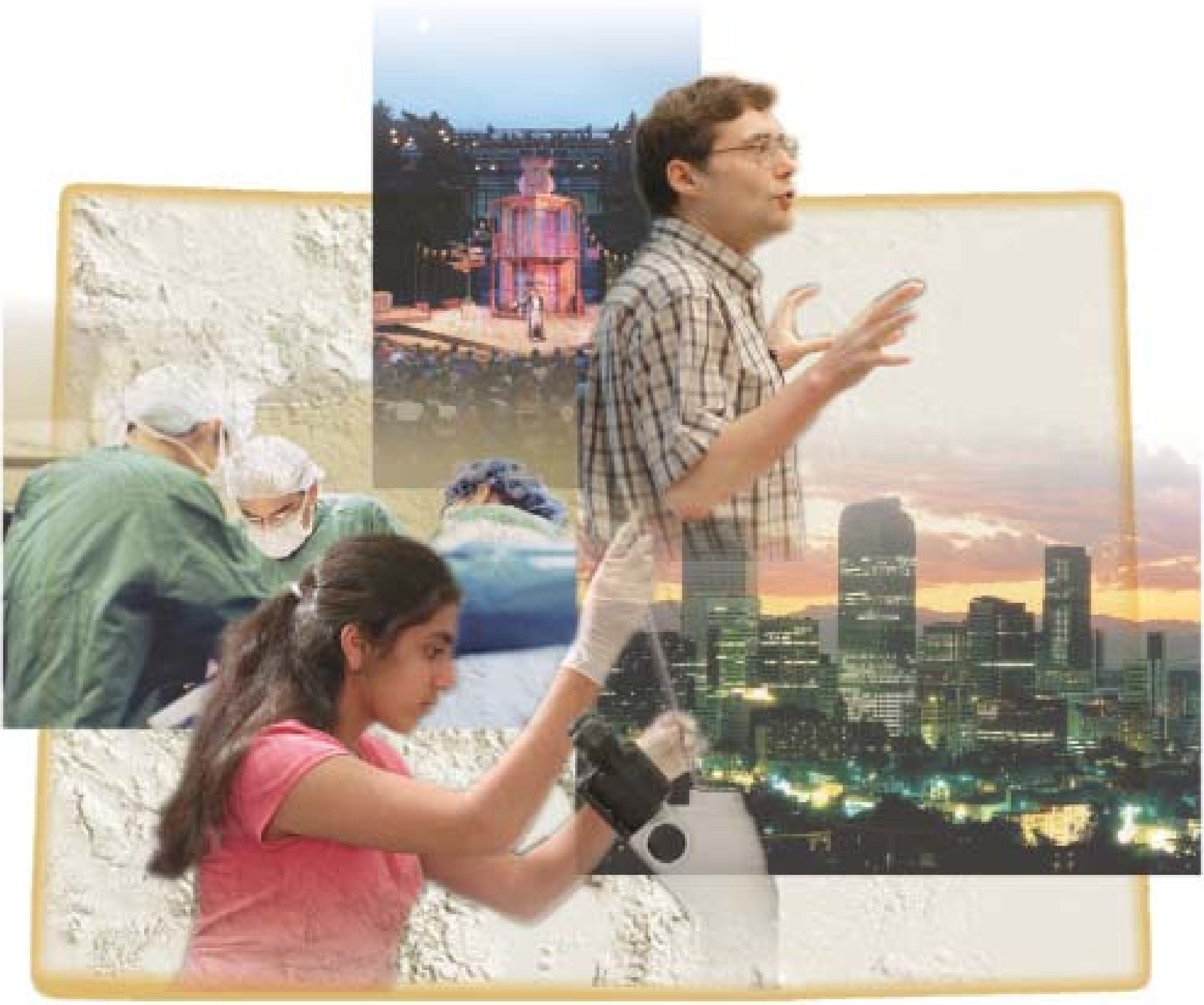
CU Impacts Colorado



. . . through education, innovation, and service

University of Colorado 2004 Annual Report

University of Colorado Board of Regents
(Back, Left to Right) Jim Martin, Jerry Rutledge (Chair), Paul Schauer,
(Middle) Tom Lucero, Cindy Carlisle, Dr. Peter Steinhauer,
(Front) Gail Schwartz (Vice Chair), Susan Kirk, Pat Hayes

CU Milestones

Gaining Enterprise Status—The Board of Regents' historic decision to designate CU an enterprise will help ensure that it remains a quality and accessible public teaching and research institution in Colorado. With greater shared responsibility among CU, the state, and our students, and with additional regulatory flexibility, the university can generate added revenue to cover costs including employee compensation and financial aid, as well as to address capital priorities when state funding is limited.

Consolidation of the Denver and Health Sciences Center Campuses—CU has taken advantage of an unprecedented opportunity to create a "new" university, one that will become a great urban research higher education institution. Combining these two campuses will increase CU's visibility in the state legislature and internationally, strengthen its ties with the Denver metropolitan business community, and leverage the combined knowledge, skills, and expertise between the campuses.

Growth at Fitzsimons—The Fitzsimons redevelopment project continues to progress as the health care campus of the future, bringing together all academic research functions plus several hospital entities and corporate partners. No other academic health sciences center in the United States comes close. Fitzsimons at Aurora is not just a boon to Colorado's health care industry; it also is a major driver of the state's economy.

Beyond Boundaries Billion-Dollar Campaign—With the inspirational support of our donors and volunteers, in partnership with the entire university community, we celebrated the completion of our Beyond Boundaries billion-dollar campaign. More than 150,000 donors from all 50 states and 48 countries shared their generosity. Private gifts are providing countless CU students better educations through new programs, buildings, scholarships, and faculty fellowships.

Seventh MacArthur Fellow—CU celebrated its seventh MacArthur Fellow, Deborah Jin, a NIST physicist and a JILA (a joint institute of CU-Boulder and the National Institute of Standards and Technology) fellow. CU-Boulder and Harvard University are the only two universities in the nation to claim MacArthur Fellows for four consecutive years (2000-2003).

Aerospace Partnerships—CU has become an integral partner in the aerospace industry through collaboration with U.S. Northern Command, as well as through an agreement with Air Force Space Command, the Space Foundation, and the Aerospace Corporation to establish a "national space university." As the number one public university receiving NASA funding, CU continues to push the limits of space research, education, and exploration.

Milestones in Space Exploration—CU continues its remarkable involvement in space exploration. The university has been involved in a number of NASA planetary missions, including recent missions to Saturn and Mercury, as well as the upcoming New Horizons Mission to Pluto.

CU-Boulder Student Capital Construction Fee—CU students care about the future of their university. The student legislature voted in support of a $400-per-year student fee to fund key building projects that have been put on hold because of limited state funding. A new Wolf Law Building, a new Alliance for Technology, Learning, and Society (ATLAS) Institute building, and an expansion of the Leeds School of Business are among the projects that will come to fruition because of this fee.

The University of Colorado's value as a public teaching and research university extends beyond its excellence in classroom and laboratory endeavors. CU contributes to every facet of life in Colorado. The state's economic vitality, educated workforce, cultural capital, health care delivery, and scientific explorations all rely on the driving force of a vigorous state university. CU is a crown jewel in creating that strength.

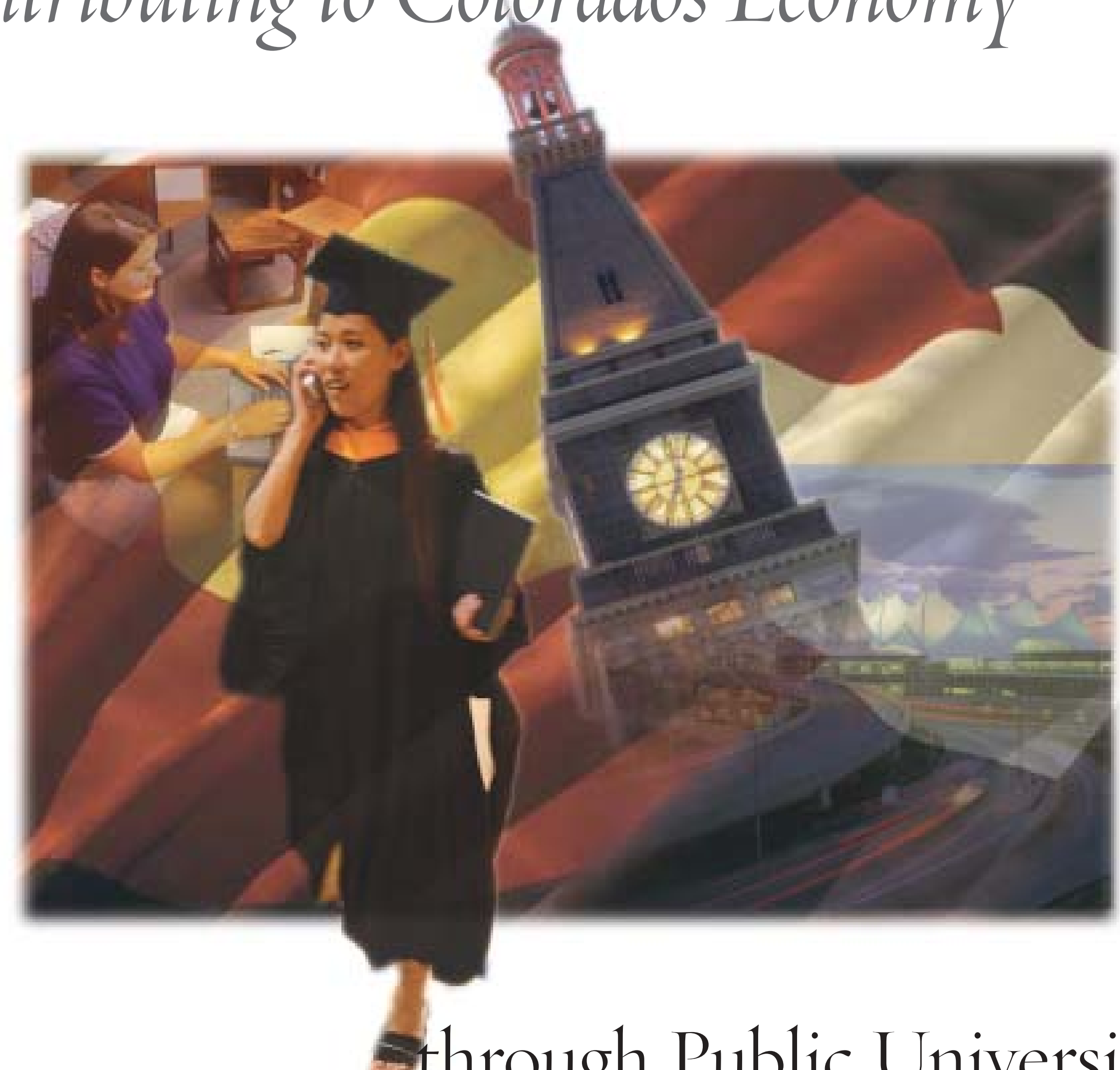
Future applications of even the most basic research conducted at CU will ensure that Coloradans enjoy safer, healthier lives and that companies operate more efficiently, effectively, and competitively. By staying on the brink of new and evolving disciplines and technologies, CU will help further Colorado's position as a global leader in emerging industries.

This report outlines the broad influence of CU's contributions to the state. The university is making great strides in a number of important areas, and I invite you to explore those successes in the following pages. The adjacent summary of milestones outlines several of CU's outstanding achievements over the past year.

Preserving CU as a public higher education institution continues to be an important and shared responsibility for everyone in Colorado. By embracing this responsibility, we can ensure that CU continues to enhance Colorado's quality of life for years to come.

Elizabeth Hoffman
President, University of Colorado System

Contributing to Colorado's Economy



. . . through Public Universities

Investing in CU is an Investment in Colorado

The University of Colorado is a significant source of economic vitality in Colorado. CU's most recent economic analysis based on 2002 data shows that for every dollar in unrestricted state general fund support it receives, CU returns $16.64 of gross state product to Colorado's economy. The state also recaptures $0.76 in taxes for each dollar it spends to support the university. In addition, CU is incredibly resourceful in leveraging its state funding. CU financial statements show that for every dollar of state general fund support, CU brings back to the state $2.30 in competitive research grant funds.

The university invigorates the state's economy by creating jobs and purchasing goods and services. As Colorado's third-largest employer, CU employs nearly 24,000 people. The newly consolidated CU-Denver and Health Sciences Center campus is one of the Denver metropolitan area's top employers. The university's need for goods and services creates an additional 18,000 jobs statewide. Based on the total number of jobs to tax receipts, $169 million is generated in annual tax revenue.

Educating Colorado's creative workforce also is one of CU's top priorities. The university awarded more than 11,500 degrees in 2003, with CU-Denver and Health Sciences Center granting more graduate degrees than any other state college or university. Even after graduation, CU students continue to contribute to Colorado. More than half of CU-Boulder and CU-Denver and Health Sciences Center alumni stay in the state to live and work; 85 percent of CU-Colorado Springs alumni make Colorado their home after finishing school.

CU's economic impact analysis reveals that a significant percentage of CU's resident students say they would have left Colorado to pursue higher education elsewhere if CU did not exist. Hypothetically, if there were no CU campuses, the impact of those students going elsewhere would be a $764 million loss to the state.


National Academy of Sciences member and MacArthur Fellow Margaret Murnane

Colorado's Research Powerhouse

CU garnered more than $588 million in contracts and grants awards in 2004. University researchers continually transform those dollars into innovative discoveries, the most illustrious resulting in three CU researchers winning the Nobel Prize and seven winning the MacArthur Fellowship, commonly termed the "genius grant." But attracting top-notch faculty and students to Colorado is only one benefit of CU's leadership in research. Future applications of even the most basic research ensure that Colorado's citizens will enjoy safer, healthier lives and that the business community will operate more efficiently, effectively, and competitively.

The university is ranked sixth among public institutions for federal research expenditures tracked by the National Science Foundation.

In addition, CU is counted among the top 10 in several disciplines tracked by the NSF, including physical sciences, environmental sciences, social sciences, and psychology. The university's research endeavors span a diverse spectrum of subjects that are among society's most pressing: domestic violence, women's health, cognitive disabilities, cancer, environmental resources, information technology, space exploration, and biotechnology, to name a few.


Nanophotonics at CU-Boulder

Preparing the Workforce

In the future, Colorado's employment growth will be concentrated in the service-providing sector. Education and health services and professional and business services are projected to grow twice as fast as the overall economy, the strongest projected employment growth of any industry division.

With more than 50 percent of Denver and Health Sciences Center alumni remaining in the state, highly qualified CU graduates are filling key medical and health care jobs.

Colorado's burgeoning photonics industry is creating products and services for a variety of industries including telecommunications, aerospace, data storage, and medical equipment. Colorado is home to 200 photonics companies employing more than 28,000 people.

In Colorado, CU is a leader, offering a number of programs that are preparing students for this rapidly expanding industry.


Research Complex I at Fitzsimons

Fitzsimons

The Fitzsimons redevelopment project is the future of health care, health sciences education, and research.

CU is creating a new model for 21st century academic health care with Fitzsimons, literally from the ground up. One of its distinct characteristics is that Fitzsimons gives CU an opportunity to create a new medical center, directly connected to a major research and development park.

Being adjacent to private biotechnology firms will foster the synergy for discovery and new partnerships, cultivating medical breakthroughs from the laboratory to the patient's bedside.

Fitzsimons also is a major driver of Colorado's economy. By 2010, Fitzsimons will directly and indirectly support more than 34,800 jobs. When completed, the campus will support an estimated 67,000 Colorado jobs.

In difficult economic times, the development of a life sciences "city" provides a beacon to economic health. Based on 2002 data, Fitzsimons' economic activities will support annual output across Colorado totalling $3.1 billion by 2010; at full development, that amount is expected to increase to $6.3 billion. Statewide, local sales and use taxes that Fitzsimons supports will total $21.7 million a year in 2010 and $40.5 million a year at build out.

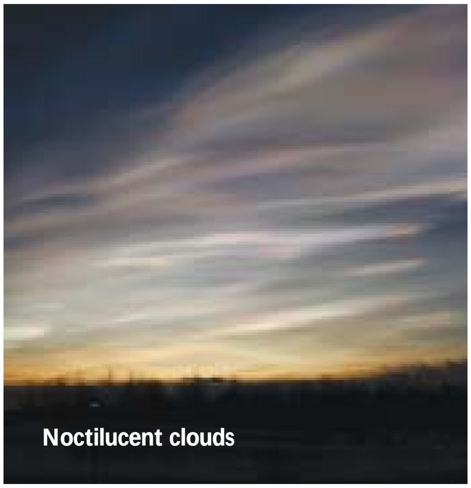
Exploring New Frontiers

. . . through Space Research and Education

Space Explorations

Since the late 1940s, CU has been pushing the boundaries of space exploration. The university's first endeavors included launching instruments and experiments into the heavens on sounding rockets. Since then, CU researchers have designed and built instruments for nearly every NASA planetary mission and for scores of astronomy and global change missions.

CU has more than 200 researchers and doctoral and postdoctoral students involved in space research, along with hosts of undergraduates involved in designing, building, and launching spacecraft. Seventeen CU alumni have been on board more than 30 space missions, spanning virtually the entire manned space flight program.



Noctilucent clouds

LASP control room

Space Research

CU is a leader in space research. Over the last three years, the university received more than $160 million in NASA funding, more than any other public university in the country.

In June 2004, NASA's Cassini-Huygens spacecraft, carrying a $12.5 million CU instrument package, entered Saturn's orbit, beginning a four-year mission to probe the planet, its rings, and its moons.

A small, powerful CU instrument developed by Boulder faculty and students will fly on NASA's MESSENGER mission to probe Mercury's searing surface, rare atmosphere, and magnetic field.

The university also has been selected to build two of the three instruments for a NASA satellite that will launch in 2006 to study noctilucent clouds, the shiny, silvery-blue polar mesospheric clouds that form over Earth's polar regions every summer. CU also is slated to be involved in the upcoming New Horizons Mission to Pluto.

Furthering Science through Partnerships

Collaborations between CU and government research agencies have been more than five decades in the making. Since 1950, when CU was chosen to host the National Bureau of Standards' Central Radio Propagation Lab, the university has served as an academic anchor to a number of national and federal research laboratories.

Breaking down barriers between higher education and federal research institutes has allowed researchers to embark on multidisciplinary endeavors that continually result in notable innovations and discoveries. One illustrious example was the 1995 discovery of a new form of matter by scientists at the Joint Institute for Laboratory Astrophysics, ultimately earning them the 2001 Nobel Prize for Physics.

Through partnerships with government research agencies such as JILA, the Laboratory for Atmospheric and Space Physics, the National Center for Atmospheric Research, and three Department of Commerce labs, CU continues to fulfill its public service mission to advance society's knowledge and application of the sciences.

CU recently entered a partnership with Air Force Space Command (AFSPC), the Space Foundation, and the Aerospace Corporation that established the university as the leader of a consortium of advanced education institutions to support space education and research efforts. By training both military personnel and civilians in the aerospace industry, the consortium will develop the nation's next cadre of space professionals.

Air Force General Lance Lord, left, and CU-Colorado Springs Chancellor Pam Shockley-Zalabak, right, complete a memorandum of understanding leading to cooperative efforts for military and civilian aerospace industry education.

Creating Colorado's Competitive Advantage

. . . through Emerging Industries

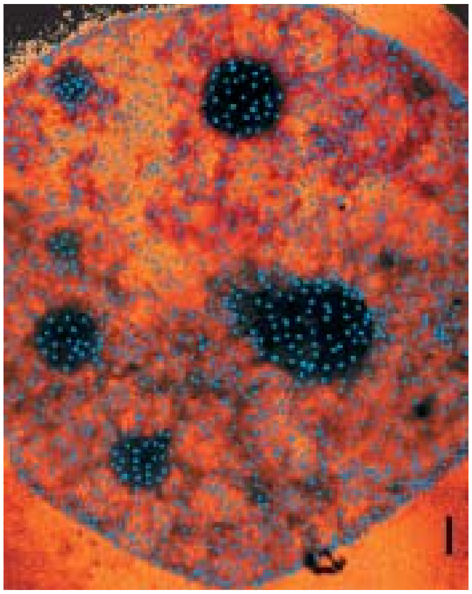
Biotechnology

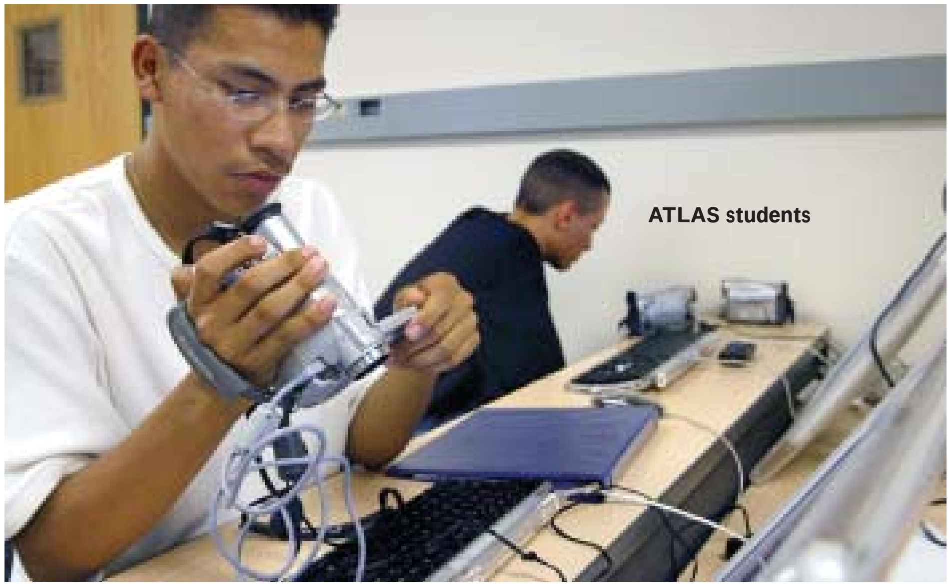
CU has recognized biotechnology as a key teaching and research priority in the 21st century. Colorado has been identified as a possible hub for this burgeoning industry, and a number of related initiatives have begun evolving at CU.

Another growth initiative at CU is the Colorado Initiative in Molecular Biotechnology, designed to transform Colorado's Front Range into a national powerhouse in the emerging fields of genomics and molecular biotechnology. In addition to stimulating the state's economic vitality, this initiative will attract intellectual strength to Colorado, provide new educational opportunities, and inspire innovative medical advances.

Applications of CU's biotechnological research already are showing great promise. A team of CU researchers is developing a "flu chip" with a $1.7 million grant from the National Institute of Infectious Disease. The chip will provide an inexpensive way to swiftly screen for influenza A, B, C, SARS, and respiratory syncytial virus. Based at CU-Denver and Health Sciences Center's downtown Denver campus, the Center for Computational Biology is creating a new type of biology through interdisciplinary research in bioscience, computer and information science, and mathematics to support the state's goal of making the biosciences a key driver of Colorado's technology economy. The center offers a certificate program.

The Center for Pharmaceutical Biotechnology, a joint enterprise between CU-Boulder and CU-Denver and Health Sciences Center, is part of an industry-university research team selected to fast-track development of a botulism vaccine for use against bioterrorism. Utilizing a $1 million grant, the center will develop a stable, deliverable vaccine for use in clinical settings.





CU Institute of Bioenergetics

Bioenergetics is the study of how cellular metabolism (choice of fuel, energy production, storage, and consumption) governs the interaction between cells. At CU, researchers are studying how cellular metabolism and cellular communication interact with the intention of treating or curing serious diseases such as cancer, multiple sclerosis, and diabetes.

By working with other CU academic and research units, as well as local, state, and federal funding agencies, commercial businesses, and nonprofit organizations, the institute is creating a collaborative synergy that will better the wellness of society.

Technology and Engineering Advances

Integrating technology into our classrooms, our campus cultures, and our communities is an ongoing goal at CU. By pursuing excellence in a number of specialized programs and disciplines, CU is helping to sustain Colorado's competitive edge in the technology and engineering sectors.

The Ferroelectric Liquid Crystal Materials Research Center, funded by the National Science Foundation, is a group of interdisciplinary, internationally recognized researchers that focuses on a complex type of liquid crystal well suited for working with the semiconductor electrical switches found in computer chips. The center has ongoing interactions with nearly every U.S. company with an interest in this field, exemplifying CU's important and widespread role in technological research.

The Intelligent Essay Assessor is a computer software program developed by a CU researcher and doctoral student that can evaluate an essay's content. Using a mathematical analysis to measure the quality of knowledge expressed in essays, the program could be a major advancement in assessing student performance. It already has become the flagship product of a Boulder-based company recently acquired by Pearson Education, the world's largest education company.

The Alliance for Technology, Learning, and Society (ATLAS) Institute broadens the benefits of the information age by providing multidisciplinary curricular, research, and outreach programs that integrate information technology with a wide variety of disciplines and people, both inside and outside the university. The institute's partnerships within industry, government, K-12, and academia are testament to the success achieved by collaboration across sectors.

The Colorado Bioscience Park

The Colorado Bioscience Park Aurora at the Fitzsimons campus will become a major commercial component of the Fitzsimons redevelopment plan. Upon complete build out in the next few decades, the park will boast 160 acres of space for research-oriented bioscience and biotechnology companies that want close proximity to an academic medical campus. The park will be the first of its kind west of the Mississippi River and will place Colorado at the forefront of the biotechnological revolution.

Cultivating Colorado's Culture

. . . through Knowledge and the Arts

Dramatic Arts

Since 1958, The Colorado Shakespeare Festival has delighted audiences with the Bard of Avon's timeless tales of comedy and tragedy in CU's beautiful outdoor Mary Rippon Theatre. The festival presents four full-scale productions every summer for people from Colorado and states around the nation.

