Suzanne and Walter Scott Foundation (Scott Foundation). The total cost of the Project is approximately \$23.5 million. The Scott Foundation will transfer its interest in the Project to the Board of Regents on August 11, 2011.

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, 2010 and 2009, 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, 2010 and 2009, \$6,586 and \$9,359, 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
2010	<u>\$ 9,359</u>	<u>\$ 5,770</u>	<u>\$ 8,543</u>	<u>\$ 6,586</u>	<u>\$ 2,461</u>
2009	<u>\$ 12,759</u>	<u>\$ 417</u>	<u>\$ 3,817</u>	<u>\$ 9,359</u>	<u>\$ 3,411</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(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
2011	\$ 413	\$ 1,003	\$ 1,265	\$ 2,681
2012	-	1,003	543	1,546
2013	-	322	173	495
2014	-	322	167	489
2015	-	322	33	355
2016-2020	-	989	-	989
2021-2025	-	850	-	850
2026-2030	-	324	-	324
	<u>413</u>	<u>5,135</u>	<u>2,181</u>	<u>7,729</u>
Less interest and executory costs	<u>19</u>	<u>1,019</u>	<u>105</u>	<u>1,143</u>
	<u>\$ 394</u>	<u>\$ 4,116</u>	<u>\$ 2,076</u>	<u>\$ 6,586</u>

Capital assets held under capital lease obligations at June 30, 2010, are as follows:

	Cost	Accumulated Depreciation	Net
Land	\$ 5,385	\$ -	\$ 5,385
Buildings	9,467	1,706	7,761
Equipment	<u>7,142</u>	<u>4,854</u>	<u>2,288</u>
	<u>\$ 21,994</u>	<u>\$ 6,560</u>	<u>\$ 15,434</u>

J. HEALTH AND OTHER INSURANCE CLAIMS

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

	Clinicians Self- Insurance	General Liability	Group Health and Dental	Total
Claim reserve, July 1, 2008	\$ 3,085	\$ 2,044	\$ 5,000	\$ 10,129
Incurred claims	1,229	1,101	104,416	106,746
Payments on claims	<u>(826)</u>	<u>(1,348)</u>	<u>(104,114)</u>	<u>(106,288)</u>
Claim reserve, June 30, 2009	3,488	1,797	5,302	10,587
Incurred claims	1,993	682	109,215	111,890
Payments on claims	<u>(598)</u>	<u>(974)</u>	<u>(109,387)</u>	<u>(110,959)</u>
Claim reserve, June 30, 2010	<u>\$ 4,883</u>	<u>\$ 1,505</u>	<u>\$ 5,130</u>	<u>\$ 11,518</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

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 \$1,000 each loss/\$20,000 aggregate. A bank administers the general liability and self-insured trusts including the investments and payment of approved claims. The University estimates a range of loss for general liability and property claims using actuarial studies conducted by outside actuarial firms. The discount rate used by the actuaries for estimation of the claim reserve was 5% for general liability. This estimate is accrued in the accompanying financial statements and includes a reserve for known claims as well as incurred but unreported incidents.

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

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

At June 30, 2010 and 2009, the trustees for the health and other insurance claims programs held cash and cash equivalents and investments totaling approximately \$116,892 and \$99,371, respectively, whose use is limited to the payment of claims under the programs. These amounts are included in cash and cash equivalents and investments on the statements of net assets.

K. RETIREMENT PLANS

The University 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 2010 and 2009 was approximately \$812,017 and \$780,725, respectively, of which approximately \$623,789 and \$596,357 was covered by the plan. The University's contribution during 2010 and 2009 was approximately \$48,696, or 7.81%, and \$46,522, or 7.80%, of covered payroll, respectively, and the faculty and staff's contribution was approximately \$32,741, or 5.25%, and \$31,266, or 5.24%, of covered payroll, respectively.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

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

UNMC Physicians has two defined contribution money purchase pension plans established under Section 401(a) of the Internal Revenue Code that are administered by a bank. Together, these plans cover substantially all employees who meet age and length of service requirements of the plans. The plans are funded through UNMC Physicians contributions based upon a fixed percentage of the employees' salary. Total pension expense was \$10,444 and \$10,260 for the years ended June 30, 2010 and 2009, 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 2010 and 2009 for the health insurance liability under new tenure buyout arrangements was \$92 and \$479, respectively. The expense incurred for 2010 and 2009 health insurance premium increases under all tenure buyout arrangements was \$24 and \$227, respectively. The total termination benefit obligation at June 30, 2010 and 2009 was \$911 and \$1,453, respectively.

L. COMMITMENTS AND CONTINGENCIES

The University has contracted for the construction of facilities that are estimated to cost approximately \$543,365. As of June 30, 2010, the approximate remaining costs to complete these facilities were \$159,233, which will be financed as follows:

Bond funds	\$ 80,556
Federal funds	14,852
University funds	14,166
State capital appropriations	3,670
Private gifts, grants, and contracts	<u>45,989</u>
	<u>\$ 159,233</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 OF NEBRASKA
(A Component Unit of the State of Nebraska)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

The University established its Agricultural Research and Development Center on approximately 9,000 acres acquired from the Nebraska Ordnance Plant (NOP) from 1962 to 1971. The Federal government produced munitions at NOP during World War II and the Korean Conflict, exposing the area to contaminants. The University legally disposed of certain materials at the site in the 1970s. In 1990, the NOP became a Federal Superfund site. An administrative order has been entered into between the Board of Regents and the Environmental Protection Agency (EPA) requiring a remedial investigation/feasibility study to determine the extent of contamination and removal actions necessary. A contractual arrangement was entered into between the Board of Regents and an engineering and consulting firm to perform the remedial investigation/feasibility study. This study was completed and the consulting firm made recommendations to the University for the removal and disposal of the contaminants at the site. The Board of Regents and the EPA subsequently agreed to an action for the remediation and restoration of the area. The recommended action plan has been completed pending acceptance of the final remedial investigation feasibility study report filed with the Environmental Protection Agency. A January 2010 report indicated that it did not appear the finalization of the report would impact the need for, or scope of, remedial actions. However, subsequent actions have produced some additional inquiries and fieldwork.

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, 2010 and 2009, NMC purchased approximately \$53,006 and \$47,171 of goods and services from the University.

In 2006, the University established a receivable to recognize a \$10,000 commitment by NMC toward the construction of the Sorrell Center project. The balances due at June 30, 2010 and 2009 are \$3,000 and \$6,000. Of each of these amounts, \$3,000 is included in the accompanying financial statements in other current assets. The remaining balances in each year are included in other non-current assets.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

N. FUNCTIONAL CLASSIFICATIONS OF EXPENSES

For the year ended June 30, 2010:

	Compen- sation	Supplies and Materials	Contractual Services	Repairs and Maintenance	Utilities	Communi- cations	Scholarships and Fellowships	Deprecia- tion	Total
Instruction	\$ 382,890	\$ 30,870	\$ 9,825	\$ 1,502	\$ 17	\$ 2,796	\$ 2,945	\$ -	\$ 430,845
Research	171,650	41,928	39,980	7,388	100	1,269	954	-	263,269
Public service	65,084	13,207	12,744	22,056	355	887	259	-	114,592
Academic support	79,853	23,697	(1,687)	129	17	1,326	80	-	103,415
Student services	18,195	4,617	(448)	809	22	350	468	-	24,013
Institutional support	68,396	17,004	1,364	1,221	66	1,689	151	-	89,891
Operation and maintenance of plant	32,553	2,442	3,654	32,800	33,599	291	32	-	105,371
Healthcare entities	140,123	11,486	27,588	2,292	336	763	954	-	183,542
Scholarships and fellowships	2,424	1,084	2,601	-	-	-	50,421	-	56,530
Auxiliary operations	82,671	85,565	17,476	7,853	2,645	4,284	2,438	-	202,932
Depreciation	-	-	-	-	-	-	-	81,724	81,724
Total expenses	<u>\$1,043,839</u>	<u>\$ 231,900</u>	<u>\$ 113,097</u>	<u>\$ 76,050</u>	<u>\$ 37,157</u>	<u>\$13,655</u>	<u>\$ 58,702</u>	<u>\$ 81,724</u>	<u>\$ 1,656,124</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

For the year ended June 30, 2009:

