2011

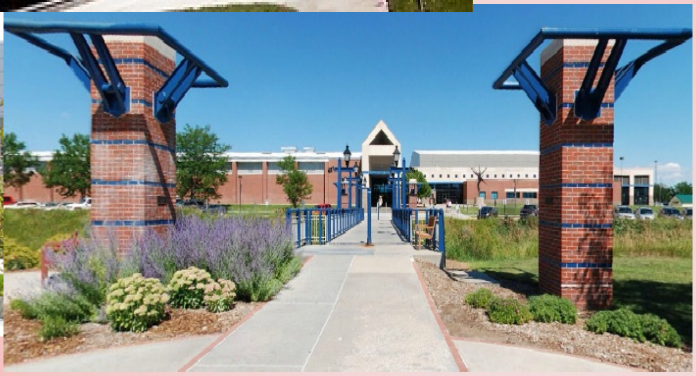
University of Nebraska
Comprehensive Annual Financial Report

For the Year Ended June 30, 2011

UNL Voelte-Keegan Nanoscience Research Center

UNMC Center for Nursing Services

UNO Health Physical Education and Recreation



UNK Main Street

University of Nebraska

Pioneering new frontiers.

THE UNIVERSITY OF NEBRASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2011

Office of the Vice President for Business and Finance

UNIVERSITAS NEBRASKENSIS.

LITERIS DEDICATA ET OMNIBUS ARTIBUS

FEB. 15, 1869.

THE UNIVERSITY OF NEBRASKA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011

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INTRODUCTION

UNL Jorgensen Hall

UNMC Michael F. Sorrell Center for Health Science Education

UNO College of Public Affairs-Community Service

UNK West Center

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UNIVERSITY OF Nebraska

OFFICE OF THE VICE PRESIDENT FOR BUSINESS AND FINANCE

December 28, 2011

James B. Milliken, President
Members of the Board of Regents
University of Nebraska

Dear President Milliken and Board Members:

We enclose for your review and use the Comprehensive Annual Financial Report for the University of Nebraska as of and for the fiscal year ended June 30, 2011.

Management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon a comprehensive internal control framework that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements

The University of Nebraska's financial statements for the year ended June 30, 2011 have been audited by the Auditor of Public Accounts, who has, based on their audit and the reports of other auditors, issued an unqualified opinion on those financial statements. The independent auditors' report is presented in the financial section of this document.

Management's discussion and analysis (MDA) immediately follows the auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. The MDA is designed to complement this letter and should be read in conjunction with it.

Profile of the University

History. The University of Nebraska was founded on February 15, 1869, less than two years after Nebraska became the nation's 37th state. The original goal of this new land-grant university was, "To afford the inhabitants of this state with the means of acquiring a thorough knowledge of the various branches of literature, science, and the arts." This goal has stood the test of time, inspiring the University's dedication to the education of students, research in a broad range of disciplines, and service to the state's citizens.

The University of Nebraska is the state's only public university. It became the first institution west of the Mississippi River to offer graduate education in 1903. Founded in Lincoln, the University included a medical center in Omaha beginning in 1902.

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(402) 472-2191 / FAX (402) 472-2038 / www.nebraska.edu

The University was reorganized under a 1968 act of the Nebraska Legislature. The legislation provided for the addition of the University of Nebraska at Omaha (formerly the municipal University of Omaha) and designated the University of Nebraska-Lincoln and the University of Nebraska Medical Center as separate campuses. In 1991, the University of Nebraska at Kearney (formerly Kearney State College) became a campus of the university. In addition to the four campuses, the University also includes many research, extension, and service facilities statewide.

Governance. The University of Nebraska system operates under a single president and Board of Regents. The members of the Board are elected by district on six year terms. The Board exercises the final authority in government of the University within the limits of the Constitution, the laws of the State of Nebraska, and the laws of the United States. The Board delegates to the President of the University, and through him to the appropriate administrative officers, general authority and responsibility to carry out the policies and directions of the Board.

The President, in concert with the Board, appoints Chancellors for each of the four campuses of the University. The Chancellors, in turn, are responsible for the operation of each of their respective campuses within the policies, procedures and operational guidelines established by the Board and the President.

The Campuses of the University of Nebraska. In addition to being a strong economic driver for the State of Nebraska, the University and its four campuses provide a diversity of educational, research, and outreach opportunities to students, faculty and citizens of the State of Nebraska;

University of Nebraska at Kearney: The University of Nebraska at Kearney (UNK) is Nebraska's public, residential university that is distinguished by a commitment to excellence in undergraduate education. A mid-sized, comprehensive university, it is especially noted for small classes, a scholarly faculty devoted to teaching students first, and an enviable location in a thriving regional population center. Personalized attention for students is a hallmark of education at UNK.

University of Nebraska-Lincoln: Founded in 1869, the Lincoln campus of the University of Nebraska (UNL) is the state's land-grant university. Through its three primary missions of learning, discovery and engagement, the University of Nebraska is the state's intellectual center and has been recognized by the Legislature as the primary research and doctoral-degree granting institution in the state. Today, it is one of the top 50 American universities in the number of doctoral degrees granted annually. It is of national and international influence, with students from every state and more than 100 nations.

University of Nebraska Medical Center: The University of Nebraska Medical Center (UNMC) is the only public academic health science center in Nebraska. Its mission is to improve the health of Nebraskans through premier educational programs, innovative research, the highest quality patient care and outreach to underserved populations. Its success in this endeavor is marked by the fact that nearly half of Nebraska’s physicians, dental professionals, pharmacists, bachelor-prepared nurses and allied health professionals have graduated from UNMC. The vision and strategic plan for UNMC: to become a world renowned health sciences center and system, repositioning the Medical Center from a regional to a national center of excellence in the 21st century.

University of Nebraska at Omaha: The University of Nebraska at Omaha (UNO) is located in the heart of Nebraska's largest city and serves as the state's metropolitan university. UNO offers nearly 200 programs of study in a learning environment that features a small-school atmosphere within Nebraska's largest city. UNO has enjoyed many recent successes in its move to becoming a metropolitan university of high distinction. Among these major landmarks is the Peter Kiewit Institute for Information Science, Technology and Engineering education which presents a new dynamic in how business and academia partner with each other to achieve common goals. This and the addition of residential units are among the factors leading to strong growth in numbers of students at UNO.

The University of Nebraska Foundation. The University of Nebraska Foundation is a strong supporter of the University in its drive to excellence. The Foundation continues to experience fundraising successes for the support of academics, research, and facilities. The University received over $129 million from the Foundation during 2011 for the funding of scholarships, faculty chairs, and capital projects.

The financial statements include the discrete presentations of the Foundation's statements. Governmental Accounting Standards Board (GASB) Statement 39, *Determining Whether Certain Organizations Are Component Units*, requires that financial reporting for a component unit that raises and holds funds for the direct benefit of the University be included in its financial statements.

The Nebraska Economy

The state-wide presence and mission of the University closely ties its well-being with that of the state economy. The economy of Nebraska is broad-based with one-third of non-farm jobs being in the services sector of the economy. Behind the services sector, another third is accounted for by the combination of manufacturing, retail and financial sectors. Omnipresent is performance of the agricultural economy. The combination of this broad economic base and the underpinning of agriculture have tended to buffer Nebraska from some of the national economic woes.

The State of Nebraska has historically been conservative in its financial management. In fact, the State has projected a $421 million balance in its "rainy day" fund at the end of fiscal 2012. The State is required to achieve a balanced budget, is prohibited from borrowing, and has no outstanding indebtedness.

The State Forecasting Board's projections show a positive economic outlook. In its October 2011 meeting, for the two-year budget period ending June 30, 2013 the Forecasting Board projected revenue gains of $113 million. Driven by a strong agricultural economy and low unemployment, (4.2% versus a national benchmark of 9.1%), Nebraska's median household income grew faster than that of any other State last year. This bodes well for Nebraska's economy.

We are optimistic that University officials, residents of Nebraska, and State leadership will increasingly work together with a common vision to the future. This collaboration yields a growing, vibrant University while providing a high quality, affordable education to its citizens. This is fundamental, even vital, to the long-term well-being of the Nebraska economy. The University is, and remains, an important statewide asset and a primary determinant of the whether the State and its citizens will to continue to progress and prosper.

Planning and Initiatives

The performance of the economy has put an even greater emphasis on planning and strategic initiatives. The foresight of the President and the Board in adopting a strategic framework several years back and the advantage of focusing our efforts based on that guidance is invaluable. Unrestricted resources to operations, as defined by generally accepted accounting principles, is .31 at June 30, 2011. We will continue to attempt to preserve a prudent level of reserves so as to provide an operating environment that is comparatively stable and predictable.

Our capital facilities planning and initiatives continue to serve us well. The University's new capital projects and deferred maintenance initiatives (the latter started in 1998 and is continuing) saw $41 million of construction and construction-related expenditures in fiscal 2011. We will continue to prioritize projects to invest selectively in those having the highest impact on our campuses.

Our debt strategy, although perhaps unexciting to some, allows us to be less subject to the uncertainties of the market and sleep well in this volatile environment. The increasing footprint of the Federal government in the debt markets adds even more unknowns. We will continue our strategy to avoid the emotion-driven capital markets by being a fixed-rate borrower, in projects that provide good coverage, and with level amortization versus pushing increasing debt payments into the future.

In October of 2009, the University of Nebraska Foundation formally announced a new capital campaign. The campaign has a goal of raising $1.2 billion and is already at $1.085 billion plus, as of the date of this letter. Among the goals of the campaign are increased funds for scholarships, professorships, and capital priorities, based on input by both Nebraskans and university sources. Details of the campaign and details about priorities can be found at http://campaignfornebraska.org.

We combine the financial prudence with initiatives to make the University of Nebraska one of the leading public higher education institutions in the country, appealing to both outstanding students and faculty. Goals for the University include working very hard to offset flat demographics in the State by funding national and international efforts in recruitment, including targeted initiatives well underway in China and India.

Accessibility is also a high level initiative of the University. There is nothing that will provide greater long-term benefit to the State and the nation than an educated citizenry. We will continue in our efforts to make an affordable education available to all and buttress this effort by reaching down into the P-12 ranks to assist in college preparedness.

Research will continue to be a priority. Funded research reached all time highs in 2011. The effort will become even more keenly focused in the future, with food, water and fuels being among the undertakings receiving increasing focus.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the University of Nebraska for its comprehensive annual financial report for the fiscal year ended June 30, 2010. The University has been awarded the Certificate for eighteen of the last twenty years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the staff of the Vice President for Business and Finance and campus business and finance personnel. We would like to express our appreciation to all members of those departments who assisted and contributed to preparation of this report. Credit also must be given to President Milliken and the Board of Regents for their active support for maintaining the highest standards of professionalism in the management of the University of Nebraska's finances.

Respectfully submitted,

David E. Lechner
Vice President for Business and Finance

Keith L. Lauber
Director of University Accounting

The Board of Regents of the University of Nebraska

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Timothy F. Clare, Lincoln
District 1

Howard L. Hawks, Omaha
District 2

Chuck Hassebrook, Lyons
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District 6

Bob Phares, North Platte
District 7

Randolph M. Ferlic, Omaha
District 8

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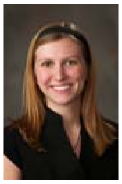
Lane Carr, UNL

Jeremy Peterson, UNMC

Jordan Gonzales, UNK



Elizabeth O'Connor, UNO

THE UNIVERSITY OF NEBRASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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James B. Milliken, President
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David E. Lechner, Vice President for Business and Finance
Joel D. Pedersen, Vice President and General Counsel
Carmen K. Maurer, Corporate Secretary and Associate General Counsel
Keith L. Lauber, Director of University Accounting

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Christine Jackson, Vice Chancellor for Business and Finance
Mary LaGrange, Controller

University of Nebraska Medical Center Administration

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Donald S. Leuenberger, Vice Chancellor for Business and Finance
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Douglas Kristensen, Chancellor
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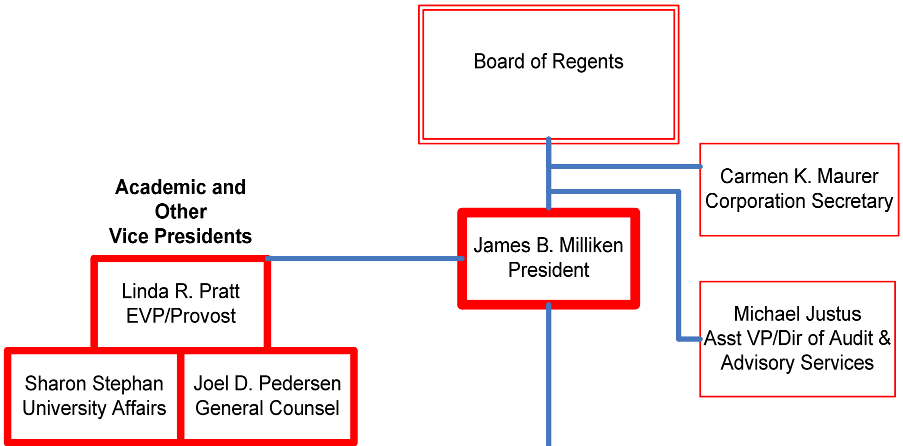
Howard L. Hawks, President
Timothy F. Clare, Vice President
David E. Lechner, Secretary-Treasurer

University of Nebraska Administration

Business Affairs Organizational Chart



	UNL	IANR-UNL	UNMC	UNO	UNK	UNCA
Vice Presidents	Harvey S. Perlman Chancellor	Ronnie D. Green Vice Chancellor	Harold M. Maurer Chancellor	John Christensen Chancellor	Douglas A. Kristensen Chancellor	David E. Lechner VP Business and Finance
Vice Chancellors	Christine Jackson Business and Finance		Don Leuenberger Business and Finance	William E. Conley Business and Finance	Barbara Johnson Business And Finance	
Associate/ Assistant Vice Chancellors	Marc Chauche Financial Services Kim Phelps University Services	Alan Moeller Institute of Agriculture and Natural Resources	Deborah Thomas Business Services Pamela Bataillon Planning/Budget	Julie Totten Associate Vice Chancellor	John Lakey Assistant Vice Chancellor	
Facililties	Ted Weidner Assistant Vice Chancellor	Barry Shull Director	Kenneth Hansen Assistant Vice Chancellor	John Amend Director	Lee McQueen Director	Rebecca Koller Assistant Vice President
Budget		Bryan Areman Director	Susan Kraft Mann Analyst	Kathy Pfeiffer Coordinator	Jean Mattson Director	Chris Kabourek Assistant Vice President
Human Resources	Bruce Currin Assistant Vice Chancellor		John Russell Assistant Vice Chancellor	Mollie Anderson Director	Cheryl Bressington Director	Ed Wimes Assistant Vice President
Accounting	Mary LaGrange Controller	Jeff Bassford Manager	Carol Kirchner Controller	Joe Huebner Director	Larry Riessland Director	Keith Lauber Director
Chief Information Officers	Mark Askren Information Services	Roger Terry Director -IANR	Yvette Holly Assistant Vice Chancellor	John L Fiene Associate Vice Chancellor	Deb Schroeder Assistant Vice Chancellor	Walter Weir Chief Information Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

University of Nebraska

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Linda C. Davidson
President

Jeffrey L. Esser
Executive Director

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FINANCIALS

UNL Jackie Gaughan Multicultural Center

UNMC Ruth and Bill Scott Student Plaza

UNO Welcome Center

UNK Alumni House

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THE UNIVERSITY OF NEBRASKA

The University of Nebraska seeks to be the best public university in America as measured by its impact on the people of its state. We serve Nebraska by providing our citizens with access to high quality education, by conducting research that improves the quality of life of people across the state and around the world, and by offering a wide range of programs that foster entrepreneurship, encourage business growth, improve agricultural productivity, deliver quality health care and help young people build leadership skills for the future.

