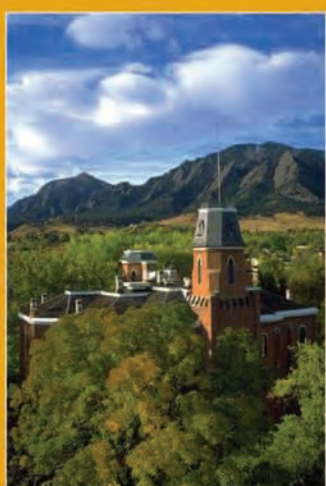
University of Colorado

Boulder • Colorado Springs • Denver

Annual Financial Report



2007

University of Colorado Board of Regents, November 2007

Back row: Michael Carrigan, Cindy Carlisle, Steven Ludwig, Tom Lucero (Vice Chair), and Paul Schauer.
Front row: Kyle Hybl, Tilman "Tillie" Bishop, Patricia Hayes (Chair), and Steve Bosley.

FROM THE PRESIDENT

The University of Colorado is a multi-faceted enterprise that focuses on teaching and learning, research activity, and community service. With some 52,000 students, 4,100 faculty, and 20,000 staff, it is a complex undertaking that requires detailed financial reporting.

You will find that detail in the pages of this report. We are confident the information we articulate is an appropriate representation of the financial activities and fiscal health of the university.

Perhaps less evident in this report, but no less important to our institutional culture, is the overarching imperative within the university community to be open, accountable, and transparent. As a public university, we have a particular obligation to operate in ways that justify the trust placed in us by our varied stakeholders: students, taxpayers, donors, alumni, legislators, and federal funding agencies, among others.

That trust is something the university community has built and maintained over the 131 years since our founding. It forms the basis for the reputation that is crucial to our ability to attract the funding that allows us to continue to deliver on our educational and research missions. Our financial health is evident in the pages of this report. The University of Colorado is committed to continuing to operate in ways that will ensure that financial health, and will also assure our stakeholders we are open, accountable, and transparent.

Sincerely,

Hank Brown

Hank Brown
President

KPMG

KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Colorado (the University), a component unit of the State of Colorado, as of and for the years ended June 30, 2007 and 2006, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2007 or 2006 financial statements of University Physicians, Inc. (UPI), a blended component unit, which represents approximately 5%, 6%, and 13%, of the assets, net assets, and revenues of the business-type activities of the University for 2007 and 2006. In addition, we did not audit the 2007 or 2006 financial statements of the University of Colorado Foundation (CU Foundation) and the University of Colorado Real Estate Foundation (CUREF), which represent approximately 100% of the assets, net assets, and revenues of the aggregate discretely presented component units for 2007 and 2006. 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 amounts included for UPI, CU Foundation, and CUREF, are based on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2007 and 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2007 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by U.S. generally accepted accounting principles. 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

November 29, 2007

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 position and results of operations as of and for the years ended June 30, 2007 and 2006 (Fiscal Year 2007 and 2006, respectively), with comparative information for Fiscal Year 2005. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements.

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 administration, the following three campuses, and blended component units.

- University of Colorado at Boulder (CU-Boulder)
- University of Colorado Denver (UC Denver)
- University of Colorado at Colorado Springs (CU-Colorado Springs)

With more than 52,240 students and 2,612 tenure/tenure track instructional faculty, the University is the largest institution of higher education in Colorado with baccalaureate, graduate, and professional education programs. As discussed in Note 1, each of the three campuses brings a unique character to the system in order to meet the specialized needs of its communities.

In addition, the University has three supporting foundations, which are included as discretely presented component units in the University's financial statements (Notes 1 and 18).

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.

- ***Report of Independent Auditors*** presents an unqualified opinion prepared by our auditors (an independent certified public accounting firm, KPMG LLP) on the fairness (in all material respects) of our financial statements.
- ***Statements of Net Assets*** present the assets, liabilities, and net assets of the University at a point in time (June 30, 2007 and 2006). Their purpose is to present a financial snapshot of the University. They aid 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.
- ***Statements of Revenues, Expenses, and Changes in Net Assets*** present 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, 2007 and 2006). Their purpose is to assess the University's operating results.
- ***Statements of Cash Flows*** present cash receipts and payments of the University during a period of time (the years ended June 30, 2007 and 2006). Their 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 indicate where details of the financial highlights may be found.

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 Reporting and Analysis (see www.cu.edu/system_ info).

FINANCIAL HIGHLIGHTS

Sustained increases in net assets over time are one indicator of financial health. The University has sustained increases in its net assets during Fiscal Years 2007, 2006, and 2005. As of June 30, 2007, 2006, and 2005, the University's net assets increased by approximately $259,237,000, $132,858,000, and $144,523,000, respectively. These increases are primarily attributable to the increases in our investments and capital assets of approximately $438,426,000 and $136,896,000 for Fiscal Years 2007 and 2006, respectively, as offset by the increase in accumulated depreciation and in our long-term debt financing of those capital assets (property, plant, and equipment). The following sections provide further explanation of these drivers of the University's financial health.

STATEMENT OF NET ASSETS

Figure 1 illustrates the University's condensed statement of net assets and demonstrates that the University has grown over the past three fiscal years. The mix of liabilities and net assets have remained consistent, although over the last three fiscal years the type of assets owned by the University has changed. The change in asset composition is related to increased capital investment. 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.

Overall the University has grown in size. This growth results from instructional and research program expansion, continued renewal and expansion of its physical campuses, and favorable investment management strategies.

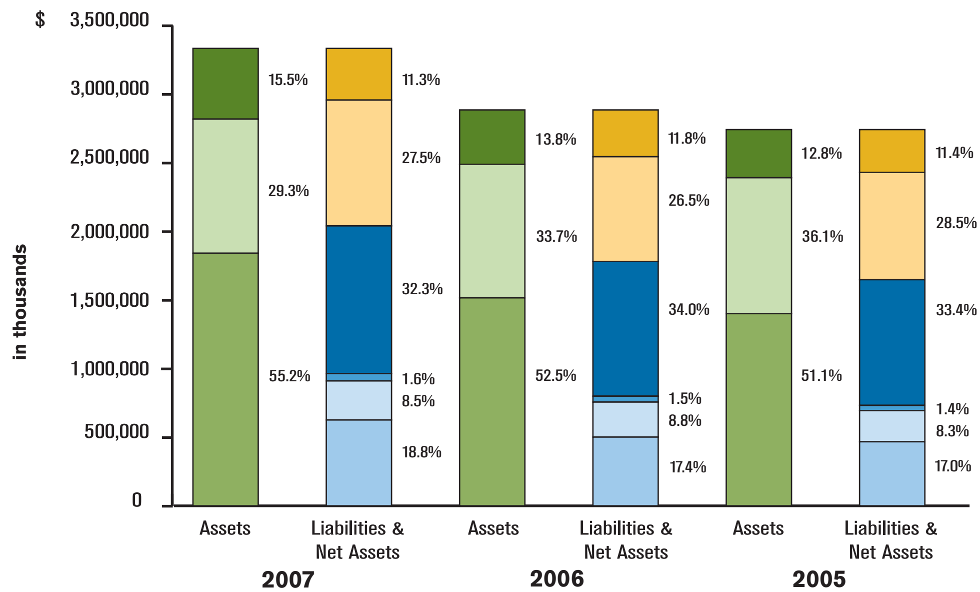


Figure 1. Condensed Statement of Assets, Liabilities, and Net Assets as of June 30, 2007, 2006, and 2005
(all dollars in thousands)

	2007	2006	2005	Increase (Decrease) 2007 vs 2006 Amount	2007 vs 2006 Percent	2006 vs 2005 Amount	2006 vs 2005 Percent
Assets							
Current Assets	$ 514,975	396,271	350,608	$ 118,704	30.0%	$ 45,663	13.0%
Noncurrent, Noncapital Assets	977,175	972,970	990,200	4,205	0.4%	(17,230)	(1.7%)
Net Capital Assets	1,840,281	1,515,138	1,400,018	325,143	21.5%	115,120	8.2%
Total Assets	$ 3,332,431	2,884,379	2,740,826	$ 448,052	15.5%	$ 143,553	5.2%
Liabilities							
Current Liabilities	$ 376,347	341,021	311,748	$ 35,326	10.4%	$ 29,273	9.4%
Noncurrent Liabilities	916,590	763,101	781,679	153,489	20.1%	(18,578)	(2.4%)
Total Liabilities	$ 1,292,937	1,104,122	1,093,427	$ 188,815	17.1%	$ 10,695	1.0%
Net Assets							
Invested in Capital Assets, Net of Related Debt	$ 1,075,948	981,247	915,344	$ 94,701	9.7%	$ 65,903	7.2%
Restricted for Nonexpendable Purposes	53,589	43,127	38,651	10,462	24.3%	4,476	11.6%
Restricted for Expendable Purposes	284,504	255,031	226,733	29,473	11.6%	28,298	12.5%
Unrestricted	625,453	500,852	466,671	124,601	24.9%	34,181	7.3%
Total Net Assets	$ 2,039,494	1,780,257	1,647,399	$ 259,237	14.6%	$ 132,858	8.1%
Total Net Assets and Liabilities	$ 3,332,431	2,884,379	2,740,826	$ 448,052	15.5%	$ 143,553	5.2%

In analyzing the University's assets, the majority (approximately 80 percent) of the University's non-capital assets are investments, with a balance of $1,210,686,000 and $1,097,403,000 at June 30, 2007 and 2006, respectively. The University maximizes earnings through an internal pooling program and targeted rates of returns. 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-related liabilities are 36 and 38 percent, respectively, of total liabilities, which equal $468,725,000 and $424,620,000 at June 30, 2007 and 2006, respectively. These liabilities are comprised of amounts due to vendors and others as categorized in Figure 2.

The three largest categories of non-debt-related liabilities are accrued salaries and benefits, accrued compensated absences, and deferred revenue. For each category, the increase in Fiscal Years 2007 and 2006 is a result of the University's overall programmatic growth. Accrued salaries and benefits represent amounts earned by University employees, primarily for June payroll, but not paid at fiscal year end. 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 (Note 1). Deferred revenue represents 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) (Note 8). These amounts will be recognized as revenue in future periods after all conditions have been satisfied. In addition to these three categories, miscellaneous liabilities increased in Fiscal Year 2007 by $12,451,000 primarily due to the University recording a liability associated with the closing of the UC Denver 9th Avenue location. Contract retainage increased by $14,677,000 as a result of the construction activity across all campuses as highlighted in the section Capital Asset and Debt Management.

The University's net assets may have restrictions imposed by external parties, such as donors, or by their nature are invested in capital assets. The University's net assets have four categories, as displayed in Figure 1. The ratio between these four categories has remained constant over the past three fiscal years.

The categories and mixes of other liabilities reflect the nature of University operations.
The overall growth in liabilities is consistent with the University's programmatic and physical expansions.

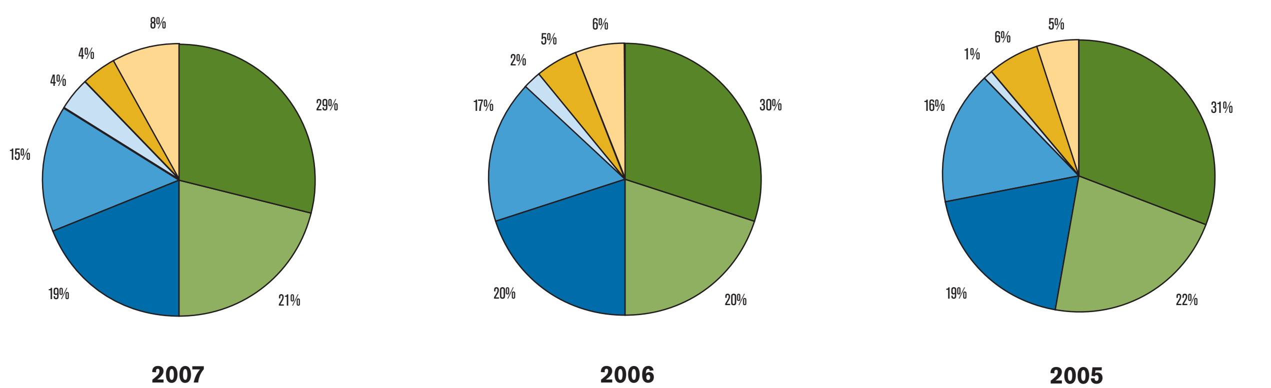


Figure 2. Composition of Other Liabilities (Non-debt-related) as of June 30, 2007, 2006, and 2005 *(all dollars in thousands)*

	2007	2006	2005	Increase (Decrease) 2007 vs 2006 Amount	2007 vs 2006 Percent	2006 vs 2005 Amount	2006 vs 2005 Percent
Accrued Salaries and Benefits	$ 130,241	124,214	115,325	$ 6,027	4.9%	$ 8,889	7.7%
Accrued Compensated Absences	96,886	86,500	83,890	10,386	12.0%	2,610	3.1%
Deferred Revenue	90,806	86,150	73,715	4,656	5.4%	12,435	16.9%
Accounts Payable to Vendors	71,159	71,678	62,585	(519)	(0.7%)	9,093	14.5%
Contract Retainage	20,100	5,423	3,837	14,677	270.6%	1,586	41.3%
Risk Financing Related	19,733	23,306	22,448	(3,573)	(15.3%)	858	3.8%
Miscellaneous Liabilities	39,800	27,349	18,894	12,451	45.5%	8,455	44.7%
Total Other Liabilities	$ 468,725	424,620	380,694	$ 44,105	10.4%	$ 43,926	11.5%

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 in the financial statements (Note 18) and not included in the above amounts. An expendable restriction allows the University to spend the full amount, but only for the purposes identified by the entity providing the money. 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

As shown in Figure 3, the University's condensed statement of revenues, expenses, and changes in net assets, the University's net assets increased by approximately 15 and 8 percent during Fiscal Years 2007 and 2006, respectively.

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.

Legislation, passed in Fiscal Year 2004, provided for a change in the funding mechanism of higher education beginning in July 2005. Since then, the State of Colorado (the State) no longer provides state appropriations to public institutions of higher education. The College Opportunity Fund provides stipends to qualified undergraduate students; the receiving students then use the stipends to pay a portion of their tuition. In Fiscal Year 2007 and 2006, the University applied $70,550,000 and $63,396,000, respectively, of College Opportunity Fund stipends against student tuition bills (as such this amount is included in tuition revenues). In addition, the Colorado Department of Higher Education (CDHE) purchases graduate and specialized educational services, such as law and medicine, from public higher education institutions. In Fiscal Years 2007 and 2006, the University received $108,782,000 and $95,708,000, respectively, as fee-for-service contract revenue. Because of these new funding mechanisms, the University recognized no state appropriations as nonoperating revenues in Fiscal Years 2007 and 2006 compared to the state appropriations of $150,673,000 received in Fiscal Year 2005.

Over the last three years, the University's financial position has remained stable. The composition of revenues has varied due to changes in state funding and initiatives to supplement operating sources.