	Compensation	Supplies and Materials	Contractual Services	Repairs and Maintenance	Utilities	Communications	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 374,037	\$ 31,384	\$ 11,075	\$ 2,879	\$ 19	\$ 2,904	\$ 3,461	\$ -	\$ 425,759
Research	160,353	40,769	32,184	7,690	73	1,193	1,057	-	243,319
Public service	65,245	14,956	13,321	650	308	858	142	-	95,480
Academic support	76,834	25,281	1,291	32	15	1,494	110	-	105,057
Student services	19,038	5,116	666	1,043	5	333	401	-	26,602
Institutional support	67,036	17,211	4,698	835	65	1,769	53	-	91,667
Operation and maintenance of plant	33,441	9,826	3,713	26,768	31,377	301	29	-	105,455
Healthcare entities	144,993	13,862	17,566	3,077	223	636	812	-	181,169
Scholarships and fellowships	2,612	257	2,944	10	-	-	42,454	-	48,277
Auxiliary operations	79,696	85,084	14,334	6,914	3,887	4,421	1,923	-	196,259
Depreciation	-	-	-	-	-	-	-	68,525	68,525
Total expenses	<u>\$1,023,285</u>	<u>\$ 243,746</u>	<u>\$ 101,792</u>	<u>\$ 49,898</u>	<u>\$ 35,972</u>	<u>\$13,909</u>	<u>\$ 50,442</u>	<u>\$ 68,525</u>	<u>\$ 1,587,569</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(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, Series 2008A, Series 2009A, and Series 2009B – 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, Series 2005, and Series 2009A and B – 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, Series 2007, and Series 2010A and B – 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, 2010 and 2009
(Thousands)

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

	June 30,	
	2010	2009
Condensed Statements of Net Assets		
Assets:		
Current assets	\$ 47,725	\$ 45,976
Non-current assets:		
Capital assets	377,851	293,300
Other non-current assets	116,865	134,294
Total assets	<u>542,441</u>	<u>473,570</u>
Liabilities:		
Current liabilities	48,337	37,766
Non-current liabilities	378,296	330,294
Total liabilities	<u>426,633</u>	<u>368,060</u>
Net assets:		
Invested in capital assets, net of related debt	13,972	11,618
Restricted:		
Expendable:		
Plant construction	13,487	7,843
Debt service	74,645	74,058
Unrestricted	<u>13,704</u>	<u>11,991</u>
Total net assets	<u>\$ 115,808</u>	<u>\$ 105,510</u>
	Years Ended June 30,	
	2010	2009
Condensed Statements of Revenues, Expenses, and Changes in Net Assets		
Operating revenues	\$ 93,997	\$ 90,408
Operating expenses:		
Depreciation	(8,684)	(7,629)
Other operating expenses	<u>(67,934)</u>	<u>(66,857)</u>
Operating income	17,379	15,922
Non-operating expense	<u>(7,081)</u>	<u>(6,362)</u>
Change in net assets	10,298	9,560
Net assets, beginning of year	<u>105,510</u>	<u>95,950</u>
Net assets, end of year	<u>\$ 115,808</u>	<u>\$ 105,510</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

	Years Ended June 30,	
	2010	2009
Condensed Statements of Cash Flows		
Net cash flows from operating activities	\$ 28,746	\$ 22,894
Net cash flows from capital and related financing activities	(44,934)	(21,853)
Net cash flows from investing activities	<u>10,195</u>	<u>25,314</u>
Net change in cash and cash equivalents	(5,993)	26,355
Cash and cash equivalents, beginning of year	<u>137,721</u>	<u>111,366</u>
Cash and cash equivalents, end of year	<u>\$ 131,728</u>	<u>\$ 137,721</u>

P. SUBSEQUENT EVENTS

On August 17, 2010, the Board of Regents approved financing for the Education Center at the Nebraska College of Technical Agriculture (NCTA). The Board of Regents approved the issuance of not to exceed \$10,000 principal amount of Lease Rental Revenue Bonds, Series 2010 (NCTA Education Center Project) by UNFC. The bond proceeds will be used to construct a new Education Center classroom facility and renovate certain existing classroom space. Principal and interest will be paid from the appropriations by the State of Nebraska.

On November 23, 2010, NUCorp issued \$15,120 of Refunding Bonds, Series 2010, to advance refund \$17,065 of outstanding Series 2001 Revenue Bonds (University of Nebraska-Lincoln 2001 Project). The proceeds of the Series 2010 Bonds were deposited with an escrow agent to be invested in an amount sufficient to fully defease the Series 2001 Bonds through their early redemption date on January 1, 2012, except for the bonds due January 1, 2011, of \$890. The refunding will reduce total debt service payments by approximately \$1,975 and resulted in an economic gain of approximately \$1,751.

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, 2010 and 2009, the Foundation's net assets (including unrealized gains) totaled \$1,283,082, and \$1,116,454 as of June 30, 2010 and 2009, respectively.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

During the years ended June 30, 2010 and 2009, the Foundation contributed \$60 million and \$58 million, respectively, to the University for academic support, student assistance, faculty assistance, research, museums, and libraries. In addition, the Foundation provided capital gifts of \$46 million and \$43 million during 2010 and 2009, 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 (the Foundation) are described below to enhance the usefulness of the financial statements to the reader.

Nature of the Entity and Principles of Consolidation – The Foundation is a nonprofit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code whose purpose is to provide financial support of the University of Nebraska System. Its wholly-owned Limited Liability Company, University of Nebraska Technology Park, LLC (Tech Park) provides incubator facilities for emerging businesses.

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis and include all funds controlled by and in the custody of the Foundation. Funds in control of the Foundation include Tech Park.

Financial Statement Presentation – Financial statement presentation follows the requirements of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The Foundation utilizes FASB ASC 958-205 "Financial Statements of Not-for-Profit Organizations." FASB ASC 958-205 sets standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories utilized by the Foundation follows:

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

Property and equipment assets associated with the general operation of the Foundation are also included in this category.

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

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.

Contributions – The Foundation utilizes FASB ASC 958-605, "Accounting for Contributions Received and Made." FASB ASC 958-605 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the Foundation to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

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

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

Investments – The Organization utilizes FASB ASC 958-320, "Accounting for Certain Investments Held by Not-for-Profit Organizations." FASB ASC 958-320 sets 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 all investments in debt securities are stated at fair value, with gains and losses included in the statements of activities. Fair value is determined by quoted market values.

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

Depreciation – The Foundation follows the policy of reducing the property and equipment by depreciation applicable to the related assets. Depreciation is computed by the straight-line method over the estimated useful life of the asset ranging from three to 31 1/2 years. Assets are depreciated to a normal estimated salvage value.

Income Taxes – The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

The Foundation has adopted the provisions of FASB ASC 740-10, "Accounting for Income Taxes", under the provisions of FSP FIN 48-3. The Foundation continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings.

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

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

Reclassifications – Certain reclassifications have been made to the 2009 consolidated financial statements to conform to the 2010 financial statement presentation. Such reclassifications had no effect on previously reported net assets.

2. INVESTMENTS

The Foundation has adopted FASB ASC 820-10, "Fair Value Measurements", which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

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

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

For the fiscal year ended June 30, 2010, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

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

The table below presents the balances of assets measured at June 30, 2010 at fair value on a recurring basis.

	2010			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
U.S., State and Local Government securities and sovereign debt	\$ 53,564	\$ 53,564	\$ -	\$ -
Other bonds	16,417	16,417	-	-
Common stock	336,590	336,590	-	-
Mutual funds	462,999	462,999	-	-
Limited partnerships	183,970	-	-	183,970
Preferred stock	13,152	-	13,152	-
Total	<u>\$ 1,066,692</u>	<u>\$ 869,570</u>	<u>\$ 13,152</u>	<u>\$ 183,970</u>

The changes in the financial assets for which the Foundation has used Level 3 inputs to determine fair value are as follows:

June 30, 2009	\$ -
Transfers and reclassifications	162,566
Net realized gains	(2,850)
Net unrealized gains	1,052
Interest, dividends, other income/losses	5,221
Investment management fees	(1,157)
Purchases	92,671
Distributions	(73,533)
June 30, 2010	<u>\$ 183,970</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

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

The investments in equity securities with a readily determinable fair market quotation 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.

