Annual Financial Report 2009

University of Colorado

Boulder • Colorado Springs • Denver • Anschutz Medical Campus

The University of Colorado Board of Regents, October 2009

Back row from left: Joe Neguse, Stephen Ludwig, James E. Geddes, Tom Lucero, and Michael Carrigan.
Front row from left: Kyle Hybl, Tilman "Tillie" Bishop (Vice chair), Steve Bosley (Chair), and Monisha Merchant.
Photo by University Communications, University of Colorado at Boulder.

FROM THE PRESIDENT

In times of financial challenge, it is particularly important for members of the University of Colorado community to show we are efficient and effective in how we use funds entrusted to us. We recognize our responsibility to be good stewards of resources that come from students, taxpayers, donors, clinical revenue, and federal agencies. This Annual Financial Report provides an open and transparent accounting of the university's $2.4 billion budget (fiscal year 2008–09).

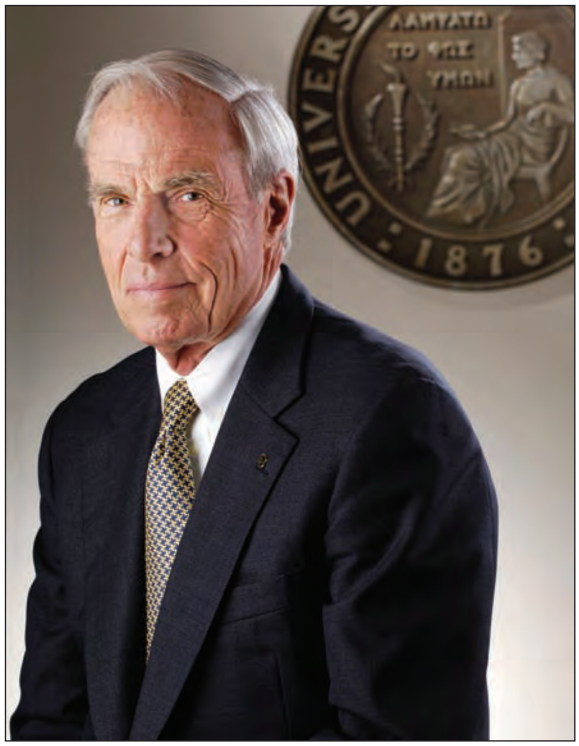
It also demonstrates that the university's focus is on our fundamental activities: classroom teaching and research. We not only provide a world-class education for more students than any university in the Rocky Mountain West, but also conduct research at the forefront of discovery and innovation. The result is that CU graduates make a difference in virtually every field of endeavor. And the research our faculty scientists engage in improves lives and tackles some of the most pressing issues of our time, including healthcare, energy, and the environment.

We are successful because we invest in teaching and research while continually working to keep our administrative overhead low. For example, our 2009–10 budget shows a nearly 8 percent increase in funds dedicated to instruction and a 2 percent decrease in administrative costs. We intend to continue this trend line. CU's constituents make an investment in the university, and the pages of this report clearly articulate where we direct those investments.

Our commitment to the open reporting of our finances is unwavering, whether in good times or bad. This financial report is an important vehicle for the University of Colorado to meet its obligation to its constituents.

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 basic 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, 2009 and 2008, 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 2009 or 2008 financial statements of University Physicians, Inc. (UPI), a blended component unit, which represent approximately 6%, 8%, and 16%, respectively, for 2009, and approximately 5%, 6%, and 14%, respectively, for 2008, of the assets, net assets, and revenues of the business-type activities of the University. In addition, we did not audit the 2009 or 2008 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 2009 and 2008. 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, 2009 and 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 9, 2009 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the Funded Status of Postemployment Benefits 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 9, 2009

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, 2009 and 2008 (Fiscal Years 2009 and 2008, respectively), with comparative information for Fiscal Year 2007. 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 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 six 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, 2009 and 2008). 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, 2009 and 2008). Their purpose is to assess the University's operating and nonoperating activities.
- ***Statements of Cash Flows*** present cash receipts and payments of the University during a period of time (the years ended June 30, 2009 and 2008). 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.
- ***Required Supplementary Information (RSI)*** presents additional information that differs from the basic financial statements in that the auditor applies certain limited procedures in reviewing the information. In this report, RSI includes the funding status of other postemployment benefits.