Figure 3. Condensed Statement of Revenues, Expenses, and Changes in Net Assets for the years ended June 30, 2007, 2006, and 2005 *(all dollars in thousands)*

				Increase (Decrease)			
				2007 vs 2006		2006 vs 2005	
	2007	2006	2005	Amount	Percent	Amount	Percent
Operating revenues	$ 1,847,320	1,726,205	1,515,413	$ 121,115	7.0%	$ 210,792	13.9%
Operating expenses	1,908,586	1,762,745	1,688,196	145,841	8.3%	74,549	4.4%
Operating Loss	(61,266)	(36,540)	(172,783)	(24,726)	67.7%	136,243	(78.9%)
Nonoperating revenues (net of expenses)	178,848	111,075	294,206	67,773	61.0%	(183,131)	(62.2%)
Income before Other Revenues, Expenses, Gains, or Losses	117,582	74,535	121,423	43,047	57.8%	(46,888)	(38.6%)
Other revenues	141,655	58,323	23,100	83,332	142.9%	35,223	152.5%
Increase in Net Assets	259,237	132,858	144,523	126,379	95.1%	(11,665)	(8.1%)
Net assets, beginning of year	1,780,257	1,647,399	1,502,876	132,858	8.1%	144,523	9.6%
Net Assets, end of year	$ 2,039,494	1,780,257	1,647,399	$ 259,237	14.6%	$ 132,858	8.1%

Figure 4 provides a graphic display of gross operating and nonoperating revenues by major sources. These sources include both state-appropriated and non-appropriated funds (Note 12). Appropriated funds primarily include tuition, fee-for-service contract revenues, and academic fees. Thus, the ability of the University Board of Regents (the Regents) to increase tuition rates is limited by the State, although the University's operations no longer impact the State's Taxpayer's Bill of Rights (TABOR) spending limits due to the University's enterprise status.

As illustrated in Figure 4, the University experienced increases in all operating revenue sources in Fiscal Years 2007 and 2006. The increase in tuition and fees revenues reflects a combination of rate increases and increased enrollment. (Trend analysis of both factors are included in Figures 12 and 13 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's largest source of revenue is grants and contracts revenue. These resources also benefit the University in that the contracts typically allow for reimbursement of its

The State of Colorado changed its funding mechanism to the University in Fiscal Year 2006 and replaced state appropriations with student stipends, which are included as student tuition revenue, and fee-for-service contracts.

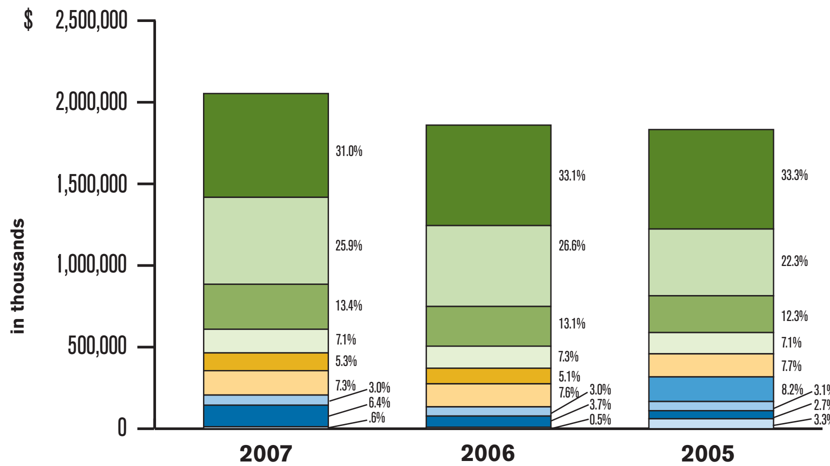


Figure 4. Operating and Nonoperating Revenues for years ended June 30, 2007, 2006, and 2005 *(all dollars in thousands)*

	2007	2006	2005	Increase (Decrease) 2007 vs 2006 Amount	2007 vs 2006 Percent	2006 vs 2005 Amount	2006 vs 2005 Percent
Operating Revenues							
Grants and contracts	$ 635,756	615,459	609,369	$ 20,297	3.3%	$ 6,090	1.0%
Student tuition and fees, net	532,614	495,655	409,136	36,959	7.5%	86,519	21.1%
Health services	275,675	243,169	225,205	32,506	13.4%	17,964	8.0%
Auxiliary enterprises, net	145,022	135,049	130,568	9,973	7.4%	4,481	3.4%
Fee for service	108,782	95,708	–	13,074	13.7%	95,708	–
Other operating	149,471	141,165	141,135	8,306	5.9%	30	0.0%
Total Operating Revenues	1,847,320	1,726,205	1,515,413	121,115	7.0%	210,792	13.9%
Nonoperating Revenues							
State appropriations	–	–	150,673	–	–	(150,673)	(100.0%)
Gifts	61,650	56,271	56,278	5,379	9.6%	(7)	0.0%
Investment income, net	132,390	68,533	49,488	63,857	93.2%	19,045	38.5%
Other nonoperating, net	12,182	9,167	61,071	3,015	32.9%	(51,904)	(85.0%)
Total Nonoperating Reveues	206,222	133,971	317,510	72,251	53.9%	(183,539)	(57.8%)
Total Revenues (noncapital)	$ 2,053,542	1,860,176	1,832,923	$ 193,366	10.4%	$ 27,253	1.5%

administrative and facility overhead costs. In Fiscal Years 2007 and 2006, the University received $123,833,000 and $119,662,000, respectively, of such administrative and facility overhead cost reimbursements. The University pledges this reimbursement revenue and other auxiliary revenues to satisfy its bond obligations, which are commonly referred to as pledged revenues. In Fiscal Years 2007 and 2006, such reimbursements represented 61 percent and 62 percent, respectively, of its pledged revenues, thus creating a reliance on continued federal research funding. The majority of health services represents medical practice plan revenues earned through University Physicians, Inc. (Note 1), which has experienced steady clinical growth over the last three years.

Due to continued donor cultivation efforts, the University experienced an approximate 10 percent growth in gifts between Fiscal Year 2007 and 2006. Gifts include amounts received through distributions from the University of Colorado Foundation and amounts received directly by the University. The University continued to experience favorable investment outcomes with an increase in investment income of $63,857,000 and $19,045,000, or 93 and 38 percent, in Fiscal Years 2007 and 2006, respectively. The significant increase in Fiscal Year 2007 includes $46,702,000 of unrealized gains compared to only $2,797,000 of unrealized gains in Fiscal Year 2006. The University recognized one-time other nonoperating revenue from the sale of intellectual property receivable (patent fees to be paid in future years) of $44,000,000 in Fiscal Year 2005.

In addition to operating and nonoperating revenues, the University had capital revenues in the amounts depicted in Figure 5. The Regents have authorized the construction of educational buildings at the UC Denver Anschutz Medical Campus for which the financing was provided by the State through the issuance of certificates of participation. In Fiscal Year 2006, the State (not the University) entered into a lease-purchase agreement of $192,625,000, which is collateralized by these University buildings. As a result of construction of these buildings, the University recognized capital contributions from the State of $117,721,000 and $46,451,000 in Fiscal Year 2007 and 2006, respectively. In addition, the University received capital appropriations from the State of $7,783,000 in Fiscal Year 2007, compared to $1,704,000 in Fiscal Year 2006, for various controlled maintenance and other capital construction activity.

The programmatic uses of expenses are displayed in Figure 6, which demonstrates that the focus is basically unchanged over the past three fiscal years while the programs overall have grown by 7 and 4 percent in Fiscal Years 2007 and 2006, respectively. Cost management measures in place in Fiscal Years 2005 and 2006 were continued into Fiscal Year 2007. The objectives of such measures are to expand programmatic costs to meet increased demand for services and provide for targeted increases in support services costs. However, Fiscal Year 2007 had a higher rate of growth in support expenses due to the University's inability to defer administrative initiatives to support its programmatic growth any longer.

Capital revenues have increased over the last three years. The increase includes contributions from the State for the construction of educational buildings on the UC Denver Anschutz Medical Campus.

Figure 5. Capital Revenues for years ended June 30, 2007, 2006, and 2005 *(all dollars in thousands)*

				Increase (Decrease)			
				2007 vs 2006		2006 vs 2005	
	2007	2006	2005	Amount	Percent	Amount	Percent
Grants and gifts	$ 10,350	10,042	16,208	$ 308	3.1%	$ (6,166)	(38.0%)
Capital contributions from state	117,721	46,451	–	71,270	153.4%	46,451	100.0%
Appropriations	7,783	1,704	1,037	6,079	356.8%	667	64.3%
Total Capital Revenues	**$ 135,854**	**58,197**	**17,245**	**$ 77,657**	**133.4%**	**$ 40,952**	**237.5%**

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.

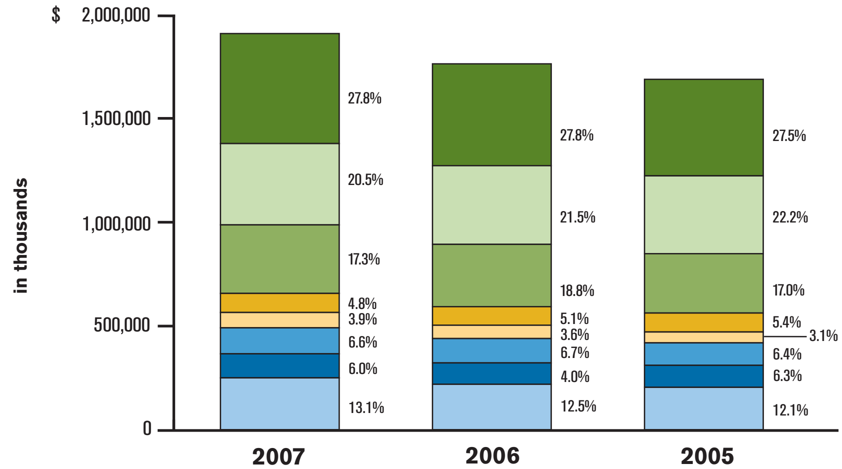


Figure 6. Expense Program Categories for years ended June 30, 2007, 2006, and 2005 *(all dollars in thousands)*

					Increase (Decrease)					
					2007 vs 2006			2006 vs 2005		
		2007	2006	2005		Amount	Percent		Amount	Percent
Instruction	$	529,648	490,277	464,743	$	39,371	8.0%	$	25,534	5.5%
Research		391,637	378,894	374,753		12,743	3.4%		4,141	1.1%
Academic, Institutional, and Plant support		329,928	300,030	285,817		29,898	10.0%		14,213	5.0%
Student Aid and Other services		91,823	89,277	91,239		2,546	2.9%		(1,962)	(2.2%)
Public Service		73,914	64,187	52,436		9,727	15.2%		11,751	22.4%
Total Education and General		1,416,950	1,322,665	1,268,988		94,285	7.1%		53,677	4.2%
Depreciation		125,059	117,385	108,038		7,674	6.5%		9,347	8.7%
Auxiliary enterprises		115,838	102,871	105,971		12,967	12.6%		(3,100)	(1.9%)
Health services		250,465	219,755	205,024		30,710	14.0%		14,731	7.2%
Miscellaneous		274	69	175		205	297.1%		(106)	(60.6%)
Total Operating Expenses	$	1,908,586	1,762,745	1,688,196	$	145,841	8.3%	$	74,549	4.4%

Increases in auxiliary enterprises from 2006 to 2007 are attributable to the growth in University's student housing operations. In addition, the housing operations in Fiscal Year 2007 include a one-time charge of $7,469,000 associated with the purchase of Bear Creek (discussed in the Capital Asset and Debt Management section). Increases in expenses related to health services, which are primarily related to University Physicians, Inc., are consistent with the associated increases in health services revenue discussed earlier in this section.

CAPITAL ASSET AND DEBT MANAGEMENT

The University had $2,881,863,000 and $2,455,771,000 of plant, property, and equipment at June 30, 2007 and 2006, respectively, offset by accumulated depreciation of $1,041,582,000 and $940,633,000, respectively. The major categories of plant, property, and equipment at June 30, 2007 and 2006 are displayed in Figure 7. Related depreciation charges of $125,059,000 and $117,385,000 were recognized in the Fiscal Years 2007 and 2006, respectively. Detailed financial activity related to the changes in Capital Assets is presented in Note 5.

In Fiscal Years 2007 and 2006, the University put into service capital construction projects of $112,705,000 and $66,507,000, respectively. In addition, another $448,790,000 and $206,603,000 of construction activity was in progress at June 30, 2007 and 2006, respectively. Major projects are detailed in Figure 8.

In June, 2007, the University purchased the student housing property, known as Bear Creek, from the University of Colorado Foundation for $65,500,000. The purchase was financed by issuing enterprise revenue bonds. The University recorded buildings purchased at the net book value of the assets, equaling $57,052,000, as of the purchase date. In addition, the University expensed $979,000 of equipment and supplies and recorded a donation to the Foundation of $7,469,000.

The University plans to continue its investment in property, plant, and equipment with an approved Fiscal Year 2008 capital projects budget of $144,772,000 as detailed in Figure 9. This budget includes $28,954,000 of state support available for controlled maintenance and construction projects, with the remainder being funded by existing resources of the campus or through additional financing to be issued in subsequent years.

The University has started and completed construction projects in each of the last three fiscal years, continuing its trend of physical facility investment.

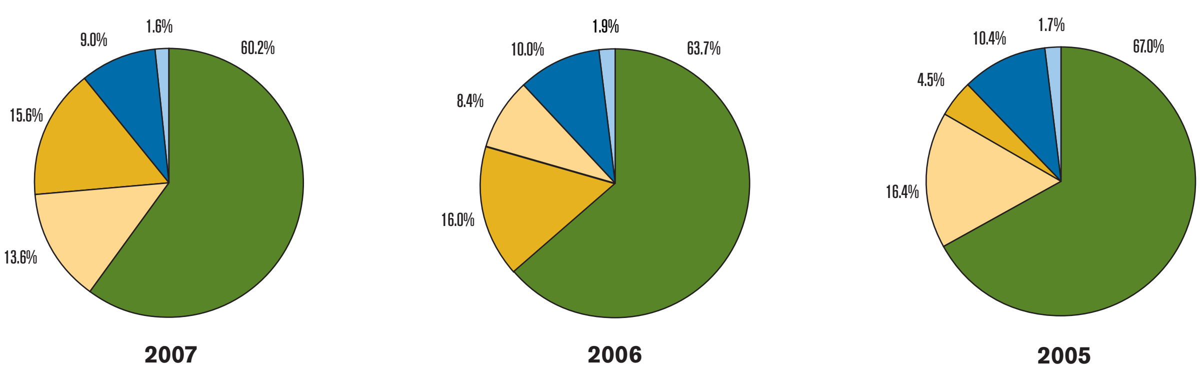


Figure 7. Capital Asset Categories (before depreciation) for years ended June 30, 2007, 2006, and 2005
(all dollars in thousands)

		2007	2006	2005		2007 vs 2006 Amount	2007 vs 2006 Percent	2006 vs 2005 Amount	2006 vs 2005 Percent
						Increase (Decrease)			
Buildings and Improvements	$	1,735,844	1,565,017	1,503,011	$	170,827	10.9%	62,006	4.1%
Equipment		390,953	392,065	370,027		(1,112)	(0.3%)	22,038	6.0%
Construction in progress		448,790	206,603	100,102		242,187	117.2%	106,501	106.4%
Library and other collections		260,252	246,062	232,629		14,190	5.8%	13,433	5.8%
Land		46,024	46,024	38,918		–	–	7,106	18.3%
Total Capital Assets (gross)	$	2,881,863	2,455,771	2,244,687	$	426,092	17.4%	211,084	9.4%

Figure 8. Current Construction Projects Details as of June 30, 2007 *(in thousands)*

Campus/Project Description	Financing Sources	Value*
CU-Boulder:		
• Business School renovation and addition	State appropriations, campus resources, and bond proceeds	$ 36,675
• Information technology upgrade	Campus resources	13,524
• Extensive renovation to various student residence halls	Bond proceeds and campus cash resources	93,700
• Visual Arts Complex, new building to replace Sibell Wolle building	Bond proceeds, campus cash resources, and state appropriations	63,500
• Outdoor Recreation Facilities Improvement program	Bond proceeds	6,050
CU-Colorado Springs:		
• Dwire Hall, renovation and upgrade of the classroom library facility	State appropriations and campus cash resources	10,084
• Recreation Center, new building	Campus cash resources and bonds proceeds	13,000
• Science and Engineering building (Phase I), new building	Campus cash resources and state appropriation	53,169
UC Denver:		
• Anschutz Medical Campus—Research 2, state-of-the art biomedical research facilities with research laboratory modules, lab support space, research offices, and academic auditorium space	Bond proceeds, federal awards, and campus cash resources	236,065
• Anschutz Medical Campus—academic expansion:	State of Colorado lease purchase agreements	
– Academic Office 1		39,272
– Education Facility 2 North and 2 South		72,084
– Health Sciences Library		34,221
– Education 1		37,215
– Campus Services		17,997
• Anschutz Medical Campus—infrastructure development:	Campus cash resources	
– Phase 7		5,424
– Phase 8		4,357
– Phase 9		5,424
– Phase 10		6,631
• Anschutz Medical Campus—Henderson Parking Garage	Bond proceeds	23,000
• Anschutz Medical Campus—Building 500 phase 3 remodel	Governmental grants and campus cash resources	8,709
• Anschutz Medical Campus—Fugiliniti Pavilion for Ethics and Humanities, new building	Private gifts	5,436

** Value represents budgeted costs for projects.*

As a result of the University's efforts to identify alternative financing sources for its capital improvements to offset the decrease in state capital support, the University financed the capital projects detailed in Figure 10 during the Fiscal Years 2007, 2006, and 2005.