	2010		
	Book Value	Unrealized Gain (Loss)	Fair Value
INVESTMENTS STATED AT FAIR VALUE			
U.S., State and Local Government securities and sovereign debt	\$ 48,624	\$ 4,940	\$ 53,564
Other bonds	15,618	799	16,417
Common stock	322,595	13,995	336,590
Mutual funds	399,009	63,990	462,999
Limited partnerships	220,794	(36,824)	183,970
Preferred stock	12,804	348	13,152
	<u>\$ 1,019,444</u>	<u>\$ 47,248</u>	<u>\$ 1,066,692</u>

	2009		
	Book Value	Unrealized Gain (Loss)	Fair Value
INVESTMENTS STATED AT FAIR VALUE			
U.S., State and Local Government securities and sovereign debt	\$ 51,062	\$ 3,366	\$ 54,428
Other bonds	20,389	(1,158)	19,231
Common stock	340,465	(22,437)	318,028
Mutual funds	414,946	(68,822)	346,124
Limited partnerships	217,205	(54,639)	162,566
Preferred stock	75	23	98
	<u>\$ 1,044,142</u>	<u>\$ (143,667)</u>	<u>\$ 900,475</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

	Book Value 2010	Book Value 2009
INVESTMENTS STATED AT OTHER THAN FAIR VALUE		
Certificates of deposit, savings and money funds	\$ 19,229	\$ 18,505
Real estate	27,368	27,732
Real estate mortgage and contracts	24,742	24,168
Miscellaneous	4,023	3,415
Cash value of life insurance	4,742	4,642
Annuity contracts	208	208
	<u>\$ 80,312</u>	<u>\$ 78,670</u>
TOTAL INVESTMENTS		
Stated at fair value	\$ 1,066,692	\$ 900,476
Stated at other than fair value	80,312	78,670
	<u>\$ 1,147,004</u>	<u>\$ 979,146</u>

3. LEASE COMMITMENTS

The Foundation entered into an amended lease agreement for rental of office space on the 2nd and 3rd floors in Lincoln, beginning September 1, 2007 and extending through August 31, 2017. The annual rental is \$577 through calendar year 2012, with a possible increase based on the consumer price index for the period from January 1, 2013 through August 31, 2017. The Foundation had also entered into a contract for rental of office space in Omaha for 15 years beginning on November 1, 2008 with increases every 60 months. The annual rental is \$388 for the first 5 years and \$419 for the next 5 years. The Foundation entered into an amended lease agreement for office space in Kearney for the period from November 1, 2008 to October 31, 2011 at a rental rate of \$4 per month. The minimum rentals for leases with guaranteed terms for the five fiscal years after June 30, 2010 are as follows:

June 30, 2011	\$ 1,007
June 30, 2012	979
June 30, 2013	965
June 30, 2014	986
June 30, 2015	996

4. RETIREMENT PLAN

The Foundation sponsors a retirement plan that covers employees of the Foundation and Tech Park with one year of service who work in excess of 1,000 hours annually and have attained the age of 21 years or previous participation in the TIAA-CREF or Fidelity annuity plan. Participation in the plan is mandatory upon attainment of age 30. The plan is an annuity arrangement under Code Section 403b(1) of the Internal Revenue Code using annuities under TIAA-CREF and Fidelity Investments. Under the plan, the employee chooses to contribute either 5.5% or 3.5% of their salary to the plan and the Foundation matches the amount with either 8.0% or 6.5% of salary, respectively. The Foundation and Tech Park contributions to the plans for years ending June 30, 2010 and 2009 were \$677 and \$640, respectively.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

5. CONCENTRATION OF CREDIT RISK

The Foundation maintains cash balances and certificates of deposit at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250. At various times during the fiscal year, the Foundation's cash in bank balances exceeded the federally insured limits. The Foundation has maintained its cash balances and certificates of deposit at financial institutions in accordance with all Foundation policies and procedures.

6. CONTINGENCIES AND COMMITMENTS

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

7. RESTRICTED NET ASSETS

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

The amounts of the net assets are as follows:

Temporarily restricted - charitable trusts and annuities	\$ 30,387
Temporarily restricted - available for specific purposes	344,658
Temporarily restricted - discretion of the Foundation Board	52,010
Permanently restricted - endowment	765,462
Permanently restricted - available for specific purposes	71,693
Permanently restricted - student loans	10,938
	<u>\$ 1,275,148</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:

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

	<u>2010</u>	<u>2009</u>
Gross amount due in:		
One year or less	\$ 45,081	\$ 21,871
One to five years	98,416	91,141
More than five years	<u>18,567</u>	<u>15,535</u>
	162,064	128,547
Less discount to present value	<u>19,829</u>	<u>23,356</u>
	142,235	105,191
Less allowance for doubtful accounts - 3%	<u>4,267</u>	<u>3,156</u>
	<u>\$ 137,968</u>	<u>\$ 102,035</u>

The discount will be recognized as contribution income in years 2011 through 2038.

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.

9. PROPERTY AND EQUIPMENT

The property and equipment of the Foundation at June 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Property	\$ 1,686	\$ 1,683
Leasehold improvements	3,125	2,986
Aircraft	4,177	4,177
Automobiles	292	206
Furniture, equipment and software	<u>6,596</u>	<u>6,205</u>
	15,876	15,257
Less accumulated depreciation	<u>7,998</u>	<u>6,667</u>
Net property and equipment	<u>\$ 7,878</u>	<u>\$ 8,590</u>

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, receivables, accounts payable, accrued liabilities, and deferred revenue approximate fair value due to the short-term nature of the items. The carrying amounts of pledges receivable due in more than one year are based on the discounted net present value of the expected future cash flows.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

11. AGENCY FUNDS

The Foundation holds and invests certain endowment and other funds in trust on behalf of the University. Such funds approximated \$236 million and \$227 million at June 30, 2010 and 2009, respectively.

12. DONOR-DESIGNATED ENDOWMENTS

The Foundation's endowment consists of approximately 4,400 individual funds established for a variety of purposes. Its endowment includes both donor-restricted fund and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriate for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various fund, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies – The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity, debt securities and illiquid alternative investments that are intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.5%, while growing the funds if possible. Therefore, the Foundation expects its

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010 and 2009
(Thousands)

endowment assets, over time, to earn a real (inflation-adjusted) rate of return of at least 5.5% per year net of investment management fees and transaction costs, when measured over rolling five-year period. Actual return in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy – The Foundation has a policy of appropriating for distribution each year 4.5% of the average fair market value of the prior 20 quarters. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. This policy is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

Endowment Net Asset Composition by Type of Fund as of June 30, 2010 is as follows:

	Temporarily Permanently	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 785,136	\$ 785,136
Board-designated endowment funds	139,540	-	139,540
	<u>\$ 139,540</u>	<u>\$ 785,136</u>	<u>\$ 924,676</u>

Changes in endowment net assets as of June 30, 2010 are as follows:

	Temporarily Permanently	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 117,366	\$ 651,507	\$ 768,873
Contributions	7,110	20,908	28,018
Investment income, net of expenses	8,327	(19,621)	(11,294)
Net appreciation (depreciation)	16,250	162,869	179,119
Amounts appropriated for expenditure	(9,513)	(30,527)	(40,040)
Endowment net assets, end of year	<u>\$ 139,540</u>	<u>\$ 785,136</u>	<u>\$ 924,676</u>

13. SUBSEQUENT EVENTS

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 20, 2010, the date the financial statements were available to be issued.