The University of Nebraska is the state's only public university and became the first institution west of the Mississippi to offer graduate education in 1903. It included a medical center beginning in 1902.

The University of Nebraska became a multi-campus university in 1968 when the original campus was designated the University of Nebraska-Lincoln, and the University of Nebraska Medical Center and the University of Nebraska at Omaha (formerly a municipal institution) were designated by the state legislature as separate campuses. The University of Nebraska at Kearney (formerly a state college) was added in 1991.

Today's University of Nebraska stands proudly in the company of America's great public universities, with an outstanding faculty and staff of 15,000 serving more than 50,000 students and 1.8 million Nebraskans. The university's momentum is apparent, with seven straight years of enrollment growth, record high ACT scores for incoming freshmen on all campuses, continued success in competitive funding for research, and record levels of private support.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

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INDEPENDENT AUDITOR'S REPORT

Board of Regents of the University of Nebraska
Lincoln, Nebraska

We have audited the accompanying financial statements of the business-type activities, and the 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, 2011 and 2010, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Nebraska Foundation (Foundation), a discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Technological Development Corporation, the University Dental Associates, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units); and the activity relating to the Members of the Obligated Group Under the Master Trust Indenture. The Blended Component Units and the activity relating to the Members of the Obligated Group Under the Master Trust Indenture represent 24 percent, 73 percent, 4 percent, and 21 percent, respectively, of the assets, liabilities, net assets, and revenues of the University. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, along with the Foundation report which appears herein, and our opinion, insofar as it relates to the amounts included for the Foundation, the Blended Component Units, and the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, is based on the reports of the 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 activity relating to the Members of the Obligated Group 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of 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, 2011 and 2010, and the respective changes in financial position and cash flows thereof 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 16, 2011, 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 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 19 through 31 are not a required part of the basic financial statements but are 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 introductory section and statistical tables on pages 2 through 12 and pages 83 and 98 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Don Dunlap

Lincoln, Nebraska
December 16, 2011

Don Dunlap, CPA
Assistant Deputy Auditor

KPMG LLP
Suite 1501
222 South 15th Street Omaha, NE 68102-1610

Suite 1600
233 South 13th Street
Lincoln, NE 68508-
2041

Independent Auditors' Report

The Board of Trustees
University of Nebraska Foundation:

We have audited the accompanying consolidated statement of financial position of the University of Nebraska Foundation (a Nebraska not-for-profit corporation) (the Foundation) as of June 30, 2011, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Foundation's 2010 consolidated financial statements, which were audited by other auditors whose report dated September 20, 2010 and July 15, 2011 expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit 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 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 Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the University of Nebraska Foundation as of June 30, 2011, and the changes in their net assets and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

September 27, 2011

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, 2011 and 2010. 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 five blended entities, those being the University of Nebraska Facilities Corporation (UNFC), the UNMC Physicians, the University Dental Associates, the Nebraska Utility Corporation, and the University 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.

(Columnar Amounts in Thousands)

Student Enrollment - Headcount

	Fall Semester of Fiscal Year				
Campus	**2007**	**2008**	**2009**	**2010**	**2011**
UNL	22,106	22,973	23,573	24,100	24,610
UNMC	3,067	3,128	3,194	3,237	3,493
UNO	13,906	14,156	14,213	14,620	14,665
UNK	6,468	6,478	6,543	6,650	6,753
Total	45,547	46,735	47,523	48,607	49,521

The fall semester (fiscal 2011) headcount enrollment was 49,521 students on the four campuses. This represents an increase of approximately 914 compared to the fall 2009 (fiscal 2010), a 1.9% increase, the sixth straight year of increases, and returns headcount enrollment to the highest level in a decade. The largest percent increase within the underlying demographics is professional students (up 5%), while undergraduate students increased 2.7%. The primary campus behind the increase was UNL who posted a gain of 428 undergraduate students, a 2.3% increase. Increasing enrollment is a strategic priority of the University and all campuses have devoted greater efforts to recruit both in-state and out-of-state students through such activities as improvement of student residences and facilities. The number of students enrolled in graduate and professional programs was 12,185, 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 10% and 15%, respectively, and are attributable to several factors. First, the University's investment in the Nebraska Medical Center joint venture increased by $22 million and is included in unrestricted net assets. Second, the trusteed insurance balances increased approximately $11 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 $4 million and UNMC Physicians, a blended entity, realized an increase in net assets of $12 million. 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 education, research, and public service missions and thereby make the University more competitive in continuing to attract high caliber students and faculty. At UNO, work began on the renovation of Roskens Hall, an education building, and construction was completed on Scott Court, a student residence hall. Construction of the 19th and Vine Street Parking Garage and the Athletic Student Life Complex was completed at UNL, along with the renovation of the Abel Sandoz Residence and Dining Hall. Renovation of Randall Hall, a student residence hall, was completed at UNK. Construction of three Health Professions Futures structures was completed at UNMC. Construction and renovation work continues at all of the campuses on several deferred maintenance projects financed by the UNFC 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 UNFC issued two financings during fiscal 2011. The Eye Institute Series 2011 Bonds of $17,740 provide bridge financing of donor pledges for the construction of an eye institute at UNMC. The NCTA Education Center/Student Housing Project Series 2011 Bonds of $11,570 were used to construct a new Education Center classroom facility and renovate veterinary clinic facilities.

- ***State appropriations.*** State non-capital appropriations decreased by 1.5% in 2011 compared to 2010. The 2011 decrease followed a 1% decrease in 2010 over 2009 but which followed a 5.6% increase in 2009 over 2008. The Board of Regents approved a tuition increase of 6%. This increase permitted the Board of Regents to approve a budget to meet increases mandated by certain union contracts and operating expenses but otherwise did not provide for salary and wage increases 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 6% tuition increase compares to a 4% increase in 2010 and 6% for 2009.

- ***Federal Grants and Contracts.*** Revenues from Federal grants and contracts increased by 12% in 2011, which followed a 16% increase in 2010 over 2009. Support from Federal grants and contracts was $247 million in 2011 compared to $221 million in 2010 and $191 million in 2009. Revenues from Federal sources support the research and discovery efforts of the University and provide financial aid to students.

- ***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 $68 million in 2011 compared to $89 million in 2010, and $51 million in 2009. Even though capital gifts declined in 2011 compared to 2010, the University realized $17 million more in 2011 compared to 2009. The largest of the gifts in 2011 included $17 million from the Foundation for the UNMC Health Professions project, and $19 million from the Foundation for several UNL Athletics capital projects.

(Continued)

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 $275 million, quasi-endowments of $41 million, and net assets of the healthcare blended entities of $91 million, and net assets of the self insurance programs of $128 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.

(Continued)

(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, 2011	June 30, 2010	June 30, 2009
Assets			
Current assets	$ 1,027,997	$ 878,216	$ 777,946
Capital assets, net of accumulated depreciation	1,800,768	1,736,116	1,527,199
Other non-current assets	724,906	724,046	745,251
Total assets	3,553,671	3,338,378	3,050,396
Liabilities and Net Assets			
Current liabilities	350,158	337,994	339,004
Non-current liabilities	674,641	692,872	630,750
Total liabilities	1,024,799	1,030,866	969,754
Net assets:			
Invested in capital assets, net of related debt	1,044,719	955,142	863,298
Restricted for:			
Nonexpendable:			
Permanent endowment	205,105	169,722	156,480
Expendable:			
Externally restricted funds	140,250	127,938	120,448
Loan funds	44,223	43,935	43,946
Plant construction	107,087	125,575	103,398
Debt service	168,315	175,655	179,215
Unrestricted	819,173	709,545	613,857
Total net assets	$ 2,528,872	$ 2,307,512	$ 2,080,642

(Continued)

(Columnar Amounts in Thousands)

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

	Year Ended June 30, 2011	2010	2009
Operating Revenues:			
Tuition and fees	$ 291,855	$ 258,559	$ 245,630
Federal grants and contracts - restricted	246,802	221,133	190,661
State grants and contracts - restricted	33,644	33,650	31,884
Private grants and contracts - restricted	98,435	103,581	79,225
Sales and services of educational activities	103,977	73,609	71,040
Sales and services of health care entities	218,546	204,221	192,899
Sales and services of auxiliary operations	143,089	133,391	130,018
Sales and services of auxiliary segments	94,758	83,173	80,639
Other operating revenues	17,274	9,782	12,706
Total operating revenues	1,248,380	1,121,099	1,034,702
Operating Expenses:			
Salaries and wages	871,672	829,013	812,691
Benefits	233,204	214,826	210,594
Total compensation and benefits	1,104,876	1,043,839	1,023,285
Supplies and materials	286,556	231,900	243,746
Contractual services	127,782	113,097	101,792
Repairs and maintenance	57,368	76,050	49,898
Utilties	36,854	37,157	35,972
Communications	13,425	13,655	13,909
Depreciation	90,846	81,724	68,525
Scholarships and fellowships	69,835	58,702	50,442
Total operating expenses	1,787,542	1,656,124	1,587,569
Operating Loss	(539,162)	(535,025)	(552,867)
Non-operating Revenues (Expenses):			
State of Nebraska non-capital appropriations	489,774	496,963	501,794
Federal grants	43,784	35,746	23,486
Gifts	74,083	63,756	64,770
Investment income	32,997	18,396	21,908
Increase (decrease) in fair value of investments	42,303	33,452	(65,328)
Interest on bond obligations	(25,495)	(19,368)	(21,081)
Equity in earnings of joint venture	27,765	27,297	8,861
Loss on disposal of capital assets	(12,053)	(2,479)	(1,772)
Net non-operating revenues	673,158	653,763	532,638
Income before Other Revenues, Expenses, Gains or Losses	133,996	118,738	(20,229)
Other Revenues, Expenses, Gains or Losses:			
Capital grants and gifts	68,153	89,379	50,711
State of Nebraska capital appropriations	18,740	18,412	16,597
Private gifts and bequests for permanent endowments	471	341	995
Net other revenues, expenses, gains, or losses	87,364	108,132	68,303
Increase in net assets	221,360	226,870	48,074
Net Assets:			
Net assets, beginning of year	2,307,512	2,080,642	2,032,568
Net assets, end of year	$ 2,528,872	$ 2,307,512	$ 2,080,642

(Continued)

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 2011, 2010, and 2009 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, 2011, total investment in capital assets was $2.5 billion, yielding a net investment, after accumulated depreciation, of $1.8 billion. The net increase in capital assets was $65 million, consisting of net additions of $156 million less depreciation of $91 million. Among the more noteworthy increases were Abel Sandoz residence and dining hall renovation at a cost of $51 million, the 19th and Vine Parking Garage for $13 million, and Athletic Student Life Complex for $8 million at UNL, the Scott Court residence hall at cost of $16 million at UNO, and the UNMC College of Public Health, Geriatrics Center and College of Nursing addition at a cost of $36 million. Additions to construction work in progress for the deferred maintenance projects totaled $41 million. Revenue bond proceeds under the MTI funded the Abel Sandoz renovation, the 19th and Vine Street Parking Garage, and the Scott Court Residence Hall. A UNFC bond issue bridge financed pledged donor revenues to construct the UNMC College of Public Health, Geriatrics Center, and College of Nursing addition. A capital gift from the Foundation funded the Athletic Student Life Complex. The additions to deferred maintenance construction work in progress were financed by the UNFC Series 2009 Bonds proceeds.

Net indebtedness decreased by $16 million in 2011 compared to increases of $58 million and $49 million in 2010 and 2009. New indebtedness issued was $29 million in 2011 with $118 million and $78 million issued in 2010 and 2009. The bond issuances in 2011 are accounted for by two UNFC issues, those being the UNMC Eye Institute and the NCTA Education Center/Student Housing Project.

The unrestricted net assets of the University grew by 15% or $110 million during the year to $819 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 departmental and college savings.

Analysis of Operations – Overview. The University generated $1,248 million of operating revenues during 2011, an increase of $127 million over 2010, while operating expenses were $1,787 million, up $131 million over the prior year. These changes resulted in a relatively unchanged operating loss of $539 million for 2011 compared to 2010. 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 $49 million in 2011 compared to similar "losses" of $38 million and $51 million in 2010 and 2009, respectively. 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 stability of the enterprise.

(Continued)

(Columnar Amounts in Thousands)

The Nebraska Legislature provided $490 million in non-capital appropriations for 2011, a decrease of $7 million over 2010 and a similar decrease of $5 million in 2010 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 $142 million that, when combined with all other non-operating revenues and expenses including investment income of $33 million, netted an overall increase in net assets of about $221 million.

Revenues. The following chart depicts the revenues for 2011 and 2010 and the comparative changes that occurred between those years.

	2011		2010		2011-2010 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Tuition and fees	$ 291,855	23%	$ 258,559	23%	$ 33,296	13%
Federal grants and contracts - restricted	246,802	20	221,133	20	25,669	12
State grants and contracts - restricted	33,644	3	33,650	3	(6)	-
Private grants and contracts - restricted	98,435	8	103,581	9	(5,146)	(5)
Sales and services of educational activities	103,977	8	73,609	7	30,368	41
Sales and services of health care entities	218,546	18	204,221	18	14,325	7
Sales and services of auxiliary operations	143,089	11	133,391	12	9,698	7
Sales and services of auxiliary segments	94,758	8	83,173	7	11,585	14
Other operating revenues	17,274	1	9,782	1	7,492	77
Total operating revenues	$ 1,248,380	100%	$ 1,121,099	100%	$ 127,281	11%

The University's operating revenues increased in fiscal year 2011 by 11%, or $127 million. Most of the revenue sources showed increases from the prior year. A three year comparison of revenues for the years 2011, 2010, and 2009 is presented on page 24.