The University increased its outstanding debt in Fiscal Year 2007 by 21 percent, which offsets a decrease in outstanding debt in Fiscal Year 2006 by 5 percent. At June 30, 2007 and 2006, the University had debt (or similar long-term obligations) of $824,212,000 and $679,502,000, respectively, in the categories illustrated in Figure 11. During the fiscal year, the University issued two new revenue bonds totaling $165,300,000. The proceeds from these two bond issues were used to finance capital activity on each of the campuses. In addition, the University issued one new refunding bond totaling $184,180,000. The proceeds from this issue were used to pay off a portion of existing revenue bonds and all of the certificates of participation. The University issued the new refunding bonds to reduce the interest rate being paid on the existing debt. Because of favorable market conditions, the University was able to decrease the principal amount of long-term debt by $1,750,000, and over the life of the debt the University will decrease its overall debt service by $11,028,000. More detailed information about the University's debt is included in Note 9.

The Regents have 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 minimized financing costs due to current market conditions and by maintaining a

Figure 9. Fiscal Year 2008 Capital Projects Budget
(in thousands)

Continuing projects (described in Figure 8)	$	58,697
UC Denver new pharmacy research building		42,033
UC Denver 9th Avenue remediation		17,100
CU-Boulder Norlin Library renovation		5,101
UC Denver Given Institute renovation		4,835
Various other capital projects and controlled maintenance		17,006
Total 2008 Capital Projects Budget		144,772

bond rating of AA- and Aa3 (Standard & Poors and Moody's, respectively). The University maintained its debt capacity limits.

WHERE DO WE GO FROM HERE

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's financial (or economic) position is constrained by state legislation, including its ability to raise student tuition and fees. As represented in Figure 12, the University's tuition revenues increased 6.5 percent from Fiscal Year 2006 to Fiscal Year 2007 and are projected to increase by 5.1 percent in Fiscal Year 2008. Tuition is derived from the approved tuition rates and rate structure as well as student enrollment. The changes in student enrollment are shown in Figure 12 using student full-time equivalent (FTE) and in Figure 13 using student headcounts. Tuition rate structures are determined based on student FTE while the cost of educating students is impacted by student headcount.

Actual tuition rates vary by campus, school, and degree level. Actual tuition per student is also impacted by the tuition structures, which were modified for the academic year 2008 as follows:

- CU-Boulder adjusted its linear tuition models credit-hour cost from 9 credit hours to 10.5 credit hours,
- CU-Colorado Springs instituted a new linear per-credit-hour tuition structure for new enrolling students, and
- UC Denver Downtown Campus created a modified per-credit-hour rate.

Taking into account the above tuition structure modifications, Fiscal Year 2008 tuition rates increased between 3.5 percent and 9.8 percent among each of the campuses.

Figure 10. Capital Projects Financed by Debt
(in thousands)

Issuance Description	Construction Project		Allocated Proceeds
Fiscal Year 2007 Revenue Bonds:			
• CU-Boulder Arnett Hall		$	13,000
• CU-Boulder Leeds School of Business			34,225
• CU-Boulder Recreation Facilities			5,700
• CU-Boulder Bear Creek			65,500
• UC Denver Downtown Campus Buildings			36,500
• CU-Colorado Springs Recreation Center			12,000
Total 2007 Revenue Bonds Issuance			166,925
Fiscal Year 2006 Revenue Bonds:			
• UC Denver Anschutz Henderson Parking Garage			23,900
• CU-Colorado Springs Energy Savings Projects			1,325
Total 2006 Revenue Bonds Issuance			25,225
Fiscal Year 2005 Revenue Bonds:			
• UC Denver Anschutz Research 2			141,770
• CU-Boulder Wolf Law Building			40,400
• CU-Boulder Alliance for Teaching, Learning, and Society (ATLAS) Center			27,900
• CU-Colorado Springs Housing			18,040
• CU-Boulder Laboratory for Atmospheric and Space Physics Technology Research Center Addition			13,022
• CU-Boulder Energy Savings and Conservation Projects			6,320
• CU-Colorado Springs Parking Facility Phase II			4,000
Total 2005 Revenue Bonds Issuance*			251,452

** Proceeds do not include $2,933,000 used to pay prior year revenue bonds.*

Figure 13 also demonstrates the University's success in recruiting and retaining high-quality students. The University has experienced stable enrollment trends over the past two years. This trend has continued into the first semester of academic year 2008 (2007 Census).

The University expects to receive $73,075,000 of its tuition revenue in Fiscal Year 2008 from the College Opportunity Fund. The University's fee-for-service contract with CDHE for Fiscal Year 2008 provides for $121,911,000. In total, this represents a growth of 8 percent in funding from the State in Fiscal Year 2008 as compared to Fiscal Year 2007.

In order to stay competitive with peer institutions, the University continues to strategically evaluate its tuition and fee structures with the Regents and the Legislature.

The University's overall bonds and lease obligations have grown over the last three years as the University has financed its capital investments.

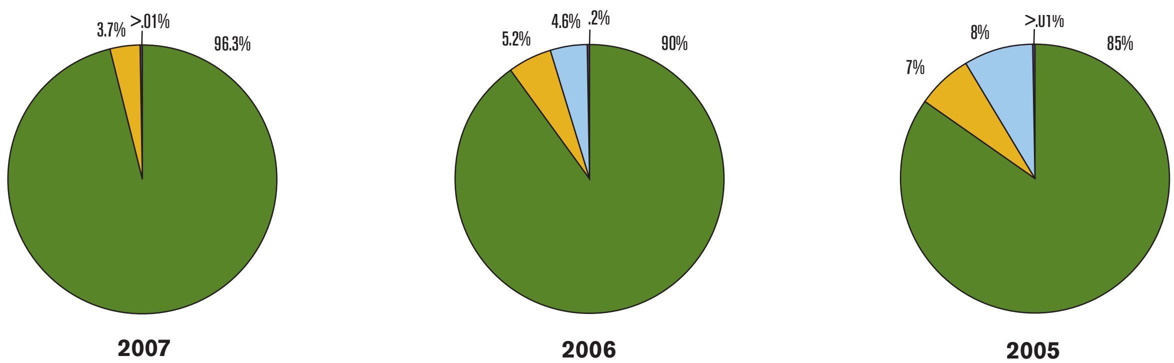


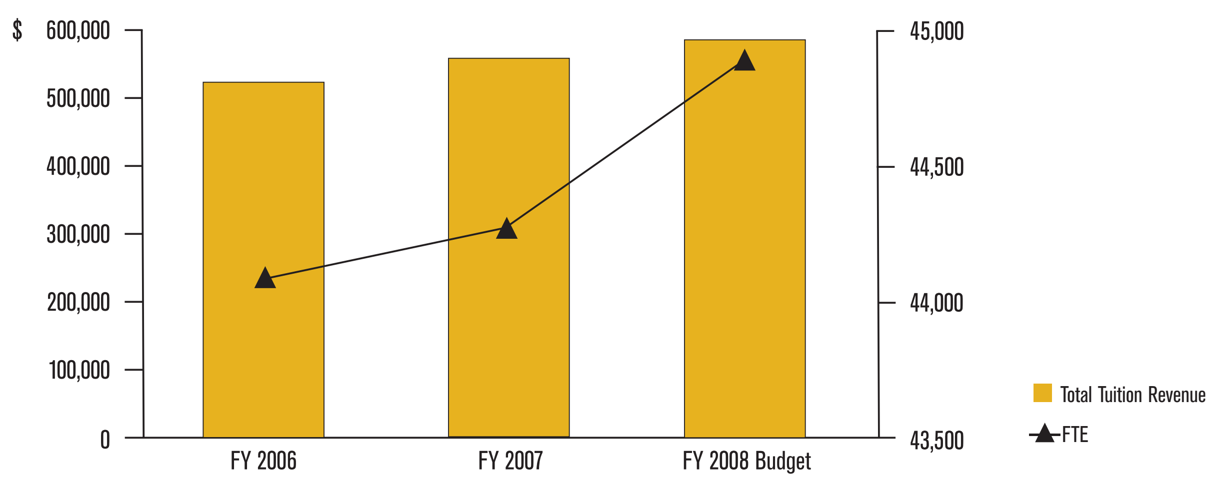
Figure 11. Debt Categories for years ended June 30, 2007, 2006, and 2005 *(all dollars in thousands)*

					Increase (Decrease)				
					2007 vs 2006			2006 vs 2005	
		2007	2006	2005	Amount	Percent		Amount	Percent
Revenue Bonds	$	793,787	612,488	604,913	$ 181,299	29.6%	$	7,575	1.3%
Other Capital Lease Obligations		30,332	31,223	60,543	(891)	(2.9%)		(29,320)	(48.4%)
Certificates of Participation and Notes Payable		93	35,791	47,277	(35,698)	(100.0%)		(11,486)	(24.3%)
Total Long-term Debt	$	824,212	679,502	712,733	$ 144,710	21.3%	$	(33,231)	(4.7%)

In addition, the University received an appropriation, in Senate Bill 07-097, from the State's Tobacco Litigation Settlement Fund of $8,393,000 for allocation to the UC Denver Anschutz Medical Campus in support of health care-related programs.

Grants and contracts revenues provide the University with resources to maintain its national role as a research institution. As explained earlier, in Fiscal Year 2007, 84 percent of its grants and contracts revenues were from federal sources. A portion of this revenue is overhead cost reimbursement, which is pledged to satisfy its bond obligations. In response, the University is strategically monitoring federal research appropriations for signs of significant budget reductions in future fiscal years.

Figure 12. Tuition Revenue Compared to Student FTE



In Fiscal Year 2008, the Regents implemented a new investment strategy with the University of Colorado Foundation in an effort to diversify the University's portfolio and achieve higher returns on University investments. The University appoints an ex-officio member of the Foundation's investment committee, which ensures the University's participation in strategic directions of the investment pool. In July 2007, $100,000,000 of University investments was placed in the Foundation's long-term investment pool.

The University experienced 15 and 8 percent growth in net assets in Fiscal Years 2007 and 2006, respectively. Specifically, the University had an increase in net assets of $259,237,000 and income before other revenues of $117,582,000 for Fiscal Year 2007. To date in Fiscal Year 2008, the University's financial position remains stable due to revenues being in line with expectations while expenses continue to be lower than expectations as a result of management's coupling of cost-containment strategies and focused programmatic investments. The University has budgeted for Fiscal Year 2008 to continue its prudent use of resources, alternative financing for capital projects, and cost-containment strategies. 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.

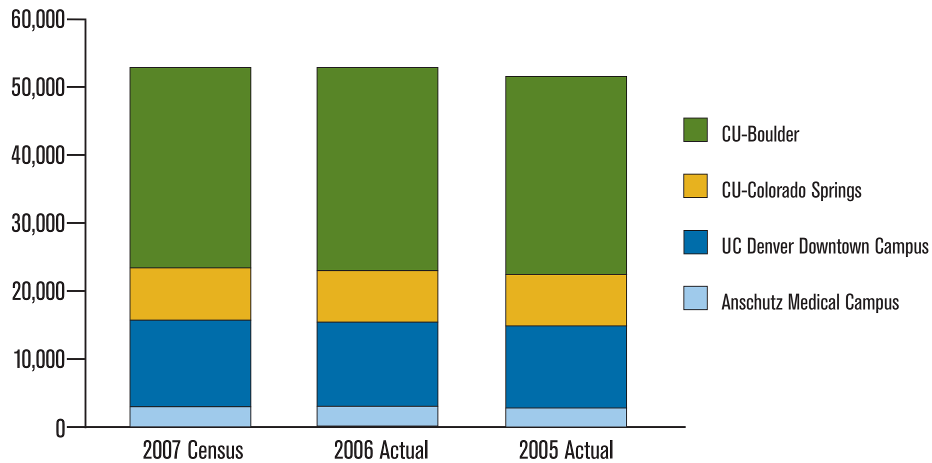


Figure 13. Fall Enrollment Figures

	2007 Census	2006 Actual	2005 Actual	2007 Census vs. 2006 Actual	2006 Actual vs. 2005 Actual
Resident					
CU-Boulder	20,169	20,301	20,322	(132)	(21)
CU-Colorado Springs	7,298	7,059	7,163	239	(104)
UC Denver Downtown Campus	11,639	11,520	11,245	119	275
UC Denver Anschutz Medical Campus	2,591	2,579	2,509	12	70
Total Resident	41,697	41,459	41,239	238	220
Nonresident					
CU-Boulder	9,292	9,094	8,793	198	301
CU-Colorado Springs	395	515	452	(120)	63
UC Denver Downtown Campus	1,087	854	806	233	48
UC Denver Anschutz Medical Campus	363	318	296	45	22
Total Nonresident	11,137	10,781	10,347	356	434
Total CU	52,834	52,240	51,586	594	654

UNIVERSITY OF COLORADO
FINANCIAL STATEMENTS

June 30, 2007 and 2006

UNIVERSITY OF COLORADO

STATEMENTS OF NET ASSETS

June 30, 2007 and 2006 (*in thousands*)