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, 2010 AND 2009
(Thousands)

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 123,381	\$ 101,170
Cash and cash equivalents - restricted	102,782	124,295
Cash and cash equivalents held by trustee - restricted	19,534	18,543
Investments - restricted	14,664	3,116
Investments held by trustee - restricted	-	6,823
Accounts receivable and unbilled charges, net	58,454	50,172
Loans to students, net	1,879	1,748
Due from other campuses	4,592	7,180
Other current assets	11,579	9,501
Total current assets	<u>336,865</u>	<u>322,548</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	3,462	39
Cash and cash equivalents held by trustee - restricted	65,862	80,761
Investments - restricted	143,118	138,993
Investments held by trustee - restricted	1,710	2,667
Loans to students, net of current portion	12,783	13,498
Capital assets, net of accumulated depreciation	839,980	726,491
Other non-current assets	3,859	3,813
Total non-current assets	<u>1,070,774</u>	<u>966,262</u>
Total assets	<u>1,407,639</u>	<u>1,288,810</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	34,885	34,320
Accrued salaries, wages, and post-retirement benefits	24,528	23,450
Accrued compensated absences	21,216	20,308
Bond obligations payable	8,230	14,750
Capital lease obligations	161	164
Capital lease obligations due to other campuses	466	469
Deferred revenues and credits	57,965	61,876
Total current liabilities	<u>147,451</u>	<u>155,337</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	98	222
Accrued compensated absences, net of current portion	8,393	8,064
Bond obligations payable, net of current portion	275,780	261,770
Capital lease obligations, net of current portion	747	908
Capital lease obligations due to other campuses, net of current portion	3,987	4,104
Deferred revenues and credits, net of current portion	1,894	1,979
Total non-current liabilities	<u>290,899</u>	<u>277,047</u>
Total liabilities	<u>438,350</u>	<u>432,384</u>
NET ASSETS:		
Invested in capital assets, net of related debt	503,976	431,931
Restricted for:		
Non-expendable:		
Permanent endowment	144,419	133,566
Expendable:		
Externally restricted funds for scholarships, student aid, and research	36,306	31,445
Loan funds	17,851	17,649
Plant construction	52,942	31,839
Debt service	49,746	55,006
Unrestricted	164,049	154,990
Total net assets	<u>\$ 969,289</u>	<u>\$ 856,426</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, 2010 AND 2009
(Thousands)

	2010	2009
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$49,793 and \$44,285 in 2010 and 2009, respectively)	\$ 138,756	\$ 133,161
Federal grants and contracts - restricted	126,383	117,141
State and local grants and contracts - restricted	8,181	8,006
Private grants and contracts - restricted	22,379	20,507
Sales and services of educational activities	54,583	51,941
Sales and services of auxiliary operations	98,687	97,398
Sales and services of auxiliary segments (net of scholarship allowances of \$6,692 and \$5,789 in 2010 and 2009, respectively)	51,213	50,684
Other operating revenues	6,205	6,947
Total operating revenues	<u>506,387</u>	<u>485,785</u>
OPERATING EXPENSES:		
Salaries and wages	376,094	365,633
Benefits	<u>107,939</u>	<u>102,115</u>
Total compensation and benefits	484,033	467,748
Supplies and materials	135,574	138,722
Contractual services	39,678	38,200
Repairs and maintenance	44,081	16,442
Utilities	23,045	23,623
Communications	6,978	7,355
Depreciation	40,827	31,976
Scholarships and fellowships	<u>26,456</u>	<u>22,261</u>
Total operating expenses	<u>800,672</u>	<u>746,327</u>
TRANSFERS:		
Intercampus reallocation	(9,612)	(3,735)
Other	<u>34,665</u>	<u>32,677</u>
Total transfers	<u>25,053</u>	<u>28,942</u>
OPERATING LOSS	<u>(269,232)</u>	<u>(231,600)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	247,492	244,728
Federal Grants	15,666	10,127
Gifts	42,428	36,597
Investment income (net of investment management fees of \$1,777 and \$1,641 in 2010 and 2009, respectively)	10,017	9,918
Increase (decrease) in fair value of investments	18,063	(46,872)
Retirement of lease obligation	-	114
Increase in lease obligation	120	(3)
Interest expense on bond and lease obligations	(12,900)	(11,241)
Capitalized interest on bond obligations	4,116	2,443
Loss on disposal of capital assets	<u>(1,086)</u>	<u>(992)</u>
Net non-operating revenues	<u>323,916</u>	<u>244,819</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>54,684</u>	<u>13,219</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
State of Nebraska capital appropriations	3,081	2,177
Capital grants and gifts	55,064	11,260
Private gifts and bequests for permanent endowments	<u>34</u>	<u>347</u>
Net other revenues, expenses, gains, or losses	<u>58,179</u>	<u>13,784</u>
INCREASE IN NET ASSETS	112,863	27,003
NET ASSETS:		
Net assets, beginning of year	<u>856,426</u>	<u>829,423</u>
Net assets, end of year	<u>\$ 969,289</u>	<u>\$ 856,426</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, 2010 AND 2009
(Thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 157,100	\$ 146,959
Tuition and fees	138,275	132,828
Sales and services of auxiliary operations	98,089	94,467
Sales and services of educational activities	82,096	77,755
Sales and services of auxiliary segments	51,787	50,644
Student loans collected	2,080	1,878
Other receipts	2,031	7,047
Payments to employees	(481,841)	(464,570)
Payments to vendors	(263,484)	(250,764)
Scholarships paid to students	(26,456)	(22,261)
Student loans issued	(1,571)	(1,622)
Other payments	(179)	(294)
Transfers:		
Intercampus reallocation	(9,612)	(3,735)
Other	34,665	32,677
Net cash flows from operating activities	<u>(217,020)</u>	<u>(198,991)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	247,190	244,553
Federal grants	15,666	10,127
Gifts	42,428	36,597
Private gifts and bequests for endowment use	34	346
Direct lending receipts	109,877	99,013
Direct lending payments	<u>(109,877)</u>	<u>(99,013)</u>
Net cash flows from non-capital financing activities	<u>305,318</u>	<u>291,623</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	22,503	52,370
Capital grants and gifts	4,150	12,377
State of Nebraska capital appropriations	3,225	2,128
Purchases of capital assets	(120,170)	(110,213)
Principal paid on bond obligations	(14,750)	(11,815)
Interest paid on bond obligations	(12,793)	(10,048)
Payments made on lease obligations	<u>(524)</u>	<u>(530)</u>
Net cash flows from capital and related financing activities	<u>(118,359)</u>	<u>(65,731)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	236,196	207,664
Purchases of investments	(226,025)	(212,273)
Interest on investments	<u>10,103</u>	<u>9,878</u>
Net cash flows from investing activities	<u>20,274</u>	<u>5,269</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(9,787)	32,170
CASH AND CASH EQUIVALENTS, beginning of year	<u>324,808</u>	<u>292,638</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 315,021</u>	<u>\$ 324,808</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, 2010 AND 2009
(Thousands)

	2010	2009
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 123,381	\$ 101,170
Cash and cash equivalents - restricted (current)	102,782	124,295
Cash and cash equivalents held by trustee - restricted (current)	19,534	18,543
Cash and cash equivalents - restricted (non-current)	3,462	39
Cash and cash equivalents held by trustee - restricted (non-current)	<u>65,862</u>	<u>80,761</u>
Cash and cash equivalents - end of year	<u>\$ 315,021</u>	<u>\$ 324,808</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (269,232)	\$ (231,600)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	40,827	31,976
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(883)	(4,507)
Loans to students	585	399
Other current assets	(1,775)	613
Accounts payable	14,806	(1,498)
Accrued salaries, wages, compensated absences, and post-retirement benefits	2,191	3,178
Deferred revenues and credits	<u>(3,539)</u>	<u>2,448</u>
Net cash flows from operating activities	<u>\$ (217,020)</u>	<u>\$ (198,991)</u>
NON-CASH TRANSACTIONS:		
Purchase of capital assets through lease obligations	\$ 360	\$ 391
Increase (decrease) in fair value of investments	18,063	(46,872)

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, 2010 AND 2009
(Thousands)

