ANNUAL FINANCIAL REPORT 2008

University of Colorado

Boulder • Colorado Springs • Denver

The University of Colorado Board of Regents, October 2008

Back row from left: Michael Carrigan, Tom Lucero, Steve Ludwig, Cindy Carlisle, and Paul Schauer. Front row from left: Kyle Hybl, Tilman "Tillie" Bishop (Vice chair), Pat Hayes, and Steve Bosley (Chair). Photo by Glenn J. Asakawa/University Communications.

FROM THE PRESIDENT

The University of Colorado is committed to effective stewardship of the funds entrusted to it by taxpayers, students, donors, legislators, foundations, and federal agencies. As a public institution, the university's financial activities are open, accountable, and transparent to our constituents.

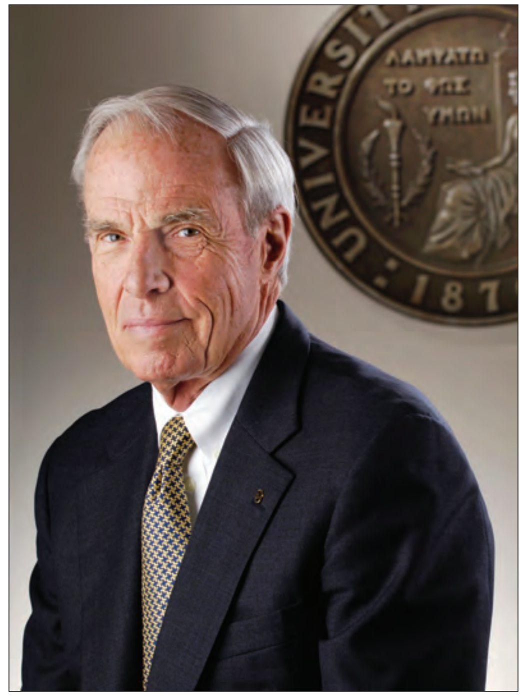
This annual financial report reflects CU's commitment to using its financial resources wisely. It describes the range of activities that make up the institution's annual $2 billion budget. The financial statements included in this report show a university that is fiscally sound and operationally prudent.

The university's most important asset is its reputation, which has been built over 132 years. The ways in which we conduct the fiscal operations of CU are an important contributor to that reputation. We are mindful of the role sound financial management plays in the trust our constituents have in the university. The entire CU community will continue to work to ensure that trust is well placed and that our reputation is well deserved.

Sincerely,

Bruce D. Benson

President



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, 2008 and 2007, 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 2008 or 2007 financial statements of University Physicians, Inc. (UPI), a blended component unit, which represent approximately 5%, 6%, and 14%, respectively, for 2008, and approximately 5%, 6%, and 13%, respectively, for 2007, of the assets, net assets, and revenues of the business-type activities of the University. In addition, we did not audit the 2008 or 2007 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 2008 and 2007. 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 of Colorado as of June 30, 2008 and 2007, 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.

As discussed in notes 7 and 12 to the basic financial statements, effective June 30, 2008, the University implemented Statement No. 45 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2008 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 audits.

The management's discussion and analysis and the required supplementary information are not a required part of the basic financial statements, but are 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 18, 2008

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, 2008 and 2007 (Fiscal Year 2008 and 2007, respectively), with comparative information for Fiscal Year 2006. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements, as well as the underlying system of internal controls.

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 (UCCS)

With more than 54,170 students and 2,610 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, 2008 and 2007). 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 employees, vendors, and investors; and a picture of net assets and their availability for expenditure by 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, 2008 and 2007). Their purpose is to assess the University's operating and non-operating operations.
- ***Statements of Cash Flows*** present cash receipts and payments of the University during a period of time (the years ended June 30, 2008 and 2007). 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 Notes. 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 and discussion 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 Institutional Research (see www.cu.edu/system_info).

FINANCIAL HIGHLIGHTS

Sustained increases in net assets over time are one indicator of financial health. For the past three fiscal years, the University has sustained increases in its net assets. As of June 30, 2008, 2007, and 2006, the University's net assets increased by approximately $92,264,000, $259,237,000, and $132,858,000, respectively. For Fiscal Year 2008, this increase is primarily attributable to capital additions from state contributions, state appropriations, capital student fees, and gifts totaling $89,575,000. For Fiscal Years 2007 and 2006, the increases are primarily attributable to the increases in investments and capital assets of $438,426,000 and $136,896,000, respectively, as offset by the 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 assets, liabilities, and net assets has remained consistent. The change in net capital asset composition is related to ongoing capital-related activity. 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.

The University's growth trend in its overall size continues due to programmatic expansions and underlying investments in its capital infrastructure.

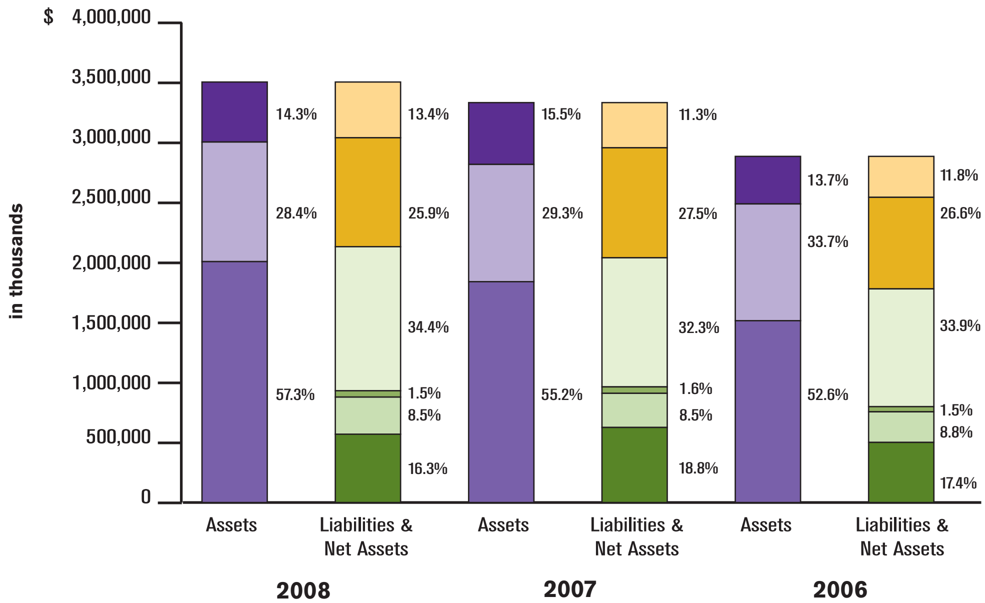


Figure 1. Condensed Statement of Assets, Liabilities, and Net Assets as of June 30, 2008, 2007, and 2006
(all dollars in thousands)

				Increase (Decrease)			
				2008 vs 2007		2007 vs 2006	
	2008	2007	2006	Amount	Percent	Amount	Percent
Assets							
Current Assets	$ 500,025	514,975	396,271	$ (14,950)	(2.9%)	$ 118,704	30.0%
Noncurrent, Noncapital Assets	996,374	977,175	972,970	19,199	2.0%	4,205	0.4%
Net Capital Assets	2,007,618	1,840,281	1,515,138	167,337	9.1%	325,143	21.5%
Total Assets	$ 3,504,017	3,332,431	2,884,379	$ 171,586	5.1%	$ 448,052	15.5%
Liabilities							
Current Liabilities	$ 464,314	376,347	341,021	$ 87,967	23.4%	$ 35,326	10.4%
Noncurrent Liabilities	907,945	916,590	763,101	(8,645)	(0.9%)	153,489	20.1%
Total Liabilities	$ 1,372,259	1,292,937	1,104,122	$ 79,322	6.1%	$ 188,815	17.1%
Net Assets							
Invested in Capital Assets, Net of Related Debt	$ 1,200,357	1,075,948	981,247	$ 124,409	11.6%	$ 94,701	9.7%
Restricted for Nonexpendable Purposes	52,831	53,589	43,127	(758)	(1.4%)	10,462	24.3%
Restricted for Expendable Purposes	309,220	284,504	255,031	24,732	8.7%	29,473	11.6%
Unrestricted	569,350	625,453	500,852	(56,119)	(9.0%)	124,601	24.9%
Total Net Assets	$ 2,131,758	2,039,494	1,780,257	$ 92,264	4.5%	$ 259,237	14.6%
Total Net Assets and Liabilities	$ 3,504,017	3,332,431	2,884,379	$ 171,586	5.2%	$ 448,052	15.5%

In analyzing the University's assets, the majority (approximately 80 percent) of the University's non-capital assets are investments, with a balance of $1,200,738,000 and $1,210,686,000 at June 30, 2008 and 2007, 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. During the last quarter of Fiscal Year 2008, the national economy slowed and investment markets declined. Consistent with this national trend, the University's investments also had a difficult quarter and underperformed compared to planned targets. This performance resulted in the decrease in investments in Fiscal Year 2008 from prior years (see related revenue discussion in following section).

The University's non-debt-related liabilities are 41 and 36 percent, respectively, of total liabilities, which equal $560,005,000 and $468,725,000 at June 30, 2008 and 2007, respectively. These liabilities are comprised of amounts categorized in Figure 2.

The three largest categories of non-debt-related liabilities are accrued salaries and benefits, compensated absences and post-employment benefits, and deferred revenue. For each category, the increase in Fiscal Years 2008 and 2007 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.

Compensated absences and postemployment benefits estimate the amount payable to employees in the future for their vested rights under the University's various leave and retirement programs. This estimate is based on personnel policies that define the amount of vacation, sick leave, and postemployment benefits to which each employee may be entitled (Note 1). This liability increased in Fiscal Year 2008 by $18,388,000 primarily due to $11,456,000 being recorded for postemployment benefits other then pension benefits (OPEB). In accordance with GASB Statement No. 45, beginning with Fiscal Year 2008, the University is required to account and report on OPEB (Notes 7 and 12). Such benefits

The categories and mixes of other liabilities reflect the nature of University operations, which have remained relatively consistent over time. Due to market conditions at 2008 fiscal year end, the University elected not to settle some outstanding security lending agreements, which resulted in a new liability type compared to previous years when all such agreements were fully settled.

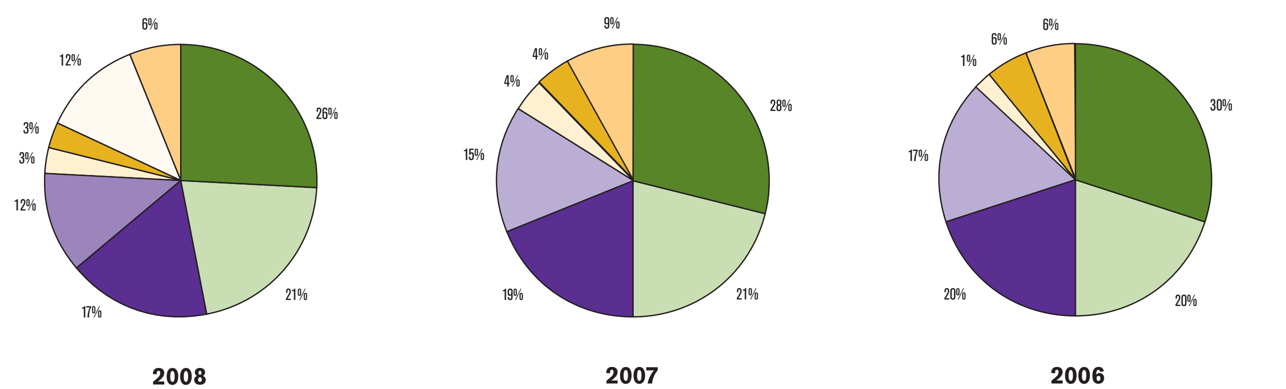


Figure 2. Composition of Other Liabilities (non-debt-related) as of June 30, 2008, 2007, and 2006 *(all dollars in thousands)*

				Increase (Decrease)			
				2008 vs 2007		2007 vs 2006	
	2008	2007	2006	Amount	Percent	Amount	Percent
Accrued Salaries and Benefits	$ 143,721	130,241	124,214	$ 13,480	10.3%	6,027	4.9%
Compensated Absences and Postemployment Benefits	115,274	96,886	86,500	18,388	19.0%	10,386	12.0%
Deferred Revenue	95,222	90,806	86,150	4,416	4.9%	4,656	5.4%
Accounts Payable to Vendors	66,800	71,159	71,678	(4,359)	(6.1%)	(519)	(0.7%)
Contract Retainage	16,707	20,100	5,423	(3,393)	(16.9%)	14,677	270.6%
Risk Financing Related	19,512	19,733	23,306	(221)	(1.1%)	(3,573)	(15.3%)
Securities Lending	69,101	–	–	69,101	100%	–	–
Miscellaneous Liabilities	33,668	39,800	27,349	(6,132)	(15.4%)	12,451	45.5%
Total Other Liabilities	$ 560,005	468,725	424,620	$ 91,280	19.5%	44,105	10.4%

include health insurance benefits for University retirees and their dependents. The accounting standard requires a liability to be recorded for the cumulative difference between the annual OPEB cost and the employer's contribution to fund the obligation. The university has chosen to fund this liability on a pay-as-you-go basis.