		2007		2006	
		University	Component Units	University	Component Units
Assets					
Current Assets					
Cash and cash equivalents	$	42,261	25,889	46,920	17,725
Investments		281,484	2,301	169,510	6,857
Accounts, contributions, and loans receivable, net		177,152	22,016	167,620	15,292
Inventories		10,097	–	8,502	–
Other assets		3,981	450	3,719	486
Total Current Assets		**514,975**	**50,656**	**396,271**	**40,360**
Noncurrent Assets					
Investments		929,202	959,076	927,893	755,673
Accounts, contributions, and loans receivable, net		36,551	28,335	35,389	16,312
Other assets		11,422	6,352	9,688	6,309
Capital assets, net		1,840,281	74,768	1,515,138	112,809
Total Noncurrent Assets		**2,817,456**	**1,068,531**	**2,488,108**	**891,103**
Total Assets	**$**	**3,332,431**	**1,119,187**	**2,884,379**	**931,463**
Liabilities					
Current Liabilities					
Accounts payable	$	71,159	2,853	71,678	4,574
Accrued expenses		134,184	–	126,561	–
Accrued compensated absences		6,578	–	5,717	–
Account payable–University		–	6,205	–	2,828
Deferred revenue		84,700	1,674	79,633	662
Bonds, notes, and leases payable		27,696	905	23,765	1,280
Split-interest agreements		–	3,434	–	3,265
Custodial funds		–	9,396	–	5,586
Liability for return of collateral on securities loaned		–	22,299	–	–
Other liabilities		52,030	88	33,667	481
Total Current Liabilities		**376,347**	**46,854**	**341,021**	**18,676**
Noncurrent Liabilities					
Accrued compensated absences		90,308	–	80,783	–
Deferred revenue		6,106	178	6,517	139
Bonds, notes, and leases payable		796,516	73,764	655,737	121,951
Split-interest agreements		–	26,571	–	26,307
Custodial funds		–	132,174	–	106,779
Other liabilities		23,660	2,842	20,064	2,321
Total Noncurrent Liabilities		**916,590**	**235,529**	**763,101**	**257,497**
Total Liabilities	**$**	**1,292,937**	**282,383**	**1,104,122**	**276,173**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF NET ASSETS

June 30, 2007 and 2006 (*in thousands*)

	2007		2006	
	University	Component Units	University	Component Units
Net Assets				
Invested in capital assets, net of related debt	$ 1,075,948	(108)	981,247	735
Restricted for nonexpendable purposes (endowments)				
Instruction	–	118,204	–	102,052
Research	3,855	22,309	3,343	23,697
Academic support	20,738	15,724	17,476	12,618
Capital and other	2,854	6,042	2,112	5,886
Scholarships and fellowships	26,142	66,860	20,196	62,256
Total restricted for nonexpendable purposes	53,589	229,139	43,127	206,509
Restricted for expendable purposes				
Instruction	13,646	230,059	14,333	170,853
Research	29,282	54,268	20,299	44,322
Academic support	16,180	40,124	14,580	28,970
Student loans and services	43,446	–	40,713	–
Capital	14,557	68,477	14,430	34,092
Scholarships and fellowships	17,409	131,100	16,491	108,015
Auxiliary enterprises	134,235	–	121,989	–
Other	15,749	3,790	12,196	3,684
Total restricted for expendable purposes	284,504	527,818	255,031	389,936
Unrestricted	625,453	79,955	500,852	58,110
Total Net Assets	**$ 2,039,494**	**836,804**	**1,780,257**	**655,290**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2007 and 2006 (*in thousands*)

	2007		2006	
	University	Component Units	University	Component Units
Operating Revenues				
Student tuition (net of scholarship allowances of $69,439 in 2007 and $68,142 in 2006; pledged revenues of $48,760 in 2007 and $45,497 in 2006)	$ 487,599	–	454,827	–
Student fees (net of scholarship allowances of $6,666 in 2007 and $6,485 in 2006; pledged revenues of $4,959 in 2007 and $4,845 in 2006)	45,015	–	40,828	–
Fee-for-service contract	108,782	–	95,708	–
Federal grants and contracts (pledged revenues of $102,340 in 2007 and $98,601 in 2006)	532,751	–	531,031	–
State and local grants and contracts (pledged revenues of $8,053 in 2007 and $5,382 in 2006)	41,586	–	30,810	–
Nongovernmental grants and contracts	61,419	–	53,618	–
Sales and services of educational departments (pledged revenues of $6,540 in 2007 and $6,160 in 2006)	111,811	–	105,301	–
Auxiliary enterprises (net of scholarship allowances of $2,036 in 2007 and $1,562 in 2006; pledged revenues of $30,205 in 2007 and $28,629 in 2006)	145,022	–	135,049	–
Health services	275,675	–	243,169	–
Contributions	–	107,415	–	60,867
Other operating revenues (pledged revenues of $2,170 in 2007 and $2,345 in 2006)	37,660	27,969	35,864	25,621
Total Operating Revenues	**1,847,320**	**135,384**	**1,726,205**	**86,488**
Operating Expenses				
Education and General				
Instruction	529,648	–	490,277	–
Research	391,637	–	378,894	–
Public service	73,914	–	64,187	–
Academic support	100,611	–	95,857	–
Student services	71,433	–	64,582	–
Institutional support	117,728	85,247	104,981	82,610
Operation and maintenance of plant	111,589	–	99,192	–
Student aid	20,390	–	24,695	–
Total Education and General Expenses	1,416,950	85,247	1,322,665	82,610
Depreciation	125,059	4,613	117,385	3,132
Auxiliary enterprises	115,838	–	102,871	–
Health services, net	250,465	–	219,755	–
Other operating expenses	274	–	69	–
Total Operating Expenses	**1,908,586**	**89,860**	**1,762,745**	**85,742**
Operating Income (Loss)	**(61,266)**	**45,524**	**(36,540)**	**746**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2007 and 2006 (*in thousands*)

		2007		2006	
		University	Component Units	University	Component Units
Nonoperating Revenues (Expenses)					
Gifts		61,650	6,231	56,271	3,500
Investment income (net of investment expenses of $6,580 in 2007 and $5,130 in 2006; pledged revenues of $29 in 2007)		132,390	133,343	68,533	69,802
Royalty income (loss)(net of royalty expense of $6,140 in 2007 and $6,822 in 2006; pledged revenues of $83 in 2007and $92 in 2006)		756	–	(298)	–
Loss on disposal of capital assets		(5,258)	–	(1,021)	–
Interest expense on capital asset-related debt		(22,116)	(3,584)	(21,875)	(3,915)
Other nonoperating revenues (net of expenses of $1 in 2007, pledged revenues of $45 in 2007 and $23 in 2006)		11,426	–	9,465	–
Net Nonoperating Revenues		**178,848**	**135,990**	**111,075**	**69,387**
Income Before Other Revenues		**117,582**	**181,514**	**74,535**	**70,133**
Capital contributions from state		117,721	–	46,451	–
Capital student fee (net of scholarship allowance of $321 in 2007)		2,550	–	–	–
Capital appropriations		7,783	–	1,704	–
Capital grants and gifts		10,350	–	10,042	–
Additions to permanent endowments		3,251		126	–
Total Other Revenues		**141,655**	**–**	**58,323**	**–**
Increase in Net Assets		**259,237**	**181,514**	**132,858**	**70,133**
Net Assets, beginning of year		1,780,257	655,290	1,647,399	585,157
Net Assets, end of year	**$**	**2,039,494**	**836,804**	**1,780,257**	**655,290**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2007 and 2006 (*in thousands*)

	2007	2006
	University	
Cash Flows from Operating Activities		
Tuition and fees	$ 533,560	490,863
Grants and contracts	736,641	728,929
Payments to suppliers	(452,218)	(424,827)
Payments for utilities	(49,480)	(53,060)
Payments to employees	(988,170)	(933,358)
Payments for benefits	(231,313)	(197,740)
Payments for scholarships and fellowships	(19,010)	(22,700)
Loans issued to students and employees	(7,042)	(8,752)
Collection of loans to students and employees	10,629	9,456
Auxiliary enterprise charges	158,076	151,565
Sales and services of educational departments	111,034	101,007
Health services	274,108	240,658
Other receipts	44,846	47,055
Total Cash Flows Provided by Operating Activities	**121,661**	**129,096**
Cash Flows from Noncapital Financing Activities		
Gifts and grants for other than capital purposes	51,586	54,482
Endowment additions	3,251	126
William D. Ford direct lending receipts	59,387	102,515
William D. Ford direct lending disbursements	(60,179)	(102,437)
PLUS loans receipts	51,679	46,053
PLUS loans disbursements	(52,361)	(45,993)
School as lender receipts	62,156	4,499
School as lender disbursements	(62,156)	(4,499)
Agency transactions	1,505	8,907
Total Cash Flows Provided by Noncapital Financing Activities	**54,868**	**63,653**
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	99,939	25,254
Capital grants and gifts received	12,046	10,042
State capital contributions	117,721	46,451
Proceeds from sale of capital assets	764	59
Purchases and construction of capital assets	(373,091)	(238,135)
Principal paid on capital debt	(25,425)	(31,284)
Interest paid on capital debt	(43,395)	(39,367)
Total Cash Flows Used for Capital and Related Financing Activities	**(211,441)**	**(226,980)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	3,174,774	4,030,331
Purchase of investments	(3,241,355)	(4,054,129)
Interest on investments	102,658	82,686
Royalty income	6,896	6,525
Royalty fees paid	(6,140)	(6,822)
Investment management fees paid	(6,580)	(5,130)
Total Cash Flows Provided by Investing Activities	**30,253**	**53,461**
Net Increase (Decrease) in Cash and Cash Equivalents	**(4,659)**	**19,230**
Cash and cash equivalents, beginning of year	46,920	27,690
Cash and cash equivalents, end of year	**$ 42,261**	**46,920**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2007 and 2006 (*in thousands*)

	2007	2006
	University	
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	$ (61,266)	(36,540)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	125,059	117,385
Provision for doubtful receivables	2,211	2,388
Receipts of items classified as nonoperating revenues	11,736	10,417
Other non-cash expenses	8,448	–
Changes in assets and liabilities		
Receivables	(1,113)	12,376
Loans to students and employees	(648)	(651)
Inventories	1,595	26
Other assets	(1,258)	(634)
Accounts payable	7,897	(1,897)
Accrued expenses	6,709	8,945
Deferred revenue	4,655	12,435
Accrued compensated absences	10,386	2,611
Other liabilities	7,250	2,235
Net Cash Provided by Operating Activities	**$ 121,661**	**129,096**

Noncash Transactions		
Donations, lease-financed acquisitions, state-funded acquisitions of capital assets	$ 9,600	31,782
Unrealized gains on investments	46,702	2,797
Refunding bonds	195,015	–
Debt-funded acquisition of capital assets	66,001	–

See accompanying notes to financial statements.

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 (the State). It is governed by a nine-member Board of Regents (the Regents) elected by popular vote in the State's 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 three 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 Denver (UC Denver)

  Originally operated as two separate campuses, the Health Sciences Center and the Denver campus were established in 1883 and 1974, respectively. On July 1, 2004, the two campuses were merged into the single campus operations. In 2007, the name, University of Colorado Denver (UC Denver), was adopted. UC Denver is an urban comprehensive research university offering a full range of undergraduate, graduate, and professional degree programs in life sciences, professional programs, and liberal arts.

- University of Colorado at Colorado Springs (CU-Colorado Springs)

  Established as a separate campus in 1965, CU-Colorado Springs is a comprehensive graduate university (with selective admission standards) offering a comprehensive array of undergraduate, master's, and doctoral degree programs.

To accomplish these roles, the University's 2,612 tenure/tenure track faculty serve more than 52,240 students through 250 degree programs in 28 schools and colleges.

BASIS OF PRESENTATION AND FINANCIAL REPORTING ENTITY

Blended Component Units

The University's financial reporting entity includes the operations of the University and all related entities for which the University is financially accountable and that provide services entirely to the University, referred to as blended component units. 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 (plant). The plant is designed to supply steam and electric power to CU-Boulder. Excess electricity produced by the plant is sold to third parties. Buffalo Power Corporation's directors are appointed by the Regents.

- The University of Colorado Finance Corporation

  Established in 1998, the Finance Corporation is a Colorado nonprofit corporation organized to facilitate the acquisition of personal and real property for the University.

- 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 that insures property, liability, and workers' compensation risks under the regulatory authority of the Colorado Division of Insurance. Effective September 30, 1996, the University discontinued utilizing UCIP for its insurance and began utilizing a protected self-insurance program (Note 10). 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 1800 Grant St., Suite 700, Denver, Colorado 80203.

- 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 4740 Walnut St., Boulder, Colorado 80301.

- University Physicians, Inc. (UPI)

  Established in 1982, UPI performs the billing, collection, and disbursement services for the professional health services rendered for UC Denver as authorized in Section 23-20-114, Colorado Revised Statutes. UPI, a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code, collects patient and other revenues generated from professional activities by over 1,000 member physicians of the faculty of the UC Denver 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

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 these 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 (DPCU) of the University:

- Coleman Colorado Foundation (Coleman Foundation)

  Established in August 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.

- University of Colorado Foundation (CU Foundation)

  Established in 1967, the CU Foundation solicits, collects, and invests donations for the University. The CU Foundation, a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code, has a 15-member board of directors, of which a member of the Regents and the president of the University serve as ex-officio non-voting members. The 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, developing, and operating a student residence center on land located at CU-Boulder. In June 2007, the assets and liabilities of Bear Creek were sold to the University.

  Under an agreement between the CU Foundation and the University, the CU Foundation provides development and investment 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, CUREF solicits and manages real estate investments for the sole benefit of the University. CUREF, a nonprofit entity under Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code, has up to a 14-member board of directors, of which up to nine are voting members who may not be University employees and up to five are ex-officio non-voting members who may be University employees.

  In May 2005, Campus Village Apartments, LLC (Campus Village) was formed with CUREF as the sole shareholder to promote the general welfare, development, growth, and well being of the University, specifically by acquiring, constructing, improving, equipping, and operating a new student housing facility located in Denver, Colorado. Detailed financial information may be obtained directly from CUREF at 4740 Walnut Street, Boulder, Colorado 80301.

Joint Ventures and Related Organizations

The University has associations with the following organizations for which it is not financially accountable, nor has primary access to the resources. Accordingly, these organizations have not been included in the University's financial statements. Information regarding the nature of the relationships is included in Note 19.

- 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. Thus, for financial reporting purposes, the University is included as part of the State'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 tax liability related to income generated from activities unrelated to the University's exempt purpose as of June 30, 2007 and 2006.

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 financial statements are at fair value, which is determined primarily based on quoted market prices as of June 30, 2007 and 2006. 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 that 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, other readily determinable information, and information reported by investment managers and reviewed by DPCU management.

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 to 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 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 use 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 other 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 primarily accounted for using the consumption method and 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 at 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 1.1, Asset Useful Lives.

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. Employees earn and accrue vacation leave per the rates in Table 1.2, Compensated Absence Accrual Rates for Vacation, where as employees accrue sick leave with pay at the rate of 1.25 days per month, with no limit on accrual. 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 liability for compensated absences is expected to be funded by various sources of revenue that are 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.

TABLE 1.1 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.

TABLE 1.2 Compensated Absence Accrual Rates for Vacation

Years of Service	Days Earned per Month*	Maximum Accrual
Classified employees hired before January 1, 1968	1.25–1.75 days	30–42 days
Classified employees hired on or after January 1, 1968	1–1.75 days	24–42 days
Professional exempt and faculty employees	1.83 days	44 days**

*Rates are for full-time employees; part-time employees earn at pro-rata based on percentage of appointment.