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 65,547	\$ 60,108
Cash and cash equivalents - restricted	65,364	58,564
Cash and cash equivalents held by trustee - restricted	270	267
Investments - restricted	340	365
Accounts receivable and unbilled charges, net	79,394	69,880
Loans to students, net	1,675	1,399
Due from other campuses	2,225	236
Other current assets	<u>6,933</u>	<u>5,592</u>
Total current assets	<u>221,748</u>	<u>196,411</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents held by trustee - restricted	68	62
Investments - restricted	47,217	42,033
Investments held by trustee - restricted	395	397
Investment in joint venture	253,410	230,369
Loans to students, net of current portion	11,142	10,955
Capital assets, net of accumulated depreciation	496,061	479,940
Other non-current assets	<u>5,305</u>	<u>8,200</u>
Total non-current assets	<u>813,598</u>	<u>771,956</u>
Total assets	<u>1,035,346</u>	<u>968,367</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	21,322	18,313
Accrued salaries, wages, and post-retirement benefits	13,730	14,454
Accrued compensated absences	24,916	24,557
Bond obligations payable	125	125
Capital lease obligations	980	938
Capital lease obligations due to other campuses	10,622	5,882
Deferred revenues and credits	9,516	11,039
Health and other insurance claims	<u>4,883</u>	<u>3,488</u>
Total current liabilities	<u>86,094</u>	<u>78,796</u>
NON-CURRENT LIABILITIES:		
Accrued compensated absences, net of current portion	6,825	6,460
Bond obligations payable, net of current portion	4,610	4,735
Capital lease obligations, net of current portion	1,015	2,004
Capital lease obligations due to other campuses, net of current portion	26,847	8,366
Deferred revenues and credits, net of current portion	<u>-</u>	<u>13</u>
Total non-current liabilities	<u>39,297</u>	<u>21,578</u>
Total liabilities	<u>125,391</u>	<u>100,374</u>
NET ASSETS:		
Invested in capital assets, net of related debt	448,805	454,827
Restricted for:		
Non-expendable:		
Permanent endowment	1,747	1,686
Expendable:		
Externally restricted funds for scholarships, student aid and research	80,172	79,008
Loan funds	15,934	15,935
Plant construction	9,746	6,068
Debt service	592	592
Unrestricted	<u>352,959</u>	<u>309,877</u>
Total net assets	<u>\$ 909,955</u>	<u>\$ 867,993</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, 2010 AND 2009
(Thousands)

	2010	2009
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$4,627 and \$4,777 in 2010 and 2009, respectively)	\$ 37,677	\$ 33,875
Federal grants and contracts - restricted	81,231	61,847
State and local grants and contracts - restricted	18,542	18,369
Private grants and contracts - restricted	74,899	53,762
Sales and services of educational activities	3,339	3,718
Sales and services of health care entities	204,221	192,899
Sales and services of auxiliary operations	25,729	24,511
Sales and services of auxiliary segments	532	502
Other operating revenues	246	324
Total operating revenues	<u>446,416</u>	<u>389,807</u>
OPERATING EXPENSES:		
Salaries and wages	312,009	308,020
Benefits	79,748	76,251
Total compensation and benefits	<u>391,757</u>	<u>384,271</u>
Supplies and materials	49,683	52,371
Contractual services	60,787	51,997
Repairs and maintenance	23,613	25,287
Utilities	7,542	6,005
Communications	4,073	3,750
Depreciation	26,788	24,527
Scholarships and fellowships	10,016	9,412
Total operating expenses	<u>574,259</u>	<u>557,620</u>
TRANSFERS:		
Intercampus reallocation	(6,391)	(5,187)
Other	27,763	19,289
Total transfers	<u>21,372</u>	<u>14,102</u>
OPERATING LOSS	(106,471)	(153,711)
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	130,294	129,042
Federal Grants	709	630
Gifts	9,918	17,601
Investment income (net of investment management fees of \$75 and \$64 in 2010 and 2009, respectively)	3,446	4,375
Increase (decrease) in fair value of investments	4,092	(7,771)
Retirement of lease obligation	3,837	3,794
Increase in lease obligation	(27,058)	(713)
Interest expense on bond obligations	(222)	(225)
Equity in earnings of joint venture	27,297	8,861
Gain (Loss) on disposal of capital assets	(1,533)	(668)
Net non-operating revenues	<u>150,780</u>	<u>154,926</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	44,309	1,215
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	2,271	2,830
Capital grants and gifts	(4,618)	11,701
Net other revenues, expenses, gains, or losses	<u>(2,347)</u>	<u>14,531</u>
INCREASE IN NET ASSETS	41,962	15,746
NET ASSETS:		
Net assets, beginning of year	<u>867,993</u>	<u>852,247</u>
Net assets, end of year	<u>\$ 909,955</u>	<u>\$ 867,993</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, 2010 AND 2009
(Thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 202,040	\$ 146,281
Tuition and fees	34,501	33,679
Sales and services of health care entities	169,732	183,583
Sales and services of auxiliary operations	26,134	24,893
Sales and services of educational activities	3,339	3,718
Sales and services of auxiliary segments	533	498
Student loans collected	1,675	1,638
Other receipts	319	324
Payments to employees	(380,281)	(370,646)
Payments to vendors	(153,306)	(145,624)
Scholarships paid to students	(10,016)	(9,412)
Student loans issued	(2,245)	(2,050)
Transfers:		
Intercampus reallocation	(6,391)	(5,187)
Other	27,763	19,289
Net cash flows from operating activities	<u>(86,203)</u>	<u>(119,016)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	130,294	129,042
Federal grants	709	630
Gifts	7,267	18,565
Private gifts and bequests for endowment use	2,650	-
Direct lending receipts	803	-
Direct lending payments	(803)	-
Net cash flows from non-capital financing activities	<u>140,920</u>	<u>148,237</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and gifts	6,587	12,724
State of Nebraska capital appropriations	2,387	2,769
Purchases of capital assets	(54,379)	(62,914)
Principal paid on bond obligations	(125)	(120)
Interest paid on bond obligations	(223)	(225)
Payments made on lease obligations	(5,557)	(898)
Net cash flows from capital and related financing activities	<u>(51,310)</u>	<u>(48,664)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	10,301	4,076
Purchases of investments	(10,846)	(4,542)
Interest on investments	3,386	4,410
Distributions received from joint venture	6,000	6,000
Net cash flows from investing activities	<u>8,841</u>	<u>9,944</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,248	(9,499)
CASH AND CASH EQUIVALENTS, beginning of year	<u>119,001</u>	<u>128,500</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 131,249</u>	<u>\$ 119,001</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, 2010 AND 2009
(Thousands)

	2010	2009
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 65,547	\$ 60,108
Cash and cash equivalents - restricted (current)	65,364	58,564
Cash and cash equivalents held by trustee - restricted (current)	270	267
Cash and cash equivalents held by trustee - restricted (non-current)	<u>68</u>	<u>62</u>
Cash and cash equivalents - end of year	<u>\$ 131,249</u>	<u>\$ 119,001</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (106,471)	\$ (153,711)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	26,788	24,527
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(3,828)	(1,217)
Loans to students	(570)	(411)
Other current assets	(1,235)	537
Accounts payable	(1,521)	6,308
Accrued salaries, wages, compensated absences, and post-retirement benefits	777	3,665
Deferred revenues and credits	(1,538)	883
Health and other insurance claims	<u>1,395</u>	<u>403</u>
Net cash flows from operating activities	<u>\$ (86,203)</u>	<u>\$ (119,016)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ 4,092	\$ (7,771)
Purchase of capital assets through lease obligations	4,610	-

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, 2010 AND 2009
(Thousands)

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 30,629	\$ 22,541
Cash and cash equivalents - restricted	16,138	16,290
Cash and cash equivalents held by trustee - restricted	4,140	4,881
Investments held by trustee - restricted	-	690
Accounts receivable and unbilled charges, net	13,705	8,174
Loans to students, net	852	726
Other current assets	<u>1,597</u>	<u>1,696</u>
Total current assets	<u>67,061</u>	<u>54,998</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents held by trustee - restricted	23,857	17,396
Investments - restricted	3,733	3,277
Investments held by trustee - restricted	9,302	14,983
Loans to students, net of current portion	5,694	6,176
Capital assets, net of accumulated depreciation	250,381	189,516
Other non-current assets	<u>1,870</u>	<u>4,428</u>
Total non-current assets	<u>294,837</u>	<u>235,776</u>
Total assets	<u>361,898</u>	<u>290,774</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	11,725	8,512
Accrued salaries, wages, and post-retirement benefits	8,137	7,852
Accrued compensated absences	3,733	3,581
Bond obligations payable	2,975	1,415
Capital lease obligations	1,061	2,189
Due to other campuses	2,199	404
Deferred revenues and credits	<u>7,036</u>	<u>8,313</u>
Total current liabilities	<u>36,866</u>	<u>32,266</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	171	227
Accrued compensated absences, net of current portion	1,300	1,335
Bond obligations payable, net of current portion	119,395	87,425
Capital lease obligations, net of current portion	-	1,061
Deferred revenues and credits, net of current portion	<u>1,365</u>	<u>3,435</u>
Total non-current liabilities	<u>122,231</u>	<u>93,483</u>
Total liabilities	<u>159,097</u>	<u>125,749</u>
NET ASSETS:		
Invested in capital assets, net of related debt	144,882	121,193
Restricted for:		
Non-expendable:		
Permanent endowment	686	598
Expendable:		
Externally restricted funds for scholarships, student aid and research	3,225	2,662
Loan funds	7,238	7,405
Plant construction	11,943	8,837
Debt service	10,756	8,470
Unrestricted	<u>24,071</u>	<u>15,860</u>
Total net assets	<u>\$ 202,801</u>	<u>\$ 165,025</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, 2010 AND 2009
(Thousands)