Deferred revenue represents amounts paid by students, auxiliary enterprise customers, grantors, and contractors and the University has not 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, the University recorded a securities lending liability of $69,101,000 (Note 3). The University's general practice is to settle security lending agreements by fiscal year end. However, due to the unfavorable market conditions that existed at the end of Fiscal Year 2008, University management determined it was in the best interest of the University to hold these security contracts at year end. In Fiscal Year 2007, miscellaneous liabilities increased by $12,451,000 primarily due to the University recording a liability associated with the closing of the UC Denver 9th Avenue location. Also in Fiscal Year 2007, 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. Neither of these liabilities were fully settled in Fiscal Year 2008.

The University's net assets may have restrictions imposed by external parties, such as donors, or by their nature are invested in capital assets (property, plant, and equipment). To help understand these restrictions, the University's net assets are shown in four categories, as displayed in Figure 1.

A portion of 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).

While total net assets increased by $92,264,000, the ratio between these four categories has remained constant over the past three fiscal years. The most significant changes in Fiscal Year 2008 are the decrease in unrestricted net assets of $56,103,000 and the increase in capital net assets of $124,409,000. The change in capital net assets is consistent with prior year and evidences the University's continuing investment in property, plant, and equipment. The corresponding decrease in unrestricted net assets results from the University funding its capital investments from internal resources as opposed to external financing as done in previous years.

Consistent with Figure 1, the University's growth trend continues due to programmatic expansions. The University has experienced fluctuations in the types of nonoperating and other revenues as alternative funding resources continue to be explored.

Figure 3. Condensed Statement of Revenues, Expenses, and Changes in Net Assets for Years Ended June 30, 2008, 2007, and 2006 *(all dollars in thousands)*

				Increase (Decrease)			
				2008 vs 2007		2007 vs 2006	
	2008	2007	2006	Amount	Percent	Amount	Percent
Operating Revenues	$ 1,965,508	1,847,320	1,726,205	$ 118,188	6.4%	$ 121,115	7.0%
Operating Expenses	2,040,775	1,908,312	1,762,676	132,463	6.9%	145,636	8.3%
Operating Loss	(75,267)	(60,992)	(36,471)	(14,275)	23.4%	(24,521)	67.2%
Nonoperating Revenues (net of expenses)	76,570	178,574	111,006	(102,004)	(57.1%)	67,568	60.9%
Income before Other Revenues	1,303	117,582	74,535	(116,279)	(98.9%)	43,047	57.8%
Other Revenues	90,961	141,655	58,323	(50,694)	(35.8%)	83,332	142.9%
Increase in Net Assets	92,264	259,237	132,858	(166,973)	(64.4%)	126,379	95.1%
Net Assets, Beginning of Year	2,039,494	1,780,257	1,647,399	259,237	14.6%	132,858	8.1%
Net Assets, End of Year	$ 2,131,758	2,039,494	1,780,257	$ 92,264	4.5%	$ 259,237	14.6%

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Figure 3 illustrates the University's condensed statement of revenues, expenses, and changes in net assets. A key component of this statement is the differentiation of operating and nonoperating activities. Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University. Nonoperating revenues are received when goods and services are not provided.

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 13). 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.

Operating revenues have grown consistently each year. State appropriations in Fiscal Year 2008 were funded from the Tobacco Litigation Settlement agreement. Decrease in investment income is a direct result of the decrease in the financial markets.

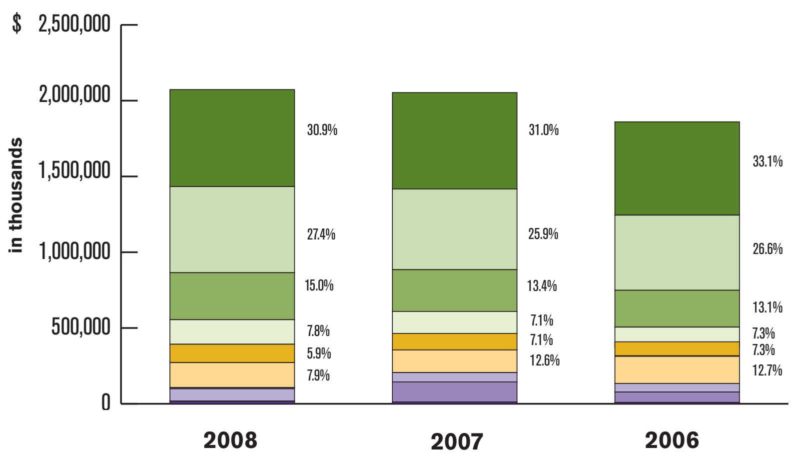


Figure 4. Operating and Nonoperating Revenues for Years Ended June 30, 2008, 2007, and 2006 *(all dollars in thousands)*

	2008	2007	2006	Increase (Decrease) 2008 vs 2007 Amount	2008 vs 2007 Percent	2007 vs 2006 Amount	2007 vs 2006 Percent
Operating Revenues							
Grants and Contracts	$ 639,795	635,756	615,459	$ 4,039	0.6%	$ 20,297	3.3%
Student Tuition and Fees, Net	568,381	532,614	495,655	35,767	6.7%	36,959	7.5%
Health Services	310,038	275,675	243,169	34,363	12.5%	32,506	13.4%
Auxiliary Enterprises, Net	161,809	145,022	135,049	16,787	11.6%	9,973	7.4%
Fee for Service	121,334	108,782	95,708	12,552	11.5%	13,074	13.7%
Other Operating	164,151	149,471	141,165	14,680	9.8%	8,306	5.9%
Total Operating Revenues	1,965,508	1,847,320	1,726,205	118,188	6.4%	121,115	7.0%
Nonoperating Revenues							
State Appropriations	8,512	–	–	8,512	100.0%	–	0.0%
Gifts	81,232	61,650	56,271	19,582	31.8%	5,379	9.6%
Investment Income, Net	719	132,390	68,533	(131,671)	(99.5%)	63,857	93.2%
Other Nonoperating, Net	17,118	12,182	9,167	4,936	40.5%	3,015	32.9%
Total Nonoperating Revenues	107,581	206,222	133,971	(98,641)	(47.8%)	72,251	53.9%
Total Revenues (noncapital)	$ 2,073,089	2,053,542	1,860,176	$ 19,547	1.0%	$ 193,366	10.4%

As illustrated in Figure 4, the University experienced increases in all operating revenue sources in Fiscal Years 2008 and 2007.

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, which includes federal, state and local government, and private sources. Grants and contracts revenue from the federal government represents 82 percent of total grants and contract revenues. These sources also benefit the University in that the contracts typically allow for reimbursement of its administrative and facility overhead costs. In Fiscal Years 2008 and 2007, the University received $126,635,000 and $123,833,000, 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 Year 2008 and 2007, such reimbursements represented 57 percent and 61 percent, respectively, of its pledged revenues, thus creating a reliance on continued federal research funding.

The increase in tuition and fees revenues reflects a combination of rate increases and increased enrollment. (Trend analyses of both factors are included in Figures 11 and 12 toward the end of this discussion.)

The State's 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 2008 and 2007, the University applied $73,651,000 and $70,550,000, 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 education services, such as law and medicine, from public higher education institutions. In Fiscal Years 2008 and 2007, the University received $121,334,000 and $108,782,000, respectively, as fee-for-service contract revenue.

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. The University has also experienced continued growth in its auxiliary operations serving students, such as housing and bookstores, consistent with the growth in students.

The University received, in Fiscal Year 2008, $8,512,000 in State appropriations, funded by State of Colorado tobacco litigation settlement monies. This funding was used to support the programs at UC Denver Anschutz Medical Campus. The University recognized no State appropriations revenues in Fiscal Year 2007.

Due to continued donor cultivation efforts, the University experienced an approximate 32 percent growth in gifts between Fiscal Year 2008 and 2007. Gifts include amounts received through distributions from the University of Colorado Foundation and amounts received directly by the University. As discussed previously related to investments, the University experienced mixed investment outcomes. Fiscal year 2008 ended with a decrease in net investment income of $131,671,000, or 99 percent, compared to an increase of $63,857,000 or 93 percent, in Fiscal Year 2007. This significant decrease is driven by $79,709,000 of unrealized losses compared to $46,702,000 of unrealized gains in Fiscal Year 2007. It is important to note that the unrealized activity was offset by realized investment gains in Fiscal Years 2008 and 2007 of $88,143,000 and $92,268,000, respectively.

In addition to operating and nonoperating revenues, the University had capital revenues in the amounts depicted in Figure 5. As noted earlier, the University did not seek new external financing for capital improvements in Fiscal Year 2008 (also see in the Capital Asset and Debt Management section). Capital additions were funded with the capital revenues and other existing resources.

The University continues its investment in capital infrastructure. Fiscal Years 2008 and 2007 revenue growth demonstrates the University's ability to identify resources alternative to external financing.

Figure 5. Capital Revenues for Years Ended June 30, 2008, 2007, and 2006 *(all dollars in thousands)*

				Increase (Decrease)			
				2008 vs 2007		2007 vs 2006	
	2008	2007	2006	Amount	Percent	Amount	Percent
Grants and Gifts	$ 31,604	10,350	10,042	$ 21,254	205.4%	$ 308	3.1%
Capital Student Fee (Net)	5,045	2,550	–	2,495	97.8%	2,550	
Capital Contributions from State	34,088	117,721	46,451	(83,633)	(71.0%)	71,270	153.4%
Appropriations	18,838	7,783	1,704	11,055	142.0%	6,079	356.8%
Total Capital Revenues	$ 89,575	138,404	58,197	$ (48,829)	(35.3%)	$ 80,207	137.8%

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.

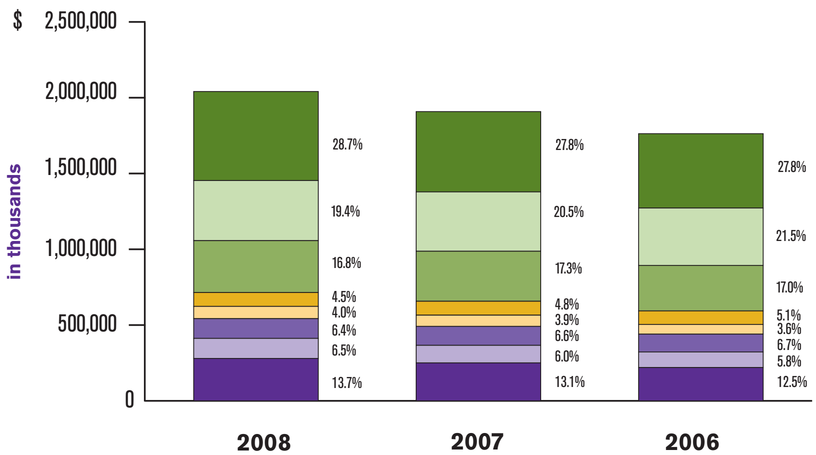


Figure 6. Expense Program Categories for years ended June 30, 2008, 2007, and 2006 *(all dollars in thousands)*

	2008	2007	2006	Increase (Decrease) 2008 vs 2007 Amount	2008 vs 2007 Percent	2007 vs 2006 Amount	2007 vs 2006 Percent
Instruction	$ 587,143	529,648	490,277	$ 57,494	10.9%	$ 39,371	8.0%
Research	396,629	391,637	378,894	4,992	1.3%	12,743	3.4%
Academic, Institutional, and Plant Support	342,210	329,928	300,030	12,282	3.7%	29,898	10.0%
Student Aid and Other Services	91,520	91,823	89,277	(303)	(0.3%)	2,546	2.9%
Public Service	80,958	73,914	64,187	7,044	9.5%	9,727	15.2%
Total Education and General	1,498,460	1,416,950	1,322,665	81,509	5.8%	94,285	7.1%
Depreciation	130,139	125,059	117,385	5,080	4.1%	7,674	6.5%
Auxiliary Enterprises	132,632	115,838	102,871	16,794	14.5%	12,967	12.6%
Health Services	279,544	250,465	219,755	29,079	11.6%	30,710	14.0%
Total Operating Expenses	$ 2,040,775	1,908,312	1,762,676	$ 132,463	6.9%	$ 145,636	8.3%

This funding strategy resulted in an increase in capital gifts of 205 percent as well as the continuation of the student fee dedicated to buildings which began in Fiscal Year 2007. The primary gift was related to the Law School building at CU-Boulder. Capital contributions are related to 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 collaterized by these University buildings. As a result of construction of these buildings, the University recognized capital contributions from the State of $34,088,000 and $117,721,000 in Fiscal Year 2008 and 2007, respectively. The University also benefited from additional State financing as evidenced by the capital appropriations from the State of $18,838,000 in Fiscal Year 2008, compared to $7,783,000 in Fiscal Year 2007. These monies are used for various controlled maintenance and other capital construction activity.