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 Information Reporting and Analysis (see www.cu.edu/ir).

FINANCIAL HIGHLIGHTS

Sustained increases in net assets over time are one indicator of financial health. For two of the past three fiscal years, the University has sustained increases in its net assets. As of June 30, 2009, the University's net assets decreased by approximately $2,084,000. As of June 30, 2008 and 2007, the University's net assets increased by approximately $92,264,000, and $259,237,000, respectively. For Fiscal Year 2009, the net decrease is primarily attributable to unrealized losses on investments totaling $114,874,000 as offset by state appropriations, gifts, and other capital-related additions of $112,464,000. For Fiscal Year 2008, this increase is primarily attributable to capital additions from state contributions, state appropriations, and gifts totaling $89,575,000. For Fiscal Year 2007, the increase is primarily attributable to increases in investments and capital assets of $438,426,000 as offset by the financing of those capital assets (property, plant, and equipment). The University sustained operating losses for Fiscal Years 2009, 2008, and 2007 of $95,200,000, $75,267,000, and $60,992,000 respectively. The increase in operating loss from Fiscal Year 2008 to Fiscal Year 2009 is partially attributed to a decrease in state funding from the College Opportunity Fund in the form of reduced student stipends and fee-for-service contracts. This decrease was offset by State Fiscal Stabilization Funds received from the State as part of the American Reinvestment and Recovery Act of 2009. This funding is reported as nonoperating revenues and is expected to continue through the first quarter of Fiscal Year 2011. 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 summary 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.

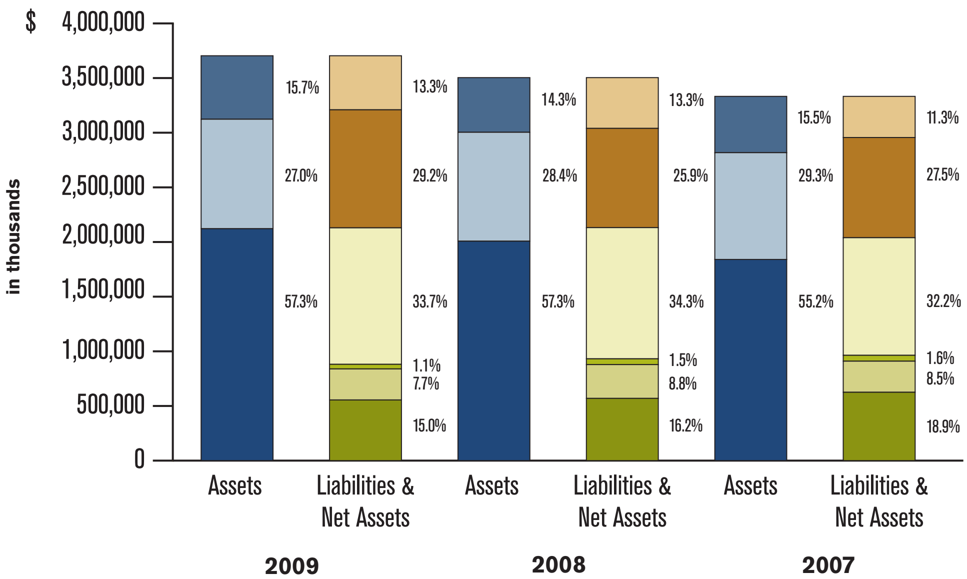


Figure 1. Condensed Summary of Assets, Liabilities, and Net Assets as of June 30, 2009, 2008, and 2007
(all dollars in thousands)