**Effective September 1, 1976, vacation accrual in excess of 44 days, earned in accordance with prior policies, will be carried forward; however, persons with unused vacation in excess of 44 days may not accumulate additional vacation time by failure to use vacation earned after that date.

Capital Leases consist of 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 noncancelable for financial reporting purposes.

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 serves 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, fee-for-service contracts, 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 its formal self-funded internal service units and 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 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, fee-for-service contracts, sales and services of auxiliary enterprises, healthcare and patient services, grants, contracts, and interest on student loans. Operating revenues also include contributions to DPCU, which are derived from their fundraising mission.

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 and expenses include all revenues and related expenses 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), or from activities defined as such by the GASB cash flow standards (e.g., investment income).

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 enterprise revenues are reported net of scholarship allowance 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 grant revenues are used to satisfy tuition and fees and other student charges, the University records scholarship allowances. Any excess grant revenues are recorded as student aid operating expense.

Health Service 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 annually for Medicare and Medicaid, respectively. 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 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 CU Foundation board on an annual basis. For the years ended June 30, 2007 and 2006, 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 is 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.

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.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. To manage custodial credit risk, 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 depository insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name. Deposits with foreign financial institutions are not PDPA-eligible deposits and thus are exposed to custodial credit risk and require separate authorization as depositories by the State. During the years ended June 30, 2007 and 2006, all deposits with foreign financial institutions were authorized. Of the University's total cash and cash equivalents, approximately $111,000 and $91,000 related to deposits in foreign institutions are subject to custodial credit risk at June 30, 2007 and 2006, respectively. Custodial credit risk information is not available for the DPCU.

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

	2007	2006
University		
Cash on hand (petty cash and change funds)	$ 302	269
Deposits with U.S. financial institutions	41,848	46,560
Deposits with foreign financial institutions	111	91
Total Cash and Cash Equivalents–University	**$ 42,261**	**46,920**
Discretely Presented Component Units		
Deposits with U.S. financial institutions	$ 25,889	17,725
Total Cash and Cash Equivalents–DPCU	**$ 25,889**	**17,725**

NOTE 3–INVESTMENTS

The University's 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. Details of investments by type are included in Table 3.1, Investments. Endowments are pooled to the extent possible under gift agreements. The CU Foundation manages certain of these endowments for the University in accordance with their investment policy.

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	2007	2006
University		
U.S. government and agency securities	$ 93,021	102,224
Municipal bonds	69	–
Corporate equity securities	19,323	17,754
Corporate bonds and commercial paper	103,702	86,942
Repurchase agreements	68,329	155,717
Asset-backed securities	143,909	148,406
Open-ended mutual funds	650,817	481,933
Endowment-related investments held by CU Foundation	129,338	104,138
Other	2,178	289
Total Investments–University	**$ 1,210,686**	**1,097,403**
Discretely Presented Component Units		
Cash and cash equivalents	$ 1,693	5,260
Equity securities		
Domestic	220,671	183,246
International	202,354	153,844
Fixed-income securities	125,067	117,580
Alternative non-equity securities	383,719	291,442
Investments held as collateral for loaned securities	22,299	–
Guaranteed investment contracts	5,574	11,158
Total Investments–DPCU	**$ 961,377**	**762,530**

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 $798,145,000 and $713,282,000 for the years ended June 30, 2007 and 2006, respectively. The total return on this pool was 11.5 and7.0 percent for the years ended June 30, 2007 and 2006, respectively.

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Therefore, exposure arises if the securities are uninsured, not registered in the University's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the University's name. Open-ended mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. The University does not have a policy concerning custodial credit risk. None of the University's investments are subject to custodial risk. Custodial credit risk information is not available for the DPCU.

INTEREST RATE RISK

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. Interest rate risk only applies to debt investments. The University, except for UPI, manages interest rate risk in its investment portfolios by managing the duration, the maximum maturity, or both. University investment policies establish duration and maturity guidelines for each portfolio. The duration method uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. UPI manages interest rate risk using weighted average maturity. Weighted average maturity is a measure of the time to maturity in years that has been weighted to reflect the dollar size of the individual investment within an investment type. The University's investment policy mitigates interest rate risk through the use of maturity limits for each of the investment segment pools.

A summary of the fair value of the University's debt investments and interest rate risk as of June 30, 2007 and 2006 is shown in Table 3.2, Debt Investments and Interest Rate Risk. Interest rate risk information is not available for the DPCU.

As disclosed in Table 3.2, Debt Investments and Interest Rate Risk, the University has investments in asset-backed securities. The securities consist mainly of mortgages, home equity loans, student loans, automobile loans, equipment trusts, and credit card receivables. These securities are based on cash flows from principal and interest payments on the underlying securities. An asset-backed security has repayments that are expected to significantly vary with interest rate changes. The variance may present itself in terms of variable repayment amounts and uncertain early or extended repayments.

CREDIT QUALITY RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk only applies to debt investments. This risk is assessed by national rating agencies, which assign a credit quality rating for many investments. The University's investment policies for the Treasury pool do not permit investments in debt securities that are below investment grade at the time the security is purchased. University policy allows no more than 20 percent of investments to be rated below A (Standard and Poor's) or A3 (Moody's). There are two other investment policies tailored to

TABLE 3.2 Debt Investments and Interest Rate Risk *(in thousands and years)*

Investment Type	2007		2006	
	Amount	*Duration*	*Amount*	*Duration*
U.S. government and agency securities	$ 87,580	5.53	96,242	5.01
Municipal bonds	69	1.8	–	–
Corporate bonds	52,133	5.41	50,467	5.05
Commercial paper	–	–	147	0.22
Asset-backed securities				
Fixed-rate securities	191,297	–	79,023	–
Variable-rate securities	34,609	–	51,353	–
Collateralized mortgage obligations	12,290	–	17,060	–
Total Asset-backed securities	238,196	3.59	147,436	2.36
Bond mutual funds	34,066	2.76	32,526	2.79
	Amount	*Weighted Average Maturity*	*Amount*	*Weighted Average Maturity*
U.S. government and agency securities–UPI	$ 1,967	1.55	1,436	1.37
Federal agency paper–UPI	5,165	2.18	4,586	2.13
Corporate bonds–UPI	50,104	2.41	36,649	2.13
Asset-backed securities–UPI	1	1.00	95	1.00

Table 3.3 Debt Investments and Credit Quality Risk

	2007			2006		
	Unrated	Rated		Unrated	Rated	
Investment Type	*Fair Value (in thousands)*	*Fair Value (in thousands)*	*% of Rated Value by Credit Rating*	*Fair Value (in thousands)*	*Fair Value (in thousands)*	*% of Rated Value by Credit Rating*
U.S. government agencies	$ 7,060	28,335	96% AAA 4% AA	3,066	30,905	100% AAA/Aaa
Municipal bonds	–	69	72% AAA 28% AA	–	–	–
Corporate bonds	1,255	101,949	15% AAA 31% AA 31% A 20% BBB/Baa 3% BB/B/Caa	2,183	85,026	13% AAA 28% Aa/AA 30% A 23% BBB/Baa 6% Ba/Caa
Commercial paper	–	–	–	147	–	N/A
Repurchase agreements	68,329	–	N/A	155,717	–	N/A
Asset-backed securities	44,788	99,121	95% AAA/Aaa 5% AA/BB	48,323	99,208	95% AAA/Aaa 5% AA/BB
Bond mutual funds	34,847	–	N/A	32,526	–	N/A
Money market mutual funds	65,329	296,823	100% Aaa	32,266	183,404	100% Aaa

non-pooled investments. Those policies do not restrict investments to a particular credit quality standard. Credit quality ratings are not required for obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government. A summary of the University's debt investments and credit quality risk as of June 30, 2007, and 2006 is shown in Table 3.3, Debt Investments and Credit Quality Risk. Credit quality risk is not available for the DPCU.

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, 2007 and 2006, 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 following as of June 30, 2007 and 2006, as shown in Table 3.4, DPCU Investments Held Under Split-interest Agreements.

TABLE 3.4 DPCU Investments Held Under Split-interest Agreements *(in thousands)*

Type	2007	2006
Beneficial interests in perpetual trusts held by others	$ 198	198
Charitable unitrusts and other life income	45,644	42,480
Charitable annuity trusts	5,160	5,049
Charitable gift annuities and pooled income funds	1,024	1,005
Total Investments Held Under Split-interest Agreements	**$ 52,026**	**48,732**

NOTE 4–ACCOUNTS, CONTRIBUTIONS, AND LOANS RECEIVABLE

Table 4.1, Accounts, Contributions, and Loans Receivable, segregates receivables as of June 30, 2007 and 2006, 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, 2007 and 2006 is detailed in Table 4.2, UPI Concentration of Credit Risk.

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

		2007			
Type of Receivable		Gross Receivables	Allowances	Net Receivables	Net Current Portion
University					
Student accounts	$	25,479	9,366	16,113	16,112
Federal government		37,402	–	37,402	37,402
Other governments		30,061	–	30,061	30,061
Private sponsors		27,128	–	27,128	27,128
Patient accounts		40,832	4,876	35,956	35,956
DPCU		11,950	–	11,950	11,950
Interest		5,046	–	5,046	4,642
Other		15,410	1,162	14,248	13,901
Total Accounts Receivable		193,308	15,404	177,904	177,152
Student loans		38,270	2,471	35,799	–
Total Loans Receivable		38,270	2,471	35,799	–
Total Receivable–University	**$**	**231,578**	**17,875**	**213,703**	**177,152**
Discretely Presented Component Units					
Contributions*	$	297,439	251,924	45,515	21,185
Interest		152	–	152	152
Other		4,709	25	4,684	679
Total Receivable–DPCU	**$**	**302,300**	**251,949**	**50,351**	**22,016**

		2006			
Type of Receivable		Gross Receivables	Allowances	Net Receivables	Net Current Portion
University					
Student accounts	$	27,277	9,948	17,329	17,327
Federal government		37,094	–	37,094	37,094
Other governments		20,302	–	20,302	20,302
Private sponsors		21,857	–	21,857	21,857
Patient accounts		39,266	7,441	31,825	31,825
DPCU		8,447	–	8,447	8,447
Interest		4,326	–	4,326	4,310
Other		28,655	1,805	26,850	26,458
Total Accounts Receivable		187,224	19,194	168,030	167,620
Student loans		37,621	2,642	34,979	–
Total Loans Receivable		37,621	2,642	34,979	–
Total Receivable–University	**$**	**224,845**	**21,836**	**203,009**	**167,620**
Discretely Presented Component Units					
Contributions *	$	276,542	251,342	25,200	13,004
Interest		143	–	143	143
Other		6,261	–	6,261	2,145
Total Receivable–DPCU	**$**	**282,946**	**251,342**	**31,604**	**15,292**

*The allowance on the contributions receivable is comprised of uncollectible and unamortized discounts of $248,747,000 and $3,178,000 as of June 30, 2007, respectively, and $249,527,000 and $1,815,000 as of June 30, 2006, respectively.

TABLE 4.2 UPI Concentration of Credit Risk

Category	2007	2006
Managed care	55.1%	53.5%
Medicare	14.3	13.7
Medicaid	13.6	12.6
Other third-party payers	5.8	4.5
Self-pay	11.2	15.7
Total	**100.0%**	**100.0%**

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, 2007 and 2006.

The total interest expense related to capital asset debt incurred by the University during the years ended June 30, 2007 and 2006 approximated $42,342,000 and $37,344,000, respectively. Of this amount, approximately $20,226,000 and $15,469,000,

TABLE 5 Capital Assets *(in thousands)*

Category	Balance 2006	Additions	Retirements	Transfers	Balance 2007
University					
Nondepreciable Capital Assets					
Land	$ 46,024	–	–	–	46,024
Construction in progress	206,603	354,892	–	(112,705)	448,790
Collections	8,298	481	–	–	8,779
Total Nondepreciable Capital Assets	260,925	355,373	–	(112,705)	503,593
Depreciable Capital Assets					
Buildings	1,445,472	57,819	124	108,265	1,611,432
Improvements other than buildings	119,545	639	212	4,440	124,412
Equipment	392,065	29,108	30,220	–	390,953
Library and other collections	237,764	14,023	314	–	251,473
Total Depreciable Capital Assets	2,194,846	101,589	30,870	112,705	2,378,270
Less Accumulated Depreciation					
Buildings	489,923	69,669	37	–	559,555
Improvements other than buildings	46,229	6,599	113	–	52,715
Equipment	254,748	36,908	23,646	–	268,010
Library and other collections	149,733	11,883	314	–	161,302
Total Accumulated Depreciation	940,633	125,059	24,110	–	1,041,582
Net Depreciable Capital Assets	1,254,213	(23,470)	6,760	112,705	1,336,688
Total Net Capital Assets–University	**$ 1,515,138**	**331,903**	**6,760**	**–**	**1,840,281**
Discretely Presented Component Units					
Nondepreciable Capital Assets					
Land	$ 13,421	3,741	300	–	16,862
Construction in progress	31,188	207	–	(31,188)	207
Total Nondepreciable Capital Assets	44,609	3,948	300	(31,188)	17,069
Depreciable Capital Assets					
Buildings	71,737	19,869	62,205	30,554	59,955
Improvements other than buildings	731	43	2	–	772
Equipment	6,475	953	2,159	634	5,903
Total Depreciable Capital Assets	78,943	20,865	64,366	31,188	66,630
Less Accumulated Depreciation					
Buildings	6,685	3,429	5,236	–	4,878
Improvements other than buildings	254	81	1	–	334
Equipment	3,804	1,103	1,188	–	3,719
Total Accumulated Depreciation	10,743	4,613	6,425	–	8,931
Net Depreciable Capital Assets	68,200	16,252	57,941	31,188	57,699
Total Net Capital Assets–DPCU	**$ 112,809**	**20,200**	**58,241**	**–**	**74,768**

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

Category	Balance 2005	Additions	Retirements	Transfers	Balance 2006
University					
Nondepreciable Capital Assets					
Land	$ 38,918	9,859	2,753	–	46,024
Construction in progress	100,102	173,008	–	(66,507)	206,603
Collections	8,078	220	–	–	8,298
Total Nondepreciable Capital Assets	147,098	183,087	2,753	(66,507)	260,925
Depreciable Capital Assets					
Buildings	1,397,349	26,946	31,803	52,980	1,445,472
Improvements other than buildings	105,662	141	(215)	13,527	119,545
Equipment	370,027	37,730	15,692	–	392,065
Library and other collections	224,551	13,573	360	–	237,764
Total Depreciable Capital Assets	2,097,589	78,390	47,640	66,507	2,194,846
Less Accumulated Depreciation					
Buildings	428,348	67,924	6,349	–	489,923
Improvements other than buildings	41,255	4,938	(36)	–	46,229
Equipment	236,261	33,235	14,748	–	254,748
Library and other collections	138,805	11,288	360	–	149,733
Total Accumulated Depreciation	844,669	117,385	21,421	–	940,633
Net Depreciable Capital Assets	1,252,920	(38,995)	26,219	66,507	1,254,213
Total Net Capital Assets–University	**$ 1,400,018**	**144,092**	**28,972**	**–**	**1,515,138**

Category	Balance 2005	Additions	Retirements	Transfers	Balance 2006
Discretely Presented Component Units					
Nondepreciable Capital Assets					
Land	$ 19,822	350	6,751	–	13,421
Construction in progress	4,740	26,448	–	–	31,188
Total Nondepreciable Capital Assets	24,562	26,798	6,751	–	44,609
Depreciable Capital Assets					
Buildings	71,648	89	–	–	71,737
Improvements other than buildings	601	130	–	–	731
Equipment	6,185	290	–	–	6,475
Total Depreciable Capital Assets	78,434	509	–	–	78,943
Less Accumulated Depreciation					
Buildings	4,640	2,045	–	–	6,685
Improvements other than buildings	193	61	–	–	254
Equipment	2,778	1,026	–	–	3,804
Total Accumulated Depreciation	7,611	3,132	–	–	10,743
Net Depreciable Capital Assets	70,823	(2,623)	–	–	68,200
Total Net Capital Assets–DPCU	**$ 95,385**	**24,175**	**6,751**	**–**	**112,809**

respectively, was capitalized as part of the value of construction in progress. Interest expense incurred by the DPCU and capitalized for the year ended June 30, 2007 and 2006 was $2,721,000 and $1,762,000, respectively.