CU's Department of Theatre and Dance on the Boulder campus produces approximately a dozen theatrical productions and dance concerts each season featuring students, faculty, and visiting artists. The 2003-04 theatre season featured six plays including Harper Lee's award-winning *To Kill a Mockingbird* and *The Passion of Dracula*, a tongue-in-cheek adaptation of the Bram Stoker classic *Dracula*.

The TheatreWorks program on the Colorado Springs campus provides the Pikes Peak region with challenging and innovative productions that span from classic to contemporary. The program's contributions go beyond entertaining Colorado's citizens; the annual Shakespeare Camp provides teenagers an opportunity to expand their knowledge of Shakespeare and to perform his works to a public audience. In addition, an annual London tour with CU faculty is an opportunity for other members of the public to explore the wonders of the dramatic arts.

Bass lessons in the College of Music at CU-Boulder.

Music

CU's College of Music provides specialized music training and a full menu of concerts, opera performances, and the free Faculty Tuesdays series that showcases the college's talented faculty in recital. The resident Takács Quartet and alumni Dave Grusin and Glenn Miller were among the winners in February 2003 at the 45th Annual Grammy Awards. Miller was posthumously honored with a Lifetime Achievement Award.

For the second consecutive year, student ensembles in the jazz studies program won three *Down Beat Magazine* Student Music Awards, generally considered the most prestigious national recognition for jazz students. CU Opera for Children is a touring company that presents 45-minute productions appropriate for students in kindergarten through sixth grade.

The Claim Jumpers is an internationally recognized collegiate jazz ensemble comprised of students from the CU-Denver and Health Sciences Center's downtown Denver campus that performs music in the early jazz style, featuring both authentic renditions and student interpretations of original scores.

Center of the American West

The center strives to illuminate the challenges and opportunities facing our complicated geographic and cultural region. By delivering varied messages on Western economies, environmental issues, and urban sprawl via some 40 public events each year, the center puts a human face on the interactions between urban and rural interests and brings them to life before the community.

Spreading Knowledge at CU's Libraries

CU's library system boasts the largest library collection in the Rocky Mountain region. Students, faculty, and Colorado citizens have access to more than 11 million books, periodicals, government publications, special and archival collections, and audiovisual and other materials. Using online databases, anyone can access the university's collections as well as the holdings of most Colorado libraries, many library systems nationwide, and a variety of periodical and information databases.

CU-Boulder's Special Collections Department is a popular destination for local primary and secondary school students, who enjoy looking at medieval manuscripts, examples of early printing, original photography by renowned artists, first editions of American and British authors, and manuscripts.

The Preservation and Access Service Center for Colorado Academic Libraries (PASCAL) is a state-of-the-art, high-density library storage facility that can hold 1.6 million volumes in less than 10,000 square feet of space. Based at Fitzsimons, it represents an important public-private partnership, helping to reduce library operational costs for libraries at CU-Boulder and CU-Denver and Health Sciences Center as well as at the University of Denver.

A new library on the Fitzsimons at Aurora campus, scheduled for completion in May 2006, will serve as a repository of biomedical knowledge and a gateway to electronic health care information for the state and region.

Museums

CU's Museum of Natural History gained new prominence last year when it received accreditation from the American Association of Museums, becoming Colorado's only accredited university museum. The museum's collection includes about 3 million specimens plus specially designed classrooms, libraries, and a casting lab to replicate paleontological and archaeological items.

The Fitzsimons at Aurora campus has preserved an important piece of history attached to the former Fitzsimons Army Medical Center site. In 1955, President Dwight Eisenhower spent seven weeks in Fitzsimons Hospital recovering from a heart attack. The room has been restored to its 1955 appearance and is available for public viewing.

CU-Colorado Springs' art museum, the Gallery of Contemporary Art, provides quality contemporary art exhibitions and related educational programming to the university and the Pikes Peak region. The gallery displays at least six exhibitions annually containing works by artists of significant national and international reputation, as well as works by outstanding regional, faculty, and student artists.

Starz FilmCenter

A unique partnership between CU's College of Arts and Media, the Denver Film Society, and the Starz Encore Group brings the best of film to Denver through events such as the annual Denver International Film Festival. The Starz FilmCenter is Denver's only true cinematheque, committed to presenting the best in film art with an eye toward titles not readily available on the big screen.

Howie Movshovitz is the director of education and retrospective programming at the Starz FilmCenter at the Tivoli, a joint program of CU-Denver and Health Sciences Center and the Denver Film Society. He has been a film critic with Colorado Public Radio since 1976. Movshovitz also hosts free monthly film screenings and discussions, presented in association with Colorado Public Radio and the Starz FilmCenter, including the Montrose/Silverton Film Series and TC Classic Cinema in Denver.

Expanding Opportunities

. . . through Education

Science Discovery

CU-Boulder's School of Education takes Science Discovery, a fun, educational science program, to schools throughout Colorado. Programs including Bat Tales, Polar Connections, and The Scoop on Colorado's Diversity are designed to supplement existing curricula and feature museum collections, live organisms, and science equipment.

Science Discovery also presents wilderness camps, after-school and summer classes in Boulder County, a statewide teacher development program, and the ever-popular CU Wizards program, an informal introduction to astronomy, chemistry, and physics intended primarily for students in grades 5 through 9.

CU-Denver and Health Sciences Center and Colorado Online Learning

An innovative new dual-credit program is helping students around Colorado complete required high school courses while gaining college credit. In partnership with Colorado Online Learning, CU-Denver and Health Sciences Center offers juniors and seniors at high schools with limited resources the chance to take U.S. History, Algebra II, Latin I, and Latin II. The campus serves nearly 4,000 high school students in the Denver metro area. This program expands CU's educational offerings to students statewide who are traditionally underserved, high poverty, or not college bound.

Valerie Otero (right) facilitates STEM-TP mathematics and science education workshops for university faculty, high school teachers, and future teachers.

STEM (Science, Technology, Engineering, and Mathematics)

As part of the CU-Colorado Springs' Partners for Change initiative, the STEM program makes science and technology interesting and exciting for students at all grade levels. An integrated curriculum in science, technology, engineering, and mathematics invigorates students' interest in these areas with one goal being an increased number of university graduates in science and technology, particularly women and minorities.

STEM not only helps prepare students to enter science and technology fields, it also prepares teachers for new approaches to science and technology, engages the public in these areas, and expands lifelong learning opportunities for the local workforce.

Physics 2000 Project

A new interactive web site called the Physics 2000 Project debunks the idea that physics is incomprehensible, inaccessible, fearsome, or boring. Developed by CU physics professors, the site is intended for non-scientists and students of all ages.

The site allows users to conduct more than 30 "virtual experiments" on their computer screens and then receive an explanation of what they are seeing. Users can play with wave interference patterns, atoms, X-rays, and electric force fields, as well as trap and cool atoms to the lowest temperatures in the universe.

Pre-Collegiate Program

In 1983, CU was one of two universities in Colorado to establish a Pre-Collegiate Program for underrepresented and first generation students. The program has produced impressive results: 100 percent of the program's participants have graduated from high school; 96 percent of those went on to attend postsecondary schools between 1988 and 2002.

CU4K12 Web Site

The CU4K12 web site (www.colorado.edu/Community Relations/CU4K12.html) introduces K-12 teachers to the multifaceted CU programs they can use to enhance and upgrade their teaching skills or energize their own curricula. Organized by grade level and curricula, the site covers a variety of disciplines including engineering, foreign language, reading, science, and theatre.

Sharing Knowledge

. . . through Community Programs

CU Mini Med School

One of CU's most successful outreach programs is the free CU Mini Med School. By covering the basic science that underlies medicine, the program enlightens and entertains Colorado citizens while improving their understanding of the human body.

With more than 4,000 graduates to date, the nine-week program continues to be one of the most popular and anticipated events CU offers. Educating Coloradans about medicine in a fun, engaging way contributes to a greater sense of health and well-being in our state.

Colorado Center for Sustainable Urbanism

CU-Denver and Health Sciences Center's College of Architecture and Planning is launching an initiative called the Colorado Center for Sustainable Urbanism. The new center is a multidisciplinary, multi-agency effort to study and provide solutions for fundamental problems presented by growth. Its purpose is to promote public discussion and to conduct research that will help the entire region.

Genomics Teaching Place

In the summer of 2004, the Genomics Teaching Place opened to train CU students, faculty, and K-12 students and teachers on the latest genetic research techniques. Users will be able to study the sequence, structure, and function of genes and the computer technology to manage and "mine" such information.

The GTP is a collaboration between CU and the Howard Hughes Medical Institute, representing the powerful synergy created when public higher education institutions partner with external research agencies.

Teaching Business Ethics

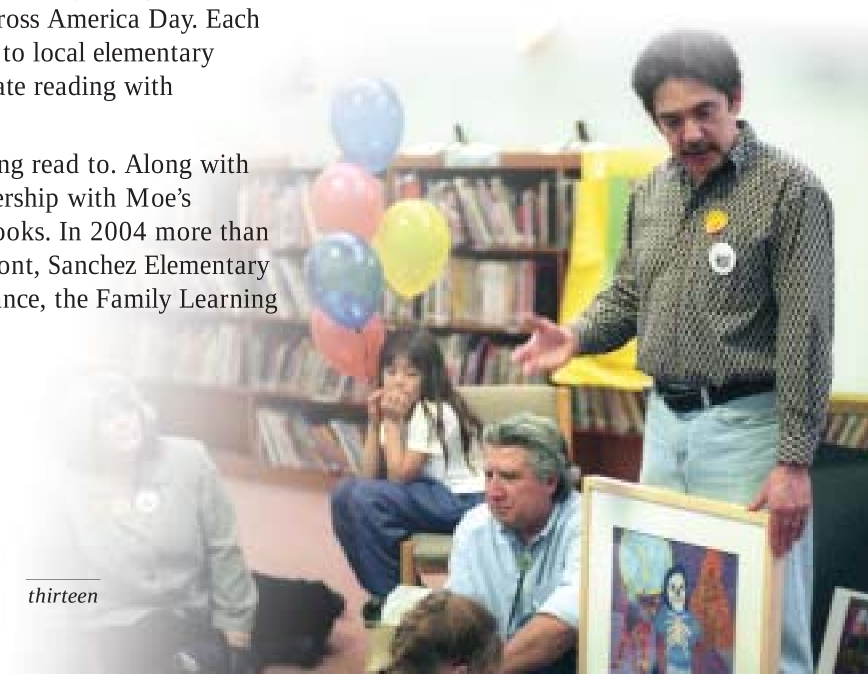
The business and society initiative at CU's Leeds School of Business emphasizes social responsibility as an important aspect of business. Among its programs is the Japha Symposium in Business and Professional Ethics, which attracts business leaders from around the country to discuss timely issues such as The Ethics of Executive Compensation.

The Leeds School has been recognized for integrating social and environmental impact management into its core business education. By teaching business in the broader context of society, the school better prepares students to generate business results that deliver not only a strong bottom line, but also increased social and environmental value.

Read Across America

CU-Boulder's Community Relations office sponsors such nationally recognized programs as the National Education Association's Read Across America Day. Each year, CU-Boulder faculty, staff, and student volunteers read to local elementary schools to commemorate Dr. Seuss's birthday and to celebrate reading with elementary schoolchildren.

2004 saw more than 700 elementary school children being read to. Along with the read-a-thon, a book drive "Bagel-for-a-Book," in partnership with Moe's Broadway Bagels, gathers new and gently used children's books. In 2004 more than 800 books were donated to Spangler Elementary in Longmont, Sanchez Elementary in Lafayette, Children's Hospital, Emergency Family Assistance, the Family Learning Center, Boulder County Safehouse, and Dental Aid.



Tony Ortega, artist and CU-Boulder alumnus, and George Rivera, CU-Boulder Professor of Art and Art History, read their bi-lingual children's book to a group of 3rd graders at Sanchez Elementary in Lafayette.

Colorado Rural Health Scholars Program

Through the Colorado Rural Health Scholars Program, motivated students from rural areas of Colorado have the opportunity to explore various aspects of the health field. Program participants divide their time among instruction, group project work, laboratories, hospital volunteer positions, educational and recreational field trips, other group activities, and interaction with a mentor.

This nonprofit, residence-based science and medical program offers special consideration to minority and underprivileged students who are selected based on academic performance, teacher recommendations, telephone interviews, underserved status, and an expressed interest in health-related careers. By selecting students from rural communities, the program hopes to help answer the need for rural health professionals throughout Colorado.

Solving Contemporary Problems

. . . through Innovation

Commercializing Innovation to Better Society

At CU, introducing new approaches to health care and moving them into the marketplace is an ongoing priority. Our technology transfer efforts result in new companies and products that enhance not only Colorado's health and wellness, but also the state's reputation as a leader in 21st century health care.

CU faculty and students in Boulder's molecular, cellular, and developmental biology department invented technology that discovered a compound call Macugen, which is the basis for EyeTech, a public company whose lead product is nearing final FDA approval. Macugen may help prevent blindness in more than 6 million people in the United States alone who suffer from retinal bleeding.

Myogen, a company formed by CU faculty to research and treat heart failure, has two drugs in late-stage clinical trials around the world, another in early clinical trials, and multiple early-phase pharmaceuticals that show promise for treating cardiovascular disorders.

CU's BP Center for Visualization applies multiple disciplines to research and develop visualization technology for the energy, aerospace, and medical industries. Faculty and students are working on research projects including a 3-D anatomical visualization tool to aid in radiation therapy. By more precisely defining the extent of a disease, this technology could improve the speed and accuracy of treatment. Students working with the center also are creating a visual reality rehabilitation tool to retrain the brain's attention mechanisms in people with cognitive disabilities.

The Colorado Springs Technology Incubator has helped create 40 jobs and $2.5 million in annual payroll. The incubator was launched in 2001, providing office space, mentoring, and professional guidance to startup companies in exchange for a small ownership stake in the businesses. The goal is to help companies stand on their own and become self-sufficient in a year to 18 months. Since its inception, the organization has helped seven companies, three of which have office space at the incubator on the Colorado Springs campus.

Completed In Progress

University of Colorado Drug Discoveries and Clinical Trials

Drug	Market	Licensee	IND	Phase I	Phase II	Phase III	Approved
Kineret	rheumatoid arthritis	Amgen					
Macugen	macular degeneration	EyeTech					
VZV vaccine	post-herpetic neuralgia	Merck					
RK-0202 ProGelz	oral mucositis	RxKinetix					
Kineret	arthropathy, neurogenic urticaria	Amgen					
Bucillamine	reperfusion injury-heart attack	Keystone Biomedical					
TVAX vaccine	prostate cancer	Geron					
GI-4000	immunotherapy for cancers	GlobeImmune					
Bucillamine	reperfusion injury-organ transplant	Keystone Biomedical					
VZV vaccine	post-herpetic neuralgia	GSK					
HIVAX-GS	HIV vaccine	GlobeImmune					

CU is "First" in Health Care

The newly consolidated CU-Denver and Health Sciences Center is proud to be "first" in many health care innovations:

- World's first liver transplant
- First to identify the "battered child" syndrome
- Developed the first classification and numbering system of human chromosomes, now the world's standard
- Nation's first fetal cell implant for Parkinson's disease
- World's first 3-D images of the human body derived from anatomical sections
- First description of toxic shock syndrome
- World's first instance of what is now called cloning
- First to conduct research leading to the development of influenza vaccines and the eradication of smallpox
- First in the nation to use ultrasound technology on a patient
- First to a develop a model of systems and analysis for dental health care in the elderly population
- First demonstration of killing cancer cells by genetic manipulation of toxin genes
- Nation's first Nurse Practitioner Program
- First division of perinatal medicine in the nation, establishing an international model for medical centers
- Nation's first School Nurse Program

Helping the Region Stay Healthy

. . . through Education and Research

Combating Cancer

CU's Cancer Center is the only National Cancer Institute-designated comprehensive cancer center in the Rocky Mountain region. Patients benefit from services including: digital mammography; PET scans; cancer vaccine clinical trials; shaped-beam radiosurgery; chemoprevention trials in breast, prostate, lung, and colon cancer; and the Early Detection Research Network. The center's extensive clinical trials program also offers patients the newest therapies, often improving outcomes and reducing common side effects of traditional therapies.

CU's research in cancer genetics, brain cancer in children, lung cancer prevention, gene therapy in melanoma and brain tumors, and other related areas makes Colorado a leader in the fight against cancer.

Addiction

On any given day, the Department of Psychiatry's Division of Substance Dependence has some 1,100 adolescent and adult patients enrolled in its programs for treating addiction to heroin, methamphetamines, cocaine, alcohol, and other killer drugs. Those programs are the base for teaching medical students, resident physicians, and other trainees to treat addictive disorders. CU's faculty also conduct cutting-edge, federally supported research on the genetics of drug dependence, drugs' interactions with the brain, ways to halt AIDS transmission among addicts, and how to treat patients to reduce mortality and morbidity from drug dependence.

Diabetes

Diabetes now affects 17 million people nationwide, and another 16 million Americans have pre-diabetes (a high risk condition for diabetes). It is a costly disease in terms of both health care dollars and quality of health, and estimates indicate about one million new cases of diabetes emerge each year. CU's Diabetes Prevention Program (DPP), a National Institutes of Health-sponsored clinical trial, proved that it is possible to prevent or delay type 2 diabetes in a racially and ethnically diverse group of adults through lifestyle changes that produce modest weight loss. NIH also is sponsoring translation of the DPP findings to the broader community through funding of the San Luis Valley Healthy Family Project.

CU's SEARCH for Diabetes in Youth center compiles registries of children and youth who develop diabetes, including those in Colorado as well as Native American populations in Arizona and parts of New Mexico. Since treatment of different types of diabetes can vary, it is important to know what type of diabetes a child has so he or she can receive proper treatment. The study also is assessing quality of care and resource needs in youth with diabetes.

Genetic Basis for Schizophrenia

Researchers in CU's Department of Psychiatry are approaching the genetics of schizophrenia in two novel ways. As part of a national collaborative study, they are collecting a sample of 5,000 people with schizophrenia and 10,000 people without the disease to compare their genes to see whether there are differences that may determine schizophrenia.

Researchers also are participating in a national collaboration to examine biological markers of disease that are inherited in families with schizophrenia. By studying physiological and neuropsychological variants in families, they hope to determine which combinations of genes are required to manifest the disease.

Additionally, researchers in the Department of Psychiatry discovered variants in the DNA sequence of a gene that they previously found to be associated with schizophrenia. They now are investigating a new drug that corrects the defects these gene variants cause, and they have obtained the first evidence that the drug may improve mental functioning in persons with this illness.

Heart Disease Research and Treatment

Because it is the number one cause of death in the United States, heart disease is a comprehensive research focus at CU. CU-Denver and Health Sciences Center has one of the leading academic heart failure programs in the world, offering access to investigational drug therapies and diagnostic techniques not available at other medical centers.

Various CU programs and facilities focus on areas including heart failure treatment, heart transplant, cardiac disorders, and molecular and genetic influences on heart failure. The University of Colorado Cardiovascular Institute has established a collaborative relationship among researchers at CU's three campuses who are investigating cardiovascular health.

GlobeImmune, founded by three CU researchers, designs and develops products to modulate the human immune system. The company currently is developing a vaccine for HIV. The GlobeImmune team includes Dr. Richard Duke, president; Dr. Timothy Rodell, CEO; Dr. Don Bellgrau; and Dr. Alex Franzusoff.

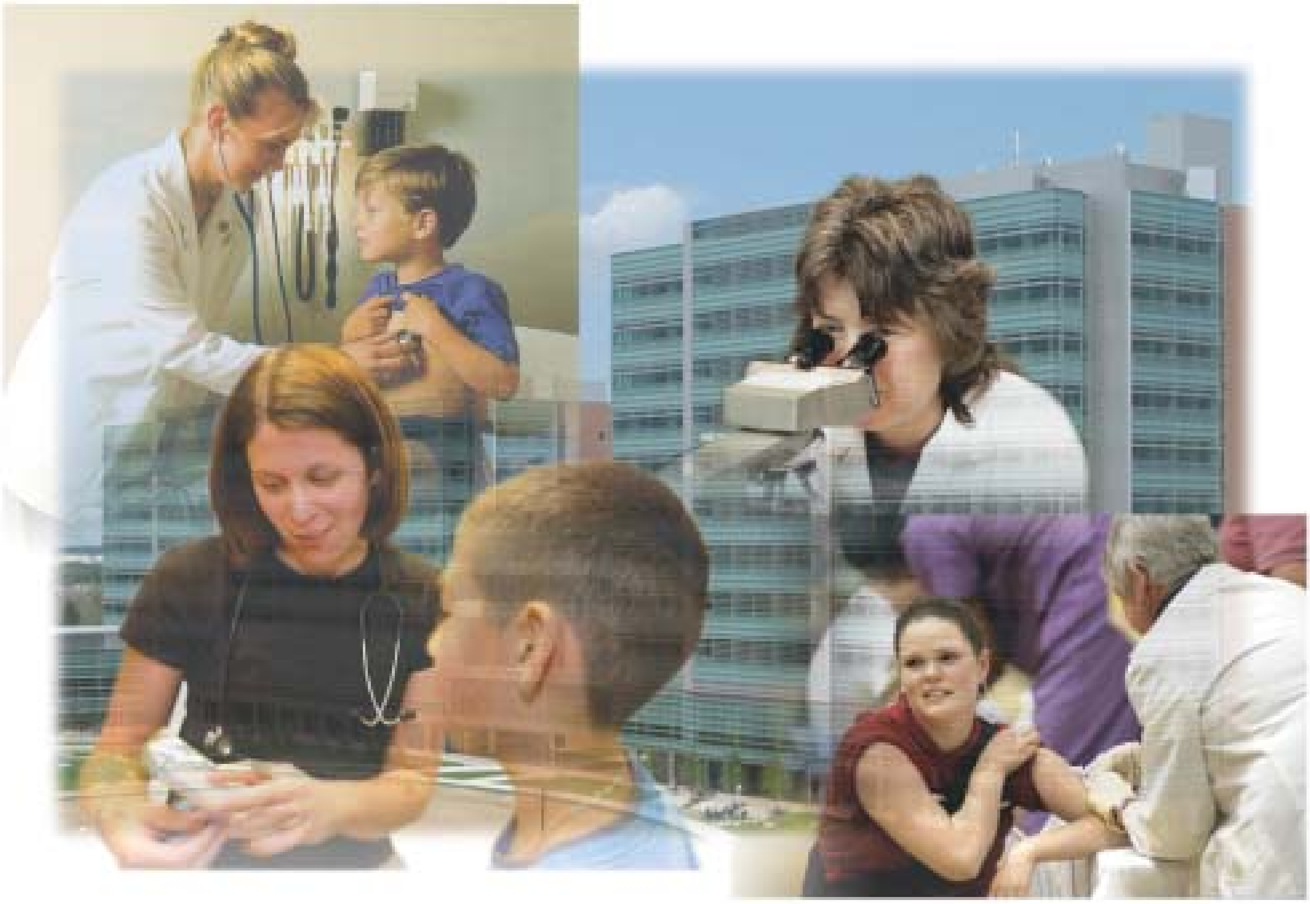
AIDS Research and Treatment

The Colorado Center for AIDS Research is a collaborative effort of HIV/AIDS investigators from CU-Denver and Health Sciences Center and its affiliated institutions. It is the only comprehensive AIDS research center between St. Louis and California.

As part of its quest to increase our knowledge of treating and preventing AIDS, the center combines research with public health and AIDS prevention programs to disseminate information to the public and scientific community.

Leslie Leinwand is director of the Colorado Initiative in Molecular Biotechnology and chair of CU-Boulder's Department of Molecular, Cellular, and Developmental Biology. She is among CU's visionary researchers working to secure CU's leadership in the biotech industry.

Serving Colorado's Health Care Needs



. . . through Education and Public Service

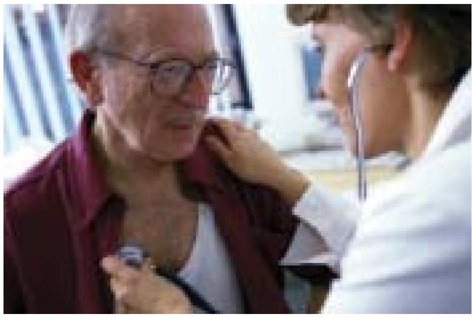
Training Physicians and Nurses

As the only health professional education center in the region, CU-Denver and Health Sciences Center is educating the physicians, nurses, pharmacists, dentists, and research scientists of future generations. Coloradans benefit from resident programs in rural areas of the state including CU's burgeoning telemedicine and telehealth opportunities.

The CU School of Nursing has developed several initiatives to respond to the state's nursing shortage. Since 1999, the school has more than doubled new enrollments. Because of the increasing demand by those with degrees in other fields who wish to begin a nursing career, the school initiated the accelerated baccalaureate program. These students complete the courses in the nursing program in 18 months, six months earlier than traditional undergraduate students. This alternate timing in graduation of students enables clinical agencies to more easily absorb them into their nursing workforce.

Additionally, to help students decrease the cost of their education, the School of Nursing was awarded a $500,000 endowment from the Helene Fuld Health Trust for scholarships to support students pursuing a bachelor's degree in nursing. The School of Nursing also has initiated a BS to PhD option in the PhD in nursing program to prepare nurses in a clinical specialty and for a career in research and teaching.

Colorado Springs' Beth-El College of Nursing and Health Sciences is also helping to train nurses by offering accelerated programs to help people in other careers transition into the health care profession. Clinical opportunities provide students hands-on experiences in working with patients and providing the highest quality services. The college also offers online master's programs in nursing to reach people in rural communities.



School of Public Health

To address a void in public health leadership in the Rocky Mountain region, CU is participating in a collaborative plan for a School of Public Health in Colorado. In partnership with other major Colorado public universities and the Colorado Department of Public Health and Environment, CU will help train specialists and create access to health care for minority and underrepresented groups.