The programmatic uses of resources are displayed in Figure 6, which demonstrates that the focus is basically unchanged over the past three fiscal years while the educational programs overall have grown by 6 and 7 percent in Fiscal Years 2008 and 2007, respectively. Cost management measures in place in Fiscal Years 2006 and 2007 were continued into Fiscal Year 2008. The objectives of such measures are to expand programmatic costs to meet increased demand for services, such as instruction, and provide for targeted increases in support services costs. The decrease in Student Aid and Other Services is not reflective of the actual resources dedicated to student aid which have grown between Fiscal Years 2008 and 2007. The majority of the University's student aid resources are netted against Tuition and Fee revenues as a scholarship allowance (Note 14). The University's scholarship allowance was $93,420,000 and $78,462,000 in Fiscal Years 2008 and 2007, respectively.

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

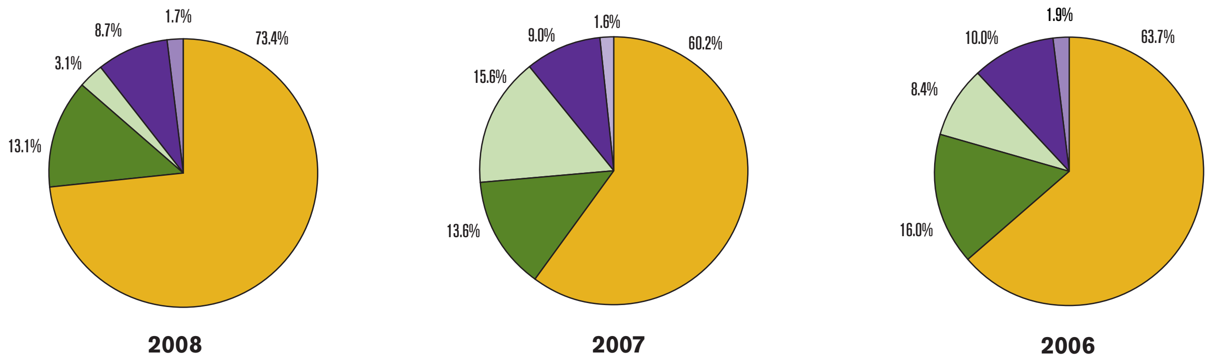


Figure 7. Capital Asset Categories (before depreciation) for Years Ended June 30, 2008, 2007, and 2006
(all dollars in thousands)

	2008	2007	2006	Increase (Decrease) 2008 vs 2007 Amount	2008 vs 2007 Percent	2007 vs 2006 Amount	2007 vs 2006 Percent
Buildings and Improvements	$ 2,322,017	1,735,844	1,565,017	$ 586,173	33.8%	$ 170,827	10.9%
Equipment	413,715	390,953	392,065	22,762	5.8%	(1,112)	(0.3%)
Construction in Progress	98,159	448,790	206,603	(350,631)	(78.1%)	242,187	117.2%
Library and Other Collections	275,585	260,252	246,062	15,333	5.9%	14,190	5.8%
Land	53,525	46,024	46,024	7,501	16.3%	–	–
Total Capital Assets (gross)	$ 3,163,001	2,881,863	2,455,771	$ 281,138	9.8%	$ 426,092	17.4%

Increases in auxiliary enterprises from 2007 to 2008 are primarily attributable to the expansion of housing operations as student enrollment grows. Also, in Fiscal Year 2007, a one-time charge of $7,469,000 associated with the purchase of Bear Creek (discussed in the Capital Asset and Debt Management section) was recognized as a housing expense. 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 $3,163,001,000 and $2,881,863,000 of plant, property, and equipment at June 30, 2008 and 2007, respectively, offset by accumulated depreciation of $1,155,383,000 and $1,041,582,000, respectively. The major categories of plant, property, and equipment at June 30, 2008 and 2007 are displayed in Figure 7. Related depreciation charges of $130,139,000 and $125,059,000 were recognized in the Fiscal Years 2008 and 2007, respectively. Detailed financial activity related to the changes in Capital Assets is presented in Note 5.

In Fiscal Years 2008 and 2007, the University put into service capital construction projects of $557,392,000 and $112,705,000, respectively. In addition, another $98,159,000 and $448,790,000 of construction activity was in progress at June 30, 2008 and 2007, 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 2009 capital projects budget of $338,453,000 as detailed in Figure 9. This budget includes $37,232,000 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.

Figure 8. Current Construction Projects as of June 30, 2008 *(in thousands)*

Campus/Project Description	Financing Sources	Value*
CU-Boulder:		
• Information technology upgrade wireless network enhancement	Campus cash resources	$ 13,525
• Extensive renovation to various student residence halls:		
Center for Community (C4C) formerly New Dining Center	Bond proceeds	65,596
Cheyenne Arapahoe renovations	Bond proceeds	4,500
Arnett renovation	Bond proceeds	12,885
Kittredge/Smith/Andrews/Buckingham renovations	Bond proceeds	41,295
• Visual Arts Complex, new building to replace Sibell Wolle building	Bond proceeds, campus cash resources, and State appropriations	63,500
• Norlin Library Renaissance Plan	Campus cash resources	5,101
• Ekeley Sciences Building	State appropriations	12,844
• Institute of Behaviorial Sciences	Campus cash resources	13,896
• New Power Plant	Bond proceeds	75,190
• JILA	Governmental grants and contracts and campus cash resources	27,500
• Ketchum Arts and Sciences	State appropriations	8,436
• Biotechnology Building Systems	Bond proceeds	12,889
UC Denver:		
• Pharmacy Research Building	Campus cash resources	42,033
• Anschutz Medical Campus—infrastructure development:		
Phase 9	Campus cash resources	5,424
Phase 10	Campus cash resources	6,631
• Anschutz Medical Campus—Center for Bioethics and Humanities, new building	Private gifts	5,436
• Building 500 Phase 3	Campus cash resources	8,156
UCCS:		
Science and Engineering (Phase I), new building	Campus cash resources and State appropriation	53,169

** Value represents budgeted costs for projects.*

Figure 9. Fiscal Year 2009 Capital Projects Budget
(in thousands)

Continuing projects (remaining budgets related to Figure 8)	$ 291,610
UCCS Events Center	7,074
UC Denver Renovation of 1475 Lawrence Street	15,403
UC Denver Lease Purchase of Academic Facilities at Anschutz Medical Campus	13,143
Various other capital projects and controlled maintenance	11,223
Total 2009 Capital Projects Budget	$ 338,453

The University's had no new debt offerings or debt refinancings in Fiscal Year 2008 as compared to prior years where debt was issued to finance capital investments.

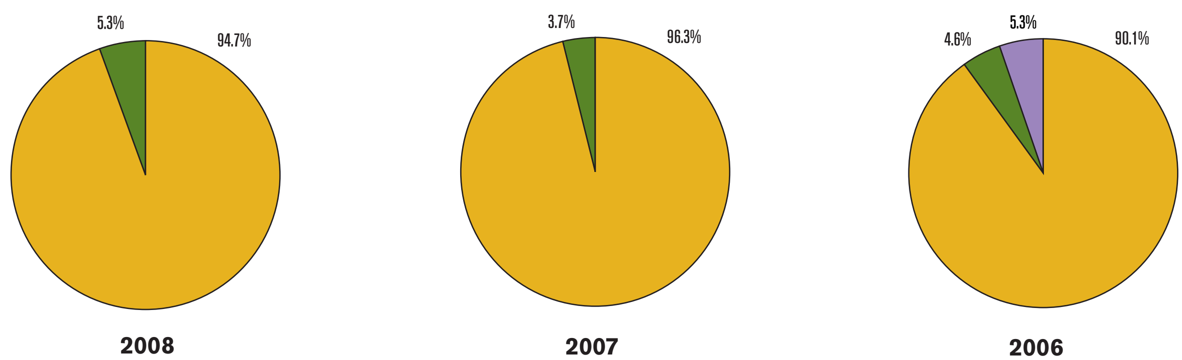


Figure 10. Debt Categories for Years Ended June 30, 2008, 2007, and 2006 *(all dollars in thousands)*

					Increase (Decrease)			
					2008 vs 2007		2007 vs 2006	
		2008	2007	2006	Amount	Percent	Amount	Percent
Revenue Bonds	$	768,821	793,787	612,488	$ (24,966)	(3.1%)	$ 181,299	29.6%
Capital Leases		43,385	30,332	31,223	13,053	43.0%	(891)	(2.9%)
Certificates of Participation and Notes Payable		48	93	35,791	(45)	(48.8%)	(35,698)	(99.7%)
Total Long-term Debt	$	812,254	824,212	679,502	$ (11,958)	(1.5%)	$ 144,710	21.3%

At June 30, 2008 and 2007, the University had debt (or similar long-term obligations) of $812,254,000 and $824,212,000, respectively, in the categories illustrated in Figure 10. The University decreased its outstanding debt in Fiscal Year 2008 by almost 2 percent through normal annual debt service payments. This compares to an increase in outstanding debt in Fiscal Year 2007 by 21 percent. This contrast is reflective of the University's ability to identify alternative resources to financing (as previously discussed under capital revenues). Included in Capital Leases is a $41,330,000 lease purchase agreement associated with a central utility plant (CUP) located on the UC Denver Anschutz Medical Campus. The CUP delivers steam and chilled water to the campus. During Fiscal Year 2008, the campus expanded the CUP, resulting in an increase in the lease purchase agreement of $14,700,000. More detailed information about the University's debt is included in Note 9.

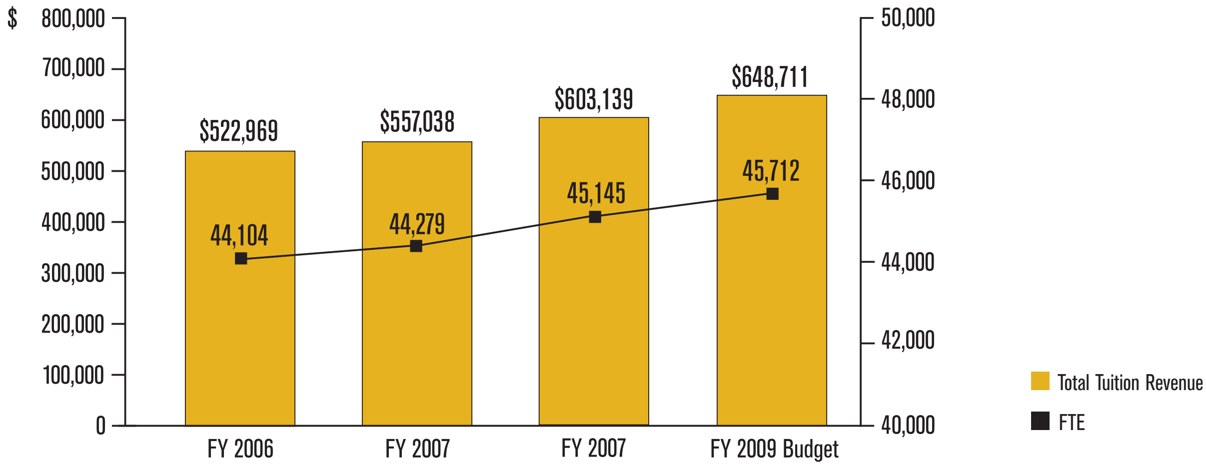
The Regents have adopted a debt management policy that includes limitations on the use of external debt. A component of this policy is debt capacity, which is the calculated ratio of our debt service requirement as compared to certain unrestricted revenues. The University maintained its debt capacity limits. The University minimizes financing costs by monitoring current market conditions and by maintaining a bond rating of AA- and Aa3 (Standard & Poors and Moody's, respectively).

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, and is impacted by its ability to generate grants and contract revenue. As shown in Figure 11, the University's tuition revenues increased 8 percent from Fiscal Year 2007 to Fiscal Year 2008 and are projected to increase by 8 percent in Fiscal Year 2009. Tuition is derived from the approved tuition rates and rate structure as well as student enrollment for undergraduate resident students. The state authorized a maximum tuition rate increase of almost 10 percent per student if students with financial need received aid to limit the student's rate increase to 5 percent. The State did not constrain tuition rate increases for other students. Recognizing the need for additional resources to maintain a quality program, the Regents authorized the full use of the State's authority to the extent market conditions would allow. Given that actual tuition rates vary by campus, school, and degree level, tuition rates increases varied from no increases to almost 20 percent. The largest increases were in graduate professional programs such as engineering, business and law.

Figure 11. Tuition Revenue Compared to Student FTE



Student full-time equivalents (FTE) are projected to increase by 1 percent in Fiscal Year 2009. The changes in student enrollment are shown in Figure 11 using FTE and in Figure 12 using student headcounts. Tuition rate structures are determined based on student FTE, while the cost of educating students is impacted by student headcount.

These figures also demonstrate the University's ability to recruit and retain 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 2009 (2008 Census).

The University expects to receive $77,526,000 of its tuition revenue in Fiscal Year 2009 from students opting to use the State's College Opportunity Fund. The University's fee-for-service contract with CDHE for graduate educational services for Fiscal Year 2009 provides for $131,574,000. In total, this represents a growth of 7 percent in funding from the State in Fiscal Year 2009 as compared to Fiscal Year 2008.