				Increase (Decrease)			
				2009 vs 2008		2008 vs 2007	
	2009	2008	2007	Amount	Percent	Amount	Percent
Assets							
Current Assets	$ 580,630	500,025	514,975	$ 80,605	16.1%	$ (14,950)	(2.9%)
Noncurrent, Noncapital Assets	1,001,864	996,374	977,175	5,490	0.6%	19,199	2.0%
Net Capital Assets	2,121,616	2,007,618	1,840,281	113,998	5.7%	167,337	9.1%
Total Assets	$ 3,704,110	3,504,017	3,332,431	$ 200,093	5.7%	$ 171,586	5.1%
Liabilities							
Current Liabilities	$ 494,571	464,314	376,347	$ 30,257	6.5%	$ 87,967	23.4%
Noncurrent Liabilities	1,079,865	907,945	916,590	171,920	18.9%	(8,645)	(0.9%)
Total Liabilities	$ 1,574,436	1,372,259	1,292,937	$ 202,177	14.7%	$ 79,322	6.1%
Net Assets							
Invested in Capital Assets, Net of Related Debt	$ 1,248,656	1,200,357	1,075,948	$ 48,299	4.0%	$ 124,409	11.6%
Restricted for Nonexpendable Purposes	41,968	52,831	53,589	(10,863)	(20.6%)	(758)	(1.4%)
Restricted for Expendable Purposes	284,012	309,220	284,504	(25,208)	(8.2%)	24,716	8.7%
Unrestricted	555,038	569,350	625,453	(14,312)	(2.5%)	(56,103)	(9.0%)
Total Net Assets	$ 2,129,674	2,131,758	2,039,494	$ (2,084)	(0.1%)	$ 92,264	4.5%
Total Net Assets and Liabilities	$ 3,704,110	3,504,017	3,332,431	$ 200,093	5.7%	$ 171,586	5.1%

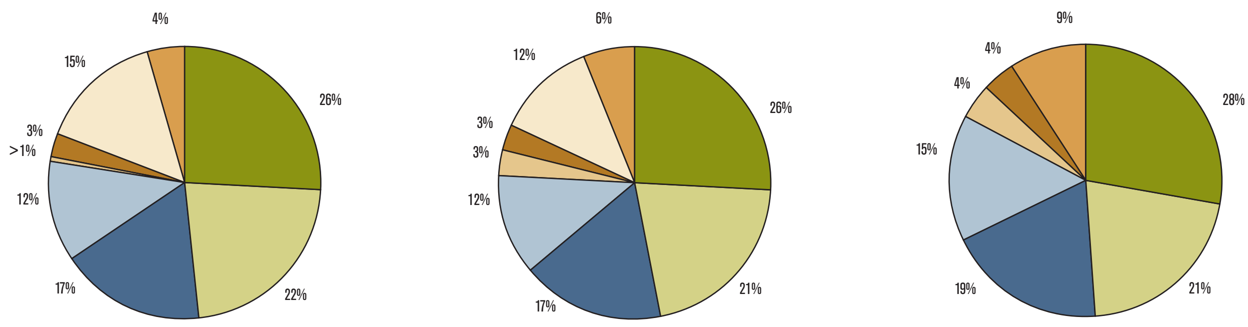
In analyzing the University's assets, the majority (approximately 80 percent) of the University's non-capital assets are investments, with a balance of $1,272,400,000 and $1,200,738,000 at June 30, 2009 and 2008, respectively. The University maximizes earnings through an internal pooling program and targeted rates of returns. The University has leveraged the investment portfolio and earning power while ensuring security and liquidity requirements are also met. Throughout Fiscal Year 2009, the national economy continued in a recession, and investment markets did not recover from earlier declines. Consistent with this national trend, the University's investments also had a difficult year and underperformed compared to planned targets. This performance resulted in the University's investments portfolio being valued at approximately $126,016,000 and $11,143,000 below cost at the end of Fiscal Years 2009 and 2008, respectively (see related revenue discussion in the following section).

The University's non-debt-related liabilities are 39 and 41 percent, respectively, of total liabilities, which equal $607,106,000 and $560,005,000 at June 30, 2009 and 2008, 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 other postemployment benefits, and deferred revenue. For each category, the increase in Fiscal Years 2009 and 2008 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 as of fiscal year end.

Compensated absences and other 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 by $21,229,000 and $18,388,000, for Fiscal Years 2009 and 2008, respectively, primarily due to increases in postemployment benefits other than 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 (Note 7). Such benefits include health insurance benefits for University retirees and their dependents. The accounting standard requires a liability to be

The categories and mixes of other liabilities reflect the nature of University operations, which have remained relatively consistent over time. As the University's large construction projects are completed, retainage on the contracts is paid out. Due to market conditions at 2009 and 2008 fiscal year ends, 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.