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, 2007 and 2006, 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 assets and liabilities are not recorded in the accompanying financial statements. For the years ended June 30, 2007 and 2006, total rental expense under these agreements approximated $6,837,000 and $6,181,000 for the University, respectively. Future minimum payments for these operating leases are shown in Table 6.2, Operating Leases Minimum Lease Obligations.

NOTE 7–ACCRUED COMPENSATED ABSENCES

Table 7, Accrued Compensated Absences, presents changes in accrued compensated absences for the years ended June 30, 2007 and 2006.

NOTE 8–DEFERRED REVENUE

As of June 30, 2007 and 2006, 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		2007	2006
University			
Accounts payable vendors	$	71,014	70,736
Accounts payable–DPCU		145	942
Accrued salaries and benefits		130,241	124,214
Accrued interest payable		2,080	1,164
Other accrued expenses		1,863	1,183
Total Accounts Payable and Accrued Expenses–University	**$**	**205,343**	**198,239**
Discretely Presented Component Unit			
Accounts payable vendors	$	2,853	4,574
Accounts payable–University		6,205	2,828
Total Accounts Payable–DPCU	**$**	**9,058**	**7,402**

TABLE 8 Deferred Revenue *(in thousands)*

		2007		2006	
Type		Total	Current Portion	Total	Current Portion
University					
Tuition and fees	$	16,869	16,869	16,527	16,527
Auxiliary enterprises		19,684	13,578	19,625	13,108
Grants and contracts		46,266	46,266	42,426	42,426
Miscellaneous		7,987	7,987	7,572	7,572
Total Deferred Revenue–University	**$**	**90,806**	**84,700**	**86,150**	**79,633**
Discretely Presented Component Units					
Miscellaneous	$	1,852	1,674	801	662
Total Deferred Revenue–DPCU	**$**	**1,852**	**1,674**	**801**	**662**

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

Years Ending June 30		Minimum Lease Obligation
2008	$	4,668
2009		4,049
2010		3,151
2011		2,353
2012		1,009
2013–2016		1,426
Total Operating Lease Obligations	**$**	**16,656**

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

	Balance 2005	Additions	Adjustments/Reductions	Balance 2006	Additions	Adjustments/Reductions	Balance 2007
$	83,890	69,520	66,910	86,500	76,511	66,125	96,886

NOTE 9–BONDS, NOTES, AND LEASES PAYABLE

As of June 30, 2007 and 2006, 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, 2007 and 2006.

REVENUE BONDS

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2007 and 2006 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. As of June 30, 2007 and 2006, total net pledged revenues approximate $203,184,000 and $191,574,000, 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.

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,

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

Type	Interest Rates	Final Maturity	Balance 2007	Balance 2006
University				
Revenue Bonds				
Enterprise System (including premium of $15,713 in 2006 and $30,836 in 2007 and deferred loss in 2007 of $9,134)	3.50%–5.75%	6/1/39	$ 774,497	593,028
UPI Variable Demand Bonds	3.50%*	1/1/25	19,290	19,460
Total Revenue Bonds			793,787	612,488
Certificates of Participation				
Master Lease Purchase Series 1998A	3.90–5.25%*	7/1/19	–	2,375
Master Lease Purchase Series 2003A and 2003B	2.00–4.125%	7/30/14	–	33,280
Total Certificates of Participation			–	35,655
Other Capital Lease Obligations				
Central Utility Plant	6.00%	12/31/22	28,145	29,234
Other Lease Obligations	2.87–13.95%	Various	2,187	1,989
Total Other Capital Lease Obligations			30,332	31,223
Notes Payable	5.00–6.00%	12/31/09	93	136
Total Bonds, Notes, and Leases Payable–University			**$ 824,212**	**679,502**

* 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, 2007.

Type	Interest Rates	Final Maturity	Balance 2007	Balance 2006
Discretely Presented Component Units				
Revenue Bonds				
Student Housing Series 2002 (including premium of $140 in 2006 and $146 in 2005)	2.50–5.38%	7/1/32	$ –	68,030
Student Housing Facility Series 2005	3,205%*	7/1/37	50,365	50,365
Total Revenue Bonds			50,365	118,395
Capital Leases	7.50%	9/1/14	4,585	4,836
Loans Payable	6.37–6.60%**	9/10/16	19,719	–
Total Bonds, Notes, and Leases Payable–DPCU			**$ 74,669**	**123,231**

*Interest on the UPI Variable Rate Demand Bonds, the Master Lease Purchase Certificates of Participation, and the Student Housing Faculty Series 2006 Bonds are 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, 2007.

**98 Inverness, LLC variable interest rate of 1-month LIBOR plus 2.15% adjusted monthly.

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 believes the University has met all debt service coverage ratios and has complied with all bond covenants.

On January 9, 2007, the University issued $184,180,000 of University Enterprise Refunding Revenue Bonds, Series 2007A and used the proceeds to in-substance defease all or a portion of existing enterprise revenue and refunding bonds and certificates of participation. The old debt and certificates of participation had interest rates ranging from 3.125 percent to 5.50 percent, and the new debt has interest rates ranging from 3.625 percent to 5.0 percent. The refunding resulted in an economic gain of $7,336,000 and an accounting loss of $9,480,000, which is deferred and amortized over the life of the new bonds. The debt service cash flows decreased by $11,028,000.

UPI variable rate demand bonds, Series 2002 were issued on behalf of UPI by the Anschutz 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.

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

Type		Balance 2006	Additions	Retirements	Balance 2007	Current Portion
University						
Revenue Bonds	$	596,775	349,480	174,170	772,085	23,360
Plus Unamortized Premiums		15,713	17,840	2,717	30,836	2,433
Less Deferred Loss		–	9,480	346	9,134	–
Net Revenue Bonds		612,488	357,840	176,541	793,787	25,793
Certificates of Participation		35,655	–	35,655	–	–
Other Capital Lease Obligations		31,223	595	1,486	30,332	1,858
Notes Payable		136	–	43	93	45
Total Bonds, Notes, and Leases Payable–University	**$**	**679,502**	**358,435**	**213,725**	**824,212**	**27,696**
Discretely Presented Component Units						
Revenue Bonds	$	118,255	–	67,890	50,365	–
Plus Unamortized Premium		140	–	140	–	–
Net Revenue Bonds		118,395	–	68,030	50,365	–
Capital Leases		4,836	30	281	4,585	346
Loans Payable		–	19,772	53	19,719	559
Total Bonds, Notes, and Leases Payable–DPCU	**$**	**123,231**	**19,802**	**68,364**	**74,669**	**905**

Type		Balance 2005	Additions	Retirements	Balance 2006	Current Portion
University						
Revenue Bonds	$	587,850	25,225	16,300	596,775	18,900
Plus Unamortized Premiums		17,063	29	1,379	15,713	1,293
Net Revenue Bonds		604,913	25,254	17,679	612,488	20,193
Certificates of Participation		47,100	–	11,445	35,655	1,750
Other Capital Lease Obligations		60,543	954	30,274	31,223	1,779
Notes Payable		177	–	41	136	43
Total Bonds, Notes, and Leases Payable–University	**$**	**712,733**	**26,208**	**59,439**	**679,502**	**23,765**
Discretely Presented Component Units						
Revenue Bonds	$	119,455	–	1,200	118,255	1,000
Plus Unamortized Premium		146	–	6	140	–
Net Revenue Bonds		119,601	–	1,206	118,395	1,000
Capital Leases		5,077	–	241	4,836	280
Total Bonds, Notes, and Leases Payable–DPCU	**$**	**124,678**	**–**	**1,447**	**123,231**	**1,280**

TABLE 9.3 Revenue Bonds Detail *(in thousands)*

Issuance Description		Original Issuance Amount	Outstanding Balance 2007	Outstanding Balance 2006
University				
Enterprise System Revenue Bonds:				
Refunding Series 1995A–				
Used to refund all of the Refunding Series 1986, 1989, 1990 and 1992B	$	32,940	5,975	19,355
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	1,050	1,225
Refunding Series 1999A–				
Used to refund all of the Adjustable Tender Series 1996A		22,495	–	20,575
Refunding Series 2001A–				
Used to refund all of the Student Recreation Center and Refunding Series 1989, Auxiliary Facilities System Refunding Series 1992A, Research Building Revolving Fund (RBRF) Series 1989, and RBRF Series 1992, and a portion of the Enterprise System Tax Exempt Commercial Paper		34,840	14,092	18,046
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	9,471	47,466
Series 2002A–				
Used to fund capital improvements at UC Denver (includes premium)		101,875	39,060	93,076
Series 2002B–				
Used to fund capital improvements at CU-Boulder (includes premium)		40,055	7,443	40,101
Series 2002C–				
Used to fund capital improvements at CU-Boulder (includes premium)		5,670	2,140	3,225
Series 2003A–				
Used to fund capital improvements at CU-Boulder, CU-Colorado Springs, and UC Denver		64,260	58,877	60,879
Series 2004–				
Used to fund capital improvements at CU-Boulder, CU-Colorado Springs, and UC Denver		24,360	22,435	23,280
Series 2005A–				
Used to fund capital improvements at CU-Boulder, CU-Colorado Springs, UC Denver and refund 1995 RBRF Bonds (includes premium)		230,025	235,895	240,547
Series 2005B–				
Used to fund capital improvements at CU-Colorado Springs and UC Denver		25,225	25,200	25,253
Series 2006A–				
Used to fund capital improvements at CU-Boulder, CU-Colorado Springs, and UC Denver		101,425	104,085	–
Refunding Series 2007A–				
Used to refund all of the revenue bond Refunding Series 1999A and Certificates of Participation Series 2003A and 2003B and a portion of revenue bond Refunding Series 1995A, Refunding and Improvement Series 2001B, Series 2002A, and 2002B		184,180	182,774	–
Series 2007B–				
Used to fund acquisition and capital improvements at CU-Boulder, Williams Village		63,875	66,000	–
Total Enterprise System Revenue Bonds			774,497	593,028
Series 2002–UPI Variable Rate Demand Bonds–				
Used to finance construction of UPI's administrative office building		20,500	19,290	19,460
Total Revenue Bonds			793,787	612,488
Less Premium			30,836	15,713
Plus Deferred Loss			9,134	–
Total Outstanding Revenue Bond Principal–University			**772,085**	**596,775**
Discretely Presented Component Units				
Student Housing Series 2002–				
Used to finance Williams Village student housing		69,090	–	68,030
Student Housing Facility Series 2005–				
Used to finance construction of housing facility adjacent to Auraria Higher Education Center		50,365	50,365	50,365
Total Revenue Bonds			50,365	118,395
Less Premium			–	140
Total Outstanding Revenue Bond Principal–DPCU			**50,365**	**118,255**

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. Proceeds of the Bonds were used (i) to construct, equip, and furnish a student housing facility and related facilities; (ii) to construct and equip a portion of a community center; (iii) to fund interest during the construction period; and (iv) to pay the costs of the bond issuance. In June 2007, Bear Creek sold the student housing and related facilities to the University for $65,500,000 (Note 18). In connection with the sale, Bear Creek defeased all remaining outstanding bonds totaling $66,890,000, and had a cost of defeasance of $1,247,306.

The Authority also issued $50,365,000 of Series 2005 Variable Rate Student Housing Facility Revenue Bonds. The Authority then loaned these bond proceeds to Campus Village. The assets of Campus Village are not available to satisfy the claims of creditors of any affiliate of Campus Village, including CUREF, and the assets of any affiliate of Campus Village, including CUREF, are not available to satisfy the claims of any creditors of Campus Village. The bonds payable are secured by a letter of credit held with Citibank, N.A. The letter of credit expires on May 25, 2010, and provides for the renewal or replacement of such upon that date. Under the letter of credit agreement, Campus Village is required to pay annual letter of credit fees and quarterly remarketing fees equal to 1.24 and 0.125 percent, respectively, of the outstanding principal balance.

The Series 2005 Variable Rate Student Housing revenue bonds are payable annually, commencing July 1, 2008, with interest payments due monthly at a variable rate established by the remarketing agent.

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

CERTIFICATES OF PARTICIPATION

Certificates of participation were issued to finance lease purchase agreements for 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. As of June 30, 2007, the certificates of participation were redeemed in full. The underlying gross capitalized assets have an approximate cost of $38,262,000 as of June 30, 2006.

OTHER CAPITAL LEASES

During the year ended June 20, 2004, 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 UC Denver Anschutz Medical Campus. As of June 30, 2007 and 2006, the CUP capital lease had an outstanding liability approximating $28,145,000 and $29,234,000, respectively, with underlying gross capitalized asset cost approximating $35,662,000 and $35,003,000, respectively. 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, 2007 and 2006, the University had an outstanding liability for all other capital leases approximating $2,187,000 and $1,989,000, respectively, with underlying gross capitalized asset cost approximating $3,806,000 and $3,188,000, respectively. At June 30, 2007 and 2006, the DPCU had an outstanding liability for capital leases approximating $4,584,000 and $4,836,000, respectively, with underlying gross capitalized asset cost approximating $5,750,000.

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
2008	$ 23,360	36,771	60,131	–	1,614	1,614
2009	26,575	35,745	62,320	325	1,604	1,929
2010	26,885	34,531	61,416	420	1,590	2,010
2011	27,040	33,306	60,346	520	1,574	2,094
2012	27,385	32,101	59,486	630	1,553	2,183
2013–2017	144,910	140,113	285,023	4,740	7,340	12,080
2018–2022	167,750	103,465	271,215	6,335	6,418	12,753
2023–2027	191,490	59,490	250,980	8,025	5,245	13,270
2028–2032	104,920	21,921	126,841	10,190	3,758	13,948
2033–2037	30,350	2,873	33,223	12,930	1,870	14,800
2038–2039	1,420	97	1,517	6,250	–	6,250
Total	**$ 772,085**	**500,413**	**1,272,498**	**50,365**	**32,566**	**82,931**

TABLE 9.5 Capital Leases *(in thousands)*

	University			Discretely Presented Component Units		
Years Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2008	$ 1,858	1,721	3,579	346	501	847
2009	1,738	1,625	3,363	418	458	876
2010	1,658	1,532	3,190	500	407	907
2011	1,624	1,441	3,065	593	346	939
2012	1,519	1,352	2,871	698	273	971
2013–2017	8,970	5,310	14,280	2,029	282	2,311
2018–2022	11,605	2,362	13,967	–	–	–
2023–2026	1,360	40	1,400	–	–	–
Total	**$ 30,332**	**15,383**	**45,715**	**4,584**	**2,267**	**6,851**

Future minimum payments for capital lease obligations are detailed in Table 9.5, Capital Leases.