In order to stay competitive with peer institutions, the University continues to strategically evaluate its tuition and fee structures as well as explore alternative funding sources with the Regents and the Legislature. One such alternative funding source, a state appropriation from the State's Tobacco Litigation Settlement Fund, was identified in Fiscal Year 2008. The University's appropriation from this Fund will continue in Fiscal Year 2009 with a $18,944,000 allocation to the UC Denver Anschutz Medical Campus. This represents a 123 percent increase in this funding from Fiscal Year 2008 to Fiscal Year 2009.

Operating revenue sources of the University should remain strong. The University's strong research programs will continue into Fiscal Year 2009. Key awards received recently include NASA funds for CU-Boulder's aerospace engineering program, National Science Foundation funds for UCCS' Bachelor of Innovation program, and National Institute of Health funds for UC Denver's biomedical programs. The University's auxiliary programs will experience growth from the rate increases approved by the Regents as well as the student growth discussed earlier.

These funding sources enabled the Regent's to authorize the continued capital investments described earlier (in the Capital Asset and Debt Management Section) as well as investment in the University's personnel and student aid. Approved compensation increases were approximately 7 percent per employee. Student aid was authorized to increase by 9 percent.

Subsequent to the Regent's approval of the budget, the national economy experienced another downturn in the first quarter of Fiscal Year 2009. Accordingly, the State and University are adjusting its approved plans to ensure the University continues its financial stability through this change in economic climate.

The strongest indicator of this downturn is the University's investments. Through the first quarter of Fiscal Year 2009, the value of the University's investments decreased by $50,875,000, with the overall fair value of the investments being $62,018,000 below purchase price. In comparison, through the first quarter of Fiscal Year 2008, the fair value was $74,919,000 above the purchase price. However, the University maintains a long-term investment strategy that management believes has positioned the University to weather the current market conditions. The University has sufficient liquid resources to meet its Fiscal Year 2009 obligations without a need to liquidate any long-term investments, many of which are currently valued below cost.

To offset this downturn, management has responded with the following key steps. Originally, the State authorized increases in the University's capital appropriations as illustrated earlier (in Figure 9) for controlled maintenance and other projects. In October 2008, the State stopped funding for all projects for which construction has not begun. This approach has delayed the Norlin Library Renaissance plan and Ekeley Sciences Building at CU-Boulder until alternative funding sources can be identified. To ensure the continuation of the Sciences and Engineering building at UCCS (as well as other key state projects), the State took advantage of a temporary advantage in the national market and authorized external financing in November 2008 (Note 21).

The University President has required that all employee hirings, whether newly created or refilling of existing positions, undergo a mission critical review by the chancellors or himself before being authorized. This approach should ensure that any available vacancy savings can be realized during Fiscal Year 2009. In addition, 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.

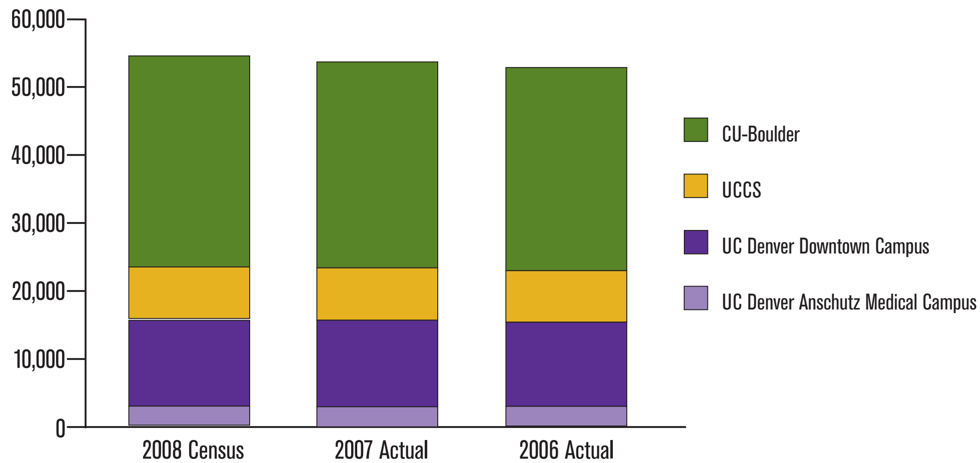


Figure 12. Fall Enrollment Figures

	2008 Census	2007 Actual	2006 Actual	2008 Census vs. 2007 Actual	Percentage	2007 Actual vs. 2006 Actual	Percentage
Resident							
CU-Boulder	20,038	20,285	20,416	(247)	(1.2%)	(131)	(0.6%)
CU-Colorado Springs	7,410	7,327	7,028	83	1.1%	299	4.3%
UC Denver Downtown Campus	11,838	11,693	11,520	145	1.2%	173	1.5%
UC Denver Anschutz Medical Campus	2,544	2,616	2,579	(72)	(2.8%)	37	1.4%
Total Resident	**41,830**	**41,921**	**41,543**	**(91)**	**(0.2%)**	**378**	**0.9%**
Nonresident							
CU-Boulder	10,090	9,191	9,001	899	9.8%	190	2.1%
CU-Colorado Springs	579	388	514	191	49.2%	(126)	(24.5%)
UC Denver Downtown Campus	1,251	1,094	854	157	14.4%	240	28.1%
UC Denver Anschutz Medical Campus	424	363	318	61	16.8%	45	14.2%
Total Nonresident	**12,344**	**11,036**	**10,687**	**1,308**	**11.9%**	**349**	**3.3%**
Total CU	**54,174**	**52,957**	**52,230**	**1,217**	**2.3%**	**727**	**1.4%**

UNIVERSITY OF COLORADO

FINANCIAL STATEMENTS

June 30, 2008 and 2007

UNIVERSITY OF COLORADO

STATEMENTS OF NET ASSETS

June 30, 2008 and 2007 (*in thousands*)

	2008		2007	
	University	Component Units	University	Component Units
Assets				
Current Assets				
Cash and cash equivalents	$ 45,925	16,284	42,261	25,889
Investments	253,374	2,278	281,484	2,301
Accounts, contributions, and loans receivable, net	184,073	22,121	177,152	22,016
Inventories	11,567	–	10,097	–
Other assets	5,086	519	3,981	450
Total Current Assets	**500,025**	**41,202**	**514,975**	**50,656**
Noncurrent Assets				
Investments	947,364	992,541	929,202	907,933
Assets held under split-interest agreements	–	62,896	–	51,143
Accounts, contributions, and loans receivable, net	34,012	28,978	36,551	28,335
Other assets	14,998	7,339	11,422	6,352
Capital assets, net	2,007,618	73,194	1,840,281	74,768
Total Noncurrent Assets	**3,003,992**	**1,164,948**	**2,817,456**	**1,068,531**
Total Assets	**$ 3,504,017**	**1,206,150**	**3,332,431**	**1,119,187**
Liabilities				
Current Liabilities				
Accounts payable	$ 66,800	7,230	71,159	9,058
Accrued expenses	146,901	–	134,184	–
Compensated absences and post-employment benefits	6,832	–	6,578	–
Deferred revenue	89,371	1,314	84,700	1,674
Security lending	69,101	–	–	22,299
Bonds, leases, and notes payable	31,278	806	27,696	905
Split-interest agreements	–	3,960	–	3,434
Custodial funds	–	6,781	–	9,396
Other liabilities	54,031	–	52,030	88
Total Current Liabilities	**464,314**	**20,091**	**376,347**	**46,854**
Noncurrent Liabilities				
Compensated absences and post-employment benefits	108,442	–	90,308	–
Deferred revenue	5,851	–	6,106	178
Bonds, leases, and notes payable	780,976	72,674	796,516	73,764
Split-interest agreements	–	23,809	–	26,571
Custodial funds	–	233,436	–	132,174
Other liabilities	12,676	2,528	23,660	2,842
Total Noncurrent Liabilities	**907,945**	**332,447**	**916,590**	**235,529**
Total Liabilities	**$ 1,372,259**	**352,538**	**1,292,937**	**282,383**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF NET ASSETS

June 30, 2008 and 2007 (*in thousands*)

	2008		2007	
	University	Component Units	University	Component Units
Net Assets				
Invested in capital assets, net of related debt	$ 1,200,357	1,771	1,075,948	(108)
Restricted for nonexpendable purposes (endowments)				
Instruction	–	129,590	–	118,204
Research	3,755	22,692	3,855	22,309
Academic support	20,515	14,157	20,738	15,724
Scholarships and fellowships	25,821	84,108	26,142	66,860
Capital and other	2,740	5,962	2,854	6,042
Total restricted for nonexpendable purposes	52,831	256,509	53,589	229,139
Restricted for expendable purposes				
Instruction	13,851	238,801	13,646	230,059
Research	27,884	48,491	29,282	54,268
Academic support	15,801	40,494	16,180	40,124
Student loans and services	44,265	–	43,446	–
Scholarships and fellowships	17,654	112,987	17,409	131,100
Auxiliary enterprises	137,781	–	134,235	–
Capital	37,809	75,076	14,557	68,477
Other	14,175	4,576	15,749	3,790
Total restricted for expendable purposes	309,220	520,425	284,504	527,818
Unrestricted	569,350	74,907	625,453	79,955
Total Net Assets	**$ 2,131,758**	**853,612**	**2,039,494**	**836,804**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2008 and 2007 (*in thousands*)

	2008		2007	
	University	Component Units	University	Component Units
Operating Revenues				
Student tuition (net of scholarship allowances of $82,890 in 2008 and $69,439 in 2007; pledged revenues of $52,025 in 2008 and $48,760 in 2007)	$ 520,249	–	487,599	–
Student fees (net of scholarship allowances of $7,980 in 2008 and $6,666 in 2007; pledged revenues of $7,083 in 2008 and $4,959 in 2007)	48,132	–	45,015	–
Fee-for-service contract	121,334	–	108,782	–
Federal grants and contracts (pledged revenues of $105,279 in 2008 and $102,340 in 2007)	525,595	–	532,751	–
State and local grants and contracts (pledged revenues of $8,704 in 2008 and $8,053 in 2007)	44,480	–	41,586	–
Nongovernmental grants and contracts	69,720	–	61,419	–
Sales and services of educational departments (pledged revenues of $7,045 in 2008 and $6,540 in 2007)	120,433	–	111,811	–
Auxiliary enterprises (net of scholarship allowances of $1,852 in 2008 and $2,036 in 2007; pledged revenues of $39,198 in 2008 and $30,205 in 2007)	161,809	–	145,022	–
Health services	310,038	–	275,675	–
Contributions	–	122,790	–	107,415
Other operating revenues (pledged revenues of $2,090 in 2008 and $2,170 in 2007)	43,718	16,894	37,660	27,969
Total Operating Revenues	**1,965,508**	**139,684**	**1,847,320**	**135,384**
Operating Expenses				
Education and General				
Instruction	587,143	–	529,648	–
Research	396,629	–	391,637	–
Public service	80,958	–	73,914	–
Academic support	111,374	–	100,611	–
Student services	74,936	–	71,433	–
Institutional support	119,789	123,215	117,728	85,247
Operation and maintenance of plant	111,047	–	111,589	–
Student aid	16,584	–	20,390	–
Total Education and General Expenses	1,498,460	123,215	1,416,950	85,247
Depreciation	130,139	2,827	125,059	4,613
Auxiliary enterprises	132,632	–	115,838	–
Health services, net	279,544	–	250,465	–
Total Operating Expenses	**2,040,775**	**126,042**	**1,908,312**	**89,860**
Operating Income (Loss)	**$ (75,267)**	**13,642**	**(60,992)**	**45,524**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2008 and 2007 (*in thousands*)

	2008		2007	
	University	Component Units	University	Component Units
Nonoperating Revenues (Expenses)				
State appropriations	$ 8,512	–	–	–
Gifts	81,232	–	61,650	6,231
Investment income (net of investment expenses of $7,715 in 2008 and $6,580 in 2007; pledged revenues of $1 in 2008 and $29 in 2007)	719	6,012	132,390	133,343
Royalty income (net of royalty expense of $1,921 in 2008 and $6,140 in 2007; pledged revenues of $127 in 2008 and $83 in 2007)	5,534	–	756	–
Loss on disposal of capital assets	(2,407)	–	(5,258)	–
Interest expense on capital asset-related debt	(28,604)	(2,846)	(22,116)	(3,584)
Other nonoperating revenues (net of expenses of $22 in 2008 and $275 in 2007; pledged revenues of $52 in 2008 and $45 in 2007)	11,584	–	11,152	–
Net Nonoperating Revenues	**76,570**	**3,166**	**178,574**	**135,990**
Income Before Other Revenues	**1,303**	**16,808**	**117,582**	**181,514**
Capital contributions from state	34,088	–	117,721	–
Capital student fee (net of scholarship allowance of $698 in 2008 and $321 in 2007)	5,045	–	2,550	–
Capital appropriations	18,838	–	7,783	–
Capital grants and gifts	31,604	–	10,350	–
Additions to permanent endowments	1,386	–	3,251	–
Total Other Revenues	**90,961**	**–**	**141,655**	**–**
Increase in Net Assets	**92,264**	**16,808**	**259,237**	**181,514**
Net Assets, Beginning of Year	2,039,494	836,804	1,780,257	655,290
Net Assets, End of Year	**$ 2,131,758**	**853,612**	**2,039,494**	**836,804**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2008 and 2007 (*in thousands*)