2009 **2008** **2007**

Figure 2. Composition of Other Liabilities (non-debt-related) as of June 30, 2009, 2008, and 2007 *(all dollars in thousands)*

				Increase (Decrease)			
				2009 vs 2008		2008 vs 2007	
	2009	2008	2007	Amount	Percent	Amount	Percent
Accrued Salaries and Benefits	$ 157,746	143,721	130,241	$ 14,024	9.8%	$ 13,480	10.3%
Compensated Absences and Other Postemployment Benefits	136,503	115,274	96,886	21,229	18.4%	18,388	19.0%
Deferred Revenue	105,390	95,222	90,806	10,168	10.7%	4,416	4.9%
Accounts Payable to Vendors	70,794	66,800	71,159	3,994	6.0%	(4,359)	(6.1%)
Contract Retainage	3,938	16,707	20,100	(12,768)	(76.4%)	(3,393)	(16.9%)
Risk Financing Related	18,332	19,512	19,733	(1,180)	(6.0%)	(221)	(1.1%)
Securities Lending	88,456	69,101	–	19,355	28%	69,101	–
Miscellaneous Liabilities	25,947	33,668	39,800	(7,721)	(22.9%)	(6,132)	(15.4%)
Total Other Liabilities	$ 607,106	560,005	468,725	$ 47,101	8.4%	$ 91,280	19.5%

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 rather than fund the annual OPEB cost.

Deferred revenue represents amounts paid by students, auxiliary enterprise customers, grantors, and contractors, and the University has not met all of its requirements for revenue recognition (Note 8). These amounts will be recognized as revenue in future periods after all conditions have been satisfied.

In addition to these three categories, at June 30, 2009 and 2008, the University recorded a securities lending liability of $88,456,000 and $69,101,000, respectively (Note 3). The University's general practice is to settle security lending agreements by fiscal year end. However, due to the market conditions that existed at the end of both fiscal years, University management determined it was in the best interest of the University to hold these security contracts at year end. In Fiscal Year 2009, contract retainage decreased by $12,768,000 from the prior year as a result of the completion of construction activity across all campuses as highlighted in the section Capital Asset and Debt Management.

The University's net assets may have restrictions imposed by external parties, such as donors, or by their nature are invested in capital assets (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 is restricted 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, which is a discretely presented component unit (Note 17). 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 decreased by $2,084,000, the ratio between these four categories has remained constant over the past three fiscal years. The change in capital net assets reflects the University's continuing investment in property, plant, and equipment. The decreases in the other three categories of net assets results primarily from unrealized losses on the University's investment portfolio.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Figure 3 illustrates the University's summary of revenues, expenses, and changes in net assets. A key component of this summary 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 12). Appropriated funds primarily include tuition, fee-for-service contract revenues, and academic fees. The ability of the University Board of Regents (the Regents) to increase tuition rates is limited

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 Summary of Revenues, Expenses, and Changes in Net Assets as of June 30, 2009, 2008, and 2007 *(all dollars in thousands)*

				Increase (Decrease)			
				2009 vs 2008		2008 vs 2007	
	2009	2008	2007	Amount	Percent	Amount	Percent
Operating Revenues	$ 2,089,117	1,965,508	1,847,320	$ 123,609	6.3%	$ 118,188	6.4%
Operating Expenses	2,184,317	2,040,775	1,908,312	143,542	7.0%	132,463	6.9%
Operating Loss	(95,200)	(75,267)	(60,992)	(19,933)	26.5%	(14,275)	23.4%
Nonoperating Revenues (net of expenses)	51,724	76,570	178,574	(24,846)	(32.4%)	(102,004)	(57.1%)
Income (Loss) before Other Revenues, Expenses, Gains, or Losses	(43,476)	1,303	117,582	(44,779)	(3,436.6%)	(116,279)	(98.9%)
Other Revenues	41,392	90,961	141,655	(49,569)	(54.5%)	(50,694)	(35.8%)
Increase (Decrease) in Net Assets	(2,084)	92,264	259,237	(94,348)	(102.3%)	(166,973)	(64.4%)
Net Assets, Beginning of Year	2,131,758	2,039,494	1,780,257	92,264	4.5%	259,237	14.6%
Net Assets, End of Year	$ 2,129,674	2,131,758	2,039,494	$ (2,084)	(0.1%)	$ 92,264	4.5%

by the State, although the University's operations no longer impact the State's Taxpayer's Bill of Rights (TABOR) spending limits due to the University's enterprise status.