NOTES PAYABLE

As of June 30, 2007 and 2006, the University had outstanding notes payable issued for the acquisition of land for the site of student housing known as Williams Village at CU-Boulder with amounts outstanding of $93,000 and $136,000, respectively. The notes payable are payable from student housing revenue. Future minimum payments of the notes payable are detailed in Table 9.6, Notes Payable Future Minimum Payments.

STATE OF COLORADO CERTIFICATES OF PARTICIPATION

On December 14, 2005, the State, acting by and through the Regents, issued certificates of participation with an approximate par value of $192,625,000 and premium of $7,600,600. The certificates have interest rates ranging from 3.75 to 5.25 percent and mature in November 2030. Annual lease payments are made by the State and are subject to annual appropriations by the Legislature. As a result, this liability is recognized by the State and not included in the University's financial statements.

The certificates are secured by the buildings or equipment acquired with the lease proceeds and any unexpended lease proceeds. The proceeds are being used to finance the costs of acquisition, construction, improvement, and equipping of seven academic buildings on the UC Denver Anschutz Medical Campus. The underlying capitalized assets are contributed to the University from the State. The University has recognized capital contributions from the State and related capital assets of approximately $117,721,000 and $46,451,000 during the years ended June 30, 2007 and 2006, respectively.

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 $171,865,000 as of June 30, 2007. No such debt was outstanding as of June 30, 2006.

TABLE 9.6 Notes Payable Future Minimum Payments *(in thousands)*

	University			Discretely Presented Component Units		
Years Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2008	$ 45	5	50	559	1,288	1,847
2009	48	2	50	142	1,281	1,423
2010	–	–	–	191	1,270	1,461
2011	–	–	–	3,389	1,169	4,558
2012	_	–	–	217	1,006	1,223
2013–2017	–	–	–	15,221	4,100	19,321
Total	**$ 93**	**7**	**100**	**19,719**	**10,114**	**29,833**

NOTE 10–OTHER LIABILITIES

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2007 and 2006.

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 cost and risks associated with employee health benefit programs through the 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 UC Denver and the Hospital Authority (Note 19). A separate self-insurance program has also been established to provide health insurance for graduate medical students and eligible dependents at UC Denver.

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 $100,000 to $1,000,000 per occurrence.

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, 2007 and 2006 are presented in Table 10.2, Risk Financing-related Liabilities.

DIRECT LENDING

The University participates in two student lending programs operated by the federal government, Direct Student Loan, and the State, School as Lender. These programs enable eligible students or parents to obtain a loan to pay for the student's cost of attendance directly through the university rather than through a private lender. The University is responsible for handling the complete loan process, including funds management as well as promissory note functions. For the Direct Lending program, the University is not responsible for collection of these loans or for defaults by borrowers and therefore these loans are not recognized as receivables in the accompanying financial statements. For the School as Lender program, it is the intent of the University to sell the loans back to the state prior to the end of the fiscal year. As of June 30, 2007 and 2006, the University recognized a receivable of $2,131 and $909, respectively, with an offsetting liability in the accompanying financial statements for the loans that were not sold by year end. Table 10.3, Direct Lending, details the amounts and types of direct loans by campus during the years ended June 30, 2007 and 2006.

TABLE 10.1 Other Liabilities *(in thousands)*

	2007		2006	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
University				
Risk financing	$ 19,733	6,906	23,306	9,089
Construction contract retainage	20,100	10,419	5,422	1,354
Funds held for others	23,525	23,525	22,481	22,481
Miscellaneous (Note 20)	12,332	11,180	2,522	743
Total Other Liabilities–University	**$ 75,690**	**52,030**	**53,731**	**33,667**
Discretely Presented Component Units				
Funds held for others	$ 2,930	88	2,774	481
Liability for return of collateral on securities loaned	22,299	22,299	–	–
Total Other Liabilities–DPCU	**$ 25,229**	**22,387**	**2,774**	**481**

TABLE 10.2 Risk Financing-related Liabilities *(in thousands)*

	Property, General Liability and Workers' Compensation	UC Denver Professional Liability	Graduate Medical Students' Health Benefits	Total
Balance 2005	**$ 14,920**	**6,556**	**972**	**22,448**
Fiscal Year 2006:				
Claims and changes in estimates	6,073	965	5,723	12,761
Claim payments	(5,272)	(960)	(5,671)	(11,903)
Balance 2006	**$ 15,721**	**6,561**	**1,024**	**23,306**
Fiscal Year 2007:				
Claims and changes in estimates	4,700	(767)	6,196	10,129
Claim payments	(7,072)	(548)	(6,082)	(13,702)
Balance 2007	**$ 13,349**	**5,246**	**1,138**	**19,733**

TABLE 10.3 Direct Lending *(in thousands)*

Campus	CU-Boulder	CU-Colorado Springs	UC Denver	Total University
Fiscal Year 2007				
Federal Direct Student Loan Program	$ 112,540	–	–	112,540
State of Colorado School as Lender Program	–	5,718	56,438	62,156
Total Direct Lending 2007	**$ 112,540**	**5,718**	**56,438**	**174,696**
Fiscal Year 2006				
Federal Direct Student Loan Program	$ 106,820	–	41,610	148,430
State of Colorado School as Lender Program	–	856	3,643	4,499
Total Direct Lending 2006	**$ 106,820**	**856**	**45,253**	**152,929**

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, 2007 and 2006, all of the University's unrestricted net assets have been designated by management for purposes and amounts detailed in Table 11, Designations of Unrestricted Net Assets.

NOTE 12–SPENDING LIMITATIONS

In November 1992, the Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to the all local governments and the State of Colorado, including the University. During the years ended June 2007, 2006, and 2005, the Colorado State Legislature determined that in Section 23-5-101.7 of the Colorado Revised Statutes that an institution of higher education may be designated as an enterprise for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than 10 percent of its total

TABLE 11 Designations of Unrestricted Net Assets
(in thousands)

Designation Description	2007	2006
Accounts receivable	$ 23,171	81,148
Accumulated unrealized gain on investments	40,569	21,864
Auxiliary facilities operating reserves	58,554	31,552
Campus operating reserves	–	10,345
Capital-related activities	205,108	99,556
Faculty start-up and research initiatives	90,099	75,959
Inventories and prepaids	2,234	10,918
Investment pool	31,909	42,393
Purchase commitments	–	3,652
Quasi-endowments	26,676	22,613
Risk financing activities	30,396	18,435
Service center reserves	4,792	1,704
Technology Transfer Office	17,849	11,128
University Physicians, Inc.	94,096	69,585
Total Designated Unrestricted Net Assets	**$ 625,453**	**500,852**

annual revenues in grants as defined by TABOR. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR.

In July 2005, the Regents designated the University as a TABOR enterprise pursuant to the statute. During the years ended June 30, 2007, 2006, and 2005, the University believes it has met all requirements of TABOR enterprise status. Specifically, the Regents retain the authority to issue revenue bonds and the amount of state grants received by the University was 1.0 percent and 0.46 percent during the years ended June 30, 2007 and 2006, respectively, as shown in Table 12.1, TABOR Enterprise State Support Calculation.

TABLE 12.1 TABOR Enterprise State Support Calculation *(in thousands)*

	2007	2006
State Grants:		
Capital appropriations	$ 7,783	1,704
State appropriations for Anschutz Certificate of Participation annual payments	13,130	6,986
Total State Grants	20,913	8,690
Total TABOR Enterprise Revenues	$ 2,101,000	1,901,100
Ratio of State Grants to Total Revenues	1.00%	0.46%

TABLE 12.2 Appropriated Funds *(in thousands)*

Description	2007	2006
Total appropriation	$ 653,258	615,831
Actual appropriated revenues	$ 650,081	606,037
Actual appropriated expenditures and transfers	649,851	599,512
Net increase (decrease) in appropriated net assets	$ 230	6,525

A portion of the University is subject to revenue and expense limitations imposed by the Colorado State Legislature through the annual appropriation process. For years ended June 30, 2007 and 2006, respectively, the University's appropriated funds included $70,550,000 and $63,396,000 received from students that qualified for stipends from the College Opportunity Fund and $108,782,000 and $95,708,000 as fee-for-service contract revenue, as well as certain cash funds as specified in the State's annual appropriations bill.

Appropriated 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.

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, 2007 and 2006, appropriated expenses were within the authorized spending authority. Table 12.2, Appropriated Funds, details the related activities for the years ended June 30, 2007 and 2006.

NOTE 13–SCHOLARSHIP ALLOWANCES

During the years ended June 30, 2007 and 2006, scholarship allowances were provided by the following funding sources in amounts detailed in Table 13, Scholarship Allowances.

TABLE 13 Scholarship Allowances *(in thousands)*

	2007			2006		
Funding Source Description	Tuition and Fees	Auxiliary Enterprise Revenues	Total	Tuition and Fees	Auxiliary Enterprise Revenues	Total
University general resources	$ 26,047	810	26,857	27,769	665	28,434
University auxiliary resources	5,390	228	5,618	4,819	159	4,978
Colorado Commission on Higher Education financial aid program	11,354	213	11,567	8,534	120	8,654
Federal programs, including Pell grants	24,260	555	24,815	24,324	450	24,774
Other State of Colorado programs	83	1	84	132	2	134
Private programs	9,292	229	9,521	9,049	166	9,215
Total Scholarship Allowances	**$ 76,426**	**2,036**	**78,462**	**74,627**	**1,562**	**76,189**

NOTE 14–HEALTH SERVICES REVENUE

Health services revenue is recorded net of contractual adjustments approximating $273,014,000 and $252,206,000 and bad debt expense on uncollectible patient account receivables approximating $10,740,000 and $13,775,000 as of June 30, 2007 and 2006, respectively. Charity care provided during the years ended June 30, 2007 and 2006, for which no reimbursement was received, measured at established rates, totaled approximately $14,100,000 and $15,500,000, respectively.

NOTE 15–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 and CUREF offer a retirement plan for certain of their employees.

PERA-DEFINED BENEFIT PENSION PLAN

The PERA plan provides 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 and other employers' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or at www.copera.org.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Based on the 2006 legislation, higher education employees hired on or after January 1, 2008, have the additional option of participating in the state's defined contribution plan or PERA's defined contribution plan, which are discussed below, as well as the plans available to other employees in their institution.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as the contributions to the PERA defined benefit plan.

Plan members vest after five years of service and are eligible for retirement benefits based on their hire date as follows: hired before July 1, 2005, at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with five years of service; hired between July 1, 2005, and December 31, 2006, any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with five years of service; hired on or after Jauary 1, 2007, any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with five years of service. Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows: hired before January 1, 2007, age 55 with a minimum of five years of service credit and age plus years of service equal to 80 or more; hired on or after January 1, 2007, age 55 with a minimum of five years of service credit and age plus years of service equal to 85 or more. Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually based on their original hire date as follows:

- Hired before July 1, 2005–3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006–the lesser of 3 percent or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007– the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost-of-living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percent of the employer contributions for this population.)

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 18 (23 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.

TABLE 15 University Contributions to PERA *(in thousands)*

Program	Basis	2007	2006	2005
Health Care Trust Fund	1.02% after January 1, 2004; 1.1% between July 1, 2004 and January 1, 2003	$ 260	239	223
Defined Benefit Plan	The balance remaining	25,502	23,174	21,628
Total University Contribution		**$ 25,762**	**23,413**	**21,851**

The total payroll of employees covered by PERA was approximately $233,928,000 and $219,601,000 for the years ended June 30, 2007 and 2006, respectively. Employees contribute 8 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. During the years ended June 30, 2007, 2006, and 2005, the University contributed a total of 11.01, 10.66, and 10.16 percent, respectively, of the employee's gross covered wages to PERA in accordance with the following allocations and amounts detailed in Table 15, 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 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.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2005, the division of PERA in which the state participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one half percentage point of total salaries paid beginning January 1, 2008. The SAED is scheduled to increase by one half percentage point through 2013 resulting in a cumulative increase of three percentage points. For state employers, each year's one half percentage point increase in the SAED will be deducted from the amount of changes to state employees' salaries, and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100 percent.

Historically members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

On January 1, 2001, the Matchmaker Program established a state match for PERA members' voluntary contributions to other tax-deferred retirement plans: PERA's voluntary 401(k) plan, the State's 457 deferred compensation plan, and a 403(b) plan of certain agencies and institutions of the State.

The PERA Board sets the level of the match annually, based on the actuarial funding of the defined benefit pension plan. The match is only available when the actuarial value of the defined benefit plan assets is 110 percent of the actuarially accrued plan liabilities. This condition was not met during the years ended June 30, 2007 and 2006.

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 state constitution 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 ended June 30, 2007 and 2006, 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, 2007 and 2006 approximated $53,181,000 and $49,453,000, respectively. The employees' contribution under the optional retirement plan approximated $26,450,000 and $24,622,000 during the years ended June 30, 2007 and 2006, 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. 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, 2007 and 2006.

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, 2007 and 2006. UPI's contributions for covered payroll to the retirement plan for the years ended June 30, 2007 and 2006 approximated $1,508,000 and $1,374,000, respectively.

CU FOUNDATION RETIREMENT PLAN

The CU Foundation sponsors a 401(k) plan for the benefit of its employees. Under the 401(k) plan, the CU Foundation matches employee contributions up to 6 percent of the employee's salary. For the years ended June 30, 2007 and 2006, the CU Foundation's matching contributions approximated $462,000 and $397,000, respectively.

CUREF RETIREMENT PLAN

Starting July 1, 2005, CUREF established a 401(k) safe-harbor plan for the benefit of substantially all full-time employees. Under the 401(k) plan, CUREF matches employee contributions up to 6 percent of the employee's salary. Participating employees immediately vest in employer contributions. For the years ended June 30, 2007, and 2006, CUREF's matching contributions approximated $29,000 and $24,000, respectively.

HEALTH INSURANCE PROGRAMS

The University's contributions to its various health insurance programs approximated $54,045,000 and $42,549,000 during the years ended June 30, 2007 and 2006, respectively.

NOTE 16–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, 2007 and 2006, approximately 3,400 and 3,300 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 $6,997,000 and $5,353,000 during the years ended June 30, 2007 and 2006, respectively.

PERA POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Health Care Program

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 PERACare and the Health Care Fund. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund; the program was converted to a trust fund in 1999. 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, 2007 and 2006, the premium subsidy was $115 for those with 20 years of service credit ($230 for members under age 65 and not eligible for Medicare), and it was reduced by 5 percent for each year of service fewer than 20.

The Health Care Trust Fund is maintained by an employer's contribution (see PERA Defined Benefit Pension Plan (Note 15).

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, 2006, there were approximately 42,433 enrollees in the plan.

Life Insurance Program

During Fiscal Year 2006-07, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,101 members participated. Active members may join the UnumProvident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 12,790 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

NOTE 17–SEGMENT INFORMATION

As of June 30, 2007 and 2006, the University has one segment, UPI.