	2008	2007
	University	
Cash Flows from Operating Activities		
Tuition and fees	$ 565,637	533,560
Grants and contracts	768,002	736,641
Payments to suppliers	(494,271)	(452,218)
Payments for utilities	(46,505)	(49,480)
Payments to employees	(1,072,959)	(988,170)
Payments for benefits	(254,446)	(231,313)
Payments for scholarships and fellowships	(15,451)	(19,010)
Loans issued to students and employees	(6,863)	(7,042)
Collection of loans to students	10,746	10,629
Auxiliary enterprise charges	160,344	158,076
Sales and services of educational departments	124,717	111,034
Health services	297,625	274,108
Other receipts	53,863	44,846
Total Cash Flows Provided by Operating Activities	**90,439**	**121,661**
Cash Flows from Noncapital Financing Activities		
State appropriations	8,512	–
Gifts and grants for other than capital purposes	74,492	51,586
Endowment additions	1,386	3,251
William D. Ford direct lending receipts	64,818	59,387
William D. Ford direct lending disbursements	(63,975)	(60,179)
PLUS loans receipts	48,849	51,679
PLUS loans disbursements	(48,849)	(52,361)
School as lender receipts	57,878	62,156
School as lender disbursements	(57,878)	(62,156)
Agency transactions	(1,232)	1,505
Total Cash Flows Provided by Noncapital Financing Activities	**84,001**	**54,868**
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	–	99,939
Capital grants and gifts received	35,562	12,046
State capital contributions	34,088	117,721
Proceeds from sale of capital assets	481	764
Purchases and construction of capital assets	(258,906)	(373,091)
Principal paid on capital debt	(25,673)	(25,425)
Interest paid on capital debt	(41,837)	(43,395)
Total Cash Flows Used for Capital and Related Financing Activities	**(256,285)**	**(211,441)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	3,738,749	3,174,774
Purchase of investments	(3,812,247)	(3,241,355)
Securities lending transaction	69,101	–
Interest on investments	92,087	102,658
Royalty income	7,455	6,896
Royalty fees paid	(1,921)	(6,140)
Investment management fees paid	(7,715)	(6,580)
Total Cash Flows Provided by Investing Activities	**85,509**	**30,253**
Net Increase (Decrease) in Cash and Cash Equivalents	**3,664**	**(4,659)**
Cash and Cash Equivalents, Beginning of Year	42,261	46,920
Cash and Cash Equivalents, End of Year	**$ 45,925**	**42,261**

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007 (*in thousands*)

		2008	2007
		University	
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:			
Operating loss	$	(75,267)	(60,992)
Adjustments to reconcile operating loss to net cash used by operating activities			
Depreciation expense		130,139	125,059
Provision for doubtful receivables		3,769	2,211
Receipts of items classified as nonoperating revenues		11,584	11,462
Other non-cash expenses		–	8,448
Changes in assets and liabilities			
Receivables		(10,016)	(1,113)
Notes receivable		1,470	(648)
Inventories		(2,309)	1,595
Other assets		(2,089)	(1,258)
Accounts payable		12,973	7,897
Accrued expenses		4,417	6,709
Deferred revenue		18,388	4,655
Compensated absences and post-employment benefits		(5,200)	10,386
Other liabilities		2,580	7,250
Net Cash Provided by Operating Activities	**$**	**90,439**	**121,661**

Noncash Transactions			
Donations, lease-financed acquisitions, state-funded acquisitions of capital assets	$	35,414	9,600
Unrealized gains (losses) on investments		(79,709)	46,702
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. In 2004, the two campuses were merged into the single campus operation. 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 (UCCS)

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

To accomplish its mission, more than 2,610 tenure/tenure track instructional faculty serve more than 54,170 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). Buffalo Power Corporation's directors are appointed by the Regents. The plant is designed to supply steam and electric power to CU-Boulder. Excess electricity produced by the plant is sold to third parties.

- 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 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, receives, holds, invests, and transfers funds for the benefit of 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 Alumni Association of the University of Colorado at Boulder (Boulder Alumni Association) was a division of the Foundation until September 1, 2007, at which point the Foundation transferred the operations of the Boulder Alumni Association to 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 May 2007, the assets and liabilities of Bear Creek were sold to the University. Bear Creek owns no other properties.

  In October 2007, the Foundation established University Summit I, LLC (University Summit), a Colorado limited liability company, whose sole member is the Foundation. University Summit was established for the purpose of purchasing property adjacent to UCCS, which plans to purchase this property from the Foundation in the next fiscal year.

  In January 2008, the Foundation established 1475 Lawrence Street I, LLC, (1475 Lawrence), a Colorado limited liability company, whose sole member is the Foundation. 1475 Lawrence was established for the purpose of purchasing property adjacent to the UC Denver downtown campus. This property was sold to UC Denver in June 2008.

  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 Section 501(c)(3) and 509(a)(3) of the Internal Revenue Code, has up to a 14-member board of directors. Nine are voting members, of which four are appointed by the University. There are up to five ex-officio non-voting members.

  In May 2005, Campus Village Apartments, LLC (Campus Village) was formed with CUREF as the sole member 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 1800 Grant Street, Suite 250, Denver, CO 80203.

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 of Colorado (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 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, 2008 and 2007.

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 apply only 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, 2008 and 2007. 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, which approximate 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 DPCUs 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 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 includes all items with a value of $5,000 or more 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.

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. Professional exempt and faculty employees accrue sick leave with pay at the rate of 10 hours per month with a maximum accrual of 960 hours while classified employees earn 6.67 hours per month with a maximum accrual of 360 hours for employees hired after June 30, 1988. Employees hired before June 30, 1988 can accrue up to 360 hours in excess of amount of sick leave earned as of June 30, 1988. Employees earn and accrue vacation leave per the rates in Table 1.2, Compensated Absence Accrual Rates for Vacation. 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.

Postemployment Benefits consist of University-provided post-retirement healthcare and life insurance benefits for retired employees in accordance with the Regents' authority, as a single-employer plan. Substantially all of the University's employees may become eligible for those benefits if they reach normal retirement age while working for the University. The University's contributions are made on a pay-as-you-go basis. The University's annual OPEB expense is calculated based on the annual required contribution (ARC) of the University, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) of the plan over a period not to exceed 30 years.

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

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, they are treated as non-cancelable for financial reporting purposes.

Split-interest Agreements are beneficial interests in various agreements, which include gift annuities, charitable remainder annuity trusts and unitrusts, and pooled income funds. The DPCU typically serves as trustee of these agreements, although certain trusts are administered by outside trustees.

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	1.00–1.75 days	24–42 days
Professional exempt and faculty employees	1.83 days	44 days**

*Rates are for full-time employees; part-time employees earn 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.

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 split-interest agreements liability. 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 as contributions 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 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.

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.

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) 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 governments update annually fixed-rate agreements 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, 2008 and 2007, 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 prior 36-month average market value of endowment investments. 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.

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

NOTE 2–CASH AND CASH EQUIVALENTS

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

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, 2008 and 2007, all deposits with foreign financial institutions were authorized. Of the University's total cash and cash equivalents, approximately $70,000 and $111,000 related to deposits in foreign institutions are subject to custodial credit risk at June 30, 2008 and 2007, respectively. Custodial credit risk information is not available for the DPCU.

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. DPCU's investments are similar to the University's but also include alternative non-equity securities. Endowments are pooled to the extent possible under gift agreements. The CU Foundation manages certain of these endowments for the

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

	2008	2007
University		
Cash on hand (petty cash and change funds)	$ 319	302
Deposits with U.S. financial institutions	45,536	41,848
Deposits with foreign financial institutions	70	111
Total Cash and Cash Equivalents–University	**$ 45,925**	**42,261**
Discretely Presented Component Units		
Deposits with U.S. financial institutions	16,284	25,889
Total Cash and Cash Equivalents–DPCU	**$ 16,284**	**25,889**

University in accordance with their investment policy. Details of investments by type for both the University and DPCUs are included in Table 3.1, Investments.

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

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

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 $903,978,000 and $798,145,000 for the years ended June 30, 2008 and 2007, respectively. The total return on this pool was –1.5 and 11.5 percent for the years ended June 30, 2008 and 2007, 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. The DCPU does not have a policy concerning custodial credit risk.

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. The DCPU does not have a policy concerning interest rate risk.

A summary of the fair value of the University's debt investments and interest rate risk as of June 30, 2008 and 2007 is shown in Table 3.2, Debt Investments and Interest Rate Risk.

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

TABLE 3.1 Investments *(in thousands)*

Investment Type	2008	2007
University		
U.S. government and agency securities	$ 86,195	93,021
Municipal bonds	124	69
Corporate equity securities	74,840	54,009
International equities	49,340	33,691
Corporate bonds and commercial paper	123,348	103,702
Repurchase agreements	15,196	68,329
Asset-backed securities	169,716	143,909
Open-ended mutual funds	491,361	650,817
Fixed-income securities	18,645	10,345
Alternative non-equity securities:		
Real estate	1,639	1,042
Private equity	40,539	21,370
Hedge fund	10,842	5,439
Absolute return funds	30,908	15,851
Venture capital	5,846	1,948
Oil and gas	9,382	4,966
Treasury inflation-protected securities	1,349	–
Other	3,705	2,178
Investments held under security loans		
Bond mutual funds	67,763	–
Total Investments–University	**$1,200,738**	**1,210,686**
Discretely Presented Component Units		
Cash equivalents	$ 4,268	1,693
Equity securities:		
Domestic	225,682	220,671
International	187,780	202,354
Fixed-income securities	161,119	125,067
Alternative non-equity securities:		
Real estate	15,711	14,692
Private equity	154,285	142,015
Hedge funds	41,264	32,698
Absolute return funds	117,629	96,049
Treasury inflation-protected securities	18,635	–
Venture capital	22,360	12,727
Oil and gas	35,708	29,873
Other	4,827	4,522
Investments held under security loans	–	22,299
Guaranteed investment contracts	5,551	5,574
Total Investments–DPCU	**$ 994,819**	**910,234**

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

Investment Type	2008	2008	2007	2007
	Amount	*Duration*	*Amount*	*Duration*
University				
U.S. government and agency securities	$ 81,883	4.95	$ 87,580	5.53
Municipal bonds	124	2.45	69	1.80
Corporate bonds	68,072	5.88	52,133	5.41
Asset-backed securities				
Fixed-rate securities	199,703	–	191,297	–
Variable-rate securities	27,180	–	34,609	–
Collateralized mortgage obligations	30,421	–	12,290	–
Total asset-backed securities	257,304	3.79	238,196	3.59
Bond mutual funds	102,807	1.16	34,066	2.76
	Amount	*Weighted Average Maturity*	*Amount*	*Weighted Average Maturity*
U.S. government and agency securities–UPI	$ 954	1.62	$ 1,967	1.55
Federal agency paper–UPI	2,730	3.45	5,165	2.18
Corporate bonds–UPI	55,820	2.87	50,104	2.41
Asset-backed securities–UPI	1	1.00	1	1.00
Total Debt Investments–University	**$ 569,695**		**$ 469,281**	
	Amount	*Duration*	*Amount*	*Duration*
Discretely Presented Component Units				
U.S. government agencies	$ 45,520	10.34	$ 24,850	10.51
Bond mutual funds	25,440	4.64	37,290	4.76
Money market mutual funds	3,610	0.13	1,410	0.20
Total Debt Investments–DPCU	**$ 74,570**		**$ 63,550**	

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 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. The DCPU does not have a policy concerning credit quality risk. A summary of the University's debt investments and credit quality risk as of June 30, 2008 and 2007 is shown in Table 3.3, Debt Investments and Credit Quality Risk.

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

Table 3.3 Debt Investments and Credit Quality Risk *(fair value in thousands)*

	2008			2007		
	Unrated	Rated		Unrated	Rated	
Investment Type	Fair Value	Fair Value	% of Rated Value by Credit Rating	Fair Value	Fair Value	% of Rated Value by Credit Rating
University						
U.S. government agencies	$ 5,194	27,968	98% AAA	$ 7,060	28,335	96% AAA
			2% AA			4% AA
Municipal bonds	124	–	N/A	–	69	72% AAA
						28% AA
Corporate bonds	2,117	121,232	11% AAA	1,255	101,949	15% AAA
			32% AA			31% AA
			34% A			31% A
			20% BBB/Baa			20% BBB/Baa
			3% BB/B/Caa			3% BB/B/Caa
Repurchase agreements	15,196	–	N/A	68,329	–	N/A
Asset-backed securities	72,175	97,540	95% AAA/Aaa	44,788	99,121	95% AAA/Aaa
			5% AA/BB			5% AA/BB
Bond mutual funds	102,807	–	N/A	34,847	–	N/A
Money market mutual funds	100,925	130,738	100% Aaa	65,329	296,823	100% Aaa
Total Debt Investments–University	**$ 298,538**	**377,478**		**$ 221,608**	**526,297**	
Discretely Presented Component Units						
U.S. government agencies	$ –	45,520	100% AAA	$ –	24,850	100% AAA
Bond mutual funds	25,440	–		37,290	–	
Guaranteed investment contracts	–	3,273	100% AAAm/Aaa	–	3,273	100% AAAm/Aaa
Money market mutual funds	–	5,888	41% AA–/Aa	–	3,711	66% AA/Aa1
			59% A1/P1			30% A1/P1
						4% A
Total Debt Investments–DPCU	**$ 25,440**	**54,681**		**$ 37,290**	**31,834**	

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, 2008, the University had approximately $69,101,000 securities on loan. No securities were on loan as of June 30, 2007.