Redefining Patient Care

At CU, we are putting the "care" back into health care. We promote healing by applying the latest in health sciences research in a personal, caring way. Amenities at the University of Colorado Hospital's new Anschutz Inpatient Pavilion, for example, include private rooms equipped with guest sleeper sofas and the latest entertainment technology, made-to-order room service meals, computerized patient records, and electronic check-in systems to reduce waiting time when patients arrive. By redefining the way we approach health care, CU is setting the precedent for providing health care in the 21st century.

Center for Women's Health Research

Through the inspiring leadership of three female researchers, CU is establishing the only center in the country dedicated solely to women's health issues. At inception, the center will focus on cardiovascular disease and diabetes in women, and will expand its areas of study as it becomes established.

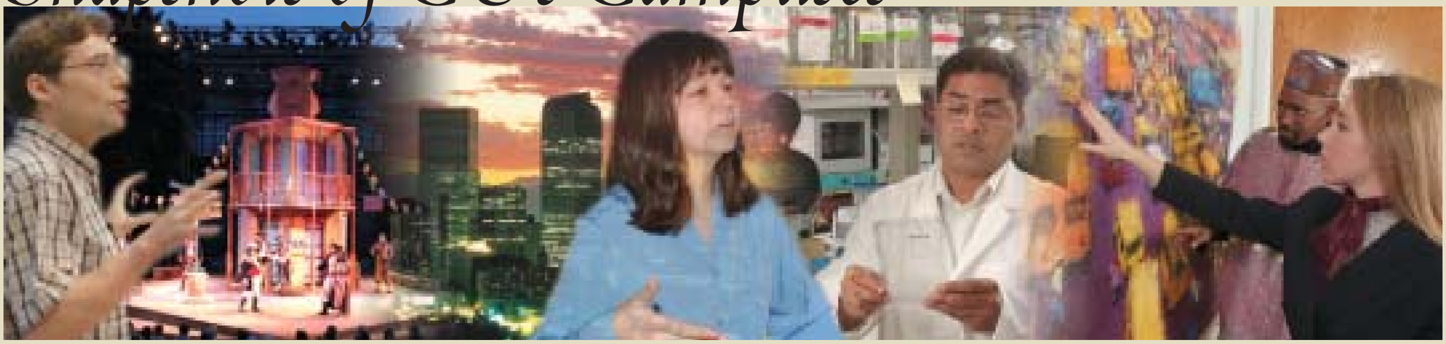
As an international resource at CU, the center also will provide specialized research, training, and education to benefit both health care professionals and the public. By attracting medical faculty, scientists, and health care professionals to Colorado, the center will bolster the state's economy and stature as a leader in the health sciences.

Center on Domestic Violence

A new federally funded center will respond to a nationally recognized need to educate and train individuals as domestic violence experts, advocates, and managers, and to better understand domestic violence and how to address it. As a national clearinghouse on domestic violence, the center will foster collaborations among educational institutions and national organizations working to remedy this serious social problem.

With the help of U.S. Senator Ben Nighthorse Campbell, CU opened an unprecedented center designed to tackle the persistent problem of domestic violence through education and research programs. The downtown Denver campus received federal funding to launch the new Center on Domestic Violence, which will be housed in the Graduate School of Public Affairs.

Snapshots of CU's Campuses



CU-Boulder

- *The Economist* ranked CU-Boulder the 11th best public university in the world.
- Ranked 32nd among all public national universities offering doctorates by *U.S. News & World Report.*
- The Leeds School of Business Deming Center for Entrepreneurship's undergraduate entrepreneurship program ranked 6th in the nation among public universities offering doctorates; the program ranked 12th among all public and private doctoral universities.
- Three faculty are Nobel laureates.
- Seven faculty have been awarded a MacArthur Fellowship.
- 17 CU-Boulder faculty are members of the National Academy of Sciences.
- 15 faculty are members of the American Academy of Arts and Sciences.
- 11 faculty are members of the National Academy of Engineering.
- CU-Boulder granted 6,298 degrees during the 2003-04 academic year.
- More than 29,000 students were enrolled in fall 2003.
- Half of Boulder's alumni stay in Colorado after graduation.
- The campus has about 200 buildings.
- FY2004 Total Operating Budget: $793.2 million
- FY2004 State General Fund Appropriation: $58.7 million

CU-Colorado Springs

- Ranked one of the top five public universities in the western United States by *U.S. News & World Report.*
- CU-Colorado Springs granted 1,667 degrees in May 2004.
- More than 7,600 students enrolled in fall 2003, including a record number of first-time freshmen.
- 85 percent of graduates stay in the state to live and work.
- The campus has about 25 buildings.
- Ranked "most engaged" with its community by the American Association of State Colleges and Universities, CU-Colorado Springs works closely with business, military, and public sector employers operating in the state's second largest metropolitan area.
- The Geography and Environmental Studies Department was named a "Program of Excellence" by the Colorado Commission on Higher Education and is a leader in the use of Global Information Systems technology.
- FY2004 Total Operating Budget: $80 million
- FY2004 State General Fund Appropriation: $16.3 million

CU-Denver and Health Sciences Center

- The CU School of Pharmacy ranked 1st in the nation for National Institutes of Health individual research grant awards.
- The CU School of Medicine was ranked 9th among primary care medical schools by *U.S. News & World Report.*
- The University of Colorado Hospital ranked among the country's top hospitals in 11 of 17 specialties evaluated in *U.S. News & World Report.*
- Grants more than 3,400 degrees each year, including the highest number of graduate degrees in Colorado.
- More than 27,000 students pursued degrees through both traditional courses and continuing education in the classroom and online.
- About 51 percent of the Health Sciences Center graduates stay in the state.
- 74 percent of graduates from the downtown Denver campus remain in Colorado.
- The Fitzsimons at Aurora campus has 13 buildings completed and about a dozen more under construction or in design.
- The 9th and Colorado campus boasts 25 buildings.

Downtown Denver

- FY2004 Total Operating Budget: $138.1 million
- FY2004 State General Fund Appropriation: $24.2 million

Health Sciences Center

- FY2004 Total Operating Budget: $601.3 million
- FY2004 State General Fund Appropriation: $56 million

A Note About Campus Names

This annual report covers FY 2003-04 when the University of Colorado was comprised of four separate campuses: Boulder, Colorado Springs, Denver, and Health Sciences Center. In July 2004, the Denver and Health Sciences Center campuses merged to become the University of Colorado at Denver and Health Sciences Center. Therefore, certain information and figures in this report refer to Denver and Health Sciences Center as separate campuses.

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the University of Colorado (the University), a blended component unit of the state of Colorado, and its aggregate discretely presented component units as of and for the year ended June 30, 2004. 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 2004 financial statements of University Physicians, Inc. (UPI), a blended component unit, which represents 5%, 5%, and 11%, respectively, of the assets, net assets, and revenues of the University. In addition, we did not audit the 2004 financial statements of the University of Colorado Real Estate Foundation (CUREF), which represents 2%, 3%, and 10%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the 2004 amounts included for UPI and CUREF, are based on the reports of the other auditors. The accompanying financial statements of the University as of and for the year ended June 30, 2003 were audited by other auditors whose report thereon dated November 24, 2003, expressed an unqualified opinion on those statements. In addition, we audited the financial statements of UPI and the aggregate discretely presented component units as of and for the year ended June 30, 2003, except for CUREF which was audited by other auditors.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the 2004 financial statements referred to above present fairly, in all material respects, the respective financial position of the University and of its aggregate discretely presented component units as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 1 and 12, in fiscal year 2004, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units,* an amendment to GASB Statement No. 14, *The Financial Reporting Entity,* as of July 1, 2002.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. This information is the responsibility of the University's management. 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.

KPMG LLP

December 15, 2004

UNIVERSITY OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004 and 2003 (*unaudited*)

We are pleased to present this financial discussion and analysis of the University of Colorado (the University). It is intended to make the University's financial statements easier to understand and communicate our financial situation in an open and accountable manner. It provides an objective analysis of the University's financial position and results of operations as of and for the years ended June 30, 2004 and 2003 (Fiscal Year 2004 and 2003, respectively), with comparative information for Fiscal Year 2002.

UNDERSTANDING THE UNIVERSITY

The presented information relates to the financial activities of the primary reporting entity of the University, a comprehensive degree-granting research university in the State of Colorado (State). The University comprises the system offices, the following four campuses, and blended component units.

- University of Colorado at Boulder (CU-Boulder)
- University of Colorado Health Sciences Center (UCHSC)
- University of Colorado at Denver (CU-Denver)
- University of Colorado at Colorado Springs (CU-Colorado Springs)

With more than 52,000 students and 2,780 full-time instructional faculty, the University is the largest institution of higher education in Colorado providing a comprehensive baccalaureate and graduate education. As discussed in Note 1, each of the four campuses bring a unique quality to the institution in order to meet the specialized needs of its communities.

In addition, the University has three supporting foundations which are not included in the University's primary financial reporting entity, but are included as discretely presented component units in the University's financial statements (Notes 1, 12, and 20).

UNDERSTANDING THE FINANCIAL STATEMENTS

Financial highlights are presented in this discussion and analysis to help your assessment of the University's financial activities. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements, which have the following five other parts. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements.

- ***Report of Independent Auditors*** presents an unqualified opinion prepared by our auditors (an independent certified public accounting firm, KPMG LLP, for Fiscal Year 2004) on the fairness (in all material respects) of our financial statements.
- ***Statement of Net Assets*** presents the assets, liabilities, and net assets of the University at a point in time (at June 30, 2004 and 2003). Its purpose is to present a financial snapshot of the University. It aids readers in determining the assets available to continue the University's operations, how much the University owes to vendors, investors, and lending institutions, and a picture of net assets and their availability for expenditure in the University.
- ***Statement of Revenues, Expenses, and Changes in Net Assets*** presents the total revenues earned and expenses incurred by the University for operating, nonoperating, and other related activities during a period of time (the years ended June 30, 2004 and 2003). Its purpose is to assess the University's operating results.
- ***Statement of Cash Flows*** presents cash receipts and payments of the University during a period of time (the years ended June 30, 2004 and 2003). Its purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.
- ***Notes to the Financial Statements*** present additional information to support the financial statements and are commonly referred to as Note(s). Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to provide details of the financial highlights.

We suggest that you combine this financial analysis with relevant nonfinancial indicators, to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, building condition, and campus safety. Information about nonfinancial indicators is not included in this analysis, but may be obtained from the University's Office of Information and Analysis (see www.cu.edu/system_info).

FINANCIAL HIGHLIGHTS

Sustained increases in net assets over time are one indicator of financial health. During Fiscal Years 2004, 2003, and 2002, Net Assets have increased due to additions of property, plant and equipment and balanced operations. As of June 30, 2004 and 2003, the University's net assets increased by approximately $193,766,000 and $103,798,000, respectively. This increase is primarily attributable to the increase in our capital assets of approximately $146,773,000 and $189,506,000 for Fiscal Years 2004 and 2003, respectively, as offset by the utilization of our cash resources and lease financing. For Fiscal Years 2004 and 2003, the University's income before other revenues is $120,554,000 and $68,197,000, respectively, an increase of approximately $52,357,000 and $42,098,000, respectively, over the prior year amount. In Fiscal Year 2004, this increase is the direct result of several factors: technology transfer settlement, investment revenues, capital (equipment) contributions, cost management activities, and continued programmatic growth, including enroll-

While the University has grown overall, the mix of assets, liabilities, and net assets is basically unchanged over the past three fiscal years.

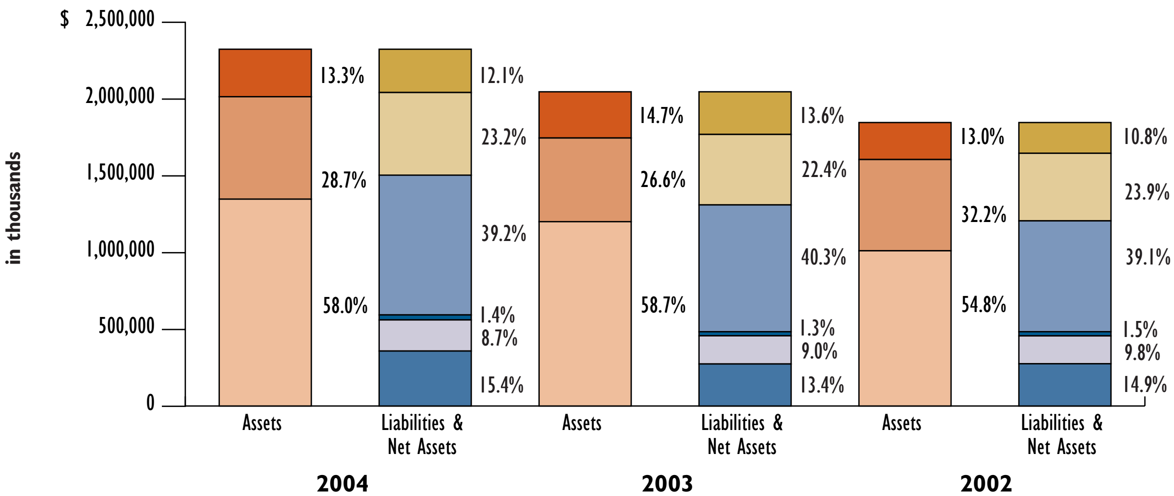


Figure 1. Summary of Assets, Liabilities, and Net Assets as of June 30, 2004, 2003 and 2002 *(all dollars in thousands)*

				Increase (Decrease)			
				2004 vs 2003		2003 vs 2002	
	2004	2003	2002	Amount	Percent	Amount	Percent
Assets							
Current Assets	$ 309,239	300,836	240,831	$ 8,403	2.8%	$ 60,005	24.9%
Noncurrent, Noncapital Assets	666,618	544,686	594,077	121,932	22.4%	(49,391)	(8.3%)
Net Capital Assets	1,346,896	1,200,123	1,010,617	146,773	12.2%	189,506	18.8%
Total Assets	$ 2,322,753	2,045,645	1,845,525	$ 277,108	13.5%	$ 200,120	10.8%
Liabilities							
Current Liabilities	$ 281,805	277,614	200,083	$ 4,191	1.5%	$ 77,531	38.7%
Noncurrent Liabilities	538,072	458,921	440,130	79,151	17.2%	18,791	4.3%
Total Liabilities	$ 819,877	736,535	640,213	$ 83,342	11.3%	$ 96,322	15.0%
Net Assets							
Invested in Capital Assets, Net of Related Debt	$ 910,007	825,653	721,706	$ 84,354	10.2%	$ 103,947	14.4%
Restricted for Nonexpendable Purposes	32,484	26,442	27,209	6,042	22.9%	(767)	(2.8%)
Restricted for Expendable Purposes	202,515	183,441	181,306	19,074	10.4%	2,135	1.2%
Unrestricted	357,870	273,574	275,091	84,296	30.8%	(1,517)	(0.6%)
Total Net Assets	$ 1,502,876	1,309,110	1,205,312	$ 193,766	14.8%	$ 103,798	8.6%

ment, research and health services. In Fiscal Year 2003, this increase is the direct result of two primary factors: investment revenues and cost management activities. The following sections provide further explanation of these factors and other aspects of the University's financial health.

STATEMENT OF NET ASSETS

Figure 1 illustrates the University's condensed statement of net assets and demonstrates the mix of assets, liabilities, and net assets is basically unchanged over the past three fiscal years. Analysis of the University's capital assets and related debt is included in the section Capital Asset and Debt Management, whereas this section provides analysis of the University's non-capital assets and other liabilities.

In analyzing the University's assets, the majority (approximately 80 percent) of the University's non-capital assets are investments, with a balance of $777,538,000 and $667,682,000 at the end of Fiscal Year 2004 and 2003, respectively. The University maximizes earnings through an internal pooling program and targeted rates of returns. Given current market conditions, the University has leveraged the investment portfolio and earning power, while ensuring safety and liquidity requirements are also met.

The University's other (non-debt) liabilities are 43 and 47 percent, respectively, of total liabilities with $353,917,000 and $349,117,000 of liabilities at June 30, 2004 and 2003, respectively. These liabilities are comprised of amounts due to vendors and others as categorized in Figure 2. Other liabilities, which have increased by 1 percent in Fiscal Year 2004, are not increasing at a rate faster than overall University growth, which was 5 percent in Fiscal Year 2004 (based on expenses).

The three largest categories of other liabilities are accrued salaries and benefits, accrued compensated absences, and deferred revenue. Accrued salaries and benefits represent amounts earned by University employees but not paid at fiscal year end. The increase in Fiscal Year 2003 of approximately 104 percent is attributable to (then) new State legislation, which delayed the payment of June payroll to the first business day in July. The increase in Fiscal Year 2004 was minor (6 percent) as a result of the University's overall growth. Accrued compensated absences estimate the amount payable to employees in the future for their vested rights under the University's various leave programs. This estimate is based on personnel policies that define the amount of vacation and sick leave to which each employee is entitled. Deferred revenue repre-

The categories and mix of other liabilities has remained stable over the last two years, with a change from Fiscal Year 2002 to Fiscal Year 2003 as a result of new state law that deferred employee payroll from June 30 to July 1.

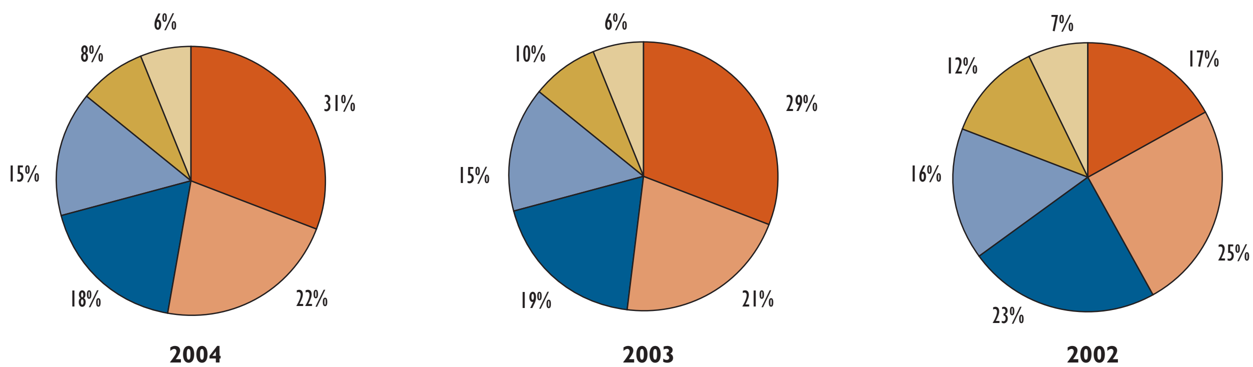


Figure 2. Composition of Other Liabilities as of June 30, 2004, 2003, and 2002 *(all dollars in thousands)*

	2004	2003	2002	Increase (Decrease) 2004 vs 2003 Amount	Percent	2003 vs 2002 Amount	Percent
Accrued Salaries and Benefits	$ 106,774	100,317	49,072	$ 6,457	6.4%	$ 51,245	104.4%
Accrued Compensated Absences	78,384	74,320	71,517	4,064	5.5%	2,803	3.9%
Deferred Revenue	64,258	67,236	66,257	(2,978)	(4.4%)	979	1.5%
Accounts Payable to Vendors	54,147	51,419	46,425	2,728	5.3%	4,994	10.8%
Miscellaneous Liabilities	29,063	34,244	32,996	(5,181)	(15.1%)	1,248	3.8%
Risk Financing Related	21,291	21,581	19,263	(290)	(1.3%)	2,318	12.0%
Total Other Liabilities	$ 353,917	349,117	285,530	$ 4,800	1.4%	$ 63,587	22.3%

sents amounts prepaid by students, auxiliary enterprise customers, grantors and contractors (or amounts received before the University met all of its requirements for earning the amounts). These amounts will be recognized as revenue in future periods after all conditions have been satisfied. Changes between Fiscal Years for both accrued compensated absences and deferred revenue were also minor (no more than 5 percent) and resulted from normal operations.

Net assets may have restrictions imposed by external parties, such as donors, or by their nature are invested in capital assets (property, plant, and equipment). The University's net assets have four categories, as displayed in Figure 1. In Fiscal Year 2004, total assets grew by a greater margin than total liabilities (2 percent) with the University's net assets increasing by 15 percent overall, with growth in all categories. In Fiscal Year 2003, the change in net assets of 9 percent was primarily attributable to the invested in capital assets category only.

Net assets are restricted on a global basis for either expendable or nonexpendable purposes, and then more specifically by programmatic restrictions. The programmatic category of the restriction is shown on the statement of net assets. A nonexpendable restriction requires the original principal to be set aside for perpetual investment (as an endowment). The majority of the endowment assets benefiting the University are held by the University of Colorado Foundation, Inc., which is a discretely presented component unit not included in the above figures but discretely included in the financial statements (Note 20). Unrestricted net assets are usually available for spending for any lawful purpose under the full discretion of management. However, the University has placed some limitations on future use by designating unrestricted net assets for certain purposes (Note 11).

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Figure 3 shows the University's condensed statement of revenues, expenses, and changes in net assets. A key component of this statement is the differentiation of operating and nonoperating activities. Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are paid to acquire or produce goods and services provided in return for operating revenues, and to carry out the mission of the University. Nonoperating revenues are received when goods and services are not provided. Thus, State appropriations are nonoperating because they are provided by the State without the State directly receiving goods and services. For similar reasons, most gifts and investment income are also nonoperating revenues.

State appropriations represent approximately 9 and 12 percent of the University's total revenue (including capital) in Fiscal Years 2004 and 2003, respectively. However, State appropriations combined with gift and investment revenues are necessary to maintain a balanced operation at the University. Since these revenues are not classified as operating, the University (like most public colleges and

Operating revenues have grown at a faster rate than operating expenses due to management cost containment efforts. Nonoperating revenues have experienced favorable increases as a result of our investment strategies. Other revenues have grown as the University invests in its capital assets through governmental and private resources.

Figure 3. Summary of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2004, 2003, and 2002 *(all dollars in thousands)*

				Increase (Decrease)			
				2004 vs 2003		2003 vs 2002	
	2004	2003	2002	Amount	Percent	Amount	Percent
Operating revenues	$ 1,421,580	1,294,429	1,195,157	$ 127,151	9.8%	$ 99,272	8.3%
Operating expenses	1,569,395	1,491,562	1,429,912	77,833	5.2%	61,650	4.3%
Operating Loss	(147,815)	(197,133)	(234,755)	49,318	(25.0%)	37,622	(16.0%)
Nonoperating revenues (net of expenses)	268,369	265,330	260,854	3,039	1.1%	4,476	1.7%
Income before Other Revenues	120,554	68,197	26,099	52,357	76.8%	42,098	161.3%
Other revenues	73,212	35,601	53,894	37,611	105.6%	(18,293)	(33.9%)
Increase in Net Assets	193,766	103,798	79,993	89,968	86.7%	23,805	29.8%
Net assets, beginning of year	1,309,110	1,205,312	1,125,319	103,798	8.6%	79,993	7.1%
Net Assets, end of year	$ 1,502,876	1,309,110	1,205,312	$ 193,766	14.8%	$ 103,798	8.6%

universities) experienced an operating loss; the University's operating loss totaled $147,815,000 and $197,133,000 in Fiscal Years 2004 and 2003, respectively. The downtrend in the operating loss (37 percent from Fiscal Year 2004 to Fiscal Year 2002) is reflective of the State's declining support to the University.

This classification creates a need to consider not just the operating loss but also the net income before other revenues in determining the University's overall financial health. For Fiscal Years 2004 and 2003, a net income before other revenues of $120,554,000 and $68,197,000, respectively, presents the complete picture of educational and research activities of the University. It provides a full match between the source of revenues and the related expenses.

Figure 4 provides a graphic display of operating and nonoperating revenues by major sources. These sources include both State-appropriated and non-appropriated funds (Note 13). Appropriated funds include both state appropriations and certain cash funds, including tuition. The ability of the Regents to increase tuition rates is limited by the State. However, increases in tuition revenue due to student growth are not directly restricted.

As illustrated in Figure 4, the University experienced increases in most operating revenue sources, specifically tuition and fees, grants and contracts, and health services,

The University has experienced steady growth in all categories of operating revenues and investment income whereas state appropriations have been significantly reduced over the last three fiscal years.