- The largest increase in revenues was realized from tuition, which increased on a net basis by $33 million for the 2011 year. The Board of Regents approved an increase in tuition of 6%, which when coupled with a 2% increase in enrollment, yielded a 13% increase in revenue. Tuition from growth in online world wide distance education classes rounded out the total increase.

- The second largest increase in revenue was realized from sales and services of educational activities which increased by $30 million for the 2011 year. The increase is attributable to additional revenues of NUTech Ventures, a blended entity, and agricultural research revenues realized from higher commodity prices for the sale of agricultural products marketed by the research division of the Institute of Agriculture and Natural Resources.

- The third largest increase in revenue was realized from Federal grants and contracts and student aid, which increased by 12% during 2011 compared to increases of 16% and 8% in 2010 and 2009, respectively. The 2011 increase is attributed to additional funding from several agencies, including the Department of Health and Human Services and the Department of Education.

(Columnar Amounts in Thousands)

- An increase of 7% was realized from sales and services of health care entities, which increased by $14 million dollars for the 2011 year after an increase of 6% in 2010 over 2009. UNMC Physicians, a blended entity, experienced an 8% increase in growth from the expansion of its clinical programs with revenues increasing by $14 million.

- Sales and services of auxiliary operations increased by 10% in 2011 compared to 2010 because of revenues from newly constructed student residences, high occupancies in student residences, and a 5.5% increase in housing rates. Increases in athletic revenues from ticket prices, increased attendance, and concession revenues contributed to the growth in revenues.

Expenses. The following chart shows the University's expenses for 2011 and 2010 and comparative changes that occurred between those years. A three year comparison of expenses for the years 2011, 2010, and 2009 is presented on page 24.

	2011		2010		2011-2010 Change	
	Amount	% of Total	Amount	% of Total	Dollars	Percent
Compensation and benefits	$ 1,104,876	62%	$ 1,043,839	63%	$ 61,037	6%
Supplies and materials	286,556	16	231,900	14	54,656	24
Contractual services	127,782	7	113,097	7	14,685	13
Repairs and maintenance	57,368	3	76,050	4	(18,682)	(25)
Utilties	36,854	2	37,157	2	(303)	(1)
Communications	13,425	1	13,655	1	(230)	(2)
Depreciation	90,846	5	81,724	5	9,122	11
Scholarships and fellowships	69,835	4	58,702	4	11,133	19
Total operating expenses	$ 1,787,542	100%	$ 1,656,124	100%	$ 131,418	8%

Operating expenses increased by $131 million for the 2011 fiscal year, an increase of 8% compared to 2010. Changes in the major expense classifications follow.

- Compensation and benefits increased by 6% in 2011 after a 2% increase in 2010 compared to 2009 and accounts for 46% of the total increase in expenses for the University. Faculty salaries and benefits increased between 1.3% and 2.5% in certain areas. Salaries and benefits also increased because of increases in research (which grew by $25 million), the largest component of which is salaries. 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.

- Supplies and materials is the second largest expense after compensation and benefits and increased by 24% in 2011 reflecting increased research expenditures and inflationary pressures on the supplies and materials necessary to perform research functions and to carry on the general activity of the University

- Repairs and maintenance was $57 million in 2011, a decrease from 2010, but a $7 million increase over 2009 and shows a steady commitment to maintain capital assets. The $26 million increase in 2010 over 2009 is attributed to a significant outlay for upgrades to buildings and facilities that was partially funded by ARRA energy efficiency grants.

- Utilities expense decreased slightly, with increases in energy consumption by newly occupied facilities offset by savings realized from energy conservation measures. Projects undertaken to reduce consumption included chiller replacements, window replacements, and other deferred maintenance projects.

- A 13% increase in contractual services in 2011 followed an 11% increase in 2010 over 2009, and is attributed to increases in sub-grantee awards and a 5% increase in contractual payments to medical specialists by UNMC Physicians, a blended entity.

- Scholarships and fellowships grew by $11 million. The growth is attributed to additional students, tuition increases, and additional Federal Pell grants partially funded by ARRA support from the Department of Education.

Non-Operating Revenues (Expenses). Net non-operating revenues increased during 2011 compared to 2010 by $19 million. This change is primarily driven by the net result of a year-over-year increase in fair value of investments of $9 million and an increase in investment income of $15 million.

Thanks to vital support from the private sector and the Foundation, the University garnered non-capital and capital gifts during the year of $74 million and $68 million respectively. This compares to $64 million and $89 million during 2010. 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 remained at the same level of $18 million in 2011 and 2010, which is higher by $2 million compared to 2009. The capital appropriations in 2011 and 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 the College of Public Health, Center for Aging, and the College of Nursing addition was completed at a cost of $36 million at UNMC. Financing for this project came from UNFC bonds to bridge finance pledged donor revenues. The new facilities are home to several health related departments.

- The renovation of the Abel Sandoz Residence and Dining was completed at a cost of $51 million. The project was financed by revenue bonds issued under the MTI.

- Work continued on several deferred maintenance projects financed by the UNFC Deferred Maintenance Bonds, including Wittson Hall at a cost of $2 million at UNMC. Revenues to repay the UNFC Deferred Maintenance Bonds include capital appropriations from the Nebraska Legislature and designated matching tuition revenue approved by the Board of Regents.

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- The cGMP Project was completed at UNMC, funded by private gifts at cost of $6 million. The new facility is critical to the advancement of oncology and transplantation at the UNMC campus.
- The renovation of a student residence, Randall Hall, was completed at UNK at a cost of $3 million. The renovation was funded from the Surplus Fund held by the UNK Student Housing bond issue.
- The construction of Scott Court, a student residence hall, was completed at UNO at cost of $16 million. The project was financed by revenue bonds issued under the MTI.
- Construction of the Athletic Student Life Complex was completed at UNL at a cost of $8 million. The project was funded by a capital gift from the Foundation.
- Fire and life safety projects were completed on all campuses. Funding for these projects came from capital appropriations for this purpose by the Legislature through the State's Task Force for Building Renewal.

More information on capital asset activity is disclosed in the Notes to the Financial Statements included in this report on page 49.

Debt Activity

Bond Financings. The University marketed two new bond financings during 2011 through the University of Nebraska Facilities Corporation.

- On June 22, 2011, the UNFC issued $17,740 of UNMC Eye Institute Bonds, Series 2011, to finance the construction of a new Eye Institute building at UNMC. A finance agreement with the Board of Regents of the University of Nebraska provides for bridge financing of pledged donor revenues to pay the principal and interest due on the Eye Institute bonds.

- On February 2, 2011, the UNFC issued $11,570 of NCTA Education Center/Housing Project Bonds, Series 2011, to finance the construction of a new classroom building, the renovation of other instructional facilities, and the construction of a new residence hall at the Nebraska College of Technical Agriculture (NCTA). A lease rental agreement with the University of Nebraska and certain appropriations by the Nebraska Legislature and housing revenues provide for principal and interest payments for the repayment of the NCTA bonds.

The Board of Regents of the University of Nebraska Members of the Obligated Group under the MTI has bonds outstanding from the construction of student housing, parking, and student unions. The financial position of the MTI remains strong with operating income that provided a debt service ratio of 1.6 times for the year ended June 30, 2011, compared to 1.5 times for the year ended June 30, 2010, and 1.6 times for the year ended June 30, 2009. The debt service ratio required by the MTI covenants is 1.15 times.

The UNFC met all debt service requirements during 2011. 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 gift-funded projects. Funds from internal University Sources continue to meet expectations allowing the service of UNFC-related debt obligations in their normal course.

More information on debt financing is disclosed on page 50 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 outlook for the University is good. The Nebraska Legislature in its 2011 session approved and the Governor signed the mainline appropriations bill which gave the University of Nebraska $491 million and $498 million of appropriations for the 2011-2012 and the 2012-2013 fiscal years, respectively. This represents a $3 million decrease (-0.7%), followed by a $7 million increase (1.3%). The University received capital appropriations over the 2011-2013 biennium of $25 million, with that funding targeted for Phase I building projects on the Nebraska Innovation Campus located on the former state fairgrounds in Lincoln. Commenting on the operating and capital budgeting outcomes, University President J.B. Milliken stated "This budget reflects our commitment to playing a key role in growing Nebraska's knowledge-based innovation economy. Although the operating budget requires some difficult reallocations, it puts the university in a much stronger position than many of our peers across the country. The University is pleased of the importance attached to higher education and innovation in Nebraska as signaled by the Governor and the Legislature holding (University) funding flat in trying economic times, while investing in the future."

Further bolstering the economic outlook was the Nebraska Economic Forecasting Advisory Board's projections. In its October 2011 meeting, for the two-year budget period ending June 30, 2013 the Forecasting Board projected revenue gains of $113 million. Driven by a strong agricultural economy and low unemployment, (4.2% versus a national benchmark of 9.1%), Nebraska's median household income grew faster than that of any other State last year. This bodes well for Nebraska's economic outlook.

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

- Enrollment – Growing enrollment through a number of initiatives including growing the college-going rate.

- Tuition – Keeping tuition increases as low as possible and thereby the cost of education more affordable.

- Graduation – Increasing the graduation rate.

- Research – Bolstering current endeavors and fostering new activities that will allow the University to continue to earn greater success in attracting research funding.

- Administrative costs – Focusing on achieving decreases in administrative costs in both the academic and business enterprises.

- Faculty Salaries – Continuing to pursue and identify resources that can be earmarked to enhance faculty salaries to facilitate even greater successes in recruitment and retention.

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

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF NET ASSETS
JUNE 30, 2011 AND 2010
(Thousands)
(See Independent Auditors' Report on Pages 16 and 17)

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 473,429	$ 390,844
Cash and cash equivalents - restricted	127,353	106,174
Cash and cash equivalents held by trustee - restricted	48,591	53,529
Investments - restricted	143,959	123,921
Investments held by trustee - restricted	39,597	21,972
Accounts receivable and unbilled charges, net	165,601	156,673
Loans to students, net	4,952	4,695
Other current assets	24,515	20,408
Total current assets	1,027,997	878,216
NON-CURRENT ASSETS:		
Cash and cash equivalents - restricted	2,321	3,462
Cash and cash equivalents held by trustee - restricted	101,579	140,606
Investments - restricted	269,470	222,939
Investments held by trustee - restricted	30,634	59,279
Investment in joint venture	275,175	253,410
Loans to students, net of current portion	29,581	31,892
Capital assets, net of accumulated depreciation	1,800,768	1,736,116
Other non-current assets	16,146	12,458
Total non-current assets	2,525,674	2,460,162
Total assets	3,553,671	3,338,378
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	89,851	101,771
Accrued salaries, wages, and post-retirement benefits	59,167	51,365
Accrued compensated absences	53,657	52,480
Bond obligations payable	44,540	42,600
Capital lease obligations	1,621	2,461
Deferred revenues and credits	87,161	75,799
Health and other insurance claims	14,161	11,518
Total current liabilities	350,158	337,994
NON-CURRENT LIABILITIES:		
Accrued salaries, wages and post-retirement benefits, net of current portion	244	483
Accrued compensated absences, net of current portion	17,332	17,561
Bond obligations payable, net of current portion	640,245	658,105
Capital lease obligations, net of current portion	3,442	4,125
Deferred revenues and credits, net of current portion	13,378	12,598
Total non-current liabilities	674,641	692,872
Total liabilities	1,024,799	1,030,866
NET ASSETS:		
Invested in capital assets, net of related debt	1,044,719	955,142
Restricted for:		
Nonexpendable:		
Permanent endowment	205,105	169,722
Expendable:		
Externally restricted funds for scholarships, student aid, and research	140,250	127,938
Loan funds	44,223	43,935
Plant construction	107,087	125,575
Debt service	168,315	175,655
Unrestricted	819,173	709,545
Total net assets	$2,528,872	$2,307,512

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010
(Thousands)
(See Independent Auditors' Reports on Pages 16, 17, and 18)

	2011	2010
ASSETS		
Cash and cash equivalents	$ 2,055	$ 4,963
Temporary investments	286,091	250,364
Pledges receivable	151,118	137,968
Other receivables	2,992	3,650
Investments	1,300,445	1,081,642
Property and equipment, net of depreciation	6,830	7,878
Total assets	$ 1,749,531	$ 1,486,465
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued liabilities	$ 901	$ 1,680
University of Nebraska benefits payable	2,837	1,770
Scholarships, research, fellowships and professorships payable	10,666	2,820
Deferred annuities payable	22,848	23,041
Deposits held in custody for others	281,001	235,719
Deferred revenues	3,645	3,715
Total liabilities	321,898	268,745
NET ASSETS:		
Unrestricted	14,332	(12,203)
Temporarily restricted	709,174	593,682
Permanently restricted	704,127	636,241
Total net assets	1,427,633	1,217,720
Total liabilities and net assets	$ 1,749,531	$ 1,486,465

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(Thousands)
(See Independent Auditors' Report on Pages 16 and 17)

	2011	2010
OPERATING REVENUES:		
Tuition and fees (net of scholarship allowances of $85,229 and $82,285 in 2011 and 2010, respectively)	$ 291,855	$ 258,559
Federal grants and contracts - restricted	246,802	221,133
State and local grants and contracts - restricted	33,644	33,650
Private grants and contracts - restricted	98,435	103,581
Sales and services of educational activities	103,977	73,609
Sales and services of health care entities	218,546	204,221
Sales and services of auxiliary operations	143,089	133,391
Sales and services of auxiliary segments (net of scholarship allowances of $12,212 and $10,370 in 2011 and 2010, respectively)	94,758	83,173
Other operating revenues	17,274	9,782
Total operating revenues	1,248,380	1,121,099
OPERATING EXPENSES:		
Salaries and wages	871,672	829,013
Benefits	233,204	214,826
Total compensation and benefits	1,104,876	1,043,839
Supplies and materials	286,556	231,900
Contractual services	127,782	113,097
Repairs and maintenance	57,368	76,050
Utilities	36,854	37,157
Communications	13,425	13,655
Depreciation	90,846	81,724
Scholarships and fellowships	69,835	58,702
Total operating expenses	1,787,542	1,656,124
OPERATING LOSS	(539,162)	(535,025)
NON-OPERATING REVENUES (EXPENSES):		
State of Nebraska non-capital appropriations	489,774	496,963
Federal Grants	43,784	35,746
Gifts	74,083	63,756
Investment income (net of investment management fees of $2,511 and $2,213 in 2011 and 2010, respectively)	32,997	18,396
Increase in fair value of investments	42,303	33,452
Interest on bond obligations	(25,495)	(19,368)
Equity in earnings of joint venture	27,765	27,297
Loss on disposal of capital assets	(12,053)	(2,479)
Net non-operating revenues	673,158	653,763
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	133,996	118,738
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
Capital grants and gifts	68,153	89,379
State of Nebraska capital appropriations	18,740	18,412
Private gifts and bequests for permanent endowments	471	341
Net other revenues, expenses, gains, or losses	87,364	108,132
INCREASE IN NET ASSETS	221,360	226,870
NET ASSETS:		
Net assets, beginning of year	2,307,512	2,080,642
Net assets, end of year	$2,528,872	$2,307,512

See notes to financial statements.