As illustrated in Figure 4, the University experienced increases in all operating revenue sources in Fiscal Years 2009 and 2008 except for fee-for-service contracts. 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.) Consistent with the University's goal to increase its focus and national role as a research institution, the University's largest source of revenue continues to be grants and contracts revenue, which includes federal, state, and local government, and private sources. Grants and contracts revenue from the federal government represents 80 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 2009 and 2008, the University received $135,112,000 and $126,635,000, respectively, of such administrative and facility overhead cost reimbursements. The University pledges this reimbursement revenue and other auxiliary revenues to satisfy its bond obligations, which are commonly referred to as pledged revenues. In Fiscal Years 2008 and 2009, such

Operating revenues have grown consistently each year. State appropriations in Fiscal Years 2009 and 2008 were funded from the Tobacco Litigation Settlement Agreement. Decrease in investment income is a direct result of the decline in the financial markets. State Fiscal Stabilization Funds from ARRA were received in Fiscal Year 2009 to offset decreases in other sources of State funding.

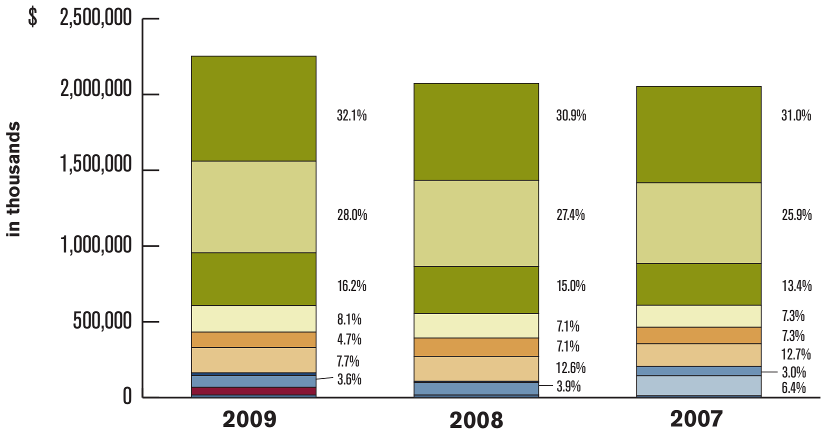


Figure 4. Operating and Nonoperating Revenues for Years Ended June 30, 2009, 2008, and 2007 *(all dollars in thousands)*

				Increase (Decrease)			
				2009 vs 2008		2008 vs 2007	
	2009	2008	2007	Amount	Percent	Amount	Percent
Operating Revenues							
Grants and Contracts	$ 692,755	639,795	635,756	$ 52,960	8.3%	$ 4,039	0.6%
Student Tuition and Fees, Net	604,484	568,381	532,614	36,103	6.4%	35,767	6.7%
Health Services	348,509	310,038	275,675	38,471	12.4%	34,363	12.5%
Auxiliary Enterprises, Net	174,780	161,809	145,022	12,971	8.0%	16,787	11.6%
Fee for Service	101,940	121,334	108,782	(19,394)	(16.0%)	12,552	11.5%
Other Operating	166,649	164,151	149,471	2,498	1.5%	14,680	9.8%
Total Operating Revenues	2,089,117	1,965,508	1,847,320	123,609	6.3%	118,188	6.4%
Nonoperating Revenues							
State Appropriations	17,997	8,512	–	9,485	100.0%	8,512	–
Gifts	77,919	81,233	61,650	(3,314)	(4.1%)	19,583	31.8%
Investment Income (Loss), Net	(95,754)	719	132,390	(96,473)	(13,417.7%)	(131,671)	(99.5%)
State Fiscal Stabilization Funds	49,995	–	–	49,995	–	–	–
Other Nonoperating, Net	17,699	17,118	12,182	581	3.4%	4,936	40.5%
Total Nonoperating Revenues	67,856	107,582	206,222	(39,726)	(36.9%)	(98,640)	(47.8%)
Total Revenues (noncapital)	$ 2,156,973	2,073,090	2,053,542	$ 83,883	4.0%	$ 19,548	1.0%

reimbursements represented 57 percent of its pledged revenues, thus creating a reliance on continued federal research funding.

The College Opportunity Fund provides stipends to qualified undergraduate students; the receiving students then use the stipends to pay a portion of their tuition. In Fiscal Years 2009 and 2008, the University applied $57,164,000 and $73,651,000, respectively, of College Opportunity Fund stipends against student tuition bills (these amounts are 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 2009 and 2008, the University received $101,940,000 and $121,334,000, respectively, as fee-for-service contract revenue. The decreases in both student stipends and fee-for-service revenue from Fiscal Year 2008 to Fiscal Year 2009 result from cuts made by the State in order to balance the State budget.