	2010	2009
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$18,669 and \$15,448 in 2010 and 2009, respectively)	\$ 60,839	\$ 57,102
Federal grants and contracts - restricted	9,451	8,322
State and local grants and contracts - restricted	4,900	3,528
Private grants and contracts - restricted	6,286	4,510
Sales and services of educational activities	10,400	9,950
Sales and services of auxiliary operations	5,303	4,363
Sales and services of auxiliary segments (net of scholarship allowances of \$669 and \$650 in 2010 and 2009, respectively)	21,098	18,850
Other operating revenues	639	724
Total operating revenues	<u>118,916</u>	<u>107,349</u>
OPERATING EXPENSES:		
Salaries and wages	92,893	91,119
Benefits	23,674	22,756
Total compensation and benefits	116,567	113,875
Supplies and materials	27,727	27,968
Contractual services	9,422	8,440
Repairs and maintenance	5,599	6,512
Utilities	3,735	3,463
Communications	1,471	1,406
Depreciation	7,601	7,141
Scholarships and fellowships	15,286	12,984
Total operating expenses	<u>187,408</u>	<u>181,789</u>
TRANSFERS:		
Intercampus reallocation	(3,555)	(2,071)
Other	2,674	5,505
Total transfers	<u>(881)</u>	<u>3,434</u>
OPERATING LOSS	<u>(69,373)</u>	<u>(71,006)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	61,544	61,029
Federal Grants	12,521	7,839
Gifts	8,538	8,344
Investment income (net of investment management fees of \$37 and \$33 in 2010 and 2009, respectively)	1,946	2,500
Increase (decrease) in fair value of investments	484	(642)
Interest expense on bond obligations	(4,418)	(4,121)
Loss on disposal of capital assets	183	(95)
Net non-operating revenues	<u>80,798</u>	<u>74,854</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>11,425</u>	<u>3,848</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	1,588	3,165
Capital gifts and grants	24,763	8,002
Total other revenues, expenses, gains or losses	<u>26,351</u>	<u>11,167</u>
INCREASE IN NET ASSETS	37,776	15,015
NET ASSETS:		
Net assets, beginning of year	<u>165,025</u>	<u>150,010</u>
Net assets, end of year	<u>\$ 202,801</u>	<u>\$ 165,025</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, 2010 AND 2009
(Thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 18,340	\$ 16,237
Tuition and fees	60,063	56,952
Sales and services of auxiliary operations	5,828	5,147
Sales and services of educational activities	9,725	10,193
Sales and services of auxiliary segments	21,098	18,850
Student loans collected	1,121	991
Other receipts	492	828
Payments to employees	(116,221)	(113,193)
Payments to vendors	(47,090)	(46,138)
Scholarships paid to students	(15,286)	(12,984)
Student loans issued	(765)	(790)
Transfers:		
Intercampus reallocation	(3,555)	(2,071)
Other	2,674	5,505
Net cash flows from operating activities	<u>(63,576)</u>	<u>(60,473)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	61,544	61,029
Federal grants	12,521	7,839
Gifts	5,542	8,918
Net cash flows from non-capital financing activities	<u>79,607</u>	<u>77,786</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	35,402	-
Gifts	24,763	8,002
State of Nebraska capital appropriations	1,050	3,447
Purchases of capital assets	(64,146)	(31,798)
Payments made on lease obligations	(2,189)	(2,244)
Principal paid on bond obligations	(1,415)	(1,365)
Interest paid on bond obligations	(4,292)	(4,439)
Net cash flows from capital and related financing activities	<u>(10,827)</u>	<u>(28,397)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	19,246	29,879
Purchases of investments	(12,664)	(4,479)
Interest on investments	1,870	2,975
Net cash flows from investing activities	<u>8,452</u>	<u>28,375</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,656	17,291
CASH AND CASH EQUIVALENTS, beginning of year	<u>61,108</u>	<u>43,817</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 74,764</u>	<u>\$ 61,108</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, 2010 AND 2009
(Thousands)

	2010	2009
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 30,629	\$ 22,541
Cash and cash equivalents - restricted (current)	16,138	16,290
Cash and cash equivalents held by trustee - restricted (current)	4,140	4,881
Cash and cash equivalents held by trustee - restricted (non-current)	<u>23,857</u>	<u>17,396</u>
Cash and cash equivalents - end of year	<u>\$ 74,764</u>	<u>\$ 61,108</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (69,373)	\$ (71,006)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	7,601	7,141
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(2,104)	1
Loans to students	356	201
Other current assets	150	1,019
Accounts payable	714	632
Accrued salaries, wages, compensated absences, and post-retirement benefits	346	682
Deferred revenues and credits	<u>(1,266)</u>	<u>857</u>
Net cash flows from operating activities	<u>\$ (63,576)</u>	<u>\$ (60,473)</u>
NON-CASH TRANSACTIONS:		
Decrease in fair value of investments	\$ 484	\$ (642)

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, 2010 AND 2009
(Thousands)

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 29,223	\$ 23,967
Cash and cash equivalents - restricted	2,285	2,336
Cash and cash equivalents held by trustee - restricted	2,351	2,490
Accounts receivable and unbilled charges, net	2,278	2,810
Loans to students, net	289	287
Due from other campuses	-	36
Other current assets	<u>299</u>	<u>297</u>
Total current assets	<u>36,725</u>	<u>32,223</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents held by trustee - restricted	1,086	898
Investments held by trustee - restricted	10,685	13,427
Loans to students, net of current portion	2,273	2,456
Capital assets, net of accumulated depreciation	117,764	115,654
Other non-current assets	<u>490</u>	<u>539</u>
Total non-current assets	<u>132,298</u>	<u>132,974</u>
Total assets	<u>169,023</u>	<u>165,197</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	2,654	3,218
Accrued salaries, wages, and post-retirement benefits	4,835	4,754
Accrued compensated absences	1,444	1,272
Bond obligations payable	1,125	1,225
Capital lease obligations	57	49
Due to other campuses	645	-
Deferred revenues and credits	<u>1,217</u>	<u>1,187</u>
Total current liabilities	<u>11,977</u>	<u>11,705</u>
NON-CURRENT LIABILITIES:		
Accrued salaries, wages, and post-retirement benefits, net of current portion	214	323
Accrued compensated absences, net of current portion	678	607
Bond obligations payable, net of current portion	25,595	26,720
Capital lease obligations, net of current portion	133	43
Deferred revenues and credits	<u>1,254</u>	<u>1,289</u>
Total non-current liabilities	<u>27,874</u>	<u>28,982</u>
Total liabilities	<u>39,851</u>	<u>40,687</u>
NET ASSETS:		
Invested in capital assets, net of related debt	90,578	87,254
Restricted for:		
Non-expendable:		
Permanent endowment	66	66
Expendable:		
Externally restricted funds for scholarships, student aid and research	1,066	1,074
Loan funds	2,912	2,957
Plant construction	829	1,358
Debt service	12,953	15,443
Unrestricted	<u>20,768</u>	<u>16,358</u>
Total net assets	<u>\$ 129,172</u>	<u>\$ 124,510</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, 2010 AND 2009
(Thousands)