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(with summarized financial information for the year ended June 30, 2010)
(Thousands)
(See Independent Auditors' Reports on Pages 16, 17, and 18)

	2011				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2010 Total
REVENUES AND GAINS:					
Gifts, bequests and life insurance proceeds	$ 68	$ 104,161	$ 67,886	$ 172,115	$ 136,894
Investment income	22,894	7,147	-	30,041	34,938
Change in value of split-interest agreements	-	236	-	236	-
Realized gain (loss) on investments, net	6	48,952	-	48,958	(17,326)
Unrealized gain on investments, net	28,674	91,985	-	120,659	82,932
	51,642	252,481	67,886	372,009	237,438
NET ASSETS RELEASED FROM RESTRICTIONS	136,989	(136,989)	-	-	-
Total revenues and gains	188,631	115,492	67,886	372,009	237,438
EXPENSES AND LOSSES:					
Salaries and wages	10,983	-	-	10,983	10,089
Payroll taxes	752	-	-	752	692
Employee benefits	2,267	-	-	2,267	2,087
Postage	211	-	-	211	261
Office supplies and expense	155	-	-	155	205
Professional services	514	-	-	514	174
Travel and entertainment	825	-	-	825	742
Telephone	245	-	-	245	208
Insurance and bonds	109	-	-	109	99
Repair and maintenance	427	-	-	427	317
Equipment rental/purchase	36	-	-	36	30
Office rent	1,548	-	-	1,548	1,504
University Towers expense	32	-	-	32	28
Promotion expense	2,045	-	-	2,045	2,185
Auto expense	113	-	-	113	110
Dues and subscriptions	143	-	-	143	144
Alumni Associations	1,028	-	-	1,028	1,028
Miscellaneous expense	162	-	-	162	124
Recruiting and moving expense	17	-	-	17	29
Meetings and conferences	270	-	-	270	220
Investment expense	6,248	-	-	6,248	4,722
Academic support	30,355	-	-	30,355	30,291
Student assistance	23,570	-	-	23,570	18,025
Faculty assistance	5,069	-	-	5,069	4,907
Research	7,125	-	-	7,125	6,095
Museum, library, and fine arts	5,100	-	-	5,100	1,027
Campus and building improvements	57,877	-	-	57,877	45,848
Deferred compensation	34	-	-	34	35
Paid to beneficiaries	3,483	-	-	3,483	3,108
Bad debt and collection expense	7	-	-	7	8
Depreciation	1,348	-	-	1,348	1,830
Total expenses and losses	162,098	-	-	162,098	136,172
INCREASE IN NET ASSETS	26,535	115,492	67,886	209,913	101,266
NET ASSETS at beginning of year	(12,203)	593,682	636,241	1,217,720	1,116,454
NET ASSETS at end of year	$ 14,332	$ 709,174	$ 704,127	$ 1,427,633	$ 1,217,720

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(Thousands)
(See Independent Auditors' Report on Pages 16 and 17)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Grants and contracts	$ 392,780	$ 383,590
Tuition and fees	292,706	254,216
Sales and services of health care entities	195,546	169,732
Sales and services of auxiliary operations	142,230	133,832
Sales and services of educational activities	123,336	100,404
Sales and services of auxiliary segments	95,757	83,781
Student loans collected	5,446	5,242
Other receipts	29,925	15,701
Payments to employees	(1,092,364)	(1,038,723)
Payments to vendors	(553,595)	(490,663)
Scholarships paid to students	(69,835)	(58,702)
Student loans issued	(3,607)	(4,766)
Other payments	(260)	(179)
Net cash flows from operating activities	(441,935)	(446,535)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State of Nebraska non-capital appropriations	490,008	496,661
Federal grants	43,784	35,746
Gifts	75,689	57,964
Private gifts and bequests for endowment use	472	2,991
Direct lending receipts	235,660	110,680
Direct lending payments	(235,660)	(110,680)
Net cash flows from non-capital financing activities	609,953	593,362
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the issuance of bonds	48,257	122,427
Capital grants and gifts	73,608	49,579
State of Nebraska capital appropriations	19,146	18,108
Purchases of capital assets	(177,519)	(262,993)
Principal paid on bond obligations	(43,285)	(60,735)
Interest paid on bond obligations	(31,441)	(24,558)
Defeasance of bond obligations	(17,909)	-
Payments made on lease obligations	(6,506)	(8,543)
Payment of bond financial expense	(100)	-
Net cash flows from capital and related financing activities	(135,749)	(166,715)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	490,330	426,827
Interest on investments	33,247	18,573
Distributions received from joint venture	6,000	6,000
Purchases of investments	(503,188)	(397,351)
Net cash flows from investing activities	26,389	54,049
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,658	34,161
CASH AND CASH EQUIVALENTS, beginning of year	694,615	660,454
CASH AND CASH EQUIVALENTS, end of year	$ 753,273	$ 694,615

See notes to financial statements.

(Continued)

THE UNIVERSITY OF NEBRASKA

STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
(Thousands)
(See Independent Auditors' Report on Pages 16 and 17)

	2011	2010
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENTS OF NET ASSETS:		
Cash and cash equivalents (current)	$ 473,429	$ 390,844
Cash and cash equivalents - restricted (current)	127,353	106,174
Cash and cash equivalents held by trustee - restricted (current)	48,591	53,529
Cash and cash equivalents - restricted (non-current)	2,321	3,462
Cash and cash equivalents held by trustee - restricted (non-current)	101,579	140,606
Cash and cash equivalents, end of year	$ 753,273	$ 694,615
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating loss	$ (539,162)	$ (535,025)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation expense	90,846	81,724
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	(19,135)	(5,588)
Loans to students	2,067	552
Other current assets	(2,586)	(1,780)
Accounts payable	5,513	15,209
Accrued salaries, wages, compensated absences, and post-retirement benefits	8,487	3,759
Deferred revenues and credits	12,091	(6,317)
Health and other insurance claims	(56)	931
Net cash flows from operating activities	$ (441,935)	$ (446,535)
NON-CASH TRANSACTIONS:		
Capital gifts and grants	$ 681	$ 91
Increase in fair value of investments	42,303	33,452
Purchase of capital assets through lease obligations	4,983	5,770

See notes to financial statements.

THE UNIVERSITY OF NEBRASKA

UNIVERSITY OF NEBRASKA FOUNDATION
(A Component Unit of the University of Nebraska)
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2011
(with comparative information for the year ended June 30, 2010)
(Thousands)
(See Independent Auditors' Report on Pages 16, 17, and 18)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 209,913	$ 101,266
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	1,348	1,830
Realized (gain) loss on investments, net	(48,959)	17,326
Unrealized gain on investments, net	(120,659)	(82,932)
Contribution to permanently restricted endowment funds	(67,886)	(59,918)
Real and personal property contributions received	(2,383)	(351)
(Increase) Decrease in:		
Pledges receivable	(8,668)	(35,933)
Other receivables	576	454
(Decrease) Increase in:		
Accounts payable and accrued liabilties	(779)	908
University of Nebraska benefits payable	1,067	494
Scholarships, research, fellowships, and professorships payable	7,845	(3,151)
Deferred annuities payable	(193)	910
Deposits held in custody for others	6,470	(16,535)
Deferred revenue	(70)	(60)
Net cash used in operating activities	(22,378)	(75,692)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of temporary investments	(374,350)	-
Proceeds from sale and maturity of temporary investments	338,623	30,619
Net decrease (increase) in student loans	82	(154)
Purchase of investments	(221,408)	(11,134)
Proceeds from sale and maturity of investments	213,418	-
Purchase of property and equipment	(299)	(776)
Net cash (used in) provided by investing activities	(43,934)	18,555
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contribution to permanently restricted endowment funds	63,404	59,919
Net cash provided by financing activities	63,404	59,919
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,908)	2,782
CASH AND CASH EQUIVALENTS, beginning of year	4,963	2,181
CASH AND CASH EQUIVALENTS, end of year	$ 2,055	$ 4,963

See notes to financial statements.

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 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.

- 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 University Technological Development Center (UTDC) was organized to support the research mission of the University and its campuses and advance academic technology transfer globally through fostering strategic collaborations with industry through licensing, research and new venture agreements. The blended entity consists of the UTDC activity and the activities of three nonprofit subsidiaries and one for profit subsidiary. UTDC is the sole member/stockholder of each subsidiary.

Separate financial statements for UNFC, UNMC Physicians, UDA, NUCorp, and UTDC 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 Statements of 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).

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.

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 2011 and 2010 was $25,495 and $19,368, respectively, which is net of $2,189 and $4,118 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 Governmental 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, 2011 and 2010, Federal grants and contracts includes Pell grant awards amounting to $45,527 and $37,497, 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 $235,660 and $110,680 at June 30, 2011 and 2010, 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 2010 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 $2,357 (book balance of approximately $1,948) at June 30, 2011, with approximately $2,087 covered by Federal depository insurance. 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. Of the remaining bank balance at June 30, 2011 and 2010, approximately $270 and $22 was collateralized with securities held by the pledging financial institution, but not in the University's name, leaving no uninsured and uncollateralized bank balances for either year.

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.

(Thousands)

Investments as of June 30, 2011:

	Fair Value	Investment Maturities (in years): Less Than 1	1-5	6-10	More Than 10
Investment type:					
Debt securities:					
Certificates of Deposit	$ 259	$ -	$ 259	$ -	$ -
U.S. treasuries	34,637	15,251	8,696	10,690	-
U.S. agencies	89,681	25,250	23,479 (1)	7,632 (2)	33,320 (4)
Municipal	3,494	-	2,442	1,052	-
Corporate debt	52,256	6,871	25,662	16,193 (3)	3,530
International bonds	10,766	-	-	-	10,766
Repurchase agreements	5,823	-	5,823	-	-
	196,916	$ 47,372	$ 66,361	$ 35,567	$ 47,616
Other investments:					
Equity securities - domestic	134,828				
Equity securities - international	55,477				
Mutual funds	82,831				
Real estate mutual funds	8,592				
Real estate held for investment purposes	932				
Money market funds	4,084				
Total	$ 483,660				

(1) This amount includes $2,112 of bonds which are callable in less than 1 year.
(2) This amount includes $2,633 of bonds which are callable in less than 1 year.
(3) This amount includes $1,533 of bonds which are callable in less than 4 years and $110 of bonds which are callable in less than 6 years.
(4) This amount includes $320 of bonds which are callable in less than 1 year, $842 callable in less than 8 years and $2,334 callable in less than 14 years.

(Thousands)

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	-	-
	196,071	$ 34,618	$ 100,943	$ 36,997	$ 23,513
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	$ 428,111				

(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.

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:

(Thousands)

2011

	Fair Value	Quality Ratings AAA	AA	A	Unrated
Investment type:					
Debt securities:					
Certificates of Deposit	$ 259	$ -	$ -	$ -	$ 259
U.S. treasuries	34,637	34,637	-	-	-
U.S. agencies	89,681	89,681	-	-	-
Municipal	3,494	-	1,052	2,442	-
Corporate debt	52,256	8,888	12,791	30,577	-
International bonds	10,766	-	-	-	10,766
Repurchase agreements	5,823	-	-	-	5,823
Other investments:					
Equity securities - domestic	134,828	-	-	-	134,828
Equity securities - international	55,477	-	-	-	55,477
Mutual funds	82,831	-	-	-	82,831
Real estate mutual funds	8,592	-	-	-	8,592
Real estate held for investment purposes	932	-	-	-	932
Money market funds	4,084	-	-	-	4,084
	$ 483,660	$ 133,206	$ 13,843	$ 33,019	$ 303,592

2010

	Fair Value	Quality Ratings AAA	AA	A	Unrated
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
	$ 428,111	$ 146,224	$ 11,347	$ 26,904	$ 243,636

(Continued)

(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. Investment types comprising more than 5% of the University's portfolio are as follows at June 30:

	Concentration	
	2011	**2010**
Federal National Mortgage Association	6%	6%
Federal Home Loan Bank	6%	8%
U.S. Treasuries	7%	7%

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 2011 and 2010, $6.3 million and $6.4 million respectively of underlying securities are held by the investment's counterparty, but not in the name of the University.

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

	Foreign Currency	
	2011	**2010**
Australian Dollar	$ 1,481	$ 1,316
British Pound	824	1,095
Canadian Dollar	694	371
EMU Euro	3,639	3,484
South Korea Won	553	483
Malaysian Ringgit	607	571
Mexican Peso	527	192
New Zealand Dollar	549	449
Norwegian Krone	676	581
Poland Zloty	878	724
South African Rand	338	140
Swedish Krona	-	523
Totals	$ 10,766	$ 9,929

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 $13,509 and $10,061 at June 30, 2011 and 2010, respectively. In addition, the University established an allowance for doubtful collections of student loans of approximately $1,406 and $1,294 at June 30, 2011 and 2010, 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, 2011 and 2010 totaling $27,765 and $27,297, 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 2011 and 2010.

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. The payment due under the lease for 2012 is $1,737.

(Continued)

(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, 2011 and 2010, the University received approximately $24,971 and $24,700, respectively, of support in connection with the agreement.

F. CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2011 and 2010 is as follows:

	2011			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	$ 71,117	$ 1,509	$ (219)	$ 72,407
Construction work in progress	250,162	134,409	(228,592)	155,979
Total capital assets not being depreciated	321,279	135,918	(228,811)	228,386
Capital assets, being depreciated:				
Land improvements	135,018	9,137	(342)	143,813
Leasehold improvements	13,209	-	-	13,209
Buildings	1,644,313	211,013	(21,741)	1,833,585
Equipment	326,434	31,368	(17,267)	340,535
Total capital assets, being depreciated	2,118,974	251,518	(39,350)	2,331,142
Less accumulated depreciation for:				
Land improvements	46,081	5,851	(340)	51,592
Leasehold improvements	2,965	441	-	3,406
Buildings	443,136	53,607	(20,844)	475,899
Equipment	211,955	30,947	(15,039)	227,863
Total accumulated depreciation other assets	704,137	90,846	(36,223)	758,760
Capital assets, net	$1,736,116	$296,590	$ (231,938)	$1,800,768

(Continued)

(Thousands)

	2010			
	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	$ 60,812	$ 10,305	$ -	$ 71,117
Construction work in progress	202,163	225,201	(177,202)	250,162
Total capital assets not being depreciated	262,975	235,506	(177,202)	321,279
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	309,739	32,281	(15,586)	326,434
Total capital assets, being depreciated	1,915,034	235,190	(31,250)	2,118,974
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	196,440	30,245	(14,730)	211,955
Total accumulated depreciation other assets	650,810	81,724	(28,397)	704,137
Capital assets, net	$1,527,199	$388,972	$ (180,055)	$1,736,116

G. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2011	$ 70,041	$ 47,280	$ (46,332)	$ 70,989	$ 53,657
2010	$ 67,500	$ 48,186	$ (45,645)	$ 70,041	$ 52,480

H. BOND OBLIGATIONS PAYABLE

Bond obligations payable are as follows at June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2011	$ 700,705	$ 44,430	$ (60,350)	$ 684,785	$ 44,540
2010	$ 642,970	$ 118,470	$ (60,735)	$ 700,705	$ 42,600

(Thousands)

Bond obligations payable at June 30, 2011 and 2010 consist of the following:

Obligations under the master trust indenture:	Interest Rate	Annual Installment	Principal Amount Outstanding 2011	2010
University of Nebraska-Lincoln:				
Student fees and facilities:				
Series 2002, revenue refunding	4.50 - 5.00%	$1,085 - $2,760	$ 8,570	$ 9,640
Series 2003A, revenue bonds	3.92 - 5.25%	460 - 1,595	24,235	24,680
Series 2003B, revenue bonds	3.80 - 5.00%	1,085 - 3,890	62,430	64,650
Series 2008A, revenue bonds	3.25 - 5.00%	1,250 - 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	10,680
Lincoln parking project:				
Series 2003, revenue refunding	3.60 - 4.50%	630 - 1,615	4,285	4,895
Series 2005, revenue refunding	3.75 - 4.50%	425 - 3,825	19,600	20,935
Series 2009A&B, revenue bonds	3.50 - 6.00%	695-1,110	11,560	11,560
University of Nebraska at Omaha:				
Student center Series 2003:				
Revenue refunding bonds	3.80 - 3.90%	575 - 1,180	1,755	2,310
Student HPER Project Series 2008:				
Revenue bonds	2.75 - 5.00%	870 - 2,700	42,075	42,920
Student housing Series 2003:				
Series 2003, revenue bonds	3.65 - 5.00%	365 - 945	13,130	13,480
Series 2007, revenue bonds	4.25 - 5.00%	580 - 2,395	28,160	28,715
Series 2010A, revenue bonds	1.25 - 4.83%	675 - 1,175	16,560	17,230
Series 2010B, revenue bonds	.90 - 5.00%	370 - 1,060	17,715	17,715
University of Nebraska Medical Center:				
Student housing revenue bonds				
Series 2003	3.55 - 5.00%	130 - 330	4,610	4,735
University of Nebraska at Kearney:				
Student fees and facilities:				
Series 2003 revenue refunding bonds	-	-	-	300
Series 2005	3.40 - 4.10%	345 - 1,080	4,235	4,570
Series 2006	3.60 - 5.00%	510 - 1,385	21,360	21,850
Total obligations under the master trust indenture			373,585	383,490
Other University obligations:				
University of Nebraska-Lincoln:				
Athletics:				
2004A, revenue refunding	4.05 - 5.00%	1,760 - 3,250	33,840	35,535
Total University obligations			407,425	419,025
Obligations of blended entities:				
University of Nebraska Facilities Corporation:				
Series 2011 bonds (Eye Institute)	2.00 - 4.59%	3,000 - 14,740	17,740	-
Series 2011 bonds (NCTA Education Center)	.85 - 5.50%	85 - 1,645	10,885	-
Series 2010 bonds (OPPD Exchange Project)	1.25 - 3.00%	1,535 - 1,540	9,230	9,230
Series 2009 bonds (LB605)	.55 - 4.66%	3,655 - 7,530	48,400	52,055
Series 2009 bonds (Health Professions Futures)	2.25 - 4.20%	700 - 18,235	19,835	26,035
Series 2007 bonds (Research Center)	5.00%	13,790	13,790	13,790
Series 2006 bonds (Sorrell Center)	3.75 - 4.00%	1,700 - 13,140	12,225	25,365
Series 2006 bonds (LB605)	4.00 - 5.00%	6,910 - 11,550	93,700	100,610
Series 2004 (library storage project)	3.60 - 5.00%	125 - 565	2,735	2,860
Series 2003 (Alexander building project)	3.55 - 5.00%	115 - 205	2,045	2,160
Series 2002 bonds (Durham Center)	5.00%	9,550 - 21,215	30,765	30,765
Total University of Nebraska Facilities Corporation			261,350	262,870
Nebraska Utility Corporation (NUCorp):				
Series 2010 revenue bonds	1.00 - 5.00%	430 - 1,605	15,120	-
Series 2001 revenue bonds	4.55%	890	890	18,810
Total bond obligations payable			$ 684,785	$ 700,705

(Thousands)

Annual maturities subject to mandatory redemption at June 30, 2011, are as follows:

	Total University		UNFC		NUCorp		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	$ 13,900	$ 18,653	$ 29,750	$10,867	$ 890	$ 833	$ 44,540	$ 30,353
2013	14,980	18,149	20,250	9,968	1,145	605	36,375	28,722
2014	15,505	17,584	37,320	8,883	1,220	593	54,045	27,060
2015	15,770	17,016	43,880	7,768	1,230	577	60,880	25,361
2016	16,990	16,395	21,830	5,787	1,250	537	40,070	22,719
2017-2021	87,845	71,014	101,620	12,420	6,725	1,716	196,190	85,150
2022-2026	84,595	50,995	5,730	988	3,550	179	93,875	52,162
2027-2031	69,665	31,748	475	215	-	-	70,140	31,963
2032-2036	54,335	16,011	495	70	-	-	54,830	16,081
2037-2041	33,840	3,244	-	-	-	-	33,840	3,244
Total	$407,425	$260,809	$261,350	$56,966	$16,010	$ 5,040	$684,785	$322,815

At June 30, 2011 and 2010, the trustees for these bond funds held cash and investments in the amount of approximately $220,398 and $275,386, 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, 2011, 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 Activities), (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

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 remaining 2004A 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 Eye Institute Project ("Eye Institute") – In 2011, the UNFC authorized the issuance of $17,740 of Series 2011 Bonds, dated June 22, 2011.

The Eye Institute Project consists of the construction of the Eye Institute at the University of Nebraska Medical Center at a cost of approximately $20,000. Bond proceeds provide interim financing for approximately $18,000 of donor pledge payments. The remainder of the project will be funded by other University sources.

Principal and interest payments will come from moneys derived by UNFC under the Financing Agreement with the Board of Regents of the University of Nebraska. The Bonds are not redeemable prior to their stated maturities.

NCTA Education Center/Student Housing Project ("Education Center and Housing Facilities Projects") – In 2011, the UNFC authorized the issuance of $11,570 of Series 2011 Bonds, dated February 2, 2011.

The Education Center Project comprises the construction of a new Education Center classroom facility, the renovation of an existing Vet Tech Center, and the renovation of a dairy barn into a simulated veterinary clinic. The Housing Facilities Project is for the construction of a new student residence hall.

Principal and interest payments will come from lease payments received from the Nebraska College of Technical Agriculture (NCTA) and certain appropriations made by the Nebraska Legislature. Bonds maturing on or after June 15, 2021 are redeemable at par plus accrued interest.

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 the Omaha Public Power District (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.

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.

(Continued)

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.

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.

Through the University of Nebraska Foundation, the UNMC obtained pledges approximating $85,000 for payment of the costs of these projects, of which $83,130 and $80,552 in pledge receipts have been received through June 30, 2011 and 2010, respectively. The pledges will be received in installments through 2011. These pledges are augmented with the revenue from the lease agreement with a third party for a portion of the parking structure.

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

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.

In 2011, the NUCorp issued Series 2010 Bonds in the amount of $15,120 with an interest rate of 4.62% to refund $17,065 of outstanding Series 2001 Bonds with an average interest rate of 5.23%. The net proceeds of $16,932 (after payment of $202 in bond issuance expenses) plus $2,181 of sinking fund monies were used to prepay the outstanding debt service requirements on the 2001 bonds. The proceeds were used to purchase securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001 bonds. As a result, a portion of the 2001 bonds are considered to be defeased and the liability for the 2001 bonds has been removed from the statement of net assets. At December 2010, $17,065 of bonds outstanding are considered defeased.

The cash flow requirements on the 2001 bonds prior to the advance refunding was $20,528 from 2011 through 2022. The cash flow requirements on the 2010 bonds are $18,552 from 2011 through 2022. The current refunding resulted in an economic gain of $1,751. The 2010 bonds maturing on or after January 1, 2022 are redeemable at par plus accrued interest on or after January 1, 2021.

(Thousands)

Bond Financing

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 or 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, 2011 and 2010, 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, 2011 and 2010, $3,405 and $3,218, 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
2011	$ 6,586	$ 4,983	$ 6,506	$ 5,063	$ 1,621
2010	$ 9,359	$ 5,770	$ 8,543	$ 6,586	$ 2,461

(Continued)

(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
2012	$ 246	$ 1,003	$ 499	$ 1,748
2013	246	322	191	759
2014	245	322	187	754
2015	245	322	50	617
2016	-	309	47	356
2017-2021	-	850	-	850
2022-2026	-	850	-	850
2027-2031	-	154	-	154
	982	4,132	974	6,088
Less interest and executory costs	89	872	64	1,025
	$ 893	$ 3,260	$ 910	$ 5,063

Capital assets held under capital lease obligations at June 30, 2011, are as follows:

	Cost	Accumulated Depreciation	Net
Land	$ 5,443	$ -	$ 5,443
Buildings	9,007	1,832	7,175
Equipment	2,018	1,051	967
	$ 16,468	$ 2,883	$ 13,585

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, 2009	$ 3,488	$ 1,797	$ 5,302	$ 10,587
Incurred claims	1,993	682	108,884	111,559
Payments on claims	(598)	(974)	(109,056)	(110,628)
Claim reserve, June 30, 2010	4,883	1,505	5,130	11,518
Incurred claims	892	1,832	121,959	124,683
Payments on claims	(869)	(1,880)	(119,291)	(122,040)
Claim reserve, June 30, 2011	$ 4,906	$ 1,457	$ 7,798	$ 14,161

(Continued)

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, 2011 and 2010, the trustees for the health and other insurance claims programs held cash and cash equivalents and investments totaling approximately $128,377 and $116,892, 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 2011 and 2010 was approximately $833,364 and $812,017, respectively, of which approximately $639,114 and $623,789 was covered by the plan. The University's contribution during 2011 and 2010 was approximately $49,884, or 7.81%, and $48,696, or 7.81%, of covered payroll, respectively, and the faculty and staff's contribution was approximately $33,524, or 5.25%, and $32,741, or 5.25%, of covered payroll, respectively.

(Continued)

(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 $10,620 and $10,444 for the years ended June 30, 2011 and 2010, 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 2011 and 2010 for the health insurance liability under current individual tenure buyout arrangements was $712 and $92, respectively. The expense incurred for 2011 and 2010 health insurance premium increases under all tenure buyout arrangements was $57 and $24, respectively. The total termination benefit obligation at June 30, 2011 and 2010 was $1,166 and $911, respectively.

L. COMMITMENTS AND CONTINGENCIES

The University has contracted for the construction of facilities that are estimated to cost approximately $637,151. As of June 30, 2011, the approximate remaining costs to complete these facilities were $316,414, which will be financed as follows:

Bond funds	$ 164,651
Federal funds	20,711
University funds	29,385
State capital appropriations	2,358
Private gifts, grants, and contracts	99,309
	$ 316,414

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

The University established its Agricultural Research and Development Center on approximately 9,000 acres acquired from the Nebraska Ordinance 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 EPA. In 2011, the University received a proposed plan from the EPA for additional remedial activities, which include an installation of a landfill cap, an establishment of a monitoring well network, and treatment for a groundwater contaminant. Final plans to address the EPA's proposal have not been made or a contractor selected to perform the work. A liability has not been recorded since the cost remains an indeterminate amount.

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, 2011 and 2010, NMC purchased approximately $58,958 and $53,006 of goods and services from the University.

(Thousands)

N. FUNCTIONAL CLASSIFICATIONS OF EXPENSES

For the year ended June 30, 2011:

	Compen-sation	Supplies and Materials	Contractual Services	Repairs and Maintenance	Utilities	Communi-cations	Scholarships and Fellowships	Deprecia-tion	Total
Instruction	$ 400,379	$ 31,150	$ 11,806	$ 2,109	$ 8	$ 2,735	$ 3,281	$ -	$ 451,468
Research	179,348	70,919	43,387	7,773	113	1,233	1,128	-	303,901
Public service	67,804	14,768	14,083	511	363	1,091	186	-	98,806
Academic support	89,894	25,422	(599)	709	26	1,346	191	-	116,989
Student services	20,368	5,083	1,175	356	2	330	425	-	27,739
Institutional support	70,201	21,790	6,074	1,124	66	1,328	40	-	100,623
Operation and maintenance of plant	34,020	5,566	3,645	32,565	33,326	325	33	-	109,480
Healthcare entities	155,629	11,787	27,077	2,393	267	706	849	-	198,708
Scholarships and fellowships	2,532	334	2,807	-	-	-	61,594	-	67,267
Auxiliary operations	84,701	99,737	18,327	9,828	2,683	4,331	2,108	-	221,715
Depreciation	-	-	-	-	-	-	-	90,846	90,846
Total expenses	$1,104,876	$ 286,556	$ 127,782	$ 57,368	$ 36,854	$13,425	$ 69,835	$ 90,846	$ 1,787,542

(Continued)

(Thousands)

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	$1,043,839	$ 231,900	$ 113,097	$ 76,050	$ 37,157	$13,655	$ 58,702	$ 81,724	$ 1,656,124

(Continued)

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 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.