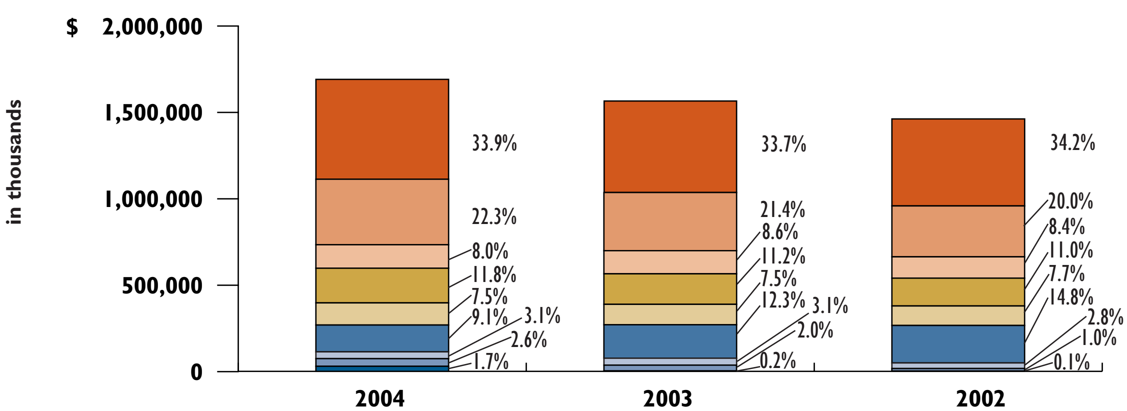


Figure 4. Operating and Nonoperating Revenues for years ended June 30, 2004, 2003, and 2002 *(all dollars in thousands)*

	2004	2003	2002	Increase (Decrease) 2004 vs 2003 Amount	2004 vs 2003 Percent	2003 vs 2002 Amount	2003 vs 2002 Percent
Operating Revenues							
Grants and contracts	$ 577,672	529,408	503,343	$ 48,264	9.1%	$ 26,065	5.2%
Student tuition and fees, net	379,103	336,321	294,560	42,782	12.7%	41,761	14.2%
Other operating	135,851	133,878	123,385	1,973	1.5%	10,493	8.5%
Health services	200,819	176,500	160,978	24,319	13.8%	15,522	9.6%
Auxiliary enterprises, net	128,135	118,322	112,891	9,813	8.3%	5,431	4.8%
Total Operating Revenues	1,421,580	1,294,429	1,195,157	127,151	9.8%	99,272	8.3%
Nonoperating Revenues							
State appropriations	155,173	193,628	216,884	(38,455)	(19.9%)	(23,256)	(10.7%)
Gifts	51,983	48,715	41,188	3,268	6.7%	7,527	18.3%
Investment income, net	44,383	33,500	14,695	10,883	32.5%	18,805	128.0%
Other nonoperating, net	29,513	2,528	1,646	26,985	1,067.4%	882	53.6%
Total Nonoperating Reveues	281,052	278,371	274,413	2,681	1.0%	3,958	1.5%
Total Revenues (noncapital)	$ 1,702,632	1,572,800	1,469,570	$ 129,832	8.3%	$ 103,230	7.0%

in Fiscal Years 2004 and 2003. The increase in tuition and fees revenues reflects both enrollment and approved rate increases. (Trend analysis of both factors are included in Figures 13 and 14 toward the end of this discussion.) Consistent with the University's goal to increase its focus and national role as a research institution, the University increased grants and contracts revenue by 9 and 5 percent in Fiscal Years 2004 and 2003, respectively. The University achieved a ranking (in 2004) as the sixth and first highest in federal expenditures among research institutions in the nation from the National Science Foundation and National Aeronautics Space Administration, respectively. The majority of health services represents medical practice plan revenues earned through the blended component unit University Physicians, Incorporated (Note 1). The practice plan growth results from renegotiated payer fees and additional service contracts in Fiscal Year 2004.

The majority of nonoperating revenues are comprised of three sources: State appropriations, gift revenue, and investment income. In Fiscal Years 2004 and 2003, the University experienced decreases in State appropriations of $38,455,000 and $23,256,000, respectively, or 20 and 11 percent, respectively. This decrease was the third cut of State appropriations experienced in the last three fiscal years as the State is challenged with an economic downturn. The decrease resulted in the Fiscal Year 2004 State appropriations being approximately equal to the amount received by the University in 1989 (on a constant dollar basis). As a result of concluding a major campaign in Fiscal Year 2003, the University saw an increase of non-capital gift revenues of approximately 18 percent or $7,527,000. The increased levels of gifts were maintained in Fiscal Year 2004. Investment income increased by $10,883,000 and $18,805,000 or 33 percent and 128 percent in Fiscal Years 2004 and 2003, respectively. In Fiscal Year 2004, the investment income increase was comprised of unrealized gains whereas in Fiscal Year 2003, the increase was realized gains that were a recovery of the previous year's unrealized losses (incurred due to the nation's economic downturn). In addition to these three components, in Fiscal Year 2004 the University recognized a (one-time, net) technology transfer settlement of approximately $28,306,000 as non-operating revenues. The technology transfer settlement provided compensation to the University for third-party use of a University developed and owned patent for the past two decades (or reimbursed the University for past unpaid patent fees).

In addition to operating and nonoperating revenues, the University had capital revenues in the amounts depicted in Figure 5. The University experienced a 34 percent decrease in Fiscal Year 2003. This decrease is attributable to the completion of privately funded construction projects at UCHSC's Fitzsimons campus (see completed projects in Figure 8 in the following section). Approximately $10,000,000 of the increase in Fiscal Year 2004 was attributable to additional Fitzsimons projects. The largest factor contributing to the University's Fiscal Year 2004 growth in capital revenues was the receipt of equipment related to a federal-sponsored research program valued at approximately $50,108,000. Offsetting the increase in capital grants and gifts, there has been a steady decline in capital appropriations over the last three fiscal years, similar to State appropriations for operations.

The programmatic uses of expenses are displayed in Figure 6, which demonstrates the programmatic focus is basically unchanged over the past three fiscal years while the programs overall have grown. Due to decreasing State support, management implemented cost management measures in Fiscal Year 2003 and continued these efforts in Fiscal Year 2004. The objectives of such measures were to expand programmatic costs to meet increased demand for services, while limiting increases in support services costs. As a result, in Fiscal Years 2004 and 2003, the University experienced a general increase in total operating expenses approximating 5 and 4 percent, respectively, which is primarily attributable to the expansion of the

The University received a one-time contribution of equipment related to a federal-sponsored research program in Fiscal Year 2004, which is the primary factor contributing to the capital revenue increase. Similar to state appropriations for operations, the capital appropriations have been significantly reduced over the last three fiscal years.

Figure 5. Capital Revenues for years ended June 30, 2004, 2003, and 2002 *(all dollars in thousands)*

					Increase (Decrease)			
					2004 vs 2003		2003 vs 2002	
		2004	2003	2002	Amount	Percent	Amount	Percent
Grants and gifts	$	70,451	25,806	41,541	$ 44,645	173.0%	$ (15,735)	(37.9%)
Appropriations		2,744	9,734	12,344	(6,990)	(71.8%)	(2,610)	(21.1%)
Total Capital Revenues	**$**	**73,195**	**35,540**	**53,885**	**$ 37,655**	**106.0%**	**$ (18,345)**	**(34.0%)**

University's research and health services programs. Consistent with the growth in research revenue, research expenses grew at a rate of 11 and 7 percent in Fiscal Years 2004 and 2003, respectively, which is a faster rate than other programs. Health services expenses grew consistent with the corresponding revenues reflecting the increased faculty effort on these clinical programs.

In Fiscal Year 2004, depreciation expense increased by \$20,155,000 due to two factors. First, the University recognized additional depreciation of approximately \$8,529,000 related to the change in estimated useful lives for the buildings and improvements on the UCHSC's 9th Avenue campus. The change in life was triggered by the State legislative requirement that the Regents approve a third-party master developer agreement to carry out the sale and redevelopment of the campus by June 30, 2006. The current plans indicate that the 9th Avenue campus will no longer be in use by Fiscal Year 2008. Second, depreciation expense increased as the result of the new acquisitions of capital assets (discussed more in the following section).

CAPITAL ASSET AND DEBT MANAGEMENT

The University had \$2,092,867,000 and \$1,874,008,000 of plant, property, and equipment at June 30, 2004 and 2003, respectively, offset by accumulated depreciation of \$745,971,000 and \$673,885,000, respectively. The major categories of plant, property, and equipment at June 30, 2004 and 2003 are displayed in Figure 7. Related depreciation charges of \$88,535,000 and \$68,380,000, were recognized in the Fiscal Years 2004 and 2003, respectively. Detailed financial activity related to the changes in Capital Assets is presented in Note 5.

The University's focus on programs (as illustrated by its expense categories) has remained stable over the last three fiscal years as overall the programs have grown.

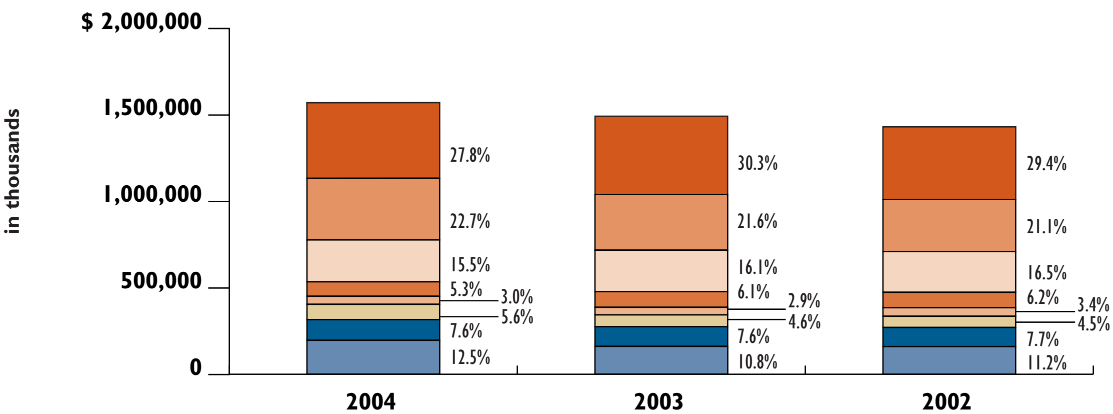


Figure 6. Expense Program Categories for years ended June 30, 2004, 2003 and 2002 *(all dollars in thousands)*

				Increase (Decrease)			
				2004 vs 2003		2003 vs 2002	
	2004	2003	2002	Amount	Percent	Amount	Percent
Instruction	$ 436,598	452,457	419,561	$ (15,859)	(3.5%)	$ 32,896	7.8%
Research	356,280	321,743	301,326	34,537	10.7%	20,417	6.8%
Academic, Institutional, and Plant Support	242,129	239,656	235,346	2,473	1.0%	4,310	1.8%
Student Aid and Other Services	83,439	90,670	89,343	(7,231)	(8.0%)	1,327	1.5%
Public Service	46,568	43,764	49,244	2,804	6.4%	(5,480)	(11.1%)
Total Education and General	1,165,014	1,148,290	1,094,820	16,724	1.5%	53,470	4.9%
Depreciation	88,535	68,380	64,737	20,155	29.5%	3,643	5.6%
Auxiliary enterprises	119,453	113,818	110,530	5,635	5.0%	3,288	3.0%
Health services	196,372	161,014	160,095	35,358	22.0%	919	0.6%
Miscellaneous	21	60	(270)	(39)	(65.0%)	330	122.2%
Total Operating Expenses	**$ 1,569,395**	**1,491,562**	**1,429,912**	**$ 77,833**	**5.2%**	**$ 61,650**	**4.3%**

In Fiscal Years 2004 and 2003, the University put into service capital construction projects of $336,918,000 and $154,695,000, respectively. In addition, another $68,302,000 and $266,091,000 of construction activity was in progress at June 30, 2004 and 2003, respectively. Major projects are detailed in Figure 8.

The University plans to continue its investment in property, plant and equipment with an approved Fiscal Year 2005 capital projects budget of $225,446,000 (excluding the UCHSC Fitzsimons Campus Academic Expansion described below). Of this budget amount, $29,244,000 is related to continuing projects (described in Figure 8). New projects included in the Fiscal Year 2005 budget are detailed in Figure 9. There is no State support available for construction projects. Therefore, all of these projects will be funded by existing resources of the campuses or through additional financing to be issued in Fiscal Year 2005.

In addition to the authorized budget above, the Regents have authorized the construction of educational buildings at the UCHSC Fitzsimons campus, detailed in Figure 10. The financing for these buildings will be provided by the State. In Fiscal Year 2003, the State (not the University) received legislative authorization for the issuance of a lease-purchase agreement not to exceed $202,876,000, which will be collaterized by these University's buildings. The target issuance date is the last quarter of Fiscal Year 2005, pending the resolution of certain legal challenges. The construction project schedules have various completion dates through Fiscal Year 2008.

As discussed previously, as a condition of receiving the Fitzsimons lease purchase agreement funding from the State, the UCHSC was required to sell for redevelopment the land and buildings located at the 9th Avenue campus. Therefore, the University is required to enter into a third-party master development agreement to carry out the sale and redevelopment of the 9th Avenue campus by June 30, 2006.

As a result of the University's efforts to identify alternative financing sources for its capital improvements to offset the lack of State capital support, the University financed the capital projects detailed in Figure 11 during the Fiscal Years 2004 and 2003.

The University's completed significant construction projects in Fiscal Year 2004 continue its trend of physical facility investment.

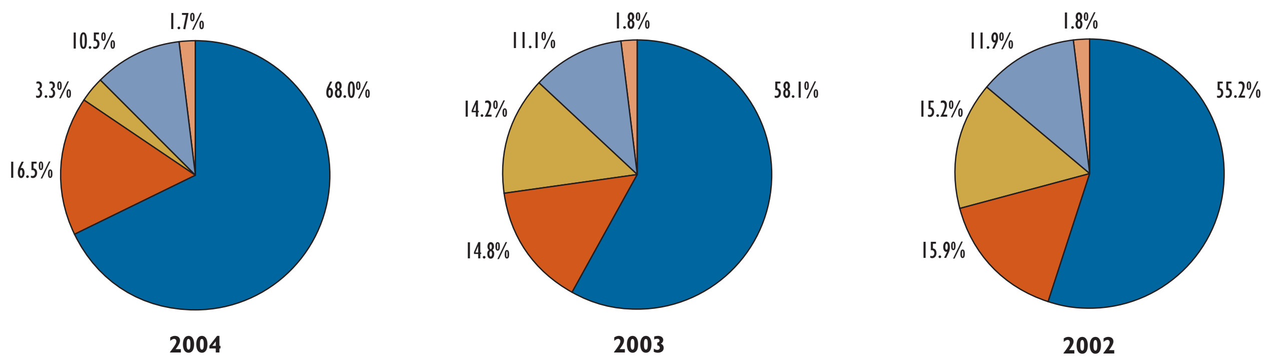


Figure 7. Capital Asset Categories (before depreciation) for years ended June 30, 2004, 2003, and 2002
(all dollars in thousands)

				Increase (Decrease)			
				2004 vs 2003		2003 vs 2002	
	2004	2003	2002	Amount	Percent	Amount	Percent
Buildings and Improvements	$ 1,422,943	1,088,366	901,540	$ 334,577	30.7%	$ 186,826	20.7%
Equipment	345,047	276,933	259,368	68,114	24.6%	17,565	6.8%
Construction in progress	68,302	266,091	249,200	(197,789)	(74.3%)	16,891	6.8%
Library and other collections	220,061	208,697	194,949	11,364	5.4%	13,748	7.1%
Land	36,514	33,921	29,205	2,593	7.6%	4,716	16.1%
	$ 2,092,867	1,874,008	1,634,262	$ 218,859	11.7%	$ 239,746	14.7%

Figure 8. Current Construction Project Details *(in thousands)*

Campus/Project Description	Fiscal Year Completed	Financing Sources	Value*
CU-Boulder:			
• Improvement to its student union (University Memorial Center), which increased space for the bookstore and dining facilities, and provides student offices and meeting space as well as conference facilities.	2003	Bond proceeds	$ 29,218
• Renovation to the Porter Biosciences building to update the facility.	2003	State appropriations and campus resources	18,638
• Construction of the Discovery Learning Center to create an integrated instructional laboratory for the Engineering Department.	2003	State appropriations and private gifts	16,503
• An extensive renovation to student housing centers, which has been segregated into the following phases:		Bond proceeds and campus cash resources	
– Phase I	2003		14,857
– Phase II	2004		5,704
– Future Phases	In progress		35,500
• Folsom Stadium improvements to enlarge the east side of the stadium, add a first floor concourse and facilities management shop space, resulting in increased seating capacity.	2004	Bond proceeds	45,574
• CU-Boulder purchase of the Center for Innovation and Creativity, a new research laboratory building	2004	Bond proceeds	8,200
UCHSC:			
• The Nighthorse Campbell Native Health Building, the first completed University-owned facility at Fitzsimons.	2003	Primarily federal grants	10,367
• Central Utility Plant for the Fitzsimons campus.	2003	Capital lease	27,805
• State-of-the art biomedical research facilities with research laboratory modules, lab support space, research offices, and academic auditorium space:		Bond proceeds, federal awards, gift and campus cash resources	
– Research Complex I	2004		214,688
– Research Complex II	In Progress		205,970
• Administration building for University Physicians, Inc.	2004	Bond proceeds	20,500
• Oral Health Building (Fitzsimons) to provide space for patient care and instruction.	In progress	Private resources and Certificates of Participation (COP) proceeds	34,400
• Barbara Davis Center for Childhood Diabetes (Fitzsimons) providing clinical, research, and educational space.	In progress	Private donations, federal grants, and bond proceeds	34,432
CU-Colorado Springs:			
• Library addition to provide expanded capacity and updated resources.	2003	State appropriations	26,912
• Complete renovation project of buildings providing student support and administrative space. This project was state funded and was temporarily suspended in Fiscal Year 2002 due to State budget shortfalls. In Fiscal Year 2003, the buildings were separated into two distinct projects:		State appropriations supplemented with the following:	
– Main Hall	2003	Campus resources	12,449
– Cragmor	2004	COP proceeds	3,500
• University Hall, new building providing additional office, educational, and laboratory space primarily for the nursing and engineering programs.	2004	COP proceeds	7,925
• Additional housing facilities to address the campus's growing student housing needs.	In progress	Campus cash resources	17,184
• Parking facility to address the campus's growing needs, with office space for the campus public safety office.	In Progress	Bond proceeds	6,829

* Value represents actual costs for completed projects and budgeted costs for projects in progress.

At June 30, 2004 and 2003, the University had debt (or similar long-term obligations) of $465,960,000 and $387,418,000, respectively, in the categories illustrated in Figure 12 (excludes notes payable which represent less than 1 percent). More detail about the University's debt is included in Note 9.

The University Board of Regents (the Regents) has adopted a debt management policy that includes limitations on the use of external debt. A component of this policy is debt capacity, which is the calculated ratio of our debt service requirement as compared to certain unrestricted revenues. The University was able to minimize financing costs due to current market conditions and by maintaining a bond rating of AA- and Aa3 (Standard & Poors and Moody's, respectively). The University increased its outstanding debt by approximately 20 and 9 percent in Fiscal Years 2004 and 2003, respectively, while maintaining its debt capacity limits.

WHERE DO WE GO FROM HERE?

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Three legal events occurred in (calendar year) 2004 that should affect the University's future: Enterprise Status, College Opportunity Fund, and the CU-Denver and UCHSC campuses consolidation.

State legislation (passed in Fiscal Year 2004) provided higher education institutions in the State of Colorado the ability to designate themselves as Enterprises under the State's Constitution Section 20, commonly referred to as Taxpayer's Bill of Rights (TABOR), given the institution met the stated qualifications. The University qualified as an Enterprise, because it is a government-owned business with legal authority to issue revenue bonds. In addition, the University was required to receive (and expect to continue to receive) less than 10 percent (in relation to total revenues) in support from the State. In Fiscal Years 2004 and 2005, the University received (based on actuals) or is

The University is continuing its trend of investing in physical facilities in Fiscal Year 2005 through different financing mechanisms.

Figure 9. Fiscal Year 2005 Planned Capital Projects
(in thousands)

CU-Boulder addition to the Laboratory for Atmospheric and Space Physics Space Technology Research Center	$	13,022
CU-Boulder Wolf Law Building		46,350
CU-Boulder Alliance for Teaching, Learning, and Society (ATLAS) Center		29,995
CU-Colorado Springs new building for Science and Engineering (Phase I)		23,200
UCHSC Fitzsimons renovations and infrastructure		14,358
UCHSC Fitzsimons parking facility		23,000

Figure 10. UCHSC Fitzsimons Campus Academic Expansion *(in thousands)*

Academic Office Facilities	$	71,319
Education Facility II and Bridge		46,464
Fitzsimons Library		34,999
Education Facility 1B		32,581
Facility Support		15,707
Environmental Health and Safety II		1,806
Total cost to be financed with State of Colorado Lease Purchase Agreements	$	**202,876**

Figure 11. Capital Projects Financed by Debt
(in thousands)

Issuance Description	Construction Project (See Figure 8 for Project Description)		Allocated Proceeds
2004 Revenue Bonds:			
• UCHSC Research Complex I		$	31,660
• CU-Boulder Center for Innovation and Creativity			6,600
• CU-Colorado Springs Parking			6,000
• UCHSC Barbara Davis Center for Childhood Diabetes			20,000
	Total 2004 Revenue Bonds issuance		64,260
2003 Revenue Bonds:			
• UPI Administration Building			20,500
2004 Certificates of Participation:			
• UCHSC Oral Health Building			25,000
• CU-Colorado Springs University Hall			7,925
• CU-Colorado Springs Cragmor Building			2,550
	Total 2004 Certificates of Participation Issuance		35,475
2003 Capital Leases:			
• UCHSC Central Utility Plant			27,805

The University's overall bonds and lease obligations have grown over the last three years as the University has financed its capital investments, resulting in a more even distribution mix within the types of bonds and lease obligations.

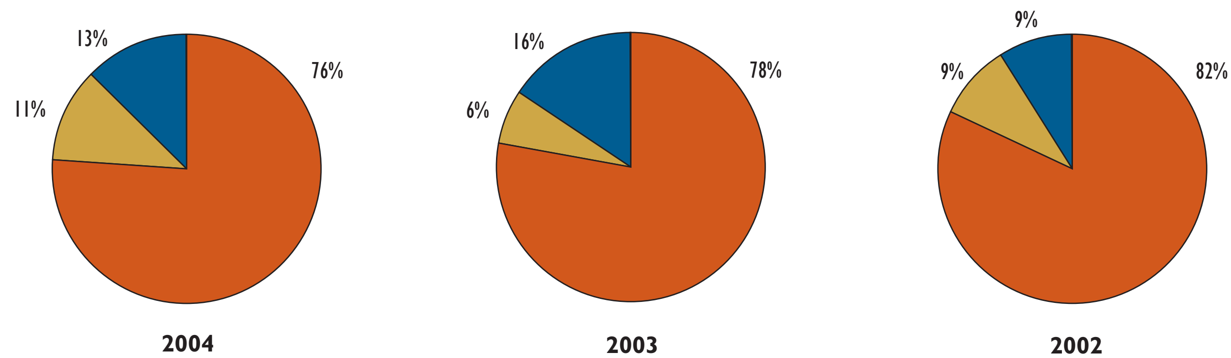


Figure 12. Debt Categories for years ended June 30, 2004, 2003 and 2002 *(all dollars in thousands)*

	2004	2003	2002	Increase (Decrease) 2004 vs 2003 Amount	2004 vs 2003 Percent	2003 vs 2002 Amount	2003 vs 2002 Percent
Revenue Bonds	$ 354,517	301,627	290,655	$ 52,890	17.5%	$ 10,972	3.8%
Certificates of Participation	52,725	25,240	32,175	27,485	108.9%	(6,935)	(21.6%)
Other Capital Lease Obligations	58,386	60,204	31,453	(1,818)	(3.0%)	28,751	91.4%
Notes Payable	332	347	400	(15)	(4.3%)	(53)	(13.3%)
Total Long-term Debt	$ 465,960	387,418	354,683	$ 78,542	20.3%	$ 32,735	9.2%

expected to receive (based on budget) approximately 9 and 8 percent, respectively, in State support. The Regents approved the Enterprise designation for Fiscal Year 2005 and future years in July 2004 and received validation of its status from the State's Legislative Audit Committee in August 2004 (pending final determination at end of Fiscal Year 2005). The future benefit to be received from the Enterprise designation is greater management flexibility. The immediate benefit is the exclusion of tuition revenue from the State's TABOR spending limits, thus providing greater flexibility to the State Legislature and the Regents in establishing the University's tuition rates.

The same 2004 legislation provided for a change in the funding mechanism of higher education institutions beginning in July 2005. The State will no longer provide State appropriations directly to public institutions of higher education. The College Opportunity Fund has been established by the State to provide funding via stipends to qualified undergraduate students; the receiving students will then use the stipends to pay a portion of their tuition. In addition, the State's Commission on Higher Education (CCHE) will purchase certain educational services, including graduate and specialized education such as law and medicine, from public higher education institutions. The State's current projections (models prepared by CCHE) estimate that these funding mechanism changes will have a neutral impact on the University's future funding.

To be eligible for participation in either the College Opportunity Fund or the educational service contracts with CCHE, the University will be required to negotiate a performance contract with CCHE. The purpose of the performance contract is to increase the accountability of the University to its constituents. The University began negotiating the performance contract with CCHE during the fall of 2004.

Effective July 1, 2004, the Regents approved the consolidation of the CU-Denver and UCHSC into a single major urban research university. The new campus, UCDHSC, will maintain separate facilities in the Denver/Aurora Metropolitan area (or the Downtown Denver, Fitzsimons, and 9th Avenue campuses). The primary goal is to open collaborations in education, research, and community partnerships while increasing access for students and offering innovative opportunities across various disciplines.

All three events will shape the University's future and need to be monitored closely to ensure positive outcomes. However, except in relation to tuition, these events are not expected to have a direct impact on the University's financial position in Fiscal Year 2005.

Figure 13. Average Tuition and Fees Rate Increases*

	2005	2004	2003
Residents	8.7%	10.3%	8.4%
Non-Residents	7.0%	6.0%*	6.2%

*Actual tuition rate increases varied by campus and school.

Due to the Enterprise designation, the State Legislature established the University's tuition rates at a higher level than the rest of the public institutions in the State. Figure 13 depicts the three-year trend of tuition and fee rates increases.

Another factor in the University's ability to generate tuition and fees (and its overall economic position) relates to its ability to recruit and retain high quality students. As depicted in Figure 14, student enrollment (headcount) continues to increase.

For the third year, the State has experienced limited economic growth with no reduction in demand for services. The current economic projections do not forecast a substantially different trend for the near future. However, after two years of double-digit reductions in State appropriations to the University, the Fiscal Year 2005 appropriation is almost equal to the Fiscal Year 2004 appropriation. The State appropriations (for operations) for Fiscal Year 2005 are currently set at approximately $150,673,000, a decrease of $4,500,000 from Fiscal Year 2004. The decrease in appropriation was the direct result of the Enterprise designation.