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.

The Foundation has participated in the Securities Lending Program maintained by its custodian bank, under which securities held by the Foundation are loaned by the custodian bank, as agent of the Foundation, to certain brokers and other financial institutions (Borrowers). The Borrowers provide cash, U.S. government securities, or letters of credit as value of the loaned international or domestic securities, respectively, when the loan is initiated, and are required to maintain the collateral at not less than 105 percent and 102 percent of the market value of the international or domestic securities, respectively. The Foundation invests cash collateral in a short-term investment vehicle maintained by the custodian bank. At June 30, 2008, the Foundation was no longer participating in this program. At June 30, 2007, the market value of securities loaned by the Foundation was $21,138,060 against which the Borrowers provided cash collateral of $19,725,235 and U.S. government debt collateral of $2,573,381.

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, 2008 and 2007, as shown in Table 3.4, DCPU Investments Held Under Split-interest Agreements.

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

Type	2008	2007
Beneficial interests in perpetual trusts held by others	$ 217	198
Charitable remainder trusts	62,616	50,804
Charitable gift annuities and pooled income funds	280	339
Total Investments Held Under Split-interest Agreements	**$ 63,113**	**51,341**

NOTE 4–ACCOUNTS, CONTRIBUTIONS, AND LOANS RECEIVABLE

Table 4.1, Accounts, Contributions, and Loans Receivable, segregates receivables as of June 30, 2008 and 2007, 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, 2008 and 2007 is detailed in Table 4.2, UPI Concentration of Credit Risk.

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

		2008			
Type of Receivable		Gross Receivables	Allowance	Net Receivables	Net Current Portion
University					
Student accounts	$	27,967	9,789	18,178	18,178
Federal government		41,435	–	41,435	41,435
Other governments		25,579	–	25,579	25,579
Private sponsors		24,310	–	24,310	24,310
Patient accounts		53,246	4,873	48,373	48,373
DPCU		11,284	–	11,284	11,284
Interest		3,916	–	3,916	3,797
Other		13,211	1,164	12,047	11,117
Total accounts receivable		200,948	15,826	185,122	184,073
Student loans		35,690	2,727	32,963	–
Total loans receivable		35,690	2,727	32,963	–
Total Receivable–University	**$**	**236,638**	**18,553**	**218,085**	**184,073**
Discretely Presented Component Units					
Contributions *	$	300,091	253,694	46,397	21,144
Interest		93	–	93	93
Other		4,609	–	4,609	884
Total Receivable–DPCU	**$**	**304,793**	**253,694**	**51,099**	**22,121**

		2007			
Type of Receivable		Gross Receivables	Allowance	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**

*The allowance on the contributions receivable is comprised of uncollectible and unamortized discounts of $251,152,000 and $2,542,000, as of June 30, 2008, respectively, and $248,747,000 and $ 3,178,000 as of June 30, 2007, respectively.

TABLE 4.2 UPI Concentration of Credit Risk

Category	2008	2007
Managed care	51.5%	55.1%
Medicare	11.9	14.3
Medicaid	16.0	13.6
Other third-party payers	12.3	5.8
Self-pay	8.3	11.2
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, 2008 and 2007.

The total interest expense related to capital asset debt incurred by the University during the years ended June 30, 2008 and 2007 approximated $39,973,000 and $42,342,000, respectively. Of this amount, approximately $11,369,000 and $20,226,000,

TABLE 5 Capital Assets *(in thousands)*

Category		Balance 2007	Additions	Retirements	Transfers	Balance 2008
University						
Nondepreciable capital assets						
Land	$	46,024	7,501	–	–	53,525
Construction in progress		448,790	206,761	–	(557,392)	98,159
Collections		8,779	397	–	–	9,176
Total nondepreciable capital assets		503,593	214,659	–	(557,392)	160,860
Depreciable capital assets						
Buildings		1,611,432	32,162	4,243	540,414	2,179,765
Improvements other than buildings		124,412	1,145	85	16,780	142,252
Equipment		390,953	36,497	13,933	198	413,715
Library and other collections		251,473	15,294	358		266,409
Total depreciable capital assets		2,378,270	85,098	18,619	557,392	3,002,141
Less accumulated depreciation						
Buildings		559,555	73,505	3,265	–	629,795
Improvements other than buildings		52,715	6,936	37	–	59,614
Equipment		268,010	37,494	12,679	–	292,825
Library and other collections		161,302	12,204	357	–	173,149
Total accumulated depreciation		1,041,582	130,139	16,338	–	1,155,383
Net depreciable capital assets		1,336,688	(45,041)	2,281	557,392	1,846,758
Total Net Capital Assets–University	**$**	**1,840,281**	**169,618**	**2,281**	**–**	**2,007,618**
Discretely Presented Component Units						
Nondepreciable capital assets						
Land	$	16,862	–	–	–	16,862
Construction in progress		207	–	207	–	–
Total nondepreciable capital assets		17,069	–	207	–	16,862
Depreciable capital assets						
Buildings		59,955	1,155	294	–	60,816
Improvements other than buildings		772	190	194	–	768
Equipment		5,903	619	446	–	6,076
Total depreciable capital assets		66,630	1,964	934	–	67,660
Less accumulated depreciation						
Buildings		4,878	2,194	–	–	7,072
Improvements other than buildings		334	95	124	–	305
Equipment		3,719	538	306	–	3,951
Total accumulated depreciation		8,931	2,827	430	–	11,328
Net depreciable capital assets		57,699	(863)	504	–	56,332
Total Net Capital Assets–DPCU	**$**	**74,768**	**(863)**	**711**	**–**	**73,194**

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TABLE 5 Capital Assets (continued) *(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**

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, 2008 and 2007 was $2,664,000 and $2,721,000 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, 2008 and 2007, 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, 2008 and 2007, total rental expense under these agreements approximated $8,536,000 and $6,837,000 for the University, respectively. Future minimum payments for these operating leases are shown in Table 6.2, Operating Leases Minimum Lease Obligations.

NOTE 7–COMPENSATED ABSENCES AND POSTEMPLOYMENT BENEFITS

Table 7, Compensated Absences and Postemployment Benefits, presents changes in compensated absences and postemployment benefits other than pension benefits for the years ended June 30, 2008 and 2007.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

During the years ended June 30, 2008 and 2007, approximately 3,600 and 3,400 retirees, respectively, met the eligibility requirements and are receiving benefits under the University's postemployment benefit (non-pension) program. Under this program, the University subsidizes a portion of healthcare and life insurance premiums by charging them as a current expense. These costs approximated $7,249,000 and $6,997,000 during the years ended June 30, 2008 and 2007, respectively.

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $195,972,000, and the actuarial value of assets were zero, resulting in an

TABLE 6.1 Accounts Payable and Accrued Expenses *(in thousands)*

Type		2008	2007
University			
Accounts payable–vendors	$	66,033	71,014
Accounts payable–DPCU		767	145
Accrued salaries and benefits		143,722	130,241
Accrued interest payable		1,822	2,080
Other accrued expenses		1,357	1,863
Total Accounts Payable and Accrued Expenses–University	**$**	**213,701**	**205,343**
Discretely Presented Component Units			
Accounts payable–vendors	$	3,812	2,853
Accounts payable–University		3,418	6,205
Total Accounts Payable–DPCU	**$**	**7,230**	**9,058**

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

Years Ending June 30		Minimum Lease Obligation
2009	$	7,147
2010		5,501
2011		5,198
2012		3,780
2013		2,837
2014–2016		7,243
Total Operating Lease Obligations	**$**	**31,706**

TABLE 7 Compensated Absences and Postemployment Benefits *(in thousands)*

		2008	2007
Compensated Absences:			
Beginning of the year	$	96,886	86,500
Additions		110,655	76,511
Adjustments/reductions		(103,723)	(66,125)
End of the year		103,818	96,886
Postemployment Benefits:			
Beginning of the year			
Annual required contribution		9,428	–
Interest on net obligation		532	–
Adjustment to annual required contribution		12,141	–
Annual OPEB cost (expense)		22,101	–
Contributions made during the year		(10,645)	–
End of the year		11,456	–
Total Compensated Absences and Postemployment Benefits	**$**	**115,274**	**96,886**

unfunded actuarial accrued liability (UAAL) of $195,972,000. The covered payroll (annual payroll of active employees covered by the plan) was $201,899,000, and the ratio of the UAAL to the covered payroll was 97.1 percent. The University contributed 48.2 percent of the annual required contribution.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial-accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the unit credit actuarial cost method was used. The healthcare trend assumption reflects healthcare cost inflation expected to impact the plan based on forecast information in published papers from industry experts (actuaries, health economists, etc.). This information suggests an 11 percent long-term average increase for all healthcare benefits, trending down to an ultimate 5 percent increase for 2014 and later years. Expected medical claims are assumed to increase 2 percent, on average, as participant's age. It was assumed that all members would be entitled to the maximum life insurance benefit amount, therefore no salary increase rate is assumed. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008 was 29 years.

PERA POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to the postemployment (non-pension) benefits provided by the University, employees that participate in the PERA pension plan (Note 16) recieve postemployment benefits from PERA.

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 the 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, 2008 and 2007, 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 (Note 16).

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, 2007, there were approximately 42,430 enrollees in the plan.

LIFE INSURANCE PROGRAM

During Fiscal Years ended June 30, 2008 and 2007, 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 8–DEFERRED REVENUE

As of June 30, 2008 and 2007, the types and amounts of deferred revenue are shown in Table 8, Deferred Revenue.

TABLE 8 Deferred Revenue *(in thousands)*

	2008		2007	
Type	Total	Current Portion	Total	Current Portion
University				
Tuition and fees	$ 17,210	17,210	16,869	16,869
Auxiliary enterprises	19,647	13,796	19,684	13,578
Grants and contracts	50,971	50,971	46,266	46,266
Miscellaneous	7,394	7,394	7,987	7,987
Total Deferred Revenue–University	**$ 95,222**	**89,371**	**90,806**	**84,700**
Discretely Presented Component Units				
Miscellaneous	$ 1,314	1,314	1,852	1,674
Total Deferred Revenue–DPCU	**$ 1,314**	**1,314**	**1,852**	**1,674**

NOTE 9–BONDS, LEASES, AND NOTES PAYABLE,

As of June 30, 2008 and 2007, the categories of long-term obligations are detailed in Table 9.1, Bonds, Leases Payable, and Notes.

Table 9.2, Changes in Bonds, Notes, and Leases Payable, presents changes in bonds, notes, and leases payable for the years ended June 30, 2008 and 2007.

REVENUE BONDS

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2008 and 2007 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, 2008 and 2007, total net pledged revenues approximate $221,604,000 and $203,184,000, 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, 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.

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

Type	Interest Rates	Final Maturity	Balance 2008	Balance 2007
University				
Revenue Bonds				
Enterprise System (including premium of $28,405 in 2008 and $30,836 in 2007 and deferred loss of $8,309 in 2008 and $9,134 in 2007)	2.25%–5.75%	6/1/39	$ 749,931	774,497
UPI Variable Demand Bonds	3.50%*	1/1/25	18,890	19,290
Total Revenue Bonds			768,821	793,787
Capital Leases				
Central Utility Plant	6.00%	12/31/22	41,330	28,145
Other Capital Lease Obligations	2.87–13.95%	Various	2,055	2,187
Total Other Capital Leases			43,385	30,332
Notes Payable	5.00–6.00%	12/31/09	48	93
Total Bonds, Leases, and Notes Payable–University			**$ 812,254**	**824,212**

* Interest on the UPI Variable Rate Demand Bonds is set at an adjustable rate as discussed below under Revenue Bonds. The rates reflected in this table are as of June 30, 2008.

Type	Interest Rates	Final Maturity	Balance 2008	Balance 2007
Discretely Presented Component Units				
Revenue Bonds				
Student Housing Facility Series 2005	3.21%*	7/1/37	$ 50,365	50,365
Total Revenue Bonds			50,365	50,365
Capital Leases	7.50%	9/1/14	4,205	4,585
Notes Payable	6.37–6.6%**	9/10/16	18,910	19,719
Total Bonds, Leases, and Notes Payable–DPCU			**$ 73,480**	**74,669**

*Interest on the Student Housing Faculty Series 2005 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, 2008.