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

	June 30, 2011	June 30, 2010
Condensed Statements of Net Assets		
Assets:		
Current assets	$ 56,406	$ 51,994
Non-current assets:		
Capital assets	395,955	377,851
Other non-current assets	69,406	112,596
Total assets	521,767	542,441
Liabilities:		
Current liabilities	28,861	48,337
Non-current liabilities	365,861	378,296
Total liabilities	394,722	426,633
Net assets:		
Invested in capital assets, net of related debt	24,069	13,972
Restricted:		
Expendable:		
Plant construction	8,330	13,487
Debt service	78,960	74,645
Unrestricted	15,686	13,704
Total net assets	$ 127,045	$ 115,808

	Years Ended June 30, 2011	Years Ended June 30, 2010
Condensed Statements of Revenues, Expenses, and Changes in Net Assets		
Operating revenues	$ 107,194	$ 93,997
Operating expenses:		
Depreciation	(13,006)	(8,684)
Other operating expenses	(70,675)	(67,934)
Operating income	23,513	17,379
Non-operating expense	(12,276)	(7,081)
Change in net assets	11,237	10,298
Net assets, beginning of year	115,808	105,510
Net assets, end of year	$ 127,045	$ 115,808

(Continued)

(Thousands)

Condensed Statements of Cash Flows	Years Ended June 30, 2011	2010
Net cash flows from operating activities	$ 36,345	$ 28,746
Net cash flows from capital and related financing activities	(74,803)	(44,934)
Net cash flows from investing activities	(7,205)	10,195
Net change in cash and cash equivalents	(45,663)	(5,993)
Cash and cash equivalents, beginning of year	131,728	137,721
Cash and cash equivalents, end of year	$ 86,065	$ 131,728

P. SUBSEQUENT EVENTS

On November 16, 2011, the Board of Regents issued $63,475 of University of Nebraska-Lincoln Student Fees and Facilities Revenue Bonds, Series 2011. The proceeds will be used to pay the cost of construction of the new 18th & R Residence Halls (Cather/Pound Replacement Project). The Board also approved the expenditure of $13,508 from Surplus Funds to augment a total project cost of approximately $79,000.

The Board of Regents approved the issuance of not to exceed $23,500 of University of Nebraska-Lincoln Student Recreation Facilities Revenue Bonds. The proceeds will be used to construct three projects comprised of (1) renovation of an existing recreation facility, (2) the construction of a new outdoor adventures center, and (3) the renovation of the Sapp Recreation facility. As of December 16, 2011, the bonds had not yet been issued.

The University of Nebraska has evaluated subsequent events from the balance sheet date through December 16, 2011, the date at which the financial statements were available to be issued.

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, 2011 and 2010, the Foundation's net assets (including unrealized gains) totaled $1,427,633, and $1,217,720 as of June 30, 2011 and 2010, respectively.

During the years ended June 30, 2011 and 2010, the Foundation contributed $71 million and $60 million, respectively, to the University for academic support, student assistance, faculty assistance, research, museums, and libraries. In addition, the Foundation provided capital gifts of $58 million and $46 million during 2011 and 2010, respectively, to the University. These contributions provided support for several projects, including the construction of the UNMC Health Professions Project and several UNL Athletics Capital Projects.

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

(a) Nature of the Entity and Principles of Consolidation

The University of Nebraska Foundation (the Foundation) is a nonprofit corporation whose purpose is to provide financial support to the University of Nebraska System. The accompanying consolidated financial statements include the Foundation's wholly owned subsidiary, University of Nebraska Technology Park, LLC (Tech Park), which provides incubator facilities for emerging businesses. All significant intercompany accounts and transactions have been eliminated in the consolidation.

(b) Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets that have similar characteristics have been combined into similar categories as follows:

- The unrestricted net assets account for resources over which the governing board has discretionary control to use in carrying on the operations of the Foundation.
- The temporarily restricted net assets account for those resources whose use by the Foundation is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations.
- The permanently restricted net assets account for resources whose use by the Foundation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases

(Continued)

in unrestricted net assets unless their use is limited by donor stipulation or by laws. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

(c) Prior Year Information

The consolidated financial statements include certain prior year information that has been summarized in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

(d) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid instruments with original maturity of three months or less when purchased, excluding those amounts held as part of the investment portfolio.

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.

(e) Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

(f) Investments and Temporary Investments

Most investments and temporary investments are reported at fair value. Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. Investments in closely held stock and real estate are estimated based on independent appraisals and information provided by the respective companies. For debt securities, if quoted market prices are not

(Continued)

available, the fair values are estimated using pricing models, quoted prices of similar securities with similar characteristics, or discounted cash flows. For alternative investments in funds that do not have readily determinable fair values including private equity investments, hedge funds, real estate, and similar funds, the Foundation estimates fair value using net asset value per share or its equivalent as a practical expedient to estimated fair value.

Real estate held for others and the cash surrender value of insurance policies are recorded at amortized cost. They are reviewed for impairment on an annual basis.

Temporary investments comprise shorter-term investments used to maintain liquidity, mainly fixed income securities either explicitly or implicitly backed by the U.S. government and money market funds. Investments comprise a mix of equities, fixed income, and alternative investments, which have a longer-term focus for purposes of inventory for the environment (note 8).

Donated investments are reported at estimated fair value at the date of receipt. Realized gains and losses on sales of investments are recognized in the consolidated statements of activities as specific investments are sold. Interest income is recognized as earned. Dividend income is recognized on the ex-dividend date. All realized and unrealized gains and losses and income arising from investments are recognized in the consolidated statements of activities as increases or decreases to unrestricted net assets unless their use is restricted by donor stipulation or law.

(g) Property and Equipment

Property and equipment, consisting of real estate, furniture, equipment, and computer software, are stated at cost or, if contributed, at fair market value at date of contribution. Depreciation is computed using the straight-line method over the estimated useful life of the asset, which ranges from 3 to 32 years.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

(h) Deposits Held for Others

Deposits held for others represent funds held in a fiduciary capacity. The transactions of these funds are not reflected in the consolidated statements of activities as the Foundation is acting as an agent for these funds. Such funds approximated $281 million at June 30, 2011 and were held on behalf of the University of Nebraska.

(i) Fair Value of Financial Instruments

The Foundation applies the provisions included in Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures,* for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring and nonrecurring basis. Fair value is defined as 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.

The Foundation's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Foundation's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The carrying value of all financial instruments approximates estimated fair value. Cash and cash equivalents, other receivables, accounts payable and accrued liabilities, University of Nebraska benefits payable, scholarships, research, fellowships and professorships payable, and deferred revenue approximate fair value due to their short-term nature. Investments, temporary investments, and deposits held in custody for others are stated at fair value. The carrying value of deferred annuities payable and pledges receivable approximates fair value since the inherent interest rates closely reflect current market rates.

(j) Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Such tax positions, which are more than 50% likely of being realized, are measured at their highest value. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. During 2011 and 2010, management determined that there are no income tax positions requiring recognition in the consolidated financial statements.

(k) Use of Estimates

The preparation of consolidated financial statements in accordance 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Thousands)

(2) Fair Value Measurements

The Foundation utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The table below presents the balances of assets measured at June 30, 2011 at fair value on a recurring basis.

	Total	Level 1	Level 2	Level 3
Investments:				
Certificates of deposit, savings, and money funds	$ 13,911	$ -	$ 13,911	$ -
U.S. government securities and sovereign debt	7,113	-	7,113	-
State government securities	1,424	-	1,424	-
Local government securities	1,310	-	1,310	-
International bonds	34,025	-	34,025	-
Corporate bonds	13,320	13,320	-	-
Common stock	390,692	390,692	-	-
Mutual funds — Equity	72,679	72,679	-	-
Mutual funds — Fixed income	148,807	148,807	-	-
Real estate	5,770	-	-	5,770
Limited partnerships	550,121	-	535,521	14,600
Preferred stock	187	-	187	-
Temporary investments:				
U.S. Treasuries	281,191	281,191	-	-
Certificates of deposit	4,900	-	4,900	-
Total	$ 1,525,450	$ 906,689	$ 598,391	$ 20,370

Certain investments in limited partnerships classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the Foundation's interest therein, its classification in Level 2 or 3 is based on the Foundation's ability to redeem its interest at or near the date of the consolidated statement of financial position. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

(Thousands)

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

Balance, July 1, 2010	$ 183,970
Transfers and reclassifications	(160,560)
Net realized gains	(116)
Net unrealized gains	2,117
Interest, dividends, and other income/losses	334
Investment management fees	(690)
Purchases	1,421
Distributions	(6,106)
Balance, June 30, 2011	$ 20,370

(3) Investments

Investments consist of the following at June 30, 2011:

	Book value	**Unrealized gain (loss)**	**Fair value**
Investments stated at fair value or estimated fair value:			
Certificates of deposit, savings, and money funds	$ 13,911	$ -	$ 13,911
U.S. government securities and sovereign debt	6,590	523	7,113
State government securities	1,383	41	1,424
Local government securities	1,279	32	1,311
International bonds	32,951	1,074	34,025
Corporate bonds	12,492	828	13,320
Common stock	283,718	106,974	390,692
Mutual funds — Equity	79,019	(6,340)	72,679
Mutual funds — Fixed income	142,605	6,202	148,807
Real estate	7,518	(1,748)	5,770
Limited partnerships	516,576	33,545	550,121
Preferred stock	164	23	187
	$ 1,098,206	$ 141,154	$ 1,239,360

(Thousands)

Investments stated at other than fair value:		
Real estate	$	47,516
Real estate mortgage and contracts		4,508
Other		4,154
Cash value of life insurance		4,699
Annuity contracts		208
	$	61,085

The estimated value of certain alternative investments and nonmarketable securities, such as partnerships and private equity funds, was provided by the respective companies. For these alternative investments, the Foundation used the net asset value (or its equivalent) reported by the underlying fund to estimate the fair value of the investment. Below is a summary of investments accounted for at net asset value:

	Fair value		Unfunded commitments		* Redemption frequency (if currently eligible)	Redemption notice period
Domestic equities	$	171,987	$	-	m/q	1 – 90 days
International equities		183,104		-	m/q	1 – 90 days
Commodities		14,356		-	m/q	1 – 90 days
Fixed income		76,643		-	m/q	1 – 90 days
Private equity/venture capital		12,261		1,219	N/A	N/A
Real estate funds		11,107		6,020	N/A	N/A
Hedge funds:						
Domestic long/short		13,360		-	q/sa/a	90 – 360 days
Global long/short		18,788		-	q/sa/a	90 – 360 days
Multiple strategies		32,398		-	q/sa/a	90 – 360 days
Credit strategies		16,117		-	q/sa/a	90 – 360 days
	$	550,121	$	7,239		

* m — monthly, q — quarterly, sa — semiannual, a — annual

Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the Foundation were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant.

(Thousands)

(4) Pledges Receivable

Pledges receivable are recorded on the consolidated statement of financial position as assets net of an allowance for uncollectible accounts and discounted to their present value. Promises to give, net of discount to present value at 6% and allowance for doubtful accounts, are due to be collected as follows as of June 30, 2011:

Gross amount due in:		
One year or less	$	49,634
One to five years		105,166
More than five years		21,062
		175,862
Less discount to present value		20,070
		155,792
Less allowance for doubtful accounts		4,674
	$	151,118

The discount will be recognized as contribution income in years 2012 through 2039.

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 consolidated financial statements because they are not unconditional promises.

(5) Property and Equipment

Property and equipment at June 30, 2011 are as follows:

Property	$	1,651
Leasehold improvements		3,157
Aircraft		4,177
Automobiles		290
Furniture, equipment, and software		6,922
		16,197
Less accumulated depreciation		9,367
Net property and equipment	$	6,830

(6) Split-Interest Agreements

The Foundation is the beneficiary of split-interest agreements in the form of charitable gift annuities, charitable remainder trusts, and pooled income funds. In connection with certain agreements, the Foundation has committed to the payment of an annual annuity to the donor. The value of split-interest agreements is measured as the Foundation's share of the assets. Liabilities associated with these agreements as of June 30, 2011 are $22,848 and have been reflected as deferred annuities payable on the consolidated statement of financial position.

(Continued)

(Thousands)

(7) 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. Temporarily restricted net assets consist of gifts contributed for a specified period or until the occurrence of some future event or unspent earnings on endowed funds.

The amounts of the net assets as of June 30, 2011 are as follows:

Temporarily restricted – charitable trusts and annuities	$	31,201
Temporarily restricted – available for specific purposes		677,973
Permanently restricted – endowment		704,127
	$	1,413,301

Net assets of $136,989 were released from donor restrictions during 2011 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors.

(8) Endowments

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) sets out guidelines to be considered when managing and investing donor-restricted endowment funds. The Foundation applies ASC Topic 958, *Not-for-Profit Entities* (FASB Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds).*

The Foundation's endowment consists of approximately 4,400 individual funds established for a variety of purposes. The Foundation holds endowment funds for support of its programs and operations. As required by generally accepted accounting principles, net assets and the changes therein associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted NUPMIFA as requiring the preservation of the whole dollar value of the original gift as of the gift date of 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 the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and 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. Interest, dividends, and net appreciation of the donor-restricted endowment funds are classified according to donor stipulations, if any. Absent any donor-imposed restrictions, interest, dividends, and net appreciation of donor-restricted endowment funds are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Foundation in a manner consistent with the standard of prudence prescribed by NUPMIFA. In accordance with NUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(Thousands)

(1) the duration and preservation of the endowment fund
(2) the purposes of the Foundation and the donor-restricted endowment fund
(3) general economic conditions
(4) the possible effect of inflation or deflation
(5) the expected total return from income and the appreciation of investments
(6) other resources of the Foundation
(7) the investment policy of the Foundation

Endowment net asset composition by type of fund as of June 30, 2011 is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Donor-restricted endowment funds	$ (17,449)	$ 234,100	$ 704,127	$ 920,778

Changes in endowment net assets for the year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total net endowment assets
Endowment net assets, beginning of year	$ (49,526)	$ 184,867	$ 636,241	$ 771,582
Contributions	-	1,601	67,886	69,487
Investment income, net of expenses	-	6,501	-	6,501
Net appreciation	32,077	82,744	-	114,821
Amounts appropriated for expenditure	-	(41,613)	-	(41,613)
Endowment net assets, end of year	$ (17,449)	$ 234,100	$ 704,127	$ 920,778

(Thousands)

(a) 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 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 is 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.