UPI has identifiable activities for which UPI Variable Rate Demand bonds approximating $19,290,000 and $19,460,000 are outstanding as of June 30, 2007 and 2006, respectively. The activities of this segment include all the UC Denver School of Medicine's faculty practice plan.

Summary financial information as of and for the years ended June 30, 2007 and 2006, respectively, is presented in Table 17, Segment Financial Information.

TABLE 17 Segment Financial Information *(in thousands)*

As of and for the year ended June 30		2007	2006
Condensed Statement of Net Assets		**UPI**	**UPI**
Assets			
Cash, and cash equivalents	$	31,572	37,299
Short-term investments		17,489	10,036
Other current assets		35,940	32,408
Total current assets		85,001	79,743
Investments		51,776	42,040
Capital assets, net		16,320	17,548
Other noncurrent assets		1,371	1,426
Total noncurrent assets		69,467	61,014
Total Assets	**$**	**154,468**	**140,757**
Liabilities			
Accounts payable and accrued expenses	$	19,983	19,266
Bonds, notes, and leases payable		453	276
Total current liabilities		20,436	19,542
Bonds, notes, and leases payable		18,968	19,421
Total noncurrent liabilities		18,968	19,421
Total Liabilities	**$**	**39,404**	**38,963**
Net Assets			
Invested in capital assets, net of related debt	$	(3,040)	(2,150)
Restricted for capital		–	6
Unrestricted		118,104	103,938
Total Net Assets	**$**	**115,064**	**101,794**
Condensed Statement of Revenues, Expenses and Changes in Net Assets			
Operating revenues	$	269,550	238,206
Depreciation expense		(1,423)	(1,576)
Other operating expenses		(257,924)	(224,828)
Operating Income		10,203	11,802
Nonoperating Revenue (Expenses)			
Investment income		5,542	2,158
Interest expense on capital asset- related debt		(683)	(635)
Other nonoperating expenses		(1,792)	(2,189)
Total Nonoperating Revenue (Expenses)		3,067	(666)
Increase in Net Assets		**13,270**	**11,136**
Net Assets, beginning of year		101,794	90,658
Net Assets, end of year	**$**	**115,064**	**101,794**
Condensed Statement of Cash Flows			
Net Cash Flows Provided by (Used for)			
Operating activities	$	8,813	18,403
Non-capital financing activities		(1,820)	(2,190)
Capital and related financing activities		(1,110)	(1,546)
Investing activities		(11,610)	3,706
Net (Decrease) Increase in Cash and Cash Equivalents		**(5,727)**	**18,373**
Cash and Cash Equivalents, beginning of year		37,299	18,926
Cash and Cash Equivalents, end of year	**$**	**31,572**	**37,299**

NOTE 18–DISCRETELY PRESENTED COMPONENT UNITS

Summary financial information as of and for the years ended June 30, 2007 and 2006, respectively, for the University's DPCU are presented in Table 18, DPCU Summary Financial Statements.

UNIVERSITY OF COLORADO FOUNDATION

Distributions made by the CU Foundation to the University during the years ended June 30, 2007 and 2006 were approximately $50,632,000 and $51,661,000, 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. As of June 30, 2007 and 2006, the University has recorded an accounts receivable from the CU Foundation of $11,950,000 and $8,447,000, respectively. As of June 30, 2007 and 2006, the University has recorded an accounts payable to the CU Foundation of $145,000 and $942,000, 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. In addition, the University contracts with the CU Foundation to manage its endowments. The University has endowments and other assets held by the CU Foundation approximating $129,455,000 and $104,299,000 as of June 30, 2007 and 2006, respectively. The CU Foundation retained an investment management fee equal to 1.0 percent. The University pays a fee to the CU Foundation for development services approximating $6,568,000 and $6,600,000 during the years ended June 30, 2007 and 2006, respectively.

Bear Creek

During the year ended June 30, 2002, CU-Boulder and Bear Creek entered into an operating agreement whereby Bear Creek would construct and operate a student residence center on certain campus land, commonly referred to as Williams Village. 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. During the year ended June 30, 2006, the University recognized related revenue of $917,000. No such revenue was recognized in 2007. During the year ended June 30, 2006, the University made an irrevocable gift to Bear Creek of approximately $3,500,000 to facilitate its housing operations. As discussed in Note 9, the University purchased Bear Creek in June 2007. The University recorded the purchase at the net book value of the assets of $57,052,000. The Regent-approved purchase price was $65,500,000. The difference between the purchase price and the net book value of the assets was recorded as equipment and donation expense of $979,000 and $7,469,000, respectively. Bear Creek owns no other properties and will be eliminated as an operating division of the Foundation in Fiscal Year 2008.

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, 2007 and 2006, 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 ended June 30, 2007 and 2006 were approximately $1,000,000 and $1,000,000, 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, 2007 and 2006, this related endowment was valued at approximately $12,521,576 and $10,830,000, respectively.

THE UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION

For the years ended June 30, 2007 and 2006, CUREF distributed approximately $835,000 and $93,000, respectively, reported as operating expense, to the University, which recognized an equal amount of gift revenue. CUREF has a $7,000,000 line of credit with an interest rate that is determined at the time a draw on the line of credit is made with the University. At June 30, 2006, approximately $120,000 were drawn and owed under the line of credit. Amounts drawn and repaid during the year ended June 30, 2007, and 2006 totaled approximately $7,000,000 and $1,317,000, respectively.

CUREF has a long-term agreement with the University to rent portions of a building owned by CUREF. For the years ended June 30, 2007 and 2006, the University paid approximately $650,000 and $375,000, respectively, in rent to CUREF, which recognized an equal amount of other operating revenues.

NOTE 19–RELATED ORGANIZATIONS AND JOINT VENTURES

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

In accordance with 1991 state legislation, the Hospital Authority was established as a separate and distinct entity. Detailed financial information may be obtained directly from the Hospital Authority at Mail Stop F-401, P.O. Box 6506, Aurora, Colorado 80045.

UC Denver and UPI have several types of financial transactions with the Hospital Authority. On an annual basis, UC Denver or UPI and the Hospital Authority enter into agreements specifying the fees to be charged for services and the allocation of

TABLE 18 DPCU Summary Financial Statements *(in thousands)*

Condensed Statement of Net Assets	As of and for the year ended June 30, 2007			
	Coleman Foundation	CU Foundation	CUREF	Total
Assets				
Current Assets				
Cash, cash equivalents, and investments	$ 61	17,080	8,748	25,889
Investments	–	–	2,301	2,301
Accounts and contributions receivable, net	500	20,719	797	22,016
Other assets	–	328	122	450
Total current assets	561	38,127	11,968	50,656
Noncurrent Assests				
Investments	–	955,803	3,273	959,076
Contributions receivable, net	–	25,447	2,888	28,335
Other assets	–	–	6,352	6,352
Capital assets, net	–	4,477	70,291	74,768
Total noncurrent assets	–	985,727	82,804	1,068,531
Total Assets	**$ 561**	**1,023,854**	**94,772**	**1,119,187**
Liabilities				
Current Liabilities				
Accounts payable	$ –	1,589	1,264	2,853
Accounts payable–University	–	6,205	–	6,205
Deferred revenue	–	1,097	577	1,674
Bonds and leases payable	500	346	59	905
Split-interest agreements	–	3,434	–	3,434
Custodial funds	–	9,396	–	9,396
Liability for return of collateral on securities loaned	–	22,299	–	22,299
Other liabilities	–	88	–	88
Total current liabilities	500	44,454	1,900	46,854
Noncurrent Liabilities				
Deferred revenue	–	178	–	178
Bonds and leases payable	–	4,239	69,525	73,764
Split-interest agreements	–	26,571	–	26,571
Custodial funds	–	132,174	–	132,174
Other liabilities	–	2,554	288	2,842
Total noncurrent liabilities	–	165,716	69,813	235,529
Total Liabilities	**$ 500**	**210,170**	**71,713**	**282,383**
Net Assets				
Invested in capital assets, net of related debt	$ –	(108)	–	(108)
Restricted for nonexpendable purposes	–	229,139	–	229,139
Restricted for expendable purposes	61	523,106	4,651	527,818
Unrestricted	–	61,547	18,408	79,955
Total Net Assets	**$ 61**	**813,684**	**23,059**	**836,804**
Statements of Revenue, Expenses, and Changes in Net Assets				
Operating Revenues				
Contributions	$ 1,000	102,489	3,926	107,415
University support	–	6,892	–	6,892
Other revenue	–	13,838	7,239	21,077
Total operating revenues	1,000	123,219	11,165	135,384
Operating Expenses				
Institutional Support				
Gifts and income distributed to University and related parties	1,000	50,798	835	52,633
Other program services	–	8,354	7,709	16,063
Support services	3	16,177	371	16,551
Depreciation	–	2,846	1,767	4,613
Total operating expenses	1,003	78,175	10,682	89,860
Operating Income (loss)	**(3)**	**45,044**	**483**	**45,524**
Nonoperating Revenues (Expenses)				
Gifts	–	6,231	–	6,231
Investment income	3	132,501	839	133,343
Interest expense on capital asset-related debt	–	(3,584)	–	(3,584)
Increase in Net Assets	**–**	**180,192**	**1,322**	**181,514**
Net Assets, beginning of year	61	633,492	21,737	655,290
Net Assets, end of year	**$ 61**	**813,684**	**23,059**	**836,804**

TABLE 18 (continued) DPCU Summary Financial Statements *(in thousands)*

Condensed Statement of Net Assets	As of and for the year ended June 30, 2006			
	Coleman Foundation	CU Foundation	CUREF	Total
Assets				
Current Assets				
Cash, cash equivalents, and investments	$ 61	8,920	8,744	17,725
Investments	–	–	6,857	6,857
Accounts and contributions receivable, net	–	14,351	941	15,292
Other assets	–	412	74	486
Total current assets	61	23,683	16,616	40,360
Noncurrent Assests				
Investments	–	751,372	4,301	755,673
Contributions receivable, net	–	16,082	230	16,312
Other assets	–	1,433	4,876	6,309
Capital assets, net	–	65,165	47,644	112,809
Total noncurrent assets	–	834,052	57,051	891,103
Total Assets	**$ 61**	**857,735**	**73,667**	**931,463**
Liabilities				
Current Liabilities				
Accounts payable	$ –	3,170	1,404	4,574
Accounts payable–University		2,828	–	2,828
Deferred revenue	–	529	133	662
Bonds and leases payable	–	1,280	–	1,280
Split-interest agreements	–	3,265	–	3,265
Custodial funds	–	5,586	–	5,586
Other liabilities	–	481	–	481
Total current liabilities	–	17,139	1,537	18,676
Noncurrent Liabilities				
Deferred revenue	–	139	–	139
Bonds and leases payable	–	71,586	50,365	121,951
Split-interest agreements	–	26,307	–	26,307
Custodial funds	–	106,779	–	106,779
Other liabilities	–	2,293	28	2,321
Total noncurrent liabilities	–	207,104	50,393	257,497
Total Liabilities	**$ –**	**224,243**	**51,930**	**276,173**
Net Assets				
Invested in capital assets, net of related debt	$ –	(7,701)	8,436	735
Restricted for nonexpendable purposes	–	206,509	–	206,509
Restricted for expendable purposes	61	388,173	1,702	389,936
Unrestricted	–	46,511	11,599	58,110
Total Net Assets	**$ 61**	**633,492**	**21,737**	**655,290**
Statements of Revenue, Expenses, and Changes in Net Assets				
Operating Revenues				
Contributions	$ 1,000	58,283	1,584	60,867
University support	–	7,462	–	7,462
Other revenue	–	12,228	5,931	18,159
Total operating revenues	1,000	77,973	7,515	86,488
Operating Expenses				
Institutional Support				
Gifts and income distributed to University and related parties	1,000	53,704	93	54,797
Other program services	–	7,297	3,483	10,780
Support services	6	16,705	322	17,033
Depreciation	–	3,006	126	3,132
Total operating expenses	1,006	80,712	4,024	85,742
Operating Income (loss)	**(6)**	**(2,739)**	**3,491**	**746**
Nonoperating Revenues (Expenses)				
Gifts	–	3,500	–	3,500
Investment income	2	68,548	1,252	69,802
Interest expense on capital asset-related debt	–	(3,915)	–	(3,915)
Increase in Net Assets	**(4)**	**65,394**	**4,743**	**70,133**
Net Assets, beginning of year	65	568,098	16,994	585,157
Net Assets, end of year	**$ 61**	**633,492**	**21,737**	**655,290**

expenses between the two organizations. In certain circumstances, UC Denver 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 UC Denver, 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 UC Denver or the Hospital Authority.

Examples of services provided by UC Denver to the Hospital Authority include telecommunications services, rental of office space, and resident doctors. Examples of services provided by the Hospital Authority to UC Denver 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 UC Denver approximated $30,490,000 and $31,950,000 for years ended June 30, 2007 and 2006, respectively. Total payments issued by UC Denver to the Hospital Authority for the years ended June 30, 2007 and 2006 approximated $10,366,000 and $8,432,000, respectively.

During the years ended June 30, 2007 and 2006, UPI recognized approximately $19,995,000 and $17,218,000, respectively, in health services revenue from the Hospital Authority in support of clinical and academic missions. Additionally, during the years ended June 30, 2007 and 2006, the Hospital Authority reimbursed UPI approximately $2,084,000 and $2,373,000, respectively, for joint patient care and network administrative functions performed by UPI. UPI also received approximately $27,980,000 and $24,369,000 during the years ended June 30, 2007 and 2006, respectively, from the Hospital Authority for amounts earned for services performed by UPI faculty members but required to be processed through the Hospital Authority (such as the 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 $839,252 and $385,000 in dividends from TriWest during the years ended June 30, 2007 and 2006, 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.

AURARIA HIGHER EDUCATION CENTER

The Auraria Higher Education Center (AHEC), established by legislation in 1974, is jointly governed and utilized by UC 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, 2007 and 2006, the University incurred expenses related to the common facilities approximating $5,469,000 and $4,965,000, respectively, for payments to AHEC.

NOTE 20–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 $139,287,000 and $238,378,000, as of June 30, 2007 and 2006, 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, 2007 and 2006, the amount of capital construction appropriations authorized from the State for these projects approximated $11,597,000 and $2,174,000, respectively.

The University is in the process of closing and selling UC Denver's 9th Avenue and Colorado Boulevard location. As part of this process, the University entered into a sales agreement with a third party in June 2006. In connection with the sales agreement, the University has agreed to environmentally remediate the property. In addition, to complete the sale of the property, the University must relieve the property of two long-term commitments and a possible reversionary interest. The University has begun legal condemnation process to relieve these committments. As of June 30, 2007, the University recorded a contingent liability as an other current liability in the accompanying financial statements for the anticipated cost of resolving these committments. No such liability was recognized as of June 30, 2006, as at the time, management could not estimate it. As the final outcome of the sales process is uncertain, management does not know whether the sales proceeds will cover the costs of remediation and the release of the existing commitments.

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, and government health care 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 health care providers. Violations of these laws and regulations could result in expulsion from government health care 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 statutes 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 21–SUBSEQUENT EVENTS

As described in Note 1, the CU Foundation includes the operations of the Boulder Alumni Association. Effective September 1, 2007, these operations were transferred to the University.

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Officers as of November 2007

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