	2010	2009
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of \$9,196 and \$7,508 in 2010 and 2009, respectively)	\$ 21,287	\$ 21,492
Federal grants and contracts - restricted	2,428	2,144
State and local grants and contracts - restricted	2,027	1,981
Private grants and contracts - restricted	256	355
Sales and services of educational activities	5,287	5,431
Sales and services of auxiliary operations	3,443	3,462
Sales and services of auxiliary segments (net of scholarship allowances of \$3,009 and \$2,507 in 2010 and 2009, respectively)	10,330	10,603
Other operating revenues	<u>260</u>	<u>594</u>
Total operating revenues	<u>45,318</u>	<u>46,062</u>
OPERATING EXPENSES:		
Salaries and wages	42,097	41,887
Benefits	<u>11,814</u>	<u>11,993</u>
Total compensation and benefits	53,911	53,880
Supplies and materials	13,632	15,353
Contractual services	1,946	1,416
Repairs and maintenance	1,932	992
Utilities	2,772	2,820
Communications	693	749
Depreciation	5,114	4,266
Scholarships and fellowships	<u>6,365</u>	<u>5,124</u>
Total operating expenses	<u>86,365</u>	<u>84,600</u>
TRANSFERS:		
Intercampus reallocation	(1,781)	(844)
Other	<u>1,707</u>	<u>22,581</u>
Total transfers	<u>(74)</u>	<u>21,737</u>
OPERATING LOSS	<u>(41,121)</u>	<u>(16,801)</u>
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	36,096	35,689
Federal Grants	6,850	4,890
Gifts	2,406	2,035
Investment income (net of investment management fees of \$6 and \$6 in 2010 and 2009, respectively)	1,421	1,666
Increase (decrease) in fair value of investments	(168)	228
Capitalized interest on bond obligations	2	110
Interest expense on bond obligations	(1,468)	(1,290)
Loss on disposal of capital assets	<u>(43)</u>	<u>(16)</u>
Net non-operating revenues	<u>45,096</u>	<u>43,312</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>3,975</u>	<u>26,511</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
State of Nebraska capital appropriations	472	175
Capital grants and gifts	<u>215</u>	<u>365</u>
Net other revenues, expenses, gains, or losses	<u>687</u>	<u>540</u>
INCREASE IN NET ASSETS	4,662	27,051
NET ASSETS:		
Net assets, beginning of year	<u>124,510</u>	<u>97,459</u>
Net assets, end of year	<u>\$129,172</u>	<u>\$124,510</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, 2010 AND 2009
(Thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 4,715	\$ 4,313
Tuition and fees	21,377	21,132
Sales and services of auxiliary operations	3,552	3,445
Sales and services of educational activities	5,244	5,303
Sales and services of auxiliary segments	10,363	10,644
Student loans collected	366	341
Other receipts	747	(217)
Payments to employees	(53,695)	(52,831)
Payments to vendors	(20,619)	(21,007)
Scholarships paid to students	(6,365)	(5,124)
Student loans issued	(185)	(344)
Transfers:		
Intercampus reallocation	(1,781)	(844)
Other	<u>1,707</u>	<u>22,581</u>
Net cash flows from operating activities	<u>(34,574)</u>	<u>(12,608)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	36,096	35,688
Federal grants	6,850	4,890
Gifts	<u>2,262</u>	<u>2,041</u>
Net cash flows from non-capital financing activities	<u>45,208</u>	<u>42,619</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and gifts	124	54
State of Nebraska capital appropriations	446	176
Purchases of capital assets	(7,222)	(30,059)
Principal paid on bond obligations	(1,225)	(1,105)
Interest paid on bond obligations	(1,473)	(1,186)
Payments made on lease obligations	<u>(52)</u>	<u>(77)</u>
Net cash flows from capital and related financing activities	<u>(9,402)</u>	<u>(32,197)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	7,736	1,039
Purchases of investments	(5,166)	(3,482)
Interest on investments	<u>1,452</u>	<u>1,706</u>
Net cash flows from investing activities	<u>4,022</u>	<u>(737)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,254	(2,923)
CASH AND CASH EQUIVALENTS, beginning of year	<u>29,691</u>	<u>32,614</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 34,945</u>	<u>\$ 29,691</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, 2010 AND 2009
(Thousands)

	2010	2009
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 29,223	\$ 23,967
Cash and cash equivalents - restricted (current)	2,285	2,336
Cash and cash equivalents held by trustee - restricted (current)	2,351	2,490
Cash and cash equivalents held by trustee - restricted (non-current)	<u>1,086</u>	<u>898</u>
Cash and cash equivalents - end of year	<u>\$ 34,945</u>	<u>\$ 29,691</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	\$ (41,121)	\$ (16,801)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	5,114	4,266
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	675	(746)
Loans to students	181	(53)
Other current assets	37	(22)
Accounts payable	318	344
Accrued salaries, wages, compensated absences, and post-retirement benefits	215	1,049
Deferred revenues and credits	<u>7</u>	<u>(645)</u>
Net cash flows from operating activities	<u>\$ (34,574)</u>	<u>\$ (12,608)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ (168)	\$ 228
Capital grants and gifts	91	311
Purchase of capital assets through lease obligations	150	26

See Independent Auditors' Report.

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

THE UNIVERSITY OF NEBRASKA CENTRAL ADMINISTRATION
ADDITIONAL INFORMATION
SCHEDULES OF NET ASSETS
JUNE 30, 2010 and 2009
(Thousands)

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 56,668	\$ 45,908
Cash and cash equivalents - restricted	5,001	3,183
Investments - restricted	108,917	91,185
Accounts receivable and unbilled charges, net	2,418	2,956
Due from other campuses	5,178	-
Other current assets	-	2,468
Total current assets	<u>178,182</u>	<u>145,700</u>
NON-CURRENT ASSETS:		
Investments - restricted	28,871	26,404
Capital assets, net of accumulated depreciation	31,930	15,598
Total non-current assets	<u>60,801</u>	<u>42,002</u>
Total assets	<u>238,983</u>	<u>187,702</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	18,256	18,707
Accrued salaries, wages, and post-retirement benefits	135	125
Accrued compensated absences	1,171	1,023
Capital lease obligations	202	71
Due to other campuses	-	1,136
Deferred revenues and credits	65	46
Health and other insurance claims	6,635	7,099
Total current liabilities	<u>26,464</u>	<u>28,207</u>
NON-CURRENT LIABILITIES:		
Accrued compensated absences, net of current portion	365	293
Capital lease obligations, net of current portion	2,230	1,932
Total non-current liabilities	<u>2,595</u>	<u>2,225</u>
Total liabilities	<u>29,059</u>	<u>30,432</u>
NET ASSETS:		
Invested in capital assets, net of related debt	29,495	13,595
Restricted for:		
Non-expendable:		
Permanent endowment	22,804	20,564
Expendable:		
Externally restricted funds for scholarships, student aid and research	7,169	6,259
Plant construction	2,758	80
Unrestricted	<u>147,698</u>	<u>116,772</u>
Total net assets	<u>\$ 209,924</u>	<u>\$ 157,270</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, 2010 AND 2009
(Thousands)

	2010	2009
OPERATING REVENUES:		
Federal grants and contracts - restricted	\$ 1,640	\$ 1,207
Private grants and contracts - restricted	(239)	91
Sales and services of auxiliary operations	229	284
Other operating revenues	<u>11,777</u>	<u>7,780</u>
Total operating revenues	<u>13,407</u>	<u>9,362</u>
OPERATING EXPENSES:		
Salaries and wages	5,920	6,032
Benefits	<u>996</u>	<u>1,142</u>
Total compensation and benefits	6,916	7,174
Supplies and materials	5,284	9,332
Contractual services	1,264	1,739
Repairs and maintenance	702	579
Utilities	63	61
Communications	440	649
Depreciation	1,394	615
Scholarships and fellowships	<u>579</u>	<u>661</u>
Total operating expenses	<u>16,642</u>	<u>20,810</u>
TRANSFERS:		
Intercampus reallocation	10,877	(642)
Other	<u>11,872</u>	<u>1,358</u>
Total transfers	<u>22,749</u>	<u>716</u>
OPERATING INCOME	<u>19,514</u>	<u>(10,732)</u>
NON-OPERATING REVENUES (EXPENSES)		
State of Nebraska non-capital appropriations	21,537	31,306
Gifts	466	193
Investment income (net of investment management fees of \$318 and \$294 in 2010 and 2009, respectively)	337	(180)
Increase (decrease) in fair value of investments	10,645	(9,735)
Interest expense on bond obligations	(152)	(152)
Loss on disposal of capital assets	<u>-</u>	<u>(1)</u>
Net non-operating revenues	<u>32,833</u>	<u>21,431</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>52,347</u>	<u>10,699</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
Private gifts and bequests for permanent endowments	<u>307</u>	<u>648</u>
INCREASE IN NET ASSETS	52,654	11,347
NET ASSETS:		
Net assets, beginning of year	<u>157,270</u>	<u>145,923</u>
Net assets, end of year	<u>\$ 209,924</u>	<u>\$ 157,270</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, 2010 AND 2009
(Thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	\$ 1,395	\$ 1,287
Sales and services of auxiliary operations	229	276
Other receipts	12,112	9,213
Payments to employees	(6,685)	(7,022)
Payments to vendors	(12,278)	(15,619)
Scholarships paid to students	(579)	(661)
Transfers:		
Intercampus reallocation	10,877	(642)
Other	11,872	1,358
Net cash flows from operating activities	<u>16,943</u>	<u>(11,810)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	21,537	31,306
Gifts	465	188
Private gifts and bequests for endowment use	307	648
Net cash flows from non-capital financing activities	<u>22,309</u>	<u>32,142</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(17,076)	(13,173)
Interest paid on bond obligations	(152)	(152)
Payments made on lease obligations	(221)	(68)
Net cash flows from capital and related financing activities	<u>(17,449)</u>	<u>(13,393)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	87,257	79,600
Purchases of investments	(96,810)	(85,277)
Interest on investments	328	(180)
Net cash flows from investing activities	<u>(9,225)</u>	<u>(5,857)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,578	1,082
CASH AND CASH EQUIVALENTS, beginning of year	<u>49,091</u>	<u>48,009</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 61,669</u>	<u>\$ 49,091</u>