(b) Spending Policy and How the Investment Objectives Relate to the Appropriate 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.

(9) Lease Commitments

The Foundation entered into an amended lease agreement for rental of office space on the second and third 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 changes in 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, 2014 at a rental rate of $3 per month with an increase to $4 effective November 1, 2011. The minimum rentals for leases with guaranteed terms for the five fiscal years after June 30, 2011 are as follows:

June 30, 2012	$	1,008
June 30, 2013		1,008
June 30, 2014		1,029
June 30, 2015		1,010
June 30, 2016		996

(10) 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 the year ended June 30, 2011 were $720,432.

(11) 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's financial position.

(12) Subsequent Events

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through September 27, 2011, the date the consolidated financial statements were available to be issued.

NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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

Board of Regents of the University of Nebraska
Lincoln, Nebraska

We have audited the financial statements of the business-type activities and the 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, 2011 and 2010, which collectively comprise the University's basic financial statements and have issued our report thereon dated December 16, 2011. 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 (Foundation), a discretely presented component unit of the University; the University of Nebraska Facilities Corporation, the UNMC Physicians, the University Technological Development Corporation, the University Dental Associates, and the Nebraska Utility Corporation, blended component units of the University (collectively identified as the Blended Component Units); and the activity relating to the Members of the Obligated Group Under the Master Trust Indenture, as described in our report on the University's financial statements. The financial statements of the Foundation, the Blended Component Units, and the activity relating to the Members of the Obligated Group Under the Master Trust Indenture 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
Management of the University is responsible for establishing and maintaining effective 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 as described in our separately issued management letter that we consider to be significant deficiencies in internal control over financial reporting: Comment Number 1 (SAP Payables Access), Comment Number 2 (Lack of Audit Cooperation), Comment Number 3 (Impeded Access to Information), Comment Number 4 (SACR Security Turned Off), and Comment Number 5 (Inappropriate Access to Change Passwords). 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 matters that we reported to management of the University in a separate letter dated December 16, 2011.

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

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

Don Dunlap

Lincoln, Nebraska
December 16, 2011

Don Dunlap, CPA
Assistant Deputy Auditor

STATISTICAL

UNL Schorr Center

UNMC Harol M and Beverly Maurer Center for Public Health

UNO Scott Conference Center

UNK Calvin Ryan Library

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THE UNIVERSITY OF NEBRASKA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011
TABLE OF CONTENTS

STATISTICAL SECTION (Unaudited)

This part of the University of Nebraska's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the University's overall financial health.

Page

Financial Trends:

These schedules contain trend information to help the reader understand how the University's financial performance and well-being have changed over time.

Market, Demographic and Economic Information:

These schedules contain information to help the reader assess the University's revenue sources, and also offer demographic and economic indicators to help the reader understand the environment within which the University's financial activities take place.

Debt Information:

The bond debt service schedule presents debt service coverage and related information to help the reader assess the University's current levels of outstanding debt and its ability to issue additional debt in the future.

Operating Information:

These schedules contain capital asset data to help the reader understand how the information in the University's financial report relates to the services the University provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year and provided by the Office of the Vice President for Business and Finance

THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS
SCHEDULE OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS (THOUSANDS) (UNAUDITED)
YEARS ENDED JUNE 30

	(Dollars)					(Percent of Total)				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
Revenues:										
Tuition and fees	$ 291,855	$ 258,559	$ 245,630	$ 224,585	$ 209,445	14 %	14 %	15 %	13 %	13 %
Grants and contracts - restricted	378,881	358,364	301,770	334,380	328,555	19	19	18	20	20
Sales and services of educational activities	103,977	73,609	71,040	68,705	65,422	5	4	4	4	4
Sales and services of health care entities	218,546	204,221	192,899	181,824	156,519	11	11	12	11	10
Sales and services of auxiliary operations	237,847	216,564	210,657	189,691	193,367	12	11	13	11	12
Other operating revenues	17,274	9,782	12,706	7,594	8,462	1	1	1	-	1
Total operating revenues	1,248,380	1,121,099	1,034,702	1,006,779	961,770	62	60	63	59	60
State of Nebraska noncapital appropriations	489,774	496,963	501,794	475,098	460,282	24	26	30	28	28
Other non-operating revenues, net	308,296	286,779	122,000	224,571	197,578	14	14	7	13	12
Total revenues	2,046,450	1,904,841	1,658,496	1,706,448	1,619,630	100 %	100 %	100 %	100 %	100 %
Expenses:										
Compensation and benefits	1,104,876	1,043,839	1,023,285	956,366	892,133	61 %	62 %	64 %	62 %	61 %
Supplies and materials	286,556	231,900	243,746	231,572	234,604	16	14	15	15	16
Contractual services	127,782	113,097	101,792	95,893	94,332	7	7	6	6	6
Repairs and maintenance	57,368	76,050	49,898	41,552	34,772	3	5	3	3	2
Utilities	36,854	37,157	35,972	32,975	29,950	2	2	2	2	2
Communications	13,425	13,655	13,909	14,583	13,738	1	1	1	1	1
Depreciation	90,846	81,724	68,525	69,977	73,498	5	5	4	5	5
Scholarships and fellowships	69,835	58,702	50,442	65,969	62,391	3	2	3	4	4
Total operating expenses	1,787,542	1,656,124	1,587,569	1,508,887	1,435,418	98	98	98	98	97
Other non-operating expenses, net	37,548	21,847	22,853	23,776	27,893	2	2	2	2	3
Total expenses	1,825,090	1,677,971	1,610,422	1,532,663	1,463,311	100 %	100 %	100 %	100 %	100 %
Increase in net assets	$ 221,360	$ 226,870	$ 48,074	$ 173,785	$ 156,319					

Continued

THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS
SCHEDULE OF REVENUE AND EXPENSES AND CHANGES IN NET ASSETS (THOUSANDS) (UNAUDITED) (CONTINUED)
YEARS ENDED JUNE 30

	(Dollars)					(Percent of Total)				
	2006	2005	2004	2003	2002	2006	2005	2004	2003	2002
Revenues:										
Tuition and fees	$ 195,281	$ 186,987	$ 168,882	$ 149,792	$ 137,550	13 %	14 %	13 %	12 %	12 %
Grants and contracts - restricted	318,708	284,069	285,252	253,804	238,093	21	21	22	20	21
Sales and services of educational activities	58,187	47,802	44,536	38,380	37,684	4	3	3	3	3
Sales and services of health care entities	146,512	141,006	109,069	95,459	78,207	10	10	8	8	7
Sales and services of auxiliary operations	181,697	163,313	160,894	147,586	135,346	12	12	12	12	11
Other operating revenues	8,298	6,616	8,747	19,610	11,753	1	1	1	2	2
Total operating revenues	908,683	829,793	777,380	704,631	638,633	61	61	59	57	56
State of Nebraska noncapital appropriations	429,270	398,933	390,188	412,395	410,163	28	29	30	33	35
Other non-operating revenues, net	178,667	139,610	150,181	123,026	106,532	11	10	11	10	9
Total revenues	1,516,620	1,368,336	1,317,749	1,240,052	1,155,328	100 %	100 %	100 %	100 %	100 %
Expenses:										
Compensation and benefits	843,145	803,991	753,090	757,497	726,357	61 %	62 %	62 %	64 %	64 %
Supplies and materials	218,705	205,242	196,228	179,262	157,914	16	16	16	15	14
Contractual services	86,040	78,073	87,283	57,344	59,737	6	6	7	5	5
Repairs and maintenance	40,492	45,909	39,516	45,691	46,292	3	4	3	4	4
Utilities	32,096	27,812	26,612	23,494	22,104	2	2	2	2	2
Communications	13,844	12,059	12,449	13,828	13,941	1	1	1	1	1
Depreciation	59,711	57,583	52,227	53,182	40,266	4	4	4	4	4
Scholarships and fellowships	59,802	40,708	36,119	31,858	28,213	4	3	3	3	2
Total operating expenses	1,353,835	1,271,377	1,203,524	1,162,156	1,094,824	98	98	98	98	97
Other non-operating expenses, net	34,462	16,751	21,760	28,971	38,862	2	2	2	2	3
Total expenses	1,388,297	1,288,128	1,225,284	1,191,127	1,133,686	100 %	100 %	100 %	100 %	100 %
Increase in net assets	$ 128,323	$ 80,208	$ 92,465	$ 48,925	$ 21,642					

THE UNIVERSITY OF NEBRASKA

FINANCIAL TRENDS
SCHEDULE OF NET ASSET COMPONENTS
YEARS ENDED JUNE 30 (THOUSANDS) (UNAUDITED)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Invested in capital assets, net of related debt	$ 1,044,719	$ 955,142	$ 863,298	$ 841,385	$ 769,459	$ 741,018	$ 744,118	$ 702,947	$ 628,781	$ 607,793
Restricted for:										
Nonexpendable:										
Permanent endowment	205,105	169,722	156,480	216,338	217,070	200,376	182,941	174,577	145,297	139,323
Expendable:										
Externally restricted funds	140,250	127,938	120,448	150,669	137,247	122,382	111,000	119,575	109,879	101,846
Loan fund	44,223	43,935	43,946	44,009	44,692	44,290	43,783	42,551	40,914	39,775
Plant construction	107,087	125,575	103,398	43,462	37,127	35,710	14,182	12,740	81,423	116,274
Debt service	168,315	175,655	179,215	152,833	123,023	93,053	81,874	76,734	60,041	56,593
Unrestricted	819,173	709,545	613,857	583,872	530,165	465,635	396,243	364,809	335,133	290,939
Total net assets	$ 2,528,872	$ 2,307,512	$ 2,080,642	$ 2,032,568	$ 1,858,783	$ 1,702,464	$ 1,574,141	$ 1,493,933	$ 1,401,468	$ 1,352,543
Reconciliation of Adjusted Unrestricted Assets:										
Unrestricted net assets per statements	$ 819,173	$ 709,545	$ 613,857	$ 583,872	$ 530,165	$ 465,635	$ 396,243	$ 364,809	$ 335,133	$ 290,939
Less: Investment in joint venture	275,175	253,410	230,369	227,508	208,965	193,982	163,084	147,866	131,516	119,645
Adjusted unrestricted net assets	$ 543,998	$ 456,135	$ 383,488	$ 356,364	$ 321,200	$ 271,653	$ 233,159	$ 216,943	$ 203,617	$ 171,294
Reconciliation of outstanding indebtedness:										
Bond obligations payable	$ 684,785	$ 700,705	$ 642,970	$ 594,220	$ 492,410	$ 374,220	$ 368,595	$ 382,955	$ 253,135	$ 236,565
Lease obligations payable	5,063	6,586	9,359	12,759	14,896	5,063	6,586	9,359	12,759	14,896
Total outstanding indebtedness	$ 689,848	$ 707,291	$ 652,329	$ 606,979	$ 507,306	$ 379,283	$ 375,181	$ 392,314	$ 265,894	$ 251,461
Ratio of adjusted unrestricted net assets to total outstanding indebtedness (times)	0.79	0.64	0.59	0.59	0.63	0.72	0.62	0.55	0.77	0.68

THE UNIVERSITY OF NEBRASKA

MARKET, DEMOGRAPHIC, AND ECONOMIC INFORMATION
HISTORY OF NON-CAPITAL APPROPRIATIONS (THOUSANDS) (UNAUDITED)

	Appropriations		
Year	State General Fund	University Non-capital	University as Percent of State
2002	$ 2,606,951	$ 407,358	16 %
2003	2,621,296	412,450	16
2004	2,655,290	393,119	15
2005	2,758,083	398,617	14
2006	2,972,439	428,159	14
2007	3,180,851	454,486	14
2008	3,320,251	472,732	14
2009	3,481,661	492,106	14
2010	3,319,795	492,481	14
2011	3,405,101	494,720	14

THE UNIVERSITY OF NEBRASKA

MARKET, DEMOGRAPHIC, AND ECONOMIC INFORMATION
STATE OF NEBRASKA POPULATION, PERSONAL AND PER CAPITA INCOME
CALENDAR YEARS 2001 - 2010 (UNAUDITED)

	Calendar Years 2001 - 2010		
Year	Population	Personal Income (In Millions)	Per Capita Income
2001	1,718,965	$ 49,303	$ 28,682
2002	1,726,753	50,390	29,182
2003	1,738,013	53,388	30,718
2004	1,747,704	55,858	31,961
2005	1,758,787	58,019	32,988
2006	1,768,331	60,826	34,397
2007	1,774,571	64,220	36,189
2008	1,783,432	69,820	39,150
2009	1,796,619	70,565	39,277
2010	1,830,429	72,620	39,674

Source: U.S. Department of Commerce, Bureau of Economic Analysis

THE UNIVERSITY OF NEBRASKA

DEBT INFORMATION
BOND DEBT SERVICE COVERAGE BY CAMPUS AND ISSUE
FOR THE PAST TEN YEARS AS OF JUNE 30 (THOUSANDS) (UNAUDITED)

			Revenues Available for Debt Service					
Year	Description	Bonds Outstanding	Dedicated Revenues	Related Expenses	Net	Debt Service	Coverage	Required Coverage
2011	University of Nebraska Master Trust Indenture	$ 373,585	$ 107,412	$ 65,942	$ 41,470	$ 26,535	1.56	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	33,840						
	University of Nebraska Facilities Corporation	261,350						
	Nebraska Utility Corporation	16,010						
		$ 684,785						
2010	University of Nebraska Master Trust Indenture	$ 383,490	$ 96,756	$ 60,672	$ 36,084	$ 23,999	1.50	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	35,535						
	University of Nebraska Facilities Corporation	262,870						
	Nebraska Utility Corporation	18,810						
		$ 700,705						
2009	University of Nebraska Master Trust Indenture	$ 334,540	$ 90,687	$ 60,895	$ 29,792	$ 18,350	1.62	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	44,000						
	University of Nebraska Facilities Corporation	244,805						
	Nebraska Utility Corporation	19,625						
		$ 642,970						
2008	University of Nebraska Master Trust Indenture	$ 289,975	$ 80,545	$ 56,292	$ 24,253	$ 13,339	1.82	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	49,815						
	University of Nebraska Facilities Corporation	234,020						
	Nebraska Utility Corporation	20,410						
		$ 594,220						
2007	University of Nebraska Master Trust Indenture	$ 191,780	$ 75,367	$ 53,051	$ 22,316	$ 11,831	1.89	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	55,340						
	University of Nebraska Facilities Corporation	224,130						
	Nebraska Utility Corporation	21,160						
		$ 492,410						