**98 Inverness LLC. Variable interest rate of 1-month LIBOR plus 2.156 adjusted monthly

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

Type	Balance 2007	Additions	Retirements	Balance 2008	Current Portion
University					
Revenue Bonds	$ 772,085	–	23,360	748,725	26,575
Plus unamortized premiums	30,836	–	2,431	28,405	2,092
Less deferred loss	9,134	–	825	8,309	–
Net Revenue Bonds	793,787	–	24,966	768,821	28,667
Capital Leases	30,332	15,321	2,268	43,385	2,563
Notes Payable	93	–	45	48	48
Total Bonds, Leases, and Notes Payable–University	**$ 824,212**	**15,321**	**27,279**	**812,254**	**31,278**
Discretely Presented Component Units					
Revenue Bonds	$ 50,365	–	–	50,365	–
Capital Leases	4,585	–	380	4,205	415
Notes Payable	19,719	–	809	18,910	391
Total Bonds, Leases, and Notes Payable–DPCU	**$ 74,669**	**–**	**1,189**	**73,480**	**806**

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	–	–
Capital Leases	31,223	595	1,486	30,332	1,858
Notes Payable	136	–	43	93	45
Total Bonds, Leases, and Notes 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 premiums	140	–	140	–	–
Net Revenue Bonds	118,395	–	68,030	50,365	–
Capital Leases	4,836	30	281	4,585	346
Notes Payable	–	19,772	53	19,719	559
Total Bonds, Leases, and Notes Payable–DPCU	**$ 123,231**	**19,802**	**68,364**	**74,669**	**905**

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 9.3 Revenue Bonds Detail *(in thousands)*

Issuance Description	Original Issuance Amount	Outstanding Balance 2008	Outstanding Balance 2007
University			
Enterprise System Revenue Bonds:			
Refunding Series 1995A–			
Used to refund all of the Refunding Series 1986, 1989, 1990, and 1992B	$ 32,940	5,350	5,975
Refunding and Improvement Series 1997–			
Used to refund all of the Series 1986 and fund capital improvements at CU-Boulder and UCCS	12,760	965	1,050
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, RBRF Series 1992, and a portion of the Enterprise System Tax Exempt Commercial Paper	34,840	9,985	14,092
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	7,704	9,471
Series 2002A–			
Used to fund capital improvements at UC Denver (includes premium)	101,875	36,251	39,060
Series 2002B–			
Used to fund capital improvements at CU-Boulder (includes premium)	40,055	7,441	7,443
Series 2002C–			
Used to fund capital improvements at CU-Boulder (includes premium)	5,670	1,005	2,140
Series 2003A–			
Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver	64,260	56,843	58,877
Series 2004–			
Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver	24,360	21,565	22,435
Series 2005A–			
Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver and to refund 1995 RBRF Bonds (includes premium)	230,025	231,048	235,895
Series 2005B–			
Used to fund capital improvements at UCCS and UC Denver	25,225	24,653	25,200
Series 2006A–			
Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver	101,425	103,171	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	179,371	182,774
Series 2007B–			
Used to fund acquisition and capital improvements at CU-Boulder, Williams Village	63,875	64,579	66,000
Total Enterprise System Revenue Bonds		749,931	774,497
Series 2002–UPI Variable Rate Demand Bonds–			
Used to finance construction of UPI's administrative office building	20,500	18,890	19,290
Total Revenue Bonds		768,821	793,787
Less Premium		28,405	30,836
Plus Deferred Loss		8,309	9,134
Total Outstanding Revenue Bond Principal–University		**748,725**	**772,085**
Discretely Presented Component Units			
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 Outstanding Revenue Bond Principal–DPCU	**$**	**50,365**	**50,365**

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

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 were 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.

OTHER CAPITAL LEASES

The University has 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, 2008 and 2007, the CUP capital lease had an outstanding liability approximating $41,330,000 and $28,145,000 respectively, with underlying gross capitalized asset cost approximating $47,385,000 and $32,685,000, 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, 2008 and 2007, the University had an outstanding liability for all other capital leases approximating $2,055,000 and $2,187,000, respectively, with underlying gross capitalized asset cost approximating $4,988,000 and $6,784,000, respectively.

At June 30, 2008 and 2007, the DPCU had an outstanding liability for capital leases approximating $4,205,000 and $4,584,000 respectively, with underlying gross capitalized asset cost approximating $5,750,000.

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

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
2009	$	26,575	35,333	61,908	325	1,610	1,935
2010		26,885	34,131	61,016	420	1,590	2,010
2011		27,040	32,919	59,959	520	1,574	2,094
2012		27,385	31,727	59,112	630	1,554	2,184
2013		28,545	30,483	59,028	740	1,530	2,270
2014–2018		146,825	131,543	278,368	5,150	7,175	12,325
2019–2023		175,980	94,525	270,505	6,640	6,205	12,845
2024–2028		180,205	50,210	230,415	8,420	4,975	13,395
2029–2033		94,395	16,875	111,270	10,685	3,415	14,100
2034–2038		14,165	1,475	15,640	16,835	1,330	18,165
2039		725	33	758	–	–	–
Total	$	748,725	459,254	1,207,979	50,365	30,958	81,323

TABLE 9.5 Notes Payable Future Minimum Payments *(in thousands)*

	University			Discretely Presented Component Units		
Years Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2009	$ 48	2	50	392	1,281	1,673
2010	–	–	–	441	1,270	1,711
2011	–	–	–	2,639	1,169	3,808
2012	–	–	–	217	1,006	1,223
2013	–	–	–	232	991	1,223
2014—2018	–	–	–	14,989	3,670	18,659
Total	**$ 48**	**2**	**50**	**18,910**	**9,387**	**28,297**

NOTES PAYABLE

As of June 30, 2008 and 2007, 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 $48,000 and $93,000, respectively. The notes payable are payable from student housing revenue.

At June 30, 2008 and 2007, the DPCU had outstanding notes payable totaling approximately $18,910,000 and $19,719,000. The notes are payable to National Life Insurance Company with interest computed at 6.6 percent per annum, Midland Loan Services, with interest computed at 6.37 percent per annum and First Bank of Littleton with variable interest computed at London Inter-Bank Offer Rate (LIBOR) + 2.15 percent per annum, adjusted monthly. These notes are secured by various land and buildings.

Future minimum payments of the notes payable are detailed in Table 9.5, 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 a 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 $34,088,000 and $117,721,000 during the years ended June 30, 2008 and 2007, respectively. As of June 30, 2008 and 2007, the University had underlying gross capitalized asset costs approximating $187,897,000 and $2,762,024, 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 $170,490,000 and $171,865,000 as of June 30, 2008 and 2007, respectively.

TABLE 9.6 Capital Leases *(in thousands)*

	University			Discretely Presented Component Units		
Years Ending June 30	Principal	Interest	Total	Principal	Interest	Total
2009	$ 2,563	2,231	4,794	415	454	869
2010	2,521	2,107	4,628	497	404	901
2011	2,507	1,983	4,490	589	343	932
2012	2,440	1,860	4,300	693	271	964
2013	2,551	1,734	4,285	811	186	997
2017–2023	14,479	6,571	21,050	1,200	93	1,293
2024–2026	16,324	2,282	18,606	–	–	–
Total	**$ 43,385**	**18,768**	**62,153**	**4,205**	**1,751**	**5,956**

NOTE 10–OTHER LIABILITIES

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2008 and 2007.

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 student 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, 2008 and 2007 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 Student Loan program, the University is not responsible for collection of these loans or for defaults by borrowers; therefore these loans are not recognized as receivables in the accompanying financial statements. Direct lending activity during the years ended June 30, 2008 and 2007 was $112,824,000 and $112,540,000, respectively.

For the State 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, the University recognized a receivable of $2,131 with an offsetting liability in the accompanying financial statements for the loans that were not sold by year end. As of June 30, 2008, there is no longer a receivable or offsetting liability. Activity during the years ended June 30, 2008 and 2007 was $57,878,000 and $62,156,000, respectively.

TABLE 10.1 Other Liabilities *(in thousands)*

	2008		2007	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
University				
Risk financing	$ 19,512	7,037	19,733	6,906
Construction contract retainage	16,707	16,707	20,100	10,419
Funds held for others	22,368	22,368	22,758	22,758
Miscellaneous	8,120	7,919	13,099	11,947
Total Other Liabilities–University	**$ 66,707**	**54,031**	**75,690**	**52,030**
Discretely Presented Component Units				
Funds held for others	$ 2,528	–	2,930	88
Total Other Liabilities–DPCU	**$ 2,528**	**–**	**2,930**	**88**

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

	Property, General Liability, and Workers' Compensation	UC Denver Professional Liability	Graduate Medical Student Health Benefits	Total
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**
Fiscal Year 2008:				
Claims and changes in estimates	7,004	350	6,403	13,757
Claim payments	(6,274)	(1,421)	(6,283)	(13,978)
Balance 2008	**$ 14,079**	**4,175**	**1,258**	**19,512**

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, 2008 and 2007, all of the University's unrestricted net assets have been designated by management for the following purposes and amounts detailed in Table 11, Designations of Unrestricted Net Assets.

TABLE 11 Designations of Unrestricted Net Assets
(in thousands)

Designation Description	2008	2007
Accounts receivable	$ 17,750	23,171
Accumulated unrealized gain (loss) on investments	–	40,569
Auxiliary facilities operating reserves	65,052	58,554
Capital-related activities	137,275	205,108
Faculty start-up and research initiatives	113,165	90,099
Inventories and prepaids	5,895	2,234
Investment pool	40,478	31,909
Quasi-endowments	26,130	26,676
Risk financing activities	29,001	30,396
Service center reserves	12,449	4,792
Technology transfer office	16,275	17,849
University Physicians, Inc.	105,880	94,096
Total Designated Unrestricted Net Assets	**$ 569,350**	**625,453**

NOTE 12–CHANGES IN ACCOUNTING POSTEMPLOYMENT BENEFITS

For the year ended June 30, 2008, the University implemented *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions* (GASB Statement 45). This standard changed the accounting and reporting of post-employment benefits other than pension plans (Note 7).

NOTE 13–SPENDING LIMITATIONS

In November 1992, 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. In fiscal year 2005, the Colorado State Legislature determined that in Section 23-5-101.7 of the Colorado Revised Statutes 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 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, 2008, and 2007, 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 1.88 and 1.00 percent during the years ended June 30, 2008 and 2007, respectively, as shown in Table 13.1, TABOR Enterprise State Support Calculation.

TABLE 13.1 TABOR Enterprise State Support Calculation *(in thousands)*

	2008	2007
Capital appropriations	$ 18,838	7,783
Tobacco Litigation Settement Appropriation	8,512	–
State appropriations for Anschutz Certificate of Participation annual payments for debt service	13,131	13,130
Total State TABOR Grants	**$ 40,481**	**20,913**
Total TABOR Enterprise Revenues	$ 2,153,000	2,101,000
Ratio of State Grants to Total Revenues	1.88%	1.00%

TABLE 13.2 Appropriated Funds *(in thousands)*

Description	2008	2007
Total appropriation	$ 709,540	653,258
Actual appropriated revenues	$ 707,798	650,081
Actual appropriated expenditures and transfers	707,798	649,851
Net increase in appropriated net assets	$ –	230

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, 2008 and 2007, respectively, the University's appropriated funds included $73,651,000 and $70,550,000 received from students that qualified for stipends from the College Opportunity Fund and $121,334,000 and $108,782,000 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, 2008 and 2007, appropriated expenses were within the authorized spending authority. Table 13.2, Appropriated Funds, details the related activities for the years ended June 30, 2008 and 2007.

NOTE 14–SCHOLARSHIP ALLOWANCES

During the years ended June 30, 2008 and 2007, scholarship allowances were provided by the following funding sources in amounts detailed in Table 14, Scholarship Allowances.

TABLE 14 Scholarship Allowances *(in thousands)*

	2008			2007		
Funding Source Description	Tuition and Fees	Auxiliary Enterprise Revenues	Total	Tuition and Fees	Auxiliary Enterprise Revenues	Total
University general resources	$ 34,244	854	35,098	26,047	810	26,857
University auxiliary resources	6,307	201	6,508	5,390	228	5,618
Colorado Commission on Higher Education financial aid program	14,166	181	14,347	11,354	213	11,567
Federal programs, including Pell grants	27,067	426	27,493	24,260	555	24,815
Other State of Colorado programs	108	3	111	83	1	84
Private programs	9,676	187	9,863	9,292	229	9,521
Total Scholarship Allowances	**$ 91,568**	**1,852**	**93,420**	**76,426**	**2,036**	**78,462**

NOTE 15–HEALTH SERVICES REVENUE

Health services revenue is recorded net of contractual adjustments approximating $320,623,000 and $273,014,000 and bad debt expense on uncollectible patient account receivables approximating $9,880,000 and $10,740,000 as of June 30, 2008 and 2007, respectively. Charity care provided during the years ended June 30, 2008 and 2007, for which no reimbursement was received, measured at established rates, totaled approximately $14,990,000 and $14,100,000, respectively.