(Continued)

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

THE UNIVERSITY OF NEBRASKA CENTRAL ADMINISTRATION
ADDITIONAL INFORMATION
SCHEDULES OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(Thousands)

	2010	2009
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 56,668	\$ 45,908
Cash and cash equivalents - restricted (current)	<u>5,001</u>	<u>3,183</u>
Cash and cash equivalents - end of year	<u>\$ 61,669</u>	<u>\$ 49,091</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 19,514	\$ (10,732)
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation expense:	1,394	615
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	552	(484)
Other current assets	1,244	825
Accounts payable	(5,546)	(2,221)
Accrued salaries, wages, compensated absences, and post-retirement benefits	230	152
Deferred revenues and credits	19	(20)
Health and other insurance claims	<u>(464)</u>	<u>55</u>
Net cash flows from operating activities	<u>\$ 16,943</u>	<u>\$ (11,810)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ 10,645	\$ (9,735)
Purchase of capital assets through lease obligations	650	-

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, 2010 AND 2009
(Thousands)

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents held by trustee - restricted	\$ 28,622	\$ 26,458
Investments held by trustee - restricted	16,315	6,435
Accounts receivable and unbilled charges, net	424	625
Capital lease obligation receivable due from other campuses	11,088	6,351
Total current assets	<u>56,449</u>	<u>39,869</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents held by trustee - restricted	48,345	50,297
Investments held by trustee - restricted	42,844	72,639
Capital lease obligation receivable due from other campuses	30,834	12,470
Other non-current assets	934	544
Total non-current assets	<u>122,957</u>	<u>135,950</u>
Total assets	<u>179,406</u>	<u>175,819</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	12,929	9,989
Bond obligations payable	30,145	30,595
Due to other campuses	9,151	5,912
Total current liabilities	<u>52,225</u>	<u>46,496</u>
NON-CURRENT LIABILITIES:		
Bond obligations payable, net of current portion	232,725	214,210
Deferred revenues and credits	8,085	5,695
Total non-current liabilities	<u>240,810</u>	<u>219,905</u>
Total liabilities	<u>293,035</u>	<u>266,401</u>
NET ASSETS (DEFICIT):		
Invested in capital assets, net of related debt	(262,594)	(245,502)
Restricted for:		
Expendable:		
Plant construction	47,357	55,216
Debt service	101,608	99,704
Total net assets (deficit)	<u>\$ (113,629)</u>	<u>\$ (90,582)</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, 2010 AND 2009
(Thousands)

	2010	2009
OPERATING EXPENSES:		
Repairs and maintenance	\$ 123	\$ 86
Total operating expenses	<u>123</u>	<u>86</u>
TRANSFERS:		
Intercampus reallocation	10,462	12,479
Other	<u>(78,681)</u>	<u>(81,410)</u>
Total transfers	<u>(68,219)</u>	<u>(68,931)</u>
OPERATING INCOME (LOSS)	<u>(68,342)</u>	<u>(69,017)</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income	1,229	3,629
Increase (decrease) in fair value of investments	336	(536)
Retirement of lease obligation	(3,837)	(3,908)
Increase in lease obligation	26,938	716
Interest expense on bond obligations	<u>(4,326)</u>	<u>(6,605)</u>
Net non-operating expenses	<u>20,340</u>	<u>(6,704)</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>(48,002)</u>	<u>(75,721)</u>
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES		
State of Nebraska capital appropriations	11,000	8,250
Capital grants and gifts	<u>13,955</u>	<u>19,383</u>
Net other revenues, expenses, gains, or losses	<u>24,955</u>	<u>27,633</u>
INCREASE (DECREASE) IN NET ASSETS (DEFICIT)	(23,047)	(48,088)
NET ASSETS (DEFICIT):		
Net assets (deficit), beginning of year	<u>(90,582)</u>	<u>(42,494)</u>
Net assets (deficit), end of year	<u>\$ (113,629)</u>	<u>\$ (90,582)</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, 2010 AND 2009
(Thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to vendors	\$ 6,114	\$ (10,823)
Transfers:		
Intercampus reallocation	10,462	12,479
Other	<u>(78,681)</u>	<u>(81,410)</u>
Net cash flows from operating activities	<u>(62,105)</u>	<u>(79,754)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	64,522	26,802
Capital grants and gifts	13,955	21,419
State of Nebraska capital appropriations	11,000	8,250
Principal paid on bond obligations	(43,220)	(15,250)
Interest paid on bond obligations	<u>(5,625)</u>	<u>(7,260)</u>
Net cash flows from capital and related financing activities	<u>40,632</u>	<u>33,961</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	66,091	116,447
Purchases of investments	(45,840)	(83,335)
Interest on investments	<u>1,434</u>	<u>4,590</u>
Net cash flows from investing activities	<u>21,685</u>	<u>37,702</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	212	(8,091)
CASH AND CASH EQUIVALENTS, beginning of year	<u>76,755</u>	<u>84,846</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 76,967</u>	<u>\$ 76,755</u>
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents held by trustee - restricted (current)	\$ 28,622	\$ 26,458
Cash and cash equivalents held by trustee - restricted (non-current)	48,345	50,297
Cash and cash equivalents (current) - end of year	<u>\$ 76,967</u>	<u>\$ 76,755</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	\$ (68,342)	\$ (69,017)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Changes in assets and liabilities:		
Other current assets	(201)	(2,994)
Accounts payable	<u>6,438</u>	<u>(7,743)</u>
Net cash flows from operating activities	<u>\$ (62,105)</u>	<u>\$ (79,754)</u>
NON-CASH TRANSACTIONS:		
Increase (decrease) in fair value of investments	\$ 336	\$ (536)

See Independent Auditors' Report.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Regents of the University of Nebraska
Lincoln, Nebraska:

We have audited the financial statements of the business-type activities and discretely presented component unit of the University of Nebraska (University) (a component unit of the State of Nebraska) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 17, 2010. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the University of Nebraska Foundation (the Foundation), the discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the UNMC Physicians, the UNeMed Corporation, University Dental Associates, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units); and the Obligations under the Master Trust Indenture; as described in our report on the University's financial statements. The financial statements of these entities were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the findings and responses in our separately issued management letter that we consider to be significant deficiencies in internal control over financial reporting: Comment Number 1 (Transaction Review and Approval), Comment Number 2 (Capital Assets), Comment Number 3 (Electronic Personnel Action Form (E-PAF) Approval), and Comment Number 4 (Cooperative Extension Bank Accounts). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 also noted certain other matters that we reported to the management of the University in a separate letter dated December 17, 2010.

The University's response to the findings identified in our audit are described in the schedule of findings and responses in our separately issued management letter. We did not audit the University's response and, accordingly, we express no opinion on it.

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.

Signed Original on File

Lincoln, Nebraska
December 17, 2010

Don Dunlap, CPA
Assistant Deputy Auditor