	2011	2010	2009	2008	2007
Bonded Debt per student FTE: (in dollars)					
Master Trust Indenture	$ 8,790	$ 9,216	$ 8,248	$ 7,283	$ 4,925
All bonded indebtedness	16,112	16,839	15,852	14,925	12,644

Continued

THE UNIVERSITY OF NEBRASKA

DEBT INFORMATION
BOND DEBT SERVICE COVERAGE BY CAMPUS AND ISSUE
FOR THE PAST TEN YEARS AS OF JUNE 30 (THOUSANDS) (UNAUDITED) (CONTINUED)

			Revenues Available for Debt Service					
Year	Description	Bonds Outstanding	Dedicated Revenues	Related Expenses	Net	Debt Service	Coverage	Required Coverage
2006	University of Nebraska Master Trust Indenture	$ 195,960	$ 71,274	$ 50,727	$ 20,547	$ 13,045	1.58	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	60,655						
	University of Nebraska Facilities Corporation	95,725						
	Nebraska Utility Corporation	21,880						
		$ 374,220						
2005	University of Nebraska Master Trust Indenture	$ 169,848	$ 63,080	$ 46,140	$ 16,940	$ 11,716	1.45	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	64,380						
	University of Nebraska Facilities Corporation	112,490						
	Nebraska Utility Corporation	21,880						
		$ 368,598						
2004	University of Nebraska Master Trust Indenture	$ 174,315	$ 61,008	$ 45,991	$ 15,017	$ 8,104	1.85	1.15
	University of Nebraska-Lincoln Memorial Stadium Bonds	64,380						
	University of Nebraska Facilities Corporation	122,380						
	Nebraska Utility Corporation	21,880						
		$ 382,955						
2003	University of Nebraska Master Trust Indenture	$ 88,825	$ 56,842	$ 44,643	$ 12,199	$ 7,019	1.74	1.15
	University of Nebraska Facilities Corporation	142,430						
	Nebraska Utility Corporation	21,880						
		$ 253,135						
2002	University of Nebraska Master Trust Indenture	$ 67,140	$ 53,078	$ 42,583	$ 10,495	$ 6,070	1.73	1.15
	University of Nebraska Facilities Corporation	147,545						
	Nebraska Utility Corporation	21,880						
		$ 236,565						

	2006	2005	2004	2003	2002
Bonded Debt per student FTE: (in dollars)					
Master Trust Indenture	$ 5,074	$ 4,470	$ 4,391	$ 2,215	$ 1,704
All bonded indebtedness	14,925	12,644	9,689	6,313	6,002

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
SCHEDULE OF CAPITAL ASSET INFORMATION (THOUSANDS) (UNAUDITED)

	Years Ended June 30									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Land	$ 72,407	$ 71,117	$ 60,812	$ 59,577	$ 57,640	$ 54,851	$ 52,789	$ 47,797	$ 45,071	$ 44,135
Land improvements	143,813	135,018	131,121	120,879	111,301	106,982	92,733	81,707	73,972	71,451
Leasehold improvements	13,209	13,209	13,209	13,209	13,209	13,209	13,209	12,534	-	-
Buildings	1,833,585	1,644,313	1,460,965	1,251,148	1,199,961	1,118,896	1,047,475	1,006,792	955,501	864,143
Equipment	340,535	326,434	309,739	285,785	279,887	249,177	240,421	228,803	219,544	211,125
Construction work in progress	155,979	250,162	202,163	222,316	81,558	98,787	124,934	92,914	101,346	118,960
Total capital assets	2,559,528	2,440,253	2,178,009	1,952,914	1,743,556	1,641,902	1,571,561	1,470,547	1,395,434	1,309,814
Less accumulated depreciation for:										
Land improvements	51,592	46,081	41,999	40,437	37,408	34,119	32,682	30,043	30,593	28,166
Leasehold improvements	3,406	2,965	2,524	2,083	1,642	1,201	760	305	-	-
Buildings	475,899	443,136	409,847	379,053	358,536	320,123	301,747	299,829	307,402	273,828
Equipment	227,863	211,955	196,440	186,703	178,729	163,542	149,403	141,924	134,822	127,285
Total capital assets	758,760	704,137	650,810	608,276	576,315	518,985	484,592	472,101	472,817	429,279
Capital assets, net	$ 1,800,768	$ 1,736,116	$ 1,527,199	$ 1,344,638	$ 1,167,241	$ 1,122,917	$ 1,086,969	$ 998,446	$ 922,617	$ 880,535
Age of plant (in years) (1):	8	9	9	9	8	9	8	9	9	10

(1) Computed as accumulated depreciation divided by depreciation expense.

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION

FRESHMAN COMPARATIVE SELECTIVITY AND MATRICULATION DATA (UNAUDITED)

		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
UNL	Applications	10,022	9,768	9,455	9,709	9,598	7,993	7,474	6,871	7,375	7,631
	Accepted	5,943	6,056	5,943	6,122	5,978	5,858	5,633	5,113	5,586	6,836
	Selectivity	*59.3%*	*62.0%*	*62.9%*	*63.1%*	*62.3%*	*73.3%*	*75.4%*	*74.4%*	*75.7%*	*89.6%*
	Enrolled	4,093	4,058	3,986	4,200	4,235	3,849	3,560	3,266	3,679	3,653
	Matriculation	*68.9%*	*67.0%*	*67.1%*	*68.6%*	*70.8%*	*65.7%*	*63.2%*	*63.9%*	*65.9%*	*53.4%*
	Composit ACT Scores	25.3	25.3	25.4	25.0	25.0	24.9	24.9	24.8	24.4	24.3
UNO	Applications	4,625	4,562	4,717	4,306	3,891	3,871	3,742	3,624	3,994	3,682
	Accepted	3,503	3,467	3,810	3,630	3,341	3,314	3,316	3,159	3,393	3,166
	Selectivity	*75.7%*	*76.0%*	*80.8%*	*84.3%*	*85.9%*	*85.6%*	*88.6%*	*87.2%*	*85.0%*	*86.0%*
	Enrolled	1,785	1,803	1,816	1,818	1,642	1,648	1,762	1,646	1,543	1,725
	Matriculation	51.0%	52.0%	47.7%	50.1%	49.1%	49.7%	53.1%	52.1%	45.5%	54.5%
	Composit ACT Scores	22.6	23.0	22.9	23.0	22.8	22.7	22.7	22.5	22.8	22.0
UNK	Applications	2,615	2,622	2,895	2,797	2,646	2,468	2,433	2,710	2,676	2,599
	Accepted	2,258	2,239	2,215	2,244	2,092	2,056	2,057	2,293	2,248	2,284
	Selectivity	*86.3%*	*85.4%*	*76.5%*	*80.2%*	*79.1%*	*83.3%*	*84.5%*	*84.6%*	*84.0%*	*87.9%*
	Enrolled	1,074	1,132	983	1,045	996	1,014	1,062	1,163	1,123	1,138
	Matriculation	*47.6%*	*50.6%*	*44.4%*	*46.6%*	*47.6%*	*49.3%*	*51.6%*	*50.7%*	*50.0%*	*49.8%*
	Composit ACT Scores	22.7	22.7	22.6	22.4	22.4	22.2	22.2	22.1	22.1	21.8
Total	Applications	17,262	16,952	17,067	16,812	16,135	14,332	13,649	13,205	14,045	13,912
	Accepted	11,704	11,762	11,968	11,996	11,411	11,228	11,006	10,565	11,227	12,286
	Selectivity	*67.8%*	*69.4%*	*70.1%*	*71.4%*	*70.7%*	*78.3%*	*80.6%*	*80.0%*	*79.9%*	*88.3%*
	Enrolled	6,952	6,993	6,785	7,063	6,873	6,511	6,384	6,075	6,345	6,516
	Matriculation	*59.4%*	*59.5%*	*56.7%*	*58.9%*	*60.2%*	*58.0%*	*58.0%*	*57.5%*	*56.5%*	*53.0%*

Selectivity computed as accepted freshman as a percent of applications.
Matriculation computed as enrolled freshman as a percent of acceptances.

UNMC's curriculum is comprised mainly of professional programs and, therefore, freshman data is not included.
Source: University of Nebraska Central Administration Office of Institutional Research and Planning

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
STUDENT FTE'S, TUITION, AND DISCOUNTS (UNAUDITED)

	Years Ended June 30									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Level										
Undergraduate	34,373	33,480	32,812	32,337	31,644	31,515	31,066	32,188	32,415	31,921
Graduate	5,962	5,881	5,540	5,346	5,216	5,031	4,858	6,197	6,372	6,193
Professional	2,166	2,249	2,209	2,132	2,083	2,075	2,071	1,306	1,312	1,298
Total	42,501	41,610	40,561	39,815	38,943	38,621	37,995	39,691	40,099	39,412
Percent										
Undergraduate	81 %	81 %	81 %	81 %	81 %	82 %	82 %	81 %	81 %	81 %
Graduate	14	14	14	14	14	13	13	16	16	16
Professional	5	5	5	5	5	5	5	3	3	3
Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Gross tuition and fees (thousands)	$ 377,084	$ 340,844	$ 317,648	$ 292,837	$ 272,091	$ 252,464	$ 240,836	$ 215,083	$ 189,142	$ 170,294
Tuition discounts and allowances (thousands)	(85,229)	(82,285)	(72,018)	(68,252)	(62,646)	(57,183)	(53,849)	(46,201)	(39,350)	(32,744)
Net tuition revenue and fees (thousands)	$ 291,855	$ 258,559	$ 245,630	$ 224,585	$ 209,445	$ 195,281	$ 186,987	$ 168,882	$ 149,792	$ 137,550
Net tuition revenue and fees per FTE	$ 6,867	$ 6,214	$ 6,056	$ 5,641	$ 5,378	$ 5,056	$ 4,921	$ 4,255	$ 3,736	$ 3,490
Percent of tuition discounts and allowances (1)	23 %	24 %	23 %	23 %	23 %	23 %	22 %	21 %	21 %	19 %

(1) Tuition discounts and allowances as a percent of gross tuition and fees.

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
FACULTY AND STAFF FTE HISTORY (UNAUDITED)

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Faculty	3,837	3,746	3,771	3,624	3,519	3,414	3,343	3,298	3,327	3,339
Staff *	11,494	11,492	11,509	11,143	10,840	10,750	10,493	10,426	10,768	11,014
Total Employees	15,331	15,238	15,280	14,767	14,359	14,164	13,836	13,724	14,095	14,353
Faculty FTE per student FTE	11	11	11	11	11	11	11	12	12	12

* Staff includes all non-faculty employees (administrative, managerial-professional, graduate assistants and students.)

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

THE UNIVERSITY OF NEBRASKA

OPERATING INFORMATION

TENURE DENSITY DATA

FOR THE YEARS ENDED (UNAUDITED)

		2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
UNL	Tenured Faculty	864	921	917	915	917	904	889	893	876	905
	Tenure-Track	259	270	264	238	234	220	225	210	210	232
	Percent of tenured and tenure track	76.9%	77.3%	77.6%	79.4%	79.7%	80.4%	79.8%	81.0%	80.7%	79.6%
UNMC	Tenured Faculty	268	273	267	259	254	251	249	255	253	254
	Health Professionals	488	474	461	416	384	354	357	346	342	330
	Percent of tenured	35.4%	36.5%	36.7%	38.4%	39.8%	41.5%	41.1%	42.4%	42.5%	43.5%
UNO	Tenured Faculty	327	338	336	336	327	318	302	299	301	301
	Tenure-Track	91	99	108	107	114	118	122	124	126	136
	Percent of tenured and tenure track	78.2%	77.3%	75.7%	75.8%	74.1%	72.9%	71.2%	70.7%	70.5%	68.9%
UNK	Tenured Faculty	175	181	178	187	185	185	190	186	175	184
	Tenure-Track	65	66	72	60	68	65	70	71	74	79
	Percent of tenured and tenure track	72.9%	73.3%	71.2%	75.7%	73.1%	74.0%	73.1%	72.4%	70.3%	70.0%

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
RETENTION RATES OF FRESHMAN AND BACCALAUREATE GRADUATION RATES
FOR THE YEARS ENDED (UNAUDITED)

Retention Rates of First-Time Full-Time Freshmen After One Year

Fall Cohort	UNL	UNO	UNK
2002	80 %	73 %	81 %
2003	82	75	82
2004	84	75	84
2005	84	75	84
2006	83	73	79
2007	84	73	77
2008	84	72	80
2009	84	72	83
2010	84	73	82

Baccalaureate Graduation Rate After Six Years

Fall Cohort	UNL	UNO	UNK
1997	59 %	36 %	50 %
1998	62	38	55
1999	63	39	55
2000	63	38	55
2001	63	41	58
2002	64	43	59
2003	63	45	59
2004	64	45	58
2005	67	43	n/a

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

UNIVERSITY OF NEBRASKA

OPERATING INFORMATION
DEGREES EARNED
FOR THE YEARS ENDED (UNAUDITED)

Bachelor's

Year	UNL	UNO	UNMC	UNK
2002	2,897	1,407	464	830
2003	2,980	1,490	448	901
2004	3,119	1,524	451	874
2005	3,267	1,570	473	873
2006	3,187	1,686	506	858
2007	3,217	1,721	410	912
2008	3,246	1,768	378	917
2009	3,219	1,836	354	851
2010	3,312	1,769	379	850
2011	3,621	1,937	359	750

Master's

Year	UNL	UNO	UNMC	UNK
2002	708	670	648	205
2003	825	711	751	240
2004	843	717	680	205
2005	803	734	693	220
2006	811	711	576	282
2007	813	646	120	220
2008	816	749	127	297
2009	842	681	185	293
2010	853	720	159	311
2011	874	696	162	340

Doctorial

Year	UNL	UNO	UNMC
2002	333	15	247
2003	377	13	267
2004	367	15	253
2005	372	19	367
2006	373	17	303
2007	398	11	315
2008	382	21	310
2009	399	19	321
2010	417	22	311
2011	426	23	293

Source: University of Nebraska Central Administration Office of Institutional Research and Planning

ACCREDITATION

Accreditation in colleges and universities indicates the dedication of the faculty and administration of the University to meet rigorous standards of academic quality. These standards include such factors as professional attainments of faculty, quality of research, library holdings, physical facilities and general support for programs by funding authorities.

The University of Nebraska has been accredited by the North Central Association of Colleges and Secondary Schools since the Association first began accrediting colleges and universities in 1913. In addition, various colleges, schools, and departments are accredited by their respective professional agencies.