NOTE 16–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 an actuarial assessment and legislation by the General Assembly. The State plan and other divisions' 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 by visiting 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. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

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 plan.

Plan members vest after five years of service and are eligible for retirement benefits based on their hire dates as follows; hired before 7/1/2005, 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 5 years of service; hired on or after January 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 5 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 5 years of service credit and age plus years of service equals 80 or more; hired on or after January 1, 2007, age 55 with a minimum of 5 years of service credit and age plus years of service equals 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 dates 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.)

TABLE 16 University Contributions to PERA *(in thousands)*

Program	Basis	2008	2007	2006
Health Care Trust Fund	1.02% after July 1, 2004	$ 302	260	239
Defined Benefit Plan	The balance remaining	29,570	25,502	23,174
Total University Contribution		**$ 29,872**	**25,762**	**23,413**

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.

The total payroll of employees covered by PERA was approximately $ 254,932,000 and $233,928,000 for the years ended June 30, 2008 and 2007, respectively. Employees contribute 8 percent of their salary, as defined in State statute, to an individual account in the plan. During the years ended June 30, 2008, 2007, and 2006, the University contributed a total of 11.60, 11.01, and 10.66 percent, respectively, of the employee's gross covered wages to PERA in accordance with the following allocations and amounts detailed in Table 16, 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 State statute, 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

PERA offers a voluntary 401K plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans.

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, 2008 and 2007, 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, 2008 and 2007 approximated $57,033000 and $53,181,000, respectively. The employees' contribution under the optional retirement plan approximated $28,373,000 and $26,450,000 during the years ended June 30, 2008 and 2007, 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, 2008 and 2007.

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, 2008 and 2007. UPI's contributions for covered payroll to the retirement plan for the years ended June 30, 2008 and 2007 approximated $1,592,000 and $1,508,000, 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, 2008 and 2007, the CU Foundation's matching contributions approximated $522,000 and $462,000, 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, 2008, and 2007, CUREF's matching contributions approximated $31,194 and $29,000 respectively.

HEALTH INSURANCE PROGRAMS

The University's contributions to its various health insurance programs approximated $63,374,000 and $54,045,000 during the years ended June 30, 2008 and 2007, respectively.

NOTE 17–SEGMENT INFORMATION

As of June 30, 2008 and 2007, the University has one segment, UPI.

UPI has identifiable activities for which UPI Variable Rate Demand bonds approximating $18,890,000 and $19,290,000 are outstanding as of June 30, 2008 and 2007, 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, 2008 and 2007, respectively, is presented in Table 17, Segment Financial Information.

NOTE 18–DISCRETELY PRESENTED COMPONENT UNITS

Summary financial information as of and for the years ended June 30, 2008 and 2007, respectively, for the University's DPCU are presented in Table 18, DPCU Summary Financial Statements.

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, 2008 and 2007, 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, 2008 and 2007 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, 2008 and 2007, this related endowment was valued at approximately and $12,044,000 and $12,522,000, respectively.

UNIVERSITY OF COLORADO FOUNDATION

Distributions made by the CU Foundation to the University during the years ended June 30, 2008 and 2007 were approximately $92,487,000 and $50,632,000, 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, 2008 and 2007, the University has recorded an accounts receivable from the CU Foundation of $10,596,000 and $11,950,000, respectively. As of June 30, 2008 and 2007, the University recorded an accounts payable to the CU Foundation of $767,000 and $145,000, respectively. Beginning July 1, 2007, the University also contracts with the CU Foundation to manage a portion of its investments. As of June 30, 2008, $100,000,000 is being managed by the CU Foundation.

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 $127,003,000 and $129,455,000 as of June 30, 2008 and 2007, respectively. The CU Foundation retained an investment management fee equal to one percent. The University pays a fee to the CU Foundation for development services approximating $5,190,000 and $6,568,000 during the years ended June 30, 2008 and 2007, respectively.

TABLE 17 Segment Financial Information *(in thousands)*

As of and for the year ended June 30	2008	2007
Condensed Statement of Net Assets	**UPI**	**UPI**
Assets		
Cash, and cash equivalents	$ 37,693	31,572
Short-term investments	19,057	17,489
Other current assets	47,962	35,940
Total current assets	104,712	85,001
Investments	49,717	51,776
Capital assets, net	16,330	16,320
Other noncurrent assets	1,354	1,371
Total noncurrent assets	67,401	69,467
Total Assets	**$ 172,113**	**154,468**
Liabilities		
Accounts payable and accrued expenses	$ 20,748	19,983
Bonds, notes, and leases payable	511	453
Total current liabilities	21,259	20,436
Bonds, notes, and leases payable	18,461	18,968
Total noncurrent liabilities	18,461	18,968
Total Liabilities	**$ 39,720**	**39,404**
Net Assets		
Invested in capital assets, net of related debt	$ (2,618)	(3,040)
Unrestricted	135,011	118,104
Total Net Assets	**$ 132,393**	**115,064**
Condensed Statement of Revenues, Expenses, and Changes in Net Assets		
Operating revenues	$ 301,348	269,550
Operating expenses		
Depreciation expense	(1,297)	(1,423)
Other operating expenses	(287,245)	(257,924)
Operating income	12,806	10,203
Nonoperating revenue (expenses)		
Investment income	6,014	5,542
Interest expense on capital asset-related debt	(653)	(683)
Other nonoperating expenses	(838)	(1,792)
Total nonoperating revenue (expenses)	4,523	3,067
Increase in Net Assets	**17,329**	**13,270**
Net Assets, Beginning of Year	115,064	101,794
Net Assets, End of Year	**$ 132,393**	**115,064**
Condensed Statement of Cash Flows		
Net cash flows provided by (used for)		
Operating activities	$ 2,846	8,813
Non-capital financing activities	(839)	(1,820)
Capital and related financing activities	(2,392)	(1,110)
Investing activities	6,506	(11,610)
Net Increase (Decrease) in Cash and Cash Equivalents	**6,121**	**(5,727)**
Cash and Cash Equivalents, Beginning of Year	31,572	37,299
Cash and Cash Equivalents, End of Year	**$ 37,693**	**31,572**

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

Condensed Statement of Net Assets	As of and for the year ended June 30, 2008			
	Coleman Foundation	CU Foundation	CUREF	Total
Assets				
Current assets				
Cash, and cash equivalents	$ 59	8,420	7,805	16,284
Investments	–	–	2,278	2,278
Accounts and contributions receivable, net	–	21,681	347	22,028
Other assets		463	149	612
Total current assets	59	30,564	10,579	41,202
Noncurrent assets				
Investments	–	1,052,164	3,273	1,055,437
Contributions receivable, net	–	25,824	3,154	28,978
Other assets	–	–	7,339	7,339
Capital assets, net	–	4,061	69,133	73,194
Total noncurrent assets	–	1,082,049	82,899	1,164,948
Total Assets	**$ 59**	**1,112,613**	**93,478**	**1,206,150**
Liabilities				
Current liabilities				
Accounts payable	$ –	2,396	1,416	3,812
Account payable–University	–	3,418	–	3,418
Deferred revenue	–	541	773	1,314
Bonds and leases payable	–	415	391	806
Split-interest agreements	–	3,960	–	3,960
Custodial funds	–	6,781	–	6,781
Total current liabilities	–	17,511	2,580	20,091
Noncurrent liabilities				
Bonds and leases payable	–	3,790	68,884	72,674
Split-interest agreements	–	23,852	–	23,852
Custodial funds	–	233,393	–	233,393
Other liabilities	–	2,241	287	2,528
Total noncurrent liabilities	–	263,276	69,171	332,447
Total Liabilities	**$ –**	**280,787**	**71,751**	**352,538**
Net Assets				
Invested in capital assets, net of related debt	$ –	1,771	–	1,771
Restricted for nonexpendable purposes	–	256,509	–	256,509
Restricted for expendable purposes	–	515,735	4,690	520,425
Unrestricted	59	57,811	17,037	74,907
Total Net Assets	**$ 59**	**831,826**	**21,727**	**853,612**
Statements of Revenue, Expenses, and Changes in Net Assets				
Operating revenues				
Contributions	$ 1,017	120,169	1,604	122,790
University support	–	6,306	–	6,306
Other revenue	–	2,088	8,500	10,588
Total operating revenues	1,017	128,563	10,104	139,684
Operating expenses				
Institutional support				
Gifts and income distributed to University and related parties	1,000	93,657	1,255	95,912
Other program services	–	8,982	5,327	14,309
Support services	6	12,536	452	12,994
Depreciation	–	771	2,056	2,827
Total operating expenses	1,006	115,946	9,090	126,042
Operating Income	**11**	**12,617**	**1,014**	**13,642**
Nonoperating revenues (expenses)				
Investment income	(13)	5,525	500	6,012
Interest expense on capital asset-related debt	–	–	(2,846)	(2,846)
Increase (Decrease) in Net Assets	**(2)**	**18,142**	**(1,332)**	**16,808**
Net Assets, Beginning of Year	61	813,684	23,059	836,804
Net Assets, End of Year	**$ 59**	**831,826**	**21,727**	**853,612**

TABLE 18 (continued) 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
Security lending	–	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**

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. 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.

THE UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION

For the years ended June 30, 2008 and 2007, CUREF distributed approximately $1,255,000 and $835,000, 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. Amounts drawn and repaid during the year ended June 30, 2007 totaled approximately $7,000,000. No activity was conducted during the year ended June 30, 2008.

CUREF has a long-term agreement with the University to rent portions of a building owned by CUREF. For the years ended June 30, 2008 and 2007, the University paid approximately $1,468,000 and $650,000, respectively, in rent of which approximately $307,000 is prepaid at June 30, 2008 to CUREF, which recognized an equal amount of other operating revenues. As of June 30, 2008, the University has recorded an accounts receivable from CUREF of $688,000.

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 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 $29,594,000 and $30,490,000 for years ended June 30, 2008 and 2007, respectively. Total payments issued by UC Denver to the Hospital Authority for the years ended June 30, 2008 and 2007 approximated $11,647,000 and $10,366,000, respectively.

During the years ended June 30, 2008 and 2007, UPI recognized approximately $22,332,000 and $19,995,000, respectively, in health services revenue from the Hospital Authority in support of clinical and academic missions. UPI also received approximately $27,242,000 and $27,980,000 during the years ended June 30, 2008 and 2007, 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 from the Hospital Autority a 30 percent participation in the Hospital Authority's investment in TriWest Healthcare Alliance Corp. (TriWest) for $994,000. The Hospital Authority originally purchased the minority interest in TriWest for approximately $3,300,000. UPI received $1,171,000 and $839,000 in dividends from TriWest during the years ended June 30, 2008 and 2007, 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 Downtown Campus, 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, 2008 and 2007, the University incurred expenses related to the common facilities approximating $5,743,000 and $5,469,000, 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 $87,271,000 and $139,287,000, as of June 30, 2008 and 2007, 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, 2008 and 2007, the amount of capital construction appropriations authorized from the State for these projects approximated $31,767,000 and $11,597,000, 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 commitments. As of June 30, 2008, the University recorded a contingent liability as an other current liability in the accompanying financial statements for the anticipated cost of resolving these commitments. 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 healthcare program participation requirements; reimbursement for patient services; and Medicare and Medicaid fraud and abuse. Government activity has continued to increase with respect to investigations and allegations concerning possible violations of fraud and abuse of statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. UPI management believes that UPI is in substantial compliance with fraud and abuse 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 EVENT

On November 6, 2008, the State issued $230,845,000 of certificates of participation (Certificates) on behalf of several of its higher education institutions. These Certificates will be repaid from the State's resources and not resources of the benefitting institutions. As a result, this liability is recognized by the State and not included in the benefitting institutions' financial statements. The proceeds are being used to finance the costs of acquisition, construction, improvement, and equipping of numerous buildings at the benefitting institutions. The Certificates are secured by the buildings or equipment acquired with the lease proceeds, or other buildings and equipment agreed to by the institutions, and any unexpended lease proceeds. The Certificates have a weighted average maturity of 11.2 years. The State will allocate $17,085,000 of the proceeds to the University to renovate the science building on the UCCS campus. As collateral, the University agreed to assign interest rights in a second building on the UCCS campus to the Certificates' trustee as long as the Certificates are outstanding. The trustee leased the building to the State which in turn subleased the building back to the University at no cost. The State is responsible for making the annual lease payments to the trustee for the leased building. The lease payments will be counted as State support under TABOR as they are made.

Required Supplementary Information

UNIVERSITY OF COLORADO
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2008 and 2007

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL)–Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as Percentage of Covered Payroll (B-A/C)
July 1, 2007	–	$195,972,332	$195,972,332	0.00%	$201,898,779	97.06%

Principal Administrative Officers

Bruce Benson, President
Michael Poliakoff, Vice President for Academic Affairs and Research
Robert G. Moore, Vice President for Budget and Finance
Leonard Dinegar, Vice President for Administration and Chief of Staff
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