In addition, no new capital (State-funded) appropriations were made for Fiscal Year 2005 (except for the lease purchase agreements rental payments related to Fitzsimons).

The University continues to wrestle with the implications of a slow economic recovery in the State and reduced State funding. However, the University had an increase in net assets of $193,766,000 over the last fiscal year, despite the current economic environment. To date in Fiscal Year 2005, the University continues to have growth in research (13 percent) and receive a larger number of students applying than can be accepted (46 percent). The University has budgeted for Fiscal Year 2005 to continue its prudent use of resources, alternative financing for capital projects, and cost containment strategies. The 15 and 9 percent growth in net assets in Fiscal Years 2004 and 2003, respectively, (both of which were periods of declining State support and economic weakness) illustrates the University's financial position. As demonstrated by the University's financial monitoring processes, management will continue to maintain a close watch over resources to ensure the ability to react to unknown internal and external issues and maintain this financial position.

The University's overall student enrollment has been steadily increasing over the last three years. Therefore, CU-Boulder limited its enrollment in Fall 2004 to ensure enrollment did not exceed its capacity for quality services.

Figure 14. Fall Enrollment Figures

	2004 Estimated	2003 Actual	2002 Actual	Increase '03–'04	Increase '02–'03	Two-Year Increase
CU-Boulder	29,780	29,830	28,650	(0.2%)	4.1%	3.9%
UC-HSC	2,630	2,570	2,480	2.3%	3.6%	6.0%
CU-Denver	12,080	11,970	11,760	0.9%	1.8%	2.7%
CU-Colorado Springs	7,810	7,650	7,410	2.1%	3.2%	5.4%
Total CU	52,300	52,020	50,300	0.5%	3.4%	3.9%

UNIVERSITY OF COLORADO
FINANCIAL STATEMENTS
June 30, 2004 and 2003

UNIVERSITY OF COLORADO
STATEMENTS OF NET ASSETS
June 30, 2004 and 2003 (*in thousands*)

	2004		2003	
	University	*Component Units*	*University*	*Component Units*
Assets				
Current Assets				
Cash and cash equivalents	$ 12,263	11,553	12,899	9,074
Investments	151,244	364	160,778	277
Accounts, contributions, and loans receivable, net	134,214	21,143	114,414	14,646
Inventories	7,540	–	7,762	–
Other assets	3,978	445	4,983	218
Total Current Assets	**309,239**	**33,505**	**300,836**	**24,215**
Noncurrent Assets				
Investments	626,294	614,169	506,904	539,057
Accounts, contributions, and loans receivable, net	33,481	49,635	32,345	65,781
Other assets	6,843	1,462	5,437	1,515
Capital assets, net	1,346,896	83,582	1,200,123	62,385
Total Noncurrent Assets	**2,013,514**	**748,848**	**1,744,809**	**668,738**
Total Assets	**$ 2,322,753**	**782,353**	**2,045,645**	**692,953**
Liabilities				
Current Liabilities				
Accounts payable	$ 54,147	3,855	51,419	3,831
Accrued expenses	109,112	–	108,492	–
Accrued compensated absences	5,487	–	6,175	–
Deferred revenue	57,169	1,024	59,861	853
Bonds, notes, and leases payable	22,404	301	18,921	287
Split-interest agreements	–	3,249	–	2,978
Custodial funds	–	3,697	–	4,549
Other liabilities	33,486	765	32,746	588
Total Current Liabilities	**281,805**	**12,891**	**277,614**	**13,086**
Noncurrent Liabilities				
Accrued compensated absences	72,897	–	68,145	–
Deferred revenue	7,089	873	7,375	1,070
Bonds, notes, and leases payable	443,556	75,233	368,497	75,539
Split-interest agreements	–	27,361	–	31,440
Custodial funds	–	74,909	–	52,200
Other liabilities	14,530	4,414	14,904	8,581
Total Noncurrent Liabilities	**538,072**	**182,790**	**458,921**	**168,830**
Total Liabilities	**$ 819,877**	**195,681**	**736,535**	**181,916**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF NET ASSETS
June 30, 2004 and 2003 (*in thousands*)

	2004		2003	
	University	*Component Units*	*University*	*Component Units*
Net Assets				
Invested in capital assets, net of related debt	$ 910,007	8,048	825,653	(13,441)
Restricted for nonexpendable purposes (endowments)				
Instruction	–	82,339	–	73,982
Research	3,049	14,150	1,253	13,796
Academic support	12,653	16,627	8,420	15,438
Capital and other	2,965	7,652	5,941	8,671
Scholarships and fellowships	13,817	55,837	10,828	60,000
Total restricted for nonexpendable purposes	32,484	176,605	26,442	171,887
Restricted for expendable purposes				
Instruction	14,701	123,351	13,687	105,625
Research	12,461	49,754	17,954	42,049
Academic support	5,164	33,871	8,138	32,784
Student loans and services	40,481	–	40,984	–
Capital	11,830	68,090	8,027	75,424
Scholarships and fellowships	11,189	86,551	9,636	64,463
Auxiliary enterprises	97,201	–	70,496	–
Other	9,488	3,826	14,519	3,665
Total restricted for expendable purposes	202,515	365,443	183,441	324,010
Unrestricted	357,870	36,576	273,574	28,581
Total Net Assets	**$ 1,502,876**	**586,672**	**1,309,110**	**511,037**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended June 30, 2004 and 2003 (*in thousands*)

	2004		2003	
	University	*Component Units*	*University*	*Component Units*
Operating Revenues				
Student tuition (net of scholarship allowances of $43,093 in 2004 and $41,756 in 2003)	$ 342,428	–	303,247	–
Student fees (net of scholarship allowances of $5,088 in 2004 and $4,437 in 2003; pledged revenues of $4,457 in 2004 and $2,156 in 2003)	36,675	–	33,074	–
Federal grants and contracts (pledged revenues of $100,638 in 2004 and $91,465 in 2003)	502,627	–	458,963	–
State and local grants and contracts (pledged revenues of $4,130 in 2004 and $3,832 in 2003)	24,478	–	27,061	–
Nongovernmental grants and contracts	50,567	–	43,384	–
Sales and services of educational departments (pledged revenues of $6,065 in 2004 and $3,485 in 2003)	96,120	–	91,158	–
Auxiliary enterprises (net of scholarship allowances of $1,941 in 2004 and $2,126 in 2003; pledged revenues of $30,133 in 2004 and $13,971 in 2003)	128,135	–	118,322	–
Health services (pledged revenues of $178 in 2004)	200,819	–	176,500	–
Contributions	–	86,296	–	76,839
Other operating revenues (pledged revenues of $1,910 in 2004 and $2,156 in 2003 for University)	39,731	20,254	42,720	10,896
Total Operating Revenues	**1,421,580**	**106,550**	**1,294,429**	**87,735**
Operating Expenses				
Education and General				
Instruction	436,598	–	452,457	–
Research	356,280	–	321,743	–
Public service	46,568	–	43,764	–
Academic support	83,264	–	85,589	–
Student services	57,801	–	60,524	–
Institutional support	76,504	98,723	77,418	96,890
Operation and maintenance of plant	82,361	–	76,649	–
Student aid	25,638	–	30,146	–
Total Education and General expenses	1,165,014	98,723	1,148,290	96,890
Depreciation	88,535	2,024	68,380	1,213
Auxiliary enterprises	119,453	–	113,818	–
Health services, net	196,372	–	161,014	–
Other operating expenses	21	–	60	–
Total Operating Expenses	**1,569,395**	**100,747**	**1,491,562**	**98,103**
Operating Income (Loss)	**$ (147,815)**	**5,803**	**(197,133)**	**(10,368)**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years Ended June 30, 2004 and 2003 (*in thousands*)

	2004		2003	
	University	*Component Units*	*University*	*Component Units*
Nonoperating Revenues (Expenses)				
State appropriations	$ 155,173	–	193,628	–
Gifts	51,983	–	48,715	–
Investment income (net of investment expenses of $5,258 in 2004 and $3,106 in 2003; pledged revenues of $125 in 2004 and $47 in 2003 for the University)	44,383	73,732	33,500	16,166
Gain (loss) on disposal of capital assets	258	–	(4,411)	–
Interest expense on capital asset related debt	(12,941)	(3,900)	(8,630)	(3,954)
Other nonoperating revenues (net of expenses of $35,283 in 2004 and $4,063 in 2003; pledged revenues of $15 in 2003)	29,513	–	2,528	–
Net Nonoperating Revenues	**268,369**	**69,832**	**265,330**	**12,212**
Income Before Other Revenues	**120,554**	**75,635**	**68,197**	**1,844**
Capital appropriations	2,744	–	9,734	–
Capital grants and gifts	70,451	–	25,806	–
Additions to permanent endowments	17	–	61	–
Total Other Revenues	**73,212**	**–**	**35,601**	**–**
Increase in Net Assets	**193,766**	**75,635**	**103,798**	**1,844**
Net Assets, beginning of year	1,309,110	511,037	1,205,312	509,193
Net Assets, end of year	**$ 1,502,876**	**586,672**	**1,309,110**	**511,037**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2004 and 2003 (*in thousands*)

	2004	2003
	University	
Cash Flows from Operating Activities		
Tuition and fees	$ 382,295	335,315
Grants and contracts	556,797	520,792
Payments to suppliers	(385,476)	(356,359)
Payments for utilities	(37,899)	(31,852)
Payments to employees	(858,066)	(790,768)
Payments for benefits	(165,305)	(160,553)
Payments for scholarships and fellowships	(24,268)	(28,854)
Loans issued to students and employees	(10,164)	(7,052)
Collection of loans to students and employees	9,470	9,517
Auxiliary enterprise charges	123,268	171,607
Sales and services of educational departments	96,254	91,734
Patient services	199,540	129,653
Other receipts	68,060	47,027
Total Cash Flows Used by Operating Activities	**(45,494)**	**(69,793)**
Cash Flows from Noncapital Financing Activities		
State appropriations	155,173	193,628
Gifts and grants for other than capital purposes	52,666	48,531
Endowment additions	17	61
William D. Ford direct lending receipts	90,420	82,434
William D. Ford direct lending disbursements	(90,393)	(82,506)
PLUS loans receipts	39,402	32,191
PLUS loans disbursements	(39,371)	(32,188)
Agency transactions	313	1,105
Other payments	–	(557)
Total Cash Flows Provided by Noncapital Financing Activities	**208,227**	**242,699**
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	101,709	20,500
Capital grants and gifts received	70,451	25,806
Proceeds from sale of capital assets	6,096	536
Purchases and construction of capital assets	(166,911)	(183,267)
Principal paid on capital debt	(23,319)	(18,211)
Interest paid on capital debt	(21,410)	(20,211)
Total Cash Flows Used by Capital and Related Financing Activities	**(33,384)**	**(174,847)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	3,373,034	2,299,845
Interest on investments	17,651	33,103
Investment management fees paid	(5,258)	(3,106)
Purchase of investments	(3,515,412)	(2,328,952)
Total Cash Flows Provided (Used) by Investing Activities	**(129,985)**	**890**
Net Decrease in Cash and Cash Equivalents	(636)	(1,051)
Cash and Cash Equivalents, beginning of year	12,899	13,950
Cash and Cash Equivalents, end of year	**$ 12,263**	**12,899**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2004 and 2003 (*in thousands*)

		2004	2003
		University	
Reconciliation of net operating loss to net cash used by operating activities:			
Operating loss	$	(147,815)	(197,133)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense		88,535	68,380
Provision for doubtful receivables		2,116	367
Receipts of items classified as nonoperating revenues		30,109	4,244
Changes in assets and liabilities			
Receivables		(21,564)	(986)
Loans to students and employees		(1,626)	1,616
Inventories		222	363
Other assets		512	(960)
Accounts payable		2,645	1,034
Accrued expenses		794	47,670
Deferred revenue		(2,979)	979
Accrued compensated absences		4,064	2,658
Other liabilities		(507)	1,975
Net Cash Used by Operating Activities	**$**	**(45,494)**	**(69,793)**

Noncash Transactions			
Donations, lease-financed acquisitions, or state funded acquisitions of capital assets	$	55,991	49,396

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNANCE

The University of Colorado (the University) is a comprehensive degree-granting research university in the State of Colorado. It is governed by a nine-member Board of Regents (the Regents) elected by popular vote in the State of Colorado's (the State) general elections. Serving staggered six-year terms, one member is elected from each of the State's seven congressional districts with two Regents elected from the State at large. The University comprises the system offices and the following four accredited campuses, each with its unique mission as detailed below:

- University of Colorado at Boulder (CU-Boulder)

  Established in 1861, CU-Boulder is a comprehensive graduate research university (with selective admission standards) offering a comprehensive array of undergraduate, master's, and doctoral degree programs.
- University of Colorado Health Sciences Center (UCHSC)

  Established in 1883, UCHSC offers specialized baccalaureate, first-professional, master's, and doctoral degree programs in health-related disciplines and professions.
- University of Colorado at Denver (CU-Denver)

  Established as a separate campus in 1974, CU-Denver is an urban comprehensive undergraduate and graduate research university (with selective admission standards) serving the needs of the Denver metropolitan area.
- University of Colorado at Colorado Springs (CU-Colorado Springs)

  Established as a separate campus in 1965, CU-Colorado Springs is a comprehensive baccalaureate university (with selective admission standards).

To accomplish these roles, the University's 2,780 full-time instructional faculty serve more than 52,000 students through more than 200 degree programs in 30 schools and colleges. Additionally, the University offers more than 250 online courses and a variety of continuing education classes.

BASIS OF PRESENTATION AND FINANCIAL REPORTING ENTITY

Blended Component Units

In accordance with Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* (GASB Statement No. 14), the University's financial reporting entity includes the consolidated operations of the University and all related entities for which the University is financially accountable, referred to as blended component units. As defined in GASB Statement No. 14, financial accountability may stem from the University's ability to appoint a majority of the governing board of the related organization, its ability to impose its will on the related organization, its ability to access assets or its responsibility for debts of the related organization. The University has the following blended component units:

- Buffalo Power Corporation

  Established in 1991, Buffalo Power is a Colorado nonprofit corporation organized to facilitate the construction and financing of a cogeneration plant project. The project is designed to supply steam and electric power to CU-Boulder. Excess electricity produced by the project is sold to third parties. Buffalo Power Corporation's directors are appointed by the Regents.
- The University of Colorado Finance Corporation

  Established in 1998 by the University, the Finance Corporation is a Colorado nonprofit corporation organized to facilitate the acquisition of personal and real property for the University. The corporation is the lessor for The Regents of the University of Colorado Master Lease Purchase Agreement Adjustable Tender Certificates of Participation, Series 1998A (the Certificates). The Certificates provide a lease/purchase financing mechanism for certain equipment, construction projects, and real property necessary for the University's operation.
- University of Colorado Insurance Pool (UCIP)

  Established in 1993, UCIP is a public entity insurance pool operated for the benefit of the University and the University of Colorado Hospital Authority which insures property, liability, and workers' compensation risks. UCIP operates under the regulatory authority of the Colorado Division of Insurance, which requires an annual actuarial opinion and certification of reserve adequacy. Effective September 30, 1996, the University discontinued utilizing UCIP for its insurance and began utilizing a protected self-insurance program. UCIP is responsible for claims covered under the terms of its policies. When all of UCIP's liabilities are discharged, UCIP will be legally dissolved. Detailed financial information may be obtained directly from UCIP at 4001 Discovery Drive, Suite 230, Boulder, Colorado 80303.
- The University Improvement Corporation (TUIC)

  Established in 1976 by the University, TUIC is a separate corporation managing real estate investments for the sole benefit of the University. TUIC is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code. At June 30, 2004, a majority of the assets of TUIC were transferred to The University of Colorado Real Estate Foundation (CUREF), a discretely presented component unit of the University. Detailed financial information may be obtained directly from TUIC at 4740 Walnut Street, Boulder, Colorado 80301.

- University License Equity Holding, Inc. (ULEHI)

  Originally established in 1992, with a significant reorganization in 2001, ULEHI facilitates certain licensing activities for the University. ULEHI is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code. Detailed financial information may be obtained directly from ULEHI at 4001 Discovery Drive, Suite 390B, Boulder, Colorado 80303.

- University Physicians, Inc. (UPI)

  Established on July 1, 1982, UPI performs the billing, collection, and disbursement services for the professional services rendered as authorized in Section 23-20-114, Colorado Revised Statutes. UPI is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code and was established to support patient health care and to assist the University in achieving its primary mission in education, research, and public service. UPI collects patient and other revenues generated from professional activities by over 940 member physicians of the faculty of the UCHSC School of Medicine. Medical care is provided to patients throughout the Rocky Mountain region through a statewide and regional network of services with over 160 sites of practice. In 1997, UPI acquired a 30 percent interest in the University of Colorado Hospital Authority's investment in TriWest Healthcare Alliance Corp. (TriWest). TriWest was formed to deliver health care services to eligible beneficiaries of the Civilian Health and Medical Program of the Uniformed Services within certain specified geographic regions. UPI accounts for its participation in TriWest on the cost basis. Detailed financial information may be obtained directly from UPI at P.O. Box 876, Aurora, Colorado 80040.

Discretely Presented Component Units

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* (GASB Statement No. 39), the University's financial statements include certain supporting organizations as discretely presented component units (DPCU) of the University (labeled component units). The majority of the resources, or income thereon, that the supporting organizations hold and invest are restricted to the activities of the University by the donors. Because the University is not financially accountable for these organizations and the restricted resources held by the supporting organizations can only be used by, or for the benefit of, the University, the following supporting organizations are considered discretely presented component units of the University:

- Coleman Colorado Foundation (Coleman Foundation)

  Established on August 21, 2001, the Coleman Foundation is a nonprofit entity under Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code and was established to support the University's operational unit, the University of Colorado Coleman Institute for Cognitive Disabilities, and related activities and professorships. A five member board of directors governs the Coleman Foundation. One of the board members, the Treasurer, is the spouse of the University President.

- University of Colorado Foundation (CU Foundation)

  Established in 1967 as a separate corporation, the CU Foundation solicits, collects, and invests donations for the University and University of Colorado Hospital Authority. The CU Foundation is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code. The CU Foundation has a 15-member board of directors, of which a member of the Regents and the president of the University serve as non-voting, ex-officio members. CU Foundation's reporting entity includes the Alumni Association of the University of Colorado at Boulder (Boulder Alumni Association) and Bear Creek I, LLC (Bear Creek).

  The Boulder Alumni Association connects alumni, students, friends, and all members of the University community to each other and to the University through activities and programs that stimulate interest, loyalty, and support for the University.

  In June 2002, the CU Foundation established Bear Creek, a Colorado limited liability company, whose sole member is the CU Foundation. Bear Creek was established for the purpose of financing and developing a student housing facility and related facilities on land located at the University's Williams Village property in Boulder, Colorado.

  Under an agreement between the CU Foundation and the University, the CU Foundation provides development services to the University in exchange for a fee. Detailed financial information may be obtained directly from the CU Foundation at 4740 Walnut Street, Boulder, Colorado 80301.

- The University of Colorado Real Estate Foundation (CUREF)

  Established in August 2002 as a separate corporation by third parties, CUREF solicits and manages real estate investments for the sole benefit of the University. CUREF is a nonprofit entity under Section 509(a)(3) of the Internal Revenue Code. CUREF has a 14-member board of directors, of which 9 are voting members unrelated to the University and 5 are non-voting, ex-officio members who are University employees. Under an operating agreement, CUREF provided management services to TUIC in exchange for a nominal fee. At June 30, 2004, the University transferred the majority of the assets of TUIC to CUREF. Detailed financial information may be obtained directly from CUREF at 4740 Walnut Street, Boulder, Colorado 80301.

Related Organizations and Joint Ventures

The University has association with the following organizations for which it is not financially accountable. Accordingly, these organizations have not been included in the University's financial statements. Information regarding the nature of the relationship is included in Note 21.

- University of Colorado Hospital Authority (Hospital Authority)
- Auraria Higher Education Center (AHEC)

Relationship to State of Colorado

The University of Colorado is an institution of higher education of the State of Colorado (State). Thus, for financial reporting purposes, the University is included as part of the State of Colorado's primary government.

TAX EXEMPT STATUS

The income generated by the University, as an instrumentality of the State, is generally excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. The University also has a determination letter from the Internal Revenue Service stating it is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Income generated from activities unrelated to the University's exempt purpose is subject to tax under Internal Revenue Code Section 511(a)(2)(B). There was no unrelated taxable business income for 2004 or 2003.

BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

The University applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. In addition, the University has chosen to only apply Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements.

ACCOUNTING POLICIES

Cash and Cash Equivalents are defined for the purposes of reporting cash flows as cash on hand and deposit accounts. Investments in mutual funds and deposits with the State Treasurer are presented as investments. UPI and the DPCU consider money market accounts with a maturity, when acquired, of three months or less to be cash equivalents.

Investments reported in the accompanying financial statements are at fair value, which is determined primarily based on quoted market prices as of June 30, 2004 and 2003. Amortized costs (which approximate fair value) are used for money market investments.

The classification of investments as current or noncurrent is based on the underlying nature and restricted use of the asset. Current investments are those without restrictions imposed by third parties and which can be used to pay current obligations of the University. Noncurrent investments include restricted investments and those investments designated to be used for long-term obligations.

The University's investment policies permit investments in fixed-income and equity securities. These policies are implemented using individual securities, mutual funds, commingled funds, and alternative investments for the endowments.

Investments of the DPCU are comprised of marketable securities and alternative investments, such as interest in private equity partnerships and real estate. All investments are stated at fair value based upon quoted market prices, professional appraisals, and other readily determinable information.

Endowments are pooled to the extent possible under gift agreements. The CU Foundation manages certain of these endowments for the University.

Endowments and similar gift instruments owned by the University and the DPCU are primarily recorded as investments in the accompanying financial statements. True endowment funds are subject to the restrictions of donor gift instruments requiring the principal be invested in perpetuity. Life income funds are used to account for cash or other property contributed to the University subject to the requirement that the University periodically pay the income earned on such assets to a designated beneficiary. The assets of life income funds become the property of the University or DPCU upon the death of the designated beneficiary. Annuity funds are used to account for property contributed to the University or DPCU in exchange for a promise to pay a fixed amount to the donor for a specified period of time. In addition, certain funds have been established by the Regents to function as true endowment funds until the restrictions are lifted by the Regents and are referred to as quasi-endowments.

Accounts, Contributions, and Loans Receivable are recorded net of estimated uncollectible amounts, approximating anticipated losses.

Contributions receivable for the DPCU are unconditional promises to give. Promises to give to CUREF are recorded at net realizable value if expected to be collected within one year and at fair value if expected to be collected in more than one year. The CU Foundation and Coleman Foundation uses the allowance method to determine the uncollectible portion of the unconditional contributions receivable. The allowance is based on management's analysis of the historical collectibility of contributions pledged. These promises to give are recorded at the net present value of the expected future cash flows using a risk-free interest rate.

For all receivables, individual accounts are written off against the allowance when collection of the account appears doubtful. Bad debts substantially consist of write offs for uncollectible balances on self-pay patients and contributions receivable.

Inventories are stated at the lower of cost or market. Cost is determined using either the first-in, first-out, average cost, or retail method.

Capital Assets are stated at cost at the date of acquisition or fair value at the date of donation. For equipment, the capitalization policy, except for UPI, includes all items with a value of $5,000 or more, and an estimated useful life of greater than one year. UPI capitalizes assets with a value of $1,000 or greater, and an estimated useful life of greater than one year.

Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. Interest incurred during the construction phase is included as part of the value of the construction in progress.

All collections, such as works of art and historical artifacts, have been capitalized at cost at the date of acquisition or fair value at the date of donation. The nature of certain collections is such that the value and usefulness of the collections does not decrease over time. These collections have not been depreciated in the accompanying financial statements.

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements.

Depreciation is computed using the straight-line method and monthly convention over the estimated useful lives of the assets as displayed in Table 1, Asset Useful Lives.

TABLE 1 Asset Useful Lives

Asset Class	*Years*
Buildings	20 – 50*
Improvements other than buildings	10 – 40
Equipment	3 – 20
Library and other collections	6 – 15

*Certain buildings are componentized and the components may have useful lives similar to Improvements or Equipment.

Accrued Compensated Absences and related personnel expenses are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the University. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service. Vacation accruals are paid in full upon separation whereas only a portion of sick leave is paid upon specific types of separation, such as retirement.

The recording of the liability for compensated absences may result in deficit net assets that are expected to be funded by state appropriations, federal funds, or other sources available in future years when the liability is paid.

Deferred Revenue consists of amounts received from the provision of educational, research auxiliary goods and services, and royalties that have not yet been earned.

Split-Interest Agreements are beneficial interests in various agreements held by one of the DPCU, which include gift annuities, charitable remainder annuity trusts and unitrusts, and a pooled income fund. The DPCU typically serve as trustee, although certain trusts are administered by outside trustees. For trusts administered by the DPCU, specified earnings are typically paid to a named beneficiary. After termination of the trusts, the assets revert to the DPCU to create an endowment to support University activities or to be temporarily restricted for other purposes at the University. Assets received under such agreements are typically marketable equity and fixed income securities, are recorded at their market value, and are included in investments in the accompanying financial statements. The estimated net present value of the obligation to named beneficiaries is recorded as a liability under split-interest agreements. A risk-free rate, using U.S. Treasury bonds at the date of the gift, was used in conjunction with actuarially-determined life expectancies to calculate present values. The fair value of assets received in excess of the obligation is recognized as contribution revenue at the date of the gift. Changes in the value of the investments are combined with the changes in the estimated liability and are recorded in the accompanying financial statements.

In cases where a split-interest agreement is administered by an outside trustee, the DPCU records the estimated fair value of future cash flows from the trust as a contribution receivable from charitable remainder trusts at the point at which the DPCU becomes aware of its interest in the trust. Under certain circumstances, the DPCU accepts and manages trust funds for which the DPCU or University has beneficial interest but is not the sole beneficiary of the trust. Funds received for which the DPCU or the University is not the ultimate beneficiary are included as other liabilities in the accompanying financial statements and are not included in contributions revenue.

Custodial Funds consist of funds held by the DPCU for endowments legally owned by other entities, including the University.

Net Assets are classified in the accompanying financial statements as follows:

Invested in capital assets, net of related debt represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted for expendable purposes represents net resources in which the University or DPCU is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted for nonexpendable purposes consists of true endowments and similar instruments in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets represent net resources derived from student tuition and fees, State appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the Regents to meet current expenses for any purpose. These resources also include those from auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Internal Transactions occur between University operating units, including formal self-funded internal service units and its blended component units. Examples of self-funded operating units are telecommunications, cogeneration, and storerooms. Transactions include the recognition of revenues, expenses, receivables, and payables in the appropriate accounts of the operating units. To accommodate external financial reporting, the internal revenues and receivables are netted against expenses and payables, respectively.

Classification of Revenues and Expenses in the accompanying financial statements as either operating or nonoperating has been made according to the following criteria:

Operating Revenues are derived from activities associated with providing goods and services for instruction, research, public service, health services, or related support to entities separate from the University and that are exchange transactions. Examples include student tuition and fees, sales and services of auxiliary enterprises, healthcare and patient service, grants, contracts, and interest on student loans.

Operating revenues also include contributions to DPCU, which are derived from their fundraising mission.

Nonoperating Revenues include all revenues that do not meet the definition of operating revenues, capital revenues, or endowment additions. They are primarily derived from activities that are non-exchange transactions (e.g., gifts); from activities defined as such by the GASB cash flow standards (e.g., investment income); and from sources defined as such by other GASB standards (e.g., State appropriations).

Operating Expenses are paid to acquire or produce goods and services provided in return for operating revenues, and to carry out the mission of the University.

Nonoperating Expenses are all expenses not deemed to be operating.

Scholarship Allowances are the difference between the stated charge for the goods and services provided by the University and the amount that is paid by the students or by other third parties making payments on the students' behalf. Student tuition and fee revenues and certain other auxiliary enterprises revenue are reported net of scholarship discounts and allowances in the accompanying financial statements. Certain grants from external governmental and private programs are recorded as either operating or nonoperating revenues in the accompanying financial statements. To the extent that such program revenues are used to satisfy tuition and fees and other student charges, the University records scholarship allowances. Any excess program revenues are recorded as student aid operating expense.

Health Services Revenue from contractual arrangements is recognized by UPI as a result of providing care to patients covered under various third-parties such as Medicare and Medicaid, private insurance companies, and managed care programs, primarily from fixed rate agreements. The federal and state government update fixed rate agreements for Medicare and Medicaid, respectively, annually. In addition to the standard Medicaid program, UPI provides substantial care to Medicaid patients under the Colorado Access program. Contractual arrangements with insurance companies and managed care plans are negotiated periodically for future years.

Health services revenue is reported at the estimated net realizable amounts due from third-party payers and others for services rendered. Net patient service revenue includes care provided to patients who meet certain criteria under UPI's medically indigent care policy as reimbursed with funds provided by the State of Colorado processed by the Hospital Authority, and co-payments made by care recipients. In accordance with UPI's mission and philosophy, UPI members annually provide substantial levels of charity care to patients who meet certain defined criteria. Charity care relates to services rendered for which no payment is expected.

Donor Restricted Endowment disbursements of the net appreciation (realized and unrealized) of investments of endowment gifts are permitted by State law, except where a donor has specified otherwise. The amount of earnings and net appreciation available for spending by the University and the CU Foundation is based on a spending rate set by the Regents on an annual basis. For the years ended June 30, 2004 and 2003, the authorized spending rate was equal to the greater of 4 percent of the prior month's market value or 4.5 percent of the average market value of endowment investments at the end of the previous three years. Earnings in excess of the amount authorized for spending are available in future years and are included in the value of the related investment. Earnings authorized to be spent are recognized in the University's financial statements as investment or gift revenue for University or CU Foundation-owned endowments, respectively.

Application of Restricted and Unrestricted Resources is made on a case-by-case basis by management depending on overall program resources. Generally, management applies unrestricted resources then restricted resources when both restricted and unrestricted resources are available to pay an expense.

Use of Estimates are made in order to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. Management is required 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 revenue and expense during the reporting period. Actual results could differ significantly from those estimates.

Reclassifications of certain prior year balances have been made to conform to the current year's financial statement presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS

The University's and DPCUs' cash and cash equivalents are detailed in Table 2.1, Cash and Cash Equivalents.

Deposits with the State Treasurer represent amounts placed in the State Treasurer's cash management program, which acts as the bank for all State agencies, except the University.

Deposits with U.S. and foreign financial institutions are made in accordance with University and State policy, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name per Governmental Accounting Standards Board Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements* (GASB Statement No. 3). Deposits with foreign financial institutions are not considered to be PDPA-eligible deposits and must be separately authorized as allowable depositories by the State. During the years ended June 30, 2004 and 2003, all deposits with foreign financial institutions were authorized.

Table 2.2, University Deposit Bank Balances, provides information concerning the custodial credit risk for the University's bank balances for the deposits with U.S. and foreign financial institutions as of June 30, 2004 and 2003. The difference between book balances and bank balances are due to outstanding warrants and deposits in transit at year end. Custodial credit risk categories are not available for the DPCU.

TABLE 2.1 Cash and Cash Equivalents *(in thousands)*

Type	*2004*	*2003*
University		
Cash on hand (petty cash and change funds)	$ 272	279
Deposits with the State treasurer	–	19
Deposits with U.S. and foreign financial institutions	11,991	12,601
Total Cash and Cash Equivalents – University	**$12,263**	**12,899**
Discretely Presented Component Units		
Deposits with University Treasurer	$ 664	–
Deposits with U.S. financial institutions	10,889	9,074
Total Cash and Cash Equivalents – DPCU	**$11,553**	**9,074**

TABLE 2.2 University Deposit Bank Balances
(in thousands)

Category of credit risk	*2004*	*2003*
Insured or collateralized with securities held by the University or its agent in the University's name	$ 200	314
Collateralized with securities held by the pledging institution in the University's name	13,805	16,861
Uninsured or uncollateralized deposits with foreign financial institutions	49	82
Total Deposit Bank Balances	**$ 14,054**	**17,257**

NOTE 3 – INVESTMENTS

The investments generally include direct obligations of the U.S. Government and its agencies, commercial paper, corporate bonds, asset backed securities, mortgage-backed securities, money market funds, commingled and mutual funds, repurchase agreements, guaranteed investment contracts, and equities. With respect to investments reported in the accompanying financial statements, the University and DPCU are subject to market risk, which represents the exposure to changes in the market, such as changes in interest rates or a change in price or principal value of a security. In addition, these investments are exposed to custodial credit risk except for those backed by the full faith and credit of the U.S. Government. Custodial credit risk is the exposure to the default of counterparties to investment transactions.

In accordance with GASB Statement No. 3, as amended by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the University's investments have been categorized into the following three categories of custodial credit risk:

Category 1 – Investments that are insured or registered or investments that are held by the University in the University's name.

Category 2 – Investments that are uninsured or unregistered that are held by the counterparty's agent or trust department in the University's name.

Category 3 – Investments that are uninsured or unregistered that are held by the counterparty's agent or trust department but not in the University's name.

Mutual funds and certain other investments, including trusts, are not categorized as to custodial credit risk because ownership is not evidenced by a security. Custodial credit risk categories are not available for the DPCU.

A summary of the fair value of the investments as of June 30, 2004 and 2003 is shown in Table 3.1, Investments.

To the extent permitted, and excepting the University's blended entities, the University pools cash balances for investment purposes. An investment policy statement approved by the Regents directs the treasurer of the University to meet the following investment objectives:

- liquidity for daily operations,
- protection of the nominal value of assets, and
- generation of distributable earnings at a level commensurate with the time horizon of the investments.

TABLE 3.1 Investments *(in thousands)*

Investment Type	*2004*	*2003*
University		
Category of Risk No. 1		
U.S. government and agency securities	$ 123,773	68,233
Corporate securities and commercial paper	101,921	100,068
Repurchase agreements	41,397	3,410
Certificates of deposit	6,146	6,777
Subtotal Category of Risk No. 1	273,237	178,488
Uncategorized	504,301	489,194
Total Investments – University	**$ 777,538**	**667,682**
Discretely Presented Component Units		
Equity securities		
Domestic	$ 247,906	206,978
International	86,592	72,469
Fixed income securities	99,159	72,026
Alternative non-equity securities	180,512	187,584
Mutual funds	364	277
Total Investments – DPCU	**$ 614,533**	**539,334**

For financial statement purposes, investment income is reported on a total return basis and is allocated among operational units based on average daily balances, using amortized costs. Average daily balances approximated $547,105,000 and $482,129,000 for the years ended June 30, 2004 and 2003, respectively. The total return on this pool was 5.6 percent and 5.4 percent for the years ended June 30, 2004 and 2003, respectively.

SECURITY LENDING

The University treasurer, under the authority granted by the Regents, enters into an agreement with the trust department of its custodial bank to lend its fixed income and equity securities to certain qualified borrowers. Loans can be terminated on demand by either the University or the borrowers. The loans consist of two types: term and open. A term loan is for a fixed number of days while an open loan may be renewed by both parties daily.

The custodian, acting as lending agent, lends the University's securities for collateral of 102 percent to broker-dealers and other entities (borrowers) with a simultaneous agreement to return the collateral for the same security in the future. Acceptable forms of collateral are cash, irrevocable standby letters of credit, and obligations issued or guaranteed by the U.S. Government or its agencies. If the fair value of a loaned security increases, the borrower is required to deliver additional collateral to the custodian to protect the University. For both term and open loans collateralized by cash from the borrower, the collateral is invested in high-quality, U.S. dollar-denominated, short-term money market instruments that can have fixed, variable, or floating rates of interest. Collateral is invested in diversified instruments to provide adequate liquidity and to avoid concentration by issuer or industry except that no concentration limits are set for obligations of the U.S. Government or its agencies. The University does not have the ability to pledge or sell securities under a security lending agreement unless the borrower defaults. As of June 30, 2004 and 2003, the University had no securities on loan.

The custodian provides indemnification to protect against a borrower's failure to perform or a borrower's default on a loan. There were no violations of legal or contractual provisions and no borrower or custodian has defaulted.

SPLIT-INTEREST AGREEMENTS

Assets held by the DPCU under split-interest agreements are included in investments and consisted of the types shown in Table 3.2, DPCU Investments Held Under Split-Interest Agreements.

For years ended June 30, 2004 and 2003, $438,000 and $180,000, respectively, was included as contributions revenue attributable to split-interest agreements and $3,977,000 and ($2,122,000), respectively, was included as contribution revenue (loss) resulting from the change in value of the split interest agreements.

TABLE 3.2 DPCU Investments Held Under Split-Interest Agreements *(in thousands)*

Type	*2004*	*2003*
Charitable unitrusts and other life income	$ 42,841	37,509
Charitable annuity trusts	4,974	5,756
Charitable gift annuities and pooled income funds	892	1,040
Total Investments Held Under Split-Interest Agreements	**$ 48,707**	**44,305**

NOTE 4 – ACCOUNTS, CONTRIBUTIONS, AND LOANS RECEIVABLE

Table 4.1, Accounts , Contributions, and Loans Receivable, segregates receivables as of June 30, 2004 and 2003 by type.

CONCENTRATION OF CREDIT RISK

UPI grants credit without collateral to its patients. The mix of gross receivables from patients and third-party payers as of June 30, 2004 and 2003 is detailed in Table 4.2, UPI Concentration of Credit Risk.

During previous years, the CU Foundation recorded contributions receivable as of June 30, 2004 and 2003 from a single donor totaling $65,000,000 and $55,000,000, respectively, that are expected to be received over a five-year period. In 2001, the Coleman Foundation received a pledge from another single donor of $250,000,000 (Note 20). As of June 30, 2004 and 2003, the DCPU have collected approximately $47,700,000 and $36,000,000, respectively, of the pledges. The remaining net balances of approximately $27,300,000 and $29,000,000 comprise approximately 39 percent and 36 percent of net contributions receivable at June 30, 2004 and 2003, respectively.

TABLE 4.2 UPI Concentration of Credit Risk

Category	*2004*	*2003*
Managed care	41.2%	48.6
Medicare	13.4	11.9
Medicaid	16.9	12.8
Other third-party payers	17.6	16.3
Self-pay	10.9	10.4
Total Concentration	**100.0%**	**100.0**

TABLE 4.1 Accounts, Contributions, and Loans Receivable *(in thousands)*

		2004			
Type of Receivable		*Gross Receivables*	*Allowances*	*Net Receivables*	*Net Current Portion*
University					
Student accounts	$	23,529	8,149	15,380	15,375
Federal government		40,651	–	40,651	40,582
Other governments		7,692	–	7,692	7,692
Private sponsors		25,578	–	25,578	25,476
Patient accounts		29,701	5,635	24,066	24,066
DPCU		3,765	–	3,765	3,765
Interest		2,128	–	2,128	2,128
Other		15,871	1,441	14,430	14,430
Total Accounts Receivable		148,915	15,225	133,690	133,514
Student loans		36,381	3,076	33,305	–
Other loans receivable		700	–	700	700
Total Loans Receivable		37,081	3,076	34,005	700
Total Receivable–University	$	**185,996**	**18,301**	**167,695**	**134,214**
Discretely Presented Component Units					
Contributions*	$	325,096	254,731	70,365	20,730
Interest		92	–	92	92
Other		321	–	321	321
Total Receivable–DPCU	$	**325,509**	**254,731**	**70,778**	**21,143**

TABLE 4.1 (continued) Accounts, Conributions, and Loans Receivable *(in thousands)*

		2003			
Type of Receivable		*Gross Receivables*	*Allowances*	*Net Receivables*	*Net Current Portion*
University					
Student accounts	$	22,706	7,308	15,398	15,398
Federal government		35,622	–	35,622	35,622
Other governments		6,935	–	6,935	6,935
Private sponsors		16,479	–	16,479	16,479
Patient accounts		28,421	5,296	23,125	23,125
DPCU		4,549	–	4,549	4,549
Interest		1,981	–	1,981	1,981
Other		11,192	950	10,242	10,125
Total Accounts Receivable		127,885	13,554	114,331	114,214
Student loans		35,342	3,114	32,228	–
Other loans receivable		200	–	200	200
Total Loans Receivable		35,542	3,114	32,428	200
Total Receivable–University	**$**	**163,427**	**16,668**	**146,759**	**114,414**
Discretely Presented Component Units					
Contributions*	$	336,971	257,178	79,793	14,012
Interest		131	–	131	131
Other		503	–	503	503
Total Receivable–DPCU	**$**	**337,605**	**257,178**	**80,427**	**14,646**

*The allowance on the contributions receivable is comprised of uncollectible and unamortized discount of $249,139,000 and $5,592,000 as of June 30, 2004, respectively, and $251,989,000 and $5,189,000 as of June 30, 2003, respectively.

NOTE 5 – CAPITAL ASSETS

Table 5, Capital Assets, presents changes in capital assets and accumulated depreciation by major asset category for the years ended June 30, 2004 and 2003.

The total interest expense related to capital asset debt incurred by the University during the years ended June 30, 2004 and 2003 approximated $21,235,000 and $23,858,000, respectively. Of this amount, approximately $7,615,000 and $9,916,000, respectively, was capitalized as part of the value of construction in progress. Interest expense incurred by the DPCU and capitalized for the years ended June 30, 2004 and 2003 was $2,554,000 and $890,000 respectively.

TABLE 5 Capital Assets *(in thousands)*

Category		*Balance 2003*	*Additions*	*Retirements*	*Transfers*	*Balance 2004*
University						
Nondepreciable Capital Assets						
Land	$	33,921	2,854	263	2	36,514
Construction in progress		266,091	139,205	76	(336,918)	68,302
Collections		7,246	569	–	32	7,847
Total Nondepreciable Capital Assets		307,258	142,628	339	(336,884)	112,663
Depreciable Capital Assets						
Buildings		1,002,307	7,164	4,810	322,900	1,327,561
Improvements other than buildings		86,059	1,685	3,358	10,996	95,382
Equipment		276,933	79,502	14,376	2,988	345,047
Library and other collections		201,451	11,480	717	–	212,214
Total Depreciable Capital Assets		1,566,750	99,831	23,261	336,884	1,980,204
Less Accumulated Depreciation						
Buildings		335,724	42,622	3,482	–	374,864
Improvements other than buildings		33,004	4,864	576	–	37,292
Equipment		186,877	30,235	11,674	–	205,438
Library and other collections		118,280	10,814	717	–	128,377
Total Accumulated Depreciation		673,885	88,535	16,449	–	745,971
Net Depreciable Capital Assets		892,865	11,296	6,812	336,884	1,234,233
Total Net Capital Assets – University	**$**	**1,200,123**	**153,924**	**7,151**	**–**	**1,346,896**
Discretely Presented Component Units						
Nondepreciable Capital Assets						
Land	$	1,274	12,341	1,242	–	12,373
Construction in progress		46,117	17,489	855	(62,268)	483
Total Nondepreciable Capital Assets		47,391	29,830	2,097	(62,268)	12,856
Depreciable Capital Assets						
Buildings		13,209	2,853	7,041	60,455	69,476
Improvements other than buildings		592	–	–	–	592
Equipment		4,877	144	945	1,813	5,889
Total Depreciable Capital Assets		18,678	2,997	7,986	62,268	75,957
Less Accumulated Depreciation						
Buildings		1,690	1,157	–	–	2,847
Improvements other than buildings		99	47	–	–	146
Equipment		1,895	820	477	–	2,238
Total Accumulated Depreciation		3,684	2,024	477	–	5,231
Net Depreciable Capital Assets		14,994	973	7,509	62,268	70,726
Total Net Capital Assets – DPCU	**$**	**62,385**	**30,803**	**9,606**	**–**	**83,582**

TABLE 5 (continued) Capital Assets *(in thousands)*

Category		*Balance 2002*	*Additions*	*Retirements*	*Transfers*	*Balance 2003*
University						
Nondepreciable Capital Assets						
Land	$	29,205	4,712	–	4	33,921
Construction in progress		249,200	171,594	8	(154,695)	266,091
Collections		6,187	1,059	–	–	7,246
Total Nondepreciable Capital Assets		284,592	177,365	8	(154,691)	307,258
Depreciable Capital Assets						
Buildings		819,880	35,203	3,180	150,404	1,002,307
Improvements other than buildings		81,660	112	–	4,287	86,059
Equipment		259,368	36,989	19,424	–	276,933
Library and other collections		188,762	13,629	940	–	201,451
Total Depreciable Capital Assets		1,349,670	85,933	23,544	154,691	1,566,750
Less Accumulated Depreciation						
Buildings		308,013	30,826	3,115	–	335,724
Improvements other than buildings		29,378	3,626	–	–	33,004
Equipment		175,338	25,974	14,435	–	186,877
Library and other collections		110,916	7,954	590	–	118,280
Total Accumulated Depreciation		623,645	68,380	18,140	–	673,885
Net Depreciable Capital Assets		726,025	17,553	5,404	154,691	892,865
Total Net Capital Assets–University	**$**	**1,010,617**	**194,918**	**5,412**	**–**	**1,200,123**
Discretely Presented Component Units						
Nondepreciable Capital Assets						
Land	$	32	1,242	–	–	1,274
Construction in progress		–	46,117	–	–	46,117
Total Nondepreciable Capital Assets		32	47,359	–	–	47,391
Depreciable Capital Assets						
Buildings		6,168	7,041	–	–	13,209
Improvements other than buildings		421	171	–	–	592
Equipment		4,182	949	254	–	4,877
Total Depreciable Capital Assets		10,771	8,161	254	–	18,678
Less Accumulated Depreciation						
Buildings		1,284	406	–	–	1,690
Improvements other than buildings		53	46	–	–	99
Equipment		1,388	761	254	–	1,895
Total Accumulated Depreciation		2,725	1,213	254	–	3,684
Net Depreciable Capital Assets		8,046	6,948	–	–	14,994
Total Net Capital Assets–DPCU	**$**	**8,078**	**54,307**	**–**	**–**	**62,385**

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Table 6.1, Accounts Payable and Accrued Expenses, details the accounts payable and accrued expenses as of June 30, 2004 and 2003 by type.

OPERATING LEASES

The University leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria and, therefore, the related asset and liabilities are not recorded in the accompanying financial statements. For the years ended June 30, 2004 and 2003, total rental expense under these agreements approximated $6,983,000 and $7,527,000 for the University, respectively. Future minimum payments for these operating leases are shown in Table 6.2, University Operating Leases Minimum Lease Obligations.

NOTE 7 – ACCRUED COMPENSATED ABSENCES

Table 7, University Accrued Compensated Absences, presents changes in the University's accrued compensated absences for the years ended June 30, 2004 and 2003.

NOTE 8 – DEFERRED REVENUE

As of June 30, 2004 and 2003, the types and amounts of deferred revenue are shown in Table 8, Deferred Revenue.

TABLE 6.1 Accounts Payable and Accrued Expenses
(in thousands)

Type	*2004*	*2003*
University		
Accounts payable vendors	$ 54,147	51,419
Accrued salaries and benefits	106,774	100,317
Accrued interest payable	1,365	1,540
Other accrued expenses	973	6,635
Total Accounts Payable and Accrued Expenses – University	**$ 163,259**	**159,911**
Discretely Presented Component Units		
Accounts payable vendors	$ 3,855	3,831

TABLE 6.2 University Operating Leases Minimum Lease Obligations *(in thousands)*

Years Ending June 30	*Minimum Lease Obligation*
2005	$ 5,359
2006	4,163
2007	2,972
2008	2,335
2009	1,888
2010 – 2014	4,085
Total Operating Lease Obligations	**$ 20,802**

TABLE 8 Deferred Revenue *(in thousands)*

	2004		*2003*	
Type	*Total*	*Current Portion*	*Total*	*Current Portion*
University				
Tuition and fees	$ 11,258	11,258	11,975	11,975
Auxiliary enterprises	17,844	10,755	19,652	12,277
Grants and contracts	28,862	28,862	31,333	31,333
Miscellaneous	6,294	6,294	4,276	4,276
Total Deferred Revenue – University	**$ 64,258**	**57,169**	**67,236**	**59,861**
Discretely Presented Component Units				
Miscellaneous	$ 1,897	1,024	1,923	853
Total Deferred Revenue – DPCU	**$ 1,897**	**1,024**	**1,923**	**853**

TABLE 7 University Accrued Compensated Absences *(in thousands)*

Balance 2002	*Additions*	*Adjustments/Reductions*	*Balance 2003*	*Additions*	*Adjustments/Reductions*	*Balance 2004*
$ 71,517	57,004	54,201	74,320	59,907	55,843	78,384

NOTE 9 – BONDS, NOTES, AND LEASES PAYABLE

As of June 30, 2004 and 2003, the categories of long-term obligations are detailed in Table 9.1, Bonds, Notes, and Leases Payable.

Table 9.2, Changes in Bonds, Notes, and Leases Payable, presents changes in bonds, notes, and leases payable for the years ended June 30, 2004 and 2003.

REVENUE BONDS

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2004 and 2003 is detailed in Table 9.3, Revenue Bonds Detail.

The University's revenue bonds are payable semiannually, have serial maturities, contain sinking fund requirements, and contain optional redemption provisions. The optional redemption provisions allow the University to redeem at various dates, portions of the outstanding revenue bonds at prices varying from 100 to 101 percent of the principal amount of the revenue bonds redeemed.

The Enterprise System Revenue Bonds are secured by a pledge of all net revenues of certain auxiliary enterprise facilities and further secured by a subordinate pledge of RBRF net revenues as defined below. As of June 30, 2004 and 2003, total net pledged revenues, including the subordinate pledge, approximate $147,636,000 and $117,127,000, respectively.

The RBRF revenue bonds (Note 19) are secured by a pledge of net revenues of the Research Building Support Services Enterprise, including: all rents and charges generated from buildings and facilities, net of applicable operating expenses; allocated investment earnings on balances in the RBRF; and to the extent necessary, indirect cost recoveries received by the University on grants and contracts performed by the University. As of June 30, 2004 and 2003, net pledged revenues for RBRF approximate $111,579,000 and $98,967,000, respectively.

All University revenue bonds are special limited obligations of the Regents and are payable solely from the pledged revenues (or the Net Income of the Facilities as defined in the bond resolution). The revenue bonds are not secured by any encumbrance, mortgage, or other pledge of property, except pledged revenues, and do not constitute general obligations of the Regents.

TABLE 9.1 Bonds, Notes, and Leases Payable *(in thousands)*

Type	*Interest Rates*	*Final Maturity*	*Balance 2004*	*Balance 2003*
University				
Revenue Bonds				
Research Building Revolving Fund (RBRF)	4.5 – 6.0%	6/1/12	$ 2,865	4,050
UPI Variable Demand Bonds	3.5%*	1/1/25	20,500	20,500
Enterprise System (including premium of $4,442 in 2004 and $2,867 in 2003)	3.5 – 5.8%	6/1/28	331,152	277,077
Total Revenue Bonds			354,517	301,627
Certificates of Participation				
Cogeneration Plant Series 1996	4.6 – 6.0%	12/1/05	11,440	15,195
Master Lease Purchase Series 1998A	3.9 – 5.3%*	7/1/18	6,555	10,045
Master Lease Purchase Series 2003A and 2003B	2.0 – 4.1%	6/1/14	34,730	–
Total Certificates of Participation			52,725	25,240
Other Capital Lease Obligations				
Central Utility Plant	6.0%	12/31/22	27,025	27,805
Other Lease Obligations	2.9 – 13.9%	Various	31,361	32,399
Total Other Capital Lease Obligations			58,386	60,204
Notes Payable	5.0 – 6.0%	Various	332	347
Total Bonds, Notes, and Leases Payable – University			**$ 465,960**	**387,418**
Discretely Presented Component Units				
Revenue Bonds				
Student Housing (including premium of $151 in 2004 and $156 in 2003)	2.5 – 5.375%	7/1/32	$ 69,241	69,246
Capital Leases	7.5%	9/1/14	6,293	6,580
Total Bonds, Notes, and Leases Payable – DPCU			**$ 75,534**	**75,826**

*Interest on the UPI Variable Rate Demand Bonds and the Master Lease Purchase Certificates of Participation is set at an adjustable rate as discussed below under Revenue Bonds and Certificates of Participation, respectively; the rates reflected in this table are as of June 30, 2004.

TABLE 9.2 Changes in Bonds, Notes, and Leases Payable *(in thousands)*

Type		*Balance 2003*	*Additions*	*Retirements*	*Balance 2004*	*Current Portion*
University						
Revenue Bonds	$	298,760	64,260	12,945	350,075	14,120
Plus Unamortized Premiums		2,867	1,974	399	4,442	468
Net Revenue Bonds		301,627	66,234	13,344	354,517	14,588
Certificates of Participation		25,240	35,475	7,990	52,725	5,370
Other Capital Lease Obligations		60,204	508	2,326	58,386	2,352
Notes Payable		347	43	58	332	94
Total Bonds, Notes, and Leases Payable – University	**$**	**387,418**	**102,260**	**23,718**	**465,960**	**22,404**
Discretely Presented Component Units						
Revenue Bonds	$	69,090	–	–	69,090	–
Plus Unamortized Premium		156	–	5	151	–
Net Revenue Bonds		69,246	–	5	69,241	–
Capital Leases		6,580	–	287	6,293	301
Total Bonds, Notes, and Leases Payable – DPCU	**$**	**75,826**	**–**	**292**	**75,534**	**301**

Type		*Balance 2002*	*Additions*	*Retirements*	*Balance 2003*	*Current Portion*
University						
Revenue Bonds	$	287,425	20,500	9,165	298,760	11,535
Plus Unamortized Premiums		3,230	–	363	2,867	369
Net Revenue Bonds		290,655	20,500	9,528	301,627	11,904
Certificates of Participation		32,175	–	6,935	25,240	4,745
Other Capital Lease Obligations		31,453	30,809	2,058	60,204	2,217
Notes Payable		400	–	53	347	55
Total Bonds, Notes, and Leases Payable – University	**$**	**354,683**	**51,309**	**18,574**	**387,418**	**18,921**
Discretely Presented Component Units						
Revenue Bonds	$	69,090	–	–	69,090	–
Plus Unamortized Premium		162	–	6	156	–
Net Revenue Bonds		69,252	–	6	69,246	–
Capital Leases		6,828	–	248	6,580	287
Total Bonds, Notes, and Leases Payable – DPCU	**$**	**76,080**	**–**	**254**	**75,826**	**287**

The University revenue bonds contain provisions to establish and maintain reasonable fees, rates, and other charges to ensure gross revenues are sufficient for debt service coverage. The University is also required to comply with various other covenants while the bonds are outstanding. These covenants, among other things, restrict the disposition of certain assets, require the Regents to maintain adequate insurance, and require the Regents to continue to operate the underlying programs. Management of the University believes the University has met all debt service coverage ratios and has complied with all bond covenants.

UPI variable rate demand bonds, Series 2002 were issued on behalf of UPI by the Fitzsimons Redevelopment Authority. The bonds bear interest at a variable municipal bond interest rate that is reset weekly. In addition, UPI has entered into a five-year renewable letter of credit agreement with Allied Irish Bank allowing the bonds to be remarketed using Allied Irish Bank's national credit rating. UPI is required to carry an annual $28,000,000 unrestricted operating reserve and UPI management believes it has met all of the financial ratio requirements.

Colorado Educational and Cultural Facilities Authority (the Authority) issued $69,090,000 of Series 2002 Student Housing Revenue Bonds. The Authority then loaned the proceeds of the bonds to Bear Creek. The Student Housing revenue bonds are special limited obligations of the Authority and are payable solely from (1) revenue payable under the Loan Agreement dated as of June 1, 2002 (the Loan Agreement), between the Authority and Bear Creek, including certain Net Pledged Revenues, as defined, as evidenced

TABLE 9.3 Revenue Bonds Detail *(in thousands)*

Issuance Description	*Original Issuance Amount*	*Outstanding Balance 2004*	*Outstanding Balance 2003*
University			
Enterprise System Revenue Bonds			
Refunding Series 1995A –			
Used to refund all of the Refunding Series 1986, 1989, 1990 and 1992B	$ 32,940	23,075	24,415
Refunding and Improvement Series 1997 –			
Used to refund all of the Series 1986 and fund capital improvements at CU-Boulder and CU-Colorado Springs	12,760	2,045	2,775
Refunding Series 1999A –			
Used to refund all of the Adjustable Tender Series 1996A	22,495	21,420	21,745
Refunding Series 2001A –			
Used to refund all of the Student Recreation Center and Refunding Series 1989, Auxiliary Facilities System Refunding Series 1992A, RBRF Series 1989 (Note 19), and RBRF Series 1992 (Note 19) and a portion of the Enterprise System Tax Exempt Commercial Paper	34,840	25,567	29,435
Refunding and Improvement Series 2001B –			
Used to refund all of the Tax Exempt Commercial Paper and fund capital improvements at CU-Boulder (includes premium)	51,320	50,692	52,249
Series 2002A –			
Used to fund capital improvements at UCHSC (includes premium)	101,875	98,179	100,577
Series 2002B –			
Used to fund capital improvements at CU-Boulder (includes premium)	40,055	40,107	40,110
Series 2002C –			
Used to fund capital improvements at CU-Boulder (includes premium)	5,670	5,242	5,771
Series 2003A –			
Used to finance capital improvements at CU-Boulder, CU-Colorado Springs and UCHSC	64,260	64,825	–
Total Enterprise System Revenue Bonds		331,152	277,077
Research Building Revolving Fund (RBRF) Revenue Bonds			
Refunding Series 1995 –			
Used to refund a portion of the Series 1986 and all of Series 1990 (Note 19)	11,055	2,865	4,050
UPI Variable Rate Demand Bonds –			
Used to finance construction of UPI's administrative office building	20,500	20,500	20,500
Total Revenue Bonds		354,517	301,627
Less Premium		4,442	2,867
Total Outstanding Revenue Bond Principal – University		**$ 350,075**	**298,760**
Discretely Presented Component Units			
Student Housing Series 2002 –			
Used to finance Williams Village student housing	$ 69,090	69,241	69,246
Less Premium		151	156
Total Outstanding Revenue Bond Principal – DPCU		**$ 69,090**	**69,090**

by a separate promissory note dated the date of issuance of the Student Housing revenue bonds, (2) funds held by the trustee of the Student Housing revenue bonds pursuant to the loan agreement, and (3) in certain events, monies derived under a Commitment of Support entered into by and between the CU Foundation and the Authority and assigned to the trustee of the Student Housing revenue bonds. The CU Foundation entered into a Commitment of Support with the Authority pursuant to which the CU Foundation agrees that as long as any of the Student Housing revenue bonds are outstanding, it will contribute such amount as may be necessary to make up any deficiency in the Student Housing revenue bonds on the business day preceding any date on which a payment is due on the Student Housing revenue bonds. The Loan Agreement and other agreements contain certain financial and nonfinancial covenants which include the generation of revenue in each fiscal year that the student housing facility is in operation in an amount at least equal to 120 percent of the actual annual debt service.

The Student Housing revenue bonds are payable annually, commencing July 1, 2005, and are subject to optional, mandatory, and extraordinary redemption prior to the stated maturity. Payment of the principal and interest on the Student Housing revenue bonds when due is insured by a financial guaranty insurance policy.

Future minimum payments for revenue bonds are detailed in Table 9.4, Revenue Bonds Future Minimum Payments.

CERTIFICATES OF PARTICIPATION

Certificates of participation have been issued to finance lease purchase agreements for a cogeneration plant (1996 Series), the acquisition and refinancing of equipment (1998A Series) and finance capital improvements and acquisitions (2003A and 2003B Series). The certificates are secured by the buildings or equipment acquired with the lease proceeds and any unexpended lease proceeds. Annual lease payments are subject to annual appropriations by the Regents. The underlying capitalized assets have a gross cost of approximately $68,213,000 and $51,758,000 as of June 30, 2004 and 2003, respectively. The certificates contain optional redemption provisions allowing the University to redeem, at various dates, portions of the outstanding certificates at prices varying from 100 to 102 percent of the principal amount of the certificates redeemed.

At any time, the certificates for the 1998A Series bear interest at adjustable rates equal to comparable rates for tax-exempt obligations (market-rate). The interest is payable monthly and may be reset at the following four defined periods as elected by the University: daily, weekly, short-term (more than weekly and less than semi-annually), or long term (more than semi-annually and less than the maturity period). The interest rate period during the years ended June 30, 2004 and 2003 was weekly. Principal is payable annually or semiannually subject to annual appropriation by the Regents. Future minimum payments for certificates of participation are detailed in Table 9.5, Certificates of Participation.

TABLE 9.5 Certificates of Participation *(in thousands)*

Years Ending June 30	*Principal*	*Interest*	*Total*
2005	$ 5,370	2,475	7,845
2006	9,195	2,086	11,281
2007	1,750	1,792	3,542
2008	1,820	1,716	3,536
2009	1,900	1,633	3,533
2010 – 2014	5,895	7,237	13,132
2015 – 2019	5,485	6,113	11,598
2020 – 2024	7,005	4,598	11,603
2025 – 2029	8,260	2,661	10,921
2030 – 2034	6,045	665	6,710
Total	**$ 52,725**	**30,976**	**83,701**

TABLE 9.4 Revenue Bonds Future Minimum Payments *(in thousands)*

	University			*Discretely Presented Component Units*		
Years Ending June 30	*Principal*	*Interest*	*Total*	*Principal*	*Interest*	*Total*
2005	$ 14,120	16,238	30,358	–	3,324	3,324
2006	14,365	15,467	29,832	1,200	3,309	4,509
2007	15,130	14,860	29,990	1,000	3,279	4,279
2008	15,750	14,237	29,987	1,200	3,247	4,447
2009	14,190	13,534	27,724	1,445	3,204	4,649
2010 – 2014	67,645	58,161	125,806	8,035	15,163	23,198
2015 – 2019	68,300	42,281	110,581	10,030	13,059	23,089
2020 – 2024	84,625	24,661	109,286	12,985	10,031	23,016
2025 – 2029	55,950	5,771	61,721	16,635	6,301	22,936
2030 – 2033	–	–	–	16,560	1,707	18,267
Total	**$ 350,075**	**205,210**	**555,285**	**69,090**	**62,624**	**131,714**

TABLE 9.6 Capital Leases *(in thousands)*

	University			Discretely Presented Component Units		
Years Ending June 30	*Principal*	*Interest*	*Total*	*Principal*	*Interest*	*Total*
2005	$ 2,352	3,352	5,704	301	464	765
2006	2,447	3,220	5,667	351	440	791
2007	2,117	3,082	5,199	408	412	820
2008	1,999	2,972	4,971	469	379	848
2009	1,964	2,864	4,828	536	342	878
2010 – 2014	11,347	12,479	23,826	3,967	905	4,872
2015 – 2019	15,215	8,584	23,799	261	5	266
2020 – 2024	14,165	3,586	17,751	–	–	–
2025 – 2029	6,780	846	7,626	–	–	–
Total	**$ 58,386**	**40,985**	**99,371**	**6,293**	**2,947**	**9,240**

OTHER CAPITAL LEASES

The University has acquired certain equipment under various lease-purchase contracts and other lease agreements. Such contracts provide that any commitments beyond the current year are contingent upon funds being appropriated for such purposes by the Regents. It is reasonably assured that such leases will be renewed in the normal course of business and, therefore, are treated as non-cancelable for financial reporting purposes.

During the year ended June 20, 2003, the University effectively entered into a capital lease agreement to lease-purchase a central utility plant (CUP) to deliver steam and chilled water to the UCHSC Fitzsimons campus. As of June 30, 2004 and 2003, the CUP capital lease had an outstanding liability approximating $27,025,000 and $27,805,000, respectively, with underlying gross capitalized asset cost approximating $28,545,000. The CUP capital lease agreement provides for biannual payments through December 2022 with an effective interest rate of 6 percent. Beginning in 2011, the University has the ability to purchase the CUP from the lessor in accordance with an established purchase price schedule.

As of June 30, 2004 and 2003, the University had an outstanding liability for all other capital leases approximating $31,361,000 and $32,399,000, respectively, with underlying gross capitalized asset cost approximating $34,744,000 and $35,477,000, respectively. At June 30, 2004 and 2003, the DPCU had an outstanding liability for capital leases approximating $6,293,000 and $6,580,000, respectively, with underlying gross capitalized asset cost approximating $5,750,000.

Future minimum payments for capital lease obligations are detailed in Table 9.6, Capital Leases.

NOTES PAYABLE

As of June 30, 2004 and 2003, the University had two notes payable issued for general purposes and with amounts outstanding detailed in Table 9.7, University Notes Payable. Future minimum payments of the notes payable are detailed in Table 9.8, University Notes Payable Future Minimum Payments.

EXTINGUISHMENT OF DEBT

Previous revenue bond issues and certificates of participation, considered to be extinguished through in-substance defeasance under generally accepted accounting principles, are not included in the accompanying financial statements. The amount of debt in this category, covered by assets placed in trust to be used solely for future payments, amounted to approximately $4,396,000 and $14,735,000 as of June 30, 2004 and 2003, respectively.

TABLE 9.7 University Notes Payable *(in thousands)*

Issuance Description	*2004*	*2003*
Issued for the acquisition of land for the site of student housing known as Williams Village at CU-Boulder; payable from student housing revenue	$ 216	254
Issued for the acquisition of a property known as the Bennett Property contiguous to the CU-Colorado Springs campus; payable by general campus resources	73	83
Issued for the acquisition of the UPI automobile and medical equipment	43	10
Total Notes Payable	**$ 332**	**347**

TABLE 9.8 University Notes Payable Future Minimum Payments *(in thousands)*

Years Ending June 30	*Principal*	*Interest*	*Total*
2005	$ 94	31	125
2006	53	12	65
2007	56	10	66
2008	59	7	66
2009	62	3	65
2010 – 2014	8	–	8
Total	**$ 332**	**63**	**395**

NOTE 10 – OTHER LIABILITIES

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2004 and 2003.

RISK FINANCING RELATED LIABILITIES

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; medical malpractice; employee occupational injuries; graduate medical students' health; and natural disasters. The University finances these risks through various self-insurance programs. The University finances costs and risks associated with employee health benefit programs through purchase of commercial insurance.

The University utilizes a protected self-insurance program for its property, liability, and workers' compensation risks. The University has established a separate self-insurance program for the purpose of providing professional liability coverage for UCHSC and the University of Colorado Hospital Authority (Note 21). A separate self-insurance program has also been established to provide health insurance for graduate medical students and eligible dependents at UCHSC.

All self-insurance programs assume losses up to certain limits and purchase a defined amount of excess insurance for losses over those limits. These limits range from $125,000 to $6,000,000 per occurrence and from $4,675,000 to $8,000,000 in annual aggregate per program.

Reserves for unpaid claims under these programs are actuarially reviewed and evaluated for adequacy each year and are reported on an undiscounted basis. Settlements have not exceeded coverages for each of the past three fiscal years. There were no significant reductions or changes in insurance coverage from the prior year.

The amount recorded as risk financing related liabilities represents reserves based upon the annual actuarial valuation and includes reserves for incurred but not reported claims. Such liabilities depend on many factors including claims history, inflation, damage awards, investment return, and changes in legal doctrine. Accordingly, computation of the claims liabilities requires an annual estimation process. Claims liabilities are reevaluated on a periodic basis and take into consideration recently settled claims, frequency of claims, and other relevant factors.

Changes in the balances of risk-financing related liabilities for the years ended June 30, 2004 and 2003 are presented in Table 10.2, University Risk Financing Related Liabilities.

TABLE 10.1 Other Liabilities *(in thousands)*

	2004		*2003*	
Type	*Total*	*Current Portion*	*Total*	*Current Portion*
University				
Risk financing	$ 21,291	7,521	21,581	7,161
Construction contract retainage	11,660	11,660	11,158	11,158
Funds held for others	14,210	14,210	13,840	13,840
Miscellaneous	855	95	1,071	587
Total Other Liabilities – University	**$ 48,016**	**33,486**	**47,650**	**32,746**
Discretely Presented Component Units				
Funds held for others	$ 3,529	765	1,904	588
Miscellaneous	1,650	–	7,265	–
Total Other Liabilities – DPCU	**$ 5,179**	**765**	**9,169**	**588**

TABLE 10.2 University Risk Financing Related Liabilities *(in thousands)*

	Property, general liability and workers' compensation	*UCHSC professional liability*	*Graduate medical students' health benefits*	*Total*
Balance 2002	**$ 10,887**	**7,707**	**669**	**19,263**
Fiscal Year 2003				
Claims and changes in estimates	4,769	2,147	4,485	11,401
Claim payments	3,622	1,095	4,366	9,083
Balance 2003	**$ 12,034**	**8,759**	**788**	**21,581**
Fiscal Year 2004				
Claims and changes in estimates	7,025	149	4,135	11,309
Claim payments	6,217	1,270	4,112	11,599
Balance 2004	**$ 12,842**	**7,638**	**811**	**21,291**

DIRECT LENDING

CU-Boulder and UCHSC participate in the federal government's Direct Loan Program. This program provides loans from the federal government to qualifying students and their families for educational purposes. While the University helps students obtain these loans, the University is not a party to the loans and is not responsible for collection of monies owed or for defaults by borrowers, as the U.S. Department of Education performs these functions. The amount of direct loans during the years ended June 30, 2004 and 2003 is detailed by campus in Table 10.3, University Direct Lending.

NOTE 11 – UNRESTRICTED NET ASSETS

In addition to external restrictions, the University has many activities that require a certain level of reserves to be maintained. Examples of this include working capital reserves for auxiliary operations, internal service centers, and continuing education activities, loss reserves for risk financing activities, and capital reserves for planned construction efforts.

As of June 30, 2004 and 2003, all of the University's unrestricted net assets have been designated or reserved by management for the following purposes and amounts detailed in Table 11, University Designations of Unrestricted Net Assets.

TABLE 10.3 University Direct Lending *(in thousands)*

Campus	*2004*	*2003*
CU-Boulder	$ 98,614	87,411
UCHSC	31,150	27,283
Total Direct Lending	**$ 129,764**	**114,694**

TABLE 11 University Designations of Unrestricted Net Assets *(in thousands)*

Designation Description	*2004*	*2003*
Accounts receivable	$ 50,656	52,044
Accumulated unrealized gain on investments	16,891	–
Auxiliary facilities operating reserves	3,915	5,253
Campus operating reserves	23,374	12,619
Capital related activities	98,721	52,561
Faculty start-up and research initiatives	38,080	37,900
Inventories and prepaids	9,939	10,803
Investment pool	10,942	24,218
Purchase commitments	6,938	7,084
Quasi-endowments	19,432	3,239
Risk financing activities	12,780	15,883
Service center reserves	6,943	4,562
Technology transfer office investment pool	6,422	–
University Physicians, Inc.	52,837	47,408
Total Designated Unrestricted Net Assets	**$ 357,870**	**273,574**

NOTE 12 – CHANGES IN ACCOUNTING ESTIMATE AND REPORTING

CHANGE IN DEPRECIABLE LIVES

It is the University's policy to periodically reassess the estimated useful lives of its capital assets. The reassessment during the year ended June 30, 2004 indicated that the useful lives for certain buildings and improvements associated with the UCHSC's 9th Avenue campus were impacted by the Regent's approval of an agreement with a third-party master developer to carry out the sale and redevelopment of the campus. As a result, the University revised the estimated useful lives of the campus's buildings and improvements effective July 1, 2003 and recognized approximately $8,529,000 of additional depreciation expense during the year ended June 30, 2004.

CHANGE IN REPORTING ENTITY

In 2004, the University was required to adopt GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. It requires legally separate, tax-exempt organizations be recognized as discretely presented component units (DPCU) if the entities' economic resources are for the benefit of, accessible by, and significant to the University. The change was made effective July 1, 2002.

NOTE 13 – LEGISLATIVE APPROPRIATIONS

The accompanying financial statements contain revenues and expenses from both appropriated and non-appropriated funds.

Appropriated funds include the State appropriation from the State's General Fund, as well as certain cash funds, as established by the Colorado State Legislature in its annual appropriations bill. Cash funds include tuition, certain fees, and certain other revenue sources, which are recognized in various revenue lines, as appropriate, in the accompanying financial statements. The University's appropriated revenues are limited to the amount established by the State.

TABLE 13 University Appropriated Funds *(in thousands)*

Description	*2004*	*2003*
Total appropriation	$ 594,838	567,608
Actual appropriated revenues	542,151	537,620
Actual appropriated expenditures and transfers	537,005	535,861
Net increase in appropriated net assets	5,146	1,759

All other revenues and expenses reported by the University represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, and other revenue sources.

For the years ended June 30, 2004 and 2003, appropriated expenses were within the authorized spending authority. Table 13, University Appropriated Funds, details the related activities for the years ended June 30, 2004 and 2003.

NOTE 14 – SCHOLARSHIP ALLOWANCES

During the years ended June 30, 2004 and 2003, scholarship allowances were provided by the following funding sources in amounts detailed in Table 14, University Scholarship Allowances.

NOTE 15 – HEALTH SERVICES REVENUE

Health services revenue is recorded net of contractual adjustments of $196,992,000 and $174,369,000 and net of bad debt expense on uncollectable patient account receivables amounting to $7,921,000 and $7,036,000 as of June 30, 2004 and 2003, respectively. Charity care provided during the years ended June 30, 2004 and 2003, for which no reimbursement was received, measured at established rates, totaled approximately $13,300,000 and $13,700,000, respectively.

NOTE 16 – ON-BEHALF PAYMENTS

On-behalf payments occur when a third party, instead of the University, pays the salary and benefits (or portion thereof) for a University employee. The University receives on-behalf payments from the Hospital Authority and other sponsors. On-behalf payments for University faculty salaries and benefits during the years ended June 30, 2004 and 2003 were approximately $4,100,000 and $4,963,000, respectively.

NOTE 17 – RETIREMENT PLANS AND INSURANCE PROGRAMS

Employees of the University eligible for retirement benefits participate in one of four retirement plans. Eligible student employees participate in a student retirement plan that is funded solely by contributions from the student employees. The student retirement plan is a defined contribution plan administered by a consortium of higher educational institutions in the State. All other eligible employees of the University participate in one of the three additional plans, the Public Employees' Retirement Association (PERA) plan, the University's optional retirement plan, and UPI's retirement plan. The CU Foundation offers a retirement plan for certain employees.

PERA DEFINED BENEFIT PENSION PLAN

The PERA plan's purpose is to provide income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple-employer plan administered by PERA. PERA was established by State statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require legislation by the General Assembly. The State plan and other employers' plans are included in PERA's financial statements, which may be obtained by writing PERA at 1300 Logan Street, Denver, Colorado 80203 or at www.copera.org.

TABLE 14 University Scholarship Allowances *(in thousands)*

Funding Source Description	*Tuition and Fees*	*Auxiliary Enterprise Revenues*	*Total 2004*	*Tuition and Fees*	*Auxiliary Enterprise Revenues*	*Total 2003*
University general resources	$ 10,100	474	10,574	8,441	466	8,907
University auxiliary resources	3,413	238	3,651	2,851	241	3,092
Colorado Commission on Higher Education financial aid program	6,957	201	7,158	9,726	328	10,054
Federal programs, including Pell grants	21,160	788	21,948	19,480	827	20,307
Other State of Colorado programs	640	8	648	666	2	668
Private programs	2,074	17	2,091	5,029	262	5,291
Gift Fund	3,837	215	4,052	–	–	–
Total Scholarship Allowances	**$ 48,181**	**1,941**	**50,122**	**46,193**	**2,126**	**48,319**

Plan members vest after five years of service and are eligible for retirement benefits at age fifty with thirty years of service, age sixty with twenty years of service, or at age sixty-five with five years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least fifty-five and have a minimum of five years of service credit and their age plus years of service equals eighty or more. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of twelve consecutive months of service credit.

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their spouse or their eligible children under the age of eighteen (twenty-three if a full time student) are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

The total payroll of employees covered by PERA was $208,913,000 and $221,103,000 for the years ended June 30, 2004 and 2003, respectively. Employees contribute 8 percent of their gross covered wages to an individual account in the plan. During the years ended June 30, 2004, 2003, and 2002, the University contributed a total of 10.15 percent, 9.9 percent, and 9.9 percent, respectively, of the employee's gross covered wages to PERA in accordance with the following allocations and amounts detailed in Table 17, University Contributions to PERA. These contributions met the contribution requirement for each year.

The annual gross covered wages subject to PERA are the gross earnings less any reduction in pay to offset employer contributions to the State-sponsored IRC 125 plan established under Section 125 of the Internal Revenue Code. The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly.

VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

On January 1, 2001, the Matchmaker Program established a State match for PERA members' voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100 percent of up to 3 percent of the employee's gross covered wages paid during the month. For calendar year 2003, the match was 100 percent of up to 2 percent of the employee's gross covered wages paid during the month. For calendar year 2004 through May 31, 2004, the match was 100 percent of up to 1 percent of the employee's gross covered wages paid during the month. The PERA Board sets the level of the match annually, based on the actuarial funding of the defined benefit pension plan. Two percent of gross salary plus 50 percent of any reduction in the overall contribution rate due to overfunding of the pension plan was available for the match. While the plan was not overfunded in the current year, the maximum one year change in the match rate is statutorily limited to 1 percent, and therefore, the match changed from 2 percent to 1 percent at January 1, 2004. Legislation passed in the 2004 session of the General Assembly terminated the match for pay periods ending after May 31, 2004. The match will resume when the actuarial value of the defined benefit plan assets are 110 percent of actuarially accrued plan liabilities.

PERA offers a voluntary 401(k) plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer a 403(b) plan. Members who contribute to any of these plans also receive the State match.

UNIVERSITY OPTIONAL RETIREMENT PLAN

Under the University's optional retirement plan, certain members of the University participate in a defined contribution retirement plan administered by the University for the benefit of full-time faculty and unclassified staff members. The Constitution of the State assigns the authority to establish and amend plan provisions to the Regents. The contribution requirements of plan members and the University are established and may be amended by the Regents. For the years

TABLE 17 University Contributions to PERA *(in thousands)*

Program	*Basis*	*2004*	*2003*	*2002*
Health Care Trust Fund	1.1 percent after January 1, 2003; 1.64 between December 31, 2002 and January 1, 2002; and 1.42 percent before January 1, 2002	$ 2,298	3,037	3,278
Matchmaker Program (see Voluntary Tax Deferred Retirement Plans below)	Through May 31, 2004, the amount needed to meet the match requirement established by the PERA Board	1,690	3,184	3,572
Defined Benefit Plan	The balance remaining	17,217	15,978	14,355
Total University Contribution		**$ 21,205**	**22,199**	**21,205**

ended June 30, 2004 and 2003, the University's contribution to the defined contribution retirement plan was equal to 10 percent of covered payroll and the employee contribution was equal to 5 percent of covered payroll. The University's contribution under the optional retirement plan during the years ended June 30, 2004 and 2003 approximated $44,388,000 and $43,001,000, respectively. The employees' contribution under the optional retirement plan approximated $21,877,000 and $21,234,000 during the years ended June 30, 2004 and 2003, respectively.

Participants in the University's optional retirement plan choose to invest all contributions with one or more of three designated vendors. In addition, participants in the University's optional retirement plan are covered under federal Social Security (FICA). Federal Social Security regulations required both the employer and employee to contribute 6.2 percent of covered payroll to the plan during the years ended June 30, 2004 and 2003.

UPI RETIREMENT PLAN

UPI sponsors a defined contribution retirement plan for its permanent employees that is administered by the Teachers Insurance Annuities Association's College Retirement Equities Fund. The board of directors for UPI has the authority to amend plan provisions. Employees are eligible for participation in the plan after completing one year of service. UPI contributed an amount equal to 7 percent of eligible employees' salaries for the years ended June 30, 2004 and 2003. UPI's contributions to the retirement plan for the years ended June 30, 2004 and 2003 approximated $1,101,000 and $1,070,000, respectively.

CU FOUNDATION RETIREMENT PLAN

Prior to January 1, 2003, CU Foundation had an employee benefit plan governed by Section 403(b) of the Internal Revenue Code. This plan was replaced with a new Section 401(k) plan on January 1, 2003. Under the 401(k) plan, the CU Foundation matches employee contributions up to 6 percent of the employee's salary. The CU Foundation matched employee contributions at a rate of 5 percent to 9 percent under the 403(b) plan. For the years ended June 30, 2004 and 2003, the CU Foundation's matching contributions approximated $448,000 and $661,000, respectively.

HEALTH INSURANCE PROGRAMS

The University's contributions to the various health insurance programs approximated $30,379,000 and $23,510,000 during the years ended June 30, 2004 and 2003, respectively.

NOTE 18 – POST-EMPLOYMENT BENEFITS

UNIVERSITY POST-EMPLOYMENT HEALTH CARE AND LIFE INSURANCE PLAN

The University provides certain post-retirement health care and life insurance benefits for retired employees in accordance with the Regents' authority. Substantially all of the University's employees may become eligible for those benefits if they reach normal retirement age while working for the University. During the years ended June 30, 2004 and 2003, approximately 3,051 and 3,750 retirees, respectively, met the eligibility requirements and are receiving benefits. Under this program, the University subsidizes a portion of health care and life insurance premiums by charging them as a current expense. These costs approximated $3,275,000 and $2,321,000 during the years ended June 30, 2004 and 2003, respectively.

PERA POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

The PERACare (formerly know as the PERA Health Care Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the PERACare and the Health Care Fund. Under this program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During the years ended June 30, 2004 and 2003, the premium subsidy was $115 for those with twenty years of service credit ($230 for members under age sixty-five), and it was reduced by five percent for each year of service fewer than twenty. Medicare eligibility also affects the premium subsidy.

The Health Care Trust Fund is maintained by an employer's contribution (see Note 17, PERA Defined Benefit Pension Plan).

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans, and with health maintenance organizations providing services within Colorado. As of December 31, 2003, there were approximately 37,100 enrollees in the plan.

Life Insurance Program

PERA provides its members access to two group life insurance plans offered by Prudential and Anthem Life (formerly known as Rocky Mountain Life). Members may join one or both plans, and they may continue coverage into retirement. Premiums are collected monthly by payroll deduction or other means.

NOTE 19 – SEGMENT INFORMATION

The University has two segments, the Research Building Revolving Fund (RBRF) and UPI.

The RBRF has identifiable activities for which Refunding Series 1995 and a portion of the Refunding Series 2001A revenue bonds approximating $18,207,000 and $21,723,000 are outstanding as of June 30, 2004 and 2003, respectively. The activities supported by this segment include research operations and related support.

UPI has identifiable activities for which UPI Variable Rate Demand bonds approximating $20,500,000 are outstanding as of June 30, 2004 and 2003. The activities of this segment include the UCHSC's School of Medicine's faculty practice plan.

Summary financial information as of and for the years ended June 30, 2004 and 2003, respectively, is presented in Table 19, Segment Financial Information.

NOTE 20 – DISCRETELY PRESENTED COMPONENT UNITS

Summary financial information as of and for the years ended June 30, 2004 and 2003, respectively, for the University's DPCU are presented in Table 20, DPCU Summary Financial Statements.

UNIVERSITY OF COLORADO FOUNDATION

Distributions made by the CU Foundation to the University during the years ended June 30, 2004 and 2003 were approximately $62,522,000 and $59,757,000, respectively. This amount has been recorded as University gift revenue and DPCU operating expense in the accompanying financial statements, and does not include undistributed income on University endowments. At June 30, 2004 and 2003, the CU Foundation recorded an accounts payable to the University and the University has recorded an equal accounts receivable from the CU Foundation of $3,765,000 and $4,549,000, respectively.

The University is the ultimate beneficiary of substantially all restricted and trust funds held by the CU Foundation and is income beneficiary of a significant portion of endowment funds held by the CU Foundation. The University has endowments held by the CU Foundation totaling $76,634,000 and $55,069,000 at June 30, 2004 and 2003, respectively.

In 1996, the University of Colorado Real Estate Council (the Council) was created as a division of the CU Foundation to provide resources for the development of a real estate curriculum at the University, as well as to advise the CU Foundation in real estate holdings, research park development, potential investments, and real estate gifts to the University. In November 2003, the board of directors of the CU Foundation approved the dissolution of the Council's status as a division of the CU Foundation and authorized the transfer of the Council's ongoing activities, operations, and applicable funds and other assets to CUREF. During the year ended June 30, 2003, the CU Foundation distributed $756,000 of pledges to CUREF.

Williams Village Housing Project

During the year ended June 30, 2002, CU-Boulder and the CU Foundation entered into an operating agreement whereby the CU Foundation would construct and operate a student residence center on certain campus land, commonly referred to as Williams Village. The housing project is available for occupancy as of August 2004. The terms of the operating agreement provide the CU Foundation with the use of the University's land in exchange for net cash flow of the housing project as defined in the agreement. No related revenues were recognized by the University during the year ended June 30, 2003. During the year ended June 30, 2004, the University recognized related revenue of $1,300,000.

COLEMAN COLORADO FOUNDATION

The Coleman Foundation received a January 2001 private donor pledge of $250,000,000 benefiting the University's Coleman Institute for Cognitive Disabilities. The ultimate timing to be contributed to the Coleman Foundation can be altered by the donors. As of June 30, 2004, the donor deferred all scheduled payments, except the initial payment, and as a result, the pledge receivable has been recorded with a full allowance.

Distributions made by the Coleman Foundation to the University during the years June 30, 2004 and 2003 were $1,830,000 and $1,298,000, respectively. All contributions have been recorded as University gift revenue and DPCU operating expense in the accompanying financial statements. The CU Foundation received a partial pledge contribution, which created an endowment fund. As of June 30, 2004 and 2003, this related endowment was valued at $9,692,000 and $8,704,000, respectively.

TABLE 19 Segment Financial Information *(in thousands)*

Condensed Statement of Net Assets	As of and for the year ended June 30, 2004	
	RBRF	*UPI*
Assets		
Cash, cash equivalents, and equity in pooled cash and investments	$ 27,649	32,799
Other current assets	–	26,739
Total current assets	27,649	59,538
Investments	–	34,476
Capital assets, net	49,542	19,850
Other noncurrent assets	–	1,869
Total noncurrent assets	49,542	56,195
Total Assets	**$ 77,191**	**115,733**
Liabilities		
Accounts payable and accrued expenses	225	13,273
Bonds, notes, and leases payable	3,041	732
Other current liabilities	85	–
Total current liabilities	3,351	14,005
Bonds, notes, and leases payable	15,165	20,303
Other noncurrent liabilities	38	–
Total noncurrent liabilities	15,203	20,303
Total Liabilities	**$ 18,554**	**34,308**
Net Assets		
Invested in capital assets, net of related debt	$ 32,196	497
Unrestricted	26,441	80,928
Total Net Assets	**$ 58,637**	**81,425**
Condensed Statement of Revenues, Expenses, and Changes in Net Assets		
Operating revenues	$ 11,639	194,761
Depreciation expense	(3,509)	(1,196)
Other operating expenses	(5,465)	(187,636)
Operating Income	2,665	5,929
Nonoperating Revenues (Expenses)		
Investment income	1,145	279
Interest expense on capital asset related debt	(936)	(143)
Other nonoperating expenses	–	(634)
Total Nonoperating Revenues (Expenses)	209	(498)
Income Before Other Revenues and Transfers	**2,874**	**5,431**
Transfers in from other University funds	214	–
Increase in Net Assets	**3,088**	**5,431**
Net Assets, beginning of year	55,549	75,994
Net Assets, end of year	**$ 58,637**	**81,425**
Condensed Statement of Cash Flows		
Net Cash Flows Provided by (Used for)		
Operating activities	$ 6,537	9,704
Non-capital financing activities	215	(646)
Capital and related financing activities	(6,152)	(13,250)
Investing activities	(600)	4,087
Net Decrease in Cash and Cash Equivalents	**–**	**(105)**
Cash and Cash Equivalents, beginning of year	–	12,049
Cash and Cash Equivalents, end of year	**$ –**	**11,944**

TABLE 19 (continued) Segment Financial Information *(in thousands)*

Condensed Statement of Net Assets	As of and for the year ended June 30, 2003	
	RBRF	*UPI*
Assets		
Cash, cash equivalents, and equity in pooled cash and investments	$ 26,030	24,179
Due from other operational units	261	–
Other current assets	–	26,017
Total current assets	26,291	50,196
Investments	–	47,010
Capital assets, net	51,237	7,800
Other noncurrent assets	–	1,866
Total noncurrent assets	51,237	56,676
Total Assets	**77,528**	**106,872**
Liabilities		
Accounts payable and accrued expenses	140	9,972
Bonds, notes, and leases payable	3,510	130
Other current liabilities	22	–
Total current liabilities	3,672	10,102
Bonds, notes, and leases payable	18,213	20,776
Other noncurrent liabilities	94	–
Total noncurrent liabilities	18,307	20,776
Total Liabilities	**21,979**	**30,878**
Net Assets		
Invested in capital assets, net of related debt	29,514	1,480
Unrestricted	26,035	74,514
Total Net Assets	**$ 55,549**	**75,994**
Condensed Statement of Revenues, Expenses and Changes in Net Assets		
Operating revenues	$ 11,673	169,981
Depreciation expense	(3,637)	(939)
Other operating expenses	(5,734)	(168,670)
Operating Income	2,302	372
Nonoperating Revenues (Expenses)		
Investment income	354	3,086
Interest expense on capital asset related debt	(1,103)	(41)
Other nonoperating revenues (expenses)	87	(371)
Total Nonoperating Revenue (Expenses)	(662)	2,674
Income Before Other Revenues and Transfers	**1,640**	**3,046**
Capital gifts	248	–
Transfers in from other University funds	1,813	–
Increase in Net Assets	**3,701**	**3,046**
Net Assets, beginning of year	51,848	72,948
Net Assets, end of year	**$ 55,549**	**75,994**
Condensed Statement of Cash Flows		
Net Cash Flows Provided by (Used for)		
Operating activities	$ 6,031	(2,418)
Non-capital financing activities	1,813	(857)
Capital and related financing activities	(5,321)	13,549
Investing activities	(2,523)	(10,483)
Net Decrease in Cash and Cash Equivalents	**–**	**(209)**
Cash and Cash Equivalents, beginning of year	–	12,258
Cash and Cash Equivalents, end of year	**$ –**	**12,049**

TABLE 20 DPCU Summary Financial Statements *(in thousands)*

Condensed Statement of Net Assets	As of and for the year ended June 30, 2004			
	Coleman Foundation	*CU Foundation*	*CUREF*	*Total*
Assets				
Cash, cash equivalents, and investments	$ 389	10,488	1,040	11,917
Accounts and contributions receivable, net	–	20,866	277	21,143
Other assets	–	445	–	445
Total current assets	389	31,799	1,317	33,505
Investments	–	614,169	–	614,169
Contributions receivable, net	–	49,356	279	49,635
Other assets	–	1,462	–	1,462
Capital assets, net	–	68,454	15,128	83,582
Total noncurrent assets	–	733,441	15,407	748,848
Total Assets	$ 389	765,240	16,724	782,353
Liabilities				
Accounts payable	$ –	3,554	301	3,855
Deferred revenue	–	990	34	1,024
Leases payable	–	301	–	301
Split-interest agreements	–	3,249	–	3,249
Custodial funds	–	3,697	–	3,697
Other liabilities	–	765	–	765
Total current liabilities	–	12,556	335	12,891
Deferred revenue	–	873	–	873
Bonds and leases payable	–	75,233	–	75,233
Split-interest agreements	–	27,361	–	27,361
Custodial funds	–	74,909	–	74,909
Other liabilities	–	4,414	–	4,414
Total noncurrent liabilities	–	182,790	–	182,790
Total Liabilities	$ –	195,346	335	195,681
Net Assets				
Invested in capital assets, net of related debt	–	(7,080)	15,128	8,048
Restricted for nonexpendable purposes	–	176,605	–	176,605
Restricted for expendable purposes	389	364,539	515	365,443
Unrestricted	–	35,830	746	36,576
Total Net Assets	$ 389	569,894	16,389	586,672
Condensed Statements of Revenue, Expenses, and Changes in Net Assets				
Operating Revenues				
Contributions	$ 1,810	67,409	17,077	86,296
University support	–	8,146	–	8,146
Other revenue	–	11,663	445	12,108
Total operating revenues	1,810	87,218	17,522	106,550
Operating Expenses				
Institutional Support				
Gifts and income distributed to University and related parties	1,830	75,985	–	77,815
Other program services	–	6,987	861	7,848
Support services	11	12,848	201	13,060
Depreciation	–	1,957	67	2,024
Total operating expenses	1,841	97,777	1,129	100,747
Operating Income (loss)	**(31)**	**(10,559)**	**16,393**	**5,803**
Nonoperating Revenues (Expenses)				
Investment income	137	73,593	2	73,732
Interest expense on capital asset related debt	–	(3,900)	–	(3,900)
Increase in Net Assets	**106**	**59,134**	**16,395**	**75,635**
Net Assets, beginning of year	283	510,760	(6)	511,037
Net Assets, end of year	**$ 389**	**569,894**	**16,389**	**586,672**

TABLE 20 (continued) DPCU Summary Financial Statements *(in thousands)*

Condensed Statement of Net Assets	**As of and for the year ended June 30, 2003**			
	Coleman Foundation	*CU Foundation*	*CUREF*	*Total*
Assets				
Cash, cash equivalents, and investments	$ 283	9,066	2	9,351
Accounts and contributions receivable, net	–	14,646	–	14,646
Other assets	–	218	–	218
Total current assets	283	23,930	2	24,215
Investments	–	539,057	–	539,057
Contributions receivable, net	–	65,781	–	65,781
Other assets	–	1,515	–	1,515
Capital assets, net	–	62,385	–	62,385
Total noncurrent assets	–	668,738	–	668,738
Total Assets	**283**	**692,668**	**2**	**692,953**
Liabilities				
Accounts payable	–	3,823	8	3,831
Deferred revenue	–	853	–	853
Leases payable	–	287	–	287
Split-interest agreements	–	2,978	–	2,978
Custodial funds	–	4,549	–	4,549
Other current liabilities	–	588	–	588
Total current liabilities	–	13,078	8	13,086
Deferred revenue	–	1,070	–	1,070
Bonds and lease payable	–	75,539	–	75,539
Split-interest agreements	–	31,440	–	31,440
Custodial funds	–	52,200	–	52,200
Other noncurrent liabilities	–	8,581	–	8,581
Total noncurrent liabilities	–	168,830	–	168,830
Total Liabilities	**–**	**181,908**	**8**	**181,916**
Net Assets				
Invested in capital assets, net of related debt	–	(13,441)	–	(13,441)
Restricted for nonexpendable purposes	–	171,887	–	171,887
Restricted for expendable purposes	283	323,727	–	324,010
Unrestricted	–	28,587	(6)	28,581
Total Net Assets	**$ 283**	**510,760**	**(6)**	**511,037**
Condensed Statement of Revenue, Expenses, and Changes in Net Assets				
Operating Revenues				
Contributions	$ 1,530	75,307	2	76,839
University support	–	8,308	16	8,324
Other revenue	–	2,572	–	2,572
Total operating revenues	1,530	86,187	18	87,735
Operating Expenses				
Institutional Support				
Gifts and income distributed to University and related parties	1,298	76,363	–	77,661
Other program services	–	4,122	–	4,122
Supporting services		15,083	24	15,107
Depreciation	–	1,213	–	1,213
Total operating expenses	1,298	96,781	24	98,103
Operating Income (loss)	**232**	**(10,594)**	**(6)**	**(10,368)**
Nonoperating Revenues (Expenses)				
Investment income	51	16,115	–	16,166
Interest expense on capital asset related debt	–	(3,954)	–	(3,954)
Increase (Decrease) in Net Assets	**283**	**1,567**	**(6)**	**1,844**
Net Assets, beginning of year	–	509,193	–	509,193
Net Assets, end of year	**$ 283**	**510,760**	**(6)**	**511,037**

THE UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION

At June 30, 2004, the majority of the assets and liabilities of TUIC were transferred to CUREF. The assets consisted of three parcels of real property and cash and cash equivalents. The real property was transferred "as is, where is with all faults" at fair value as determined by market quotes on similar property. CUREF assumed all risks and obligations associated with the real property. CUREF also has all rights to future income associated with the real property. The transfer resulted in a contribution recorded by CUREF of approximately $16,168,000 and an equal amount of University gift expense. CUREF distributed $205,000, reported as operating expense, to the University, which recognized an equal amount of gift revenue. During fiscal year 2004, CUREF obtained a line of credit with an interest rate of 4.5 percent from the University. Amounts drawn and repaid during the year totaled approximately $6,734,000.

CUREF has a long-term agreement with the University to rent portions of the building owned by CUREF. For the year ended June 30, 2004, the University paid $179,000 in rent to CUREF, which recognized an equal amount of other operating revenues for the year ended June 30, 2004. Future minimum base rents to be paid by the University total $6,492,000 at June 30, 2004.

NOTE 21 – RELATED ORGANIZATIONS AND JOINT VENTURES

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

In accordance with 1991 State legislation, the University of Colorado Hospital Authority (Hospital Authority) is a separate and distinct entity. The University does not control the appointment of staff nor does it assume responsibility for the debts of the Hospital Authority. The Hospital Authority is not considered a component unit of the University because the University is not financially accountable for the Hospital Authority and its resources are not restricted to the University. Detailed financial information may be obtained directly from the Hospital Authority at Mail Stop F-401, P.O. Box 6506, Aurora, Colorado 80045.

UCHSC and UPI have several types of financial transactions with the Hospital Authority. On an annual basis, UCHSC or UPI and the Hospital Authority enter into agreements specifying the fees to be charged for services and the allocation of expenses between the two organizations. In certain circumstances, UCHSC may bear the entire cost of certain services in exchange for educational or other services provided by the Hospital Authority. In some instances, the fee charged by UCHSC, UPI, or the Hospital Authority is a set amount for specific services to be provided. In other circumstances, the fee charged is based upon the amount or type of services requested by either UCHSC or the Hospital Authority.

Examples of services provided by UCHSC to the Hospital Authority include telecommunications services, rental of office space, and resident doctors. Examples of services provided by the Hospital Authority to UCHSC include shipping and receiving services and student health services. In general, amounts receivable from, or payable, to the Hospital Authority are settled within the following calendar quarter.

Total payments issued by the Hospital Authority to the UCHSC approximated $30,000,000 and $29,034,000 for years ended June 30, 2004 and 2003, respectively. Total payments issued by the UCHSC to the Hospital Authority for the years ended June 30, 2004 and 2003 approximated $7,222,000 and $7,664,000, respectively.

During the years ended June 30, 2004 and 2003, UPI recognized approximately $14,462,000 and $12,231,000, respectively, in health services revenue from the Hospital Authority in support of clinical and academic missions. Additionally, during the years ended June 30, 2004 and 2003, the Hospital Authority reimbursed UPI approximately $936,000 and $494,000, respectively, for joint patient care administrative functions performed by UPI. UPI also received approximately $17,752,000 and $7,849,000 during the years ended June 30, 2004 and 2003, respectively, from the Hospital Authority for amounts earned for services performed by UPI faculty members but are required to be processed through the Hospital Authority (such as State of Colorado medically indigent program, Ryan White, and other miscellaneous programs).

In 1997, UPI assumed a 30 percent participation in the Hospital Authority's investment in TriWest Healthcare Alliance Corp. (TriWest) for $994,000. The Hospital Authority purchased the minority interest in TriWest for approximately $3,300,000. UPI received $1,022,000 and $29,000 in dividends during the years ended June 30, 2004 and 2003, respectively.

UPI has also signed an agreement to assume the Hospital Authority's network management commitment to TriWest for a fee and has also signed a provider service agreement with TriWest.

The Hospital Authority is relocating to the Fitzsimons Campus in Aurora, Colorado. The new Fitzsimons site will require substantial infrastructure improvements to support the current and future buildings. The Hospital Authority and UCHSC are sharing in the costs of the infrastructure projects based on estimates of future usage. An agreement governs the sharing of infrastructure costs between the two parties.

The UCHSC is responsible for managing the infrastructure improvement projects and is then reimbursed by the Hospital Authority for its share under the agreement.

AURARIA HIGHER EDUCATION CENTER

The Auraria Higher Education Center (AHEC), established by legislation in 1974, is jointly governed and utilized by CU-Denver, the Community College of Denver, and Metropolitan State College of Denver. The institutions share the costs of operating common educational, library, and other auxiliary facilities. Costs of the common facilities are shared in accordance with an operating agreement between AHEC and the respective institutions. During the years ended June 30, 2004 and 2003, the University incurred expenses related to instructional facilities of $4,678,000 and $5,520,000, respectively, for payments to AHEC.

NOTE 22 – COMMITMENTS AND CONTINGENCIES

Contracts have been entered into for the purpose of planning, acquiring, constructing, and equipping certain building additions and other projects with outstanding amounts totaling approximately $69,992,000 and $67,938,000 as of June 30, 2004 and 2003, respectively. These additions will be funded or financed by donor contributions, appropriations from the State, issuance of revenue bonds, and other financings. As of June 30, 2004 and 2003, the amount of capital construction appropriations authorized from the State for these projects approximated $870,286 and $5,387,000, respectively.

Substantial amounts are received and expended by the University under federal and state grants and contracts, and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's financial position or operations.

UPI, as a member of the healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued to increase with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. UPI management believes that UPI is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The University is a defendant in a number of legal actions. While the final outcome of many of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability not covered by insurance, if any, for these legal actions will not have a material effect on the University's financial position or operations.

NOTE 23 – SUBSEQUENT EVENTS

On November 30, 2004, the University issued $24,360,000 of Enterprise System Revenue Bonds, Series 2004. The proceeds of the bonds will be used to finance capital improvements and acquisitions for student housing at CU-Boulder and CU-Colorado Springs. The revenue bonds bear interest rates from 2.5 to 5.0 percent with final maturity in 2035. The revenue bonds are payable semiannually, have serial maturities, contain sinking fund requirements, and contain optional redemption provisions. The optional redemption provisions allow the University to redeem, at various dates, portions of the outstanding revenue bonds at prices equal to 100 percent of the principal amount of the revenue bonds redeemed.

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Stephen T. Golding, Vice President for Budget and Finance
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Pamela Shockley, Chancellor, University of Colorado at Colorado Springs
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Officers as of June 30, 2004

Produced by the Office of the President, the Office of the Vice President for Budget and Finance, the System Office of Institutional Relations, the Office of the University Controller, and the CU-Boulder Office of Publications and Creative Services.

For further information about this report or to request additional copies, contact the Office of the University Controller at phone 303-492-9702 or controller@cusys.edu. An electronic version can be found at www.cusys.edu/controller/fin-rpts.html.

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