The majority of health services includes medical practice plan revenues earned through University Physicians, Inc. (Note 1), which has experienced continued 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 increase in the number of students.

The University received, in Fiscal Years 2009 and 2008, respectively, $17,997,000 and $8,512,000 in State appropriations, funded by State of Colorado Tobacco Litigation Settlement monies. The University recognized no State appropriations revenues in Fiscal Year 2007.

The University experienced an approximate 4 percent decline in gifts between Fiscal Year 2009 and 2008. Gifts include amounts received through distributions from the University's supporting foundations and amounts received directly by the University.

The University experienced declining investment returns. From Fiscal Year 2008 to Fiscal Year 2009 net investment income decreased $96,473,000, resulting in an overall loss for the fiscal year compared to a decrease in net investment income of $131,671,000 from Fiscal Year 2007 to Fiscal Year 2008. These significant decreases are driven by unrealized losses of $114,874,000 in Fiscal Year 2009 and $79,709,000 in Fiscal Year 2008. It is important to note that the unrealized activity was offset by realized investment gains in Fiscal Years 2009 and 2008 of $24,727,000 and $88,143,000, respectively.

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 (ARRA) was signed into law. The act is a $787 billion economic package designed to stimulate the national economy out of a continued recession. Included in the stimulus package was $144 billion of federal funds allocated to state governments, via the State Fiscal Stabilization Fund (SFSF) to mitigate the impacts of cuts to their budgets as a result of the recession. The State of Colorado received $760 million from SFSF over a three-year period, of which $622 million was allocated for education stabilization. On June 30, 2009, the State distributed $49,995,000 of these funds to the University to replace an equal amount of State funding cut from the College Opportunity Fund in the form of reduced student stipends and reduced fee-for-service contracts. In accepting these funds, certain stipulations were placed on the use of the funds, including taking steps to mitigate tuition and fee increases for in-state students.

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 of 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. 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 and Colorado Springs

Decline in capital contributions from the State reflect the completion of expansion on the UCD Anschutz Medical Campus funded by State certificates of participation.

Figure 5. Capital Revenues for Years Ended June 30, 2009, 2008, and 2007 *(all dollars in thousands)*

				Increase (Decrease)			
				2009 vs 2008		2008 vs 2007	
	2009	2008	2007	Amount	Percent	Amount	Percent
Grants and Gifts	$ 3,344	31,604	10,350	$ (28,260)	(89.4%)	$ 21,254	205.4%
Capital Student Fee (Net)	7,730	5,045	2,550	2,685	53.2%	2,495	97.8%
Capital Contributions from State	8,818	34,088	117,721	(25,270)	(74.1%)	(83,633)	(71.0%)
Appropriations	21,437	18,838	7,783	2,599	13.8%	11,055	142.0%
Total Capital Revenues	$ 41,329	89,575	138,404	$ (48,246)	(53.9%)	$ (48,829)	(35.3%)

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.

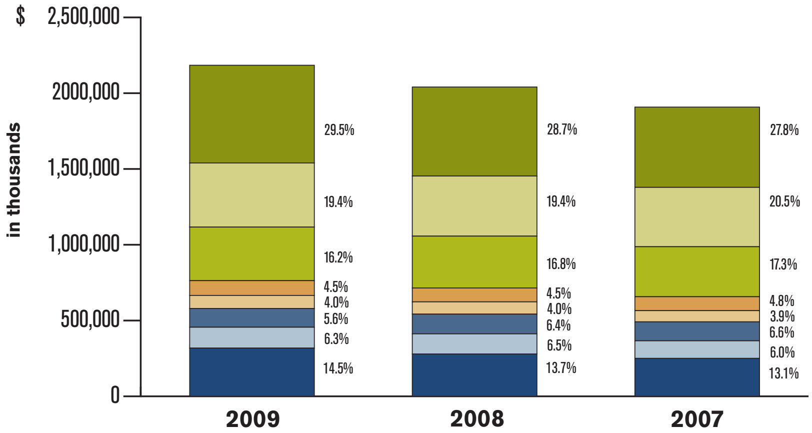


Figure 6. Expense Program Categories for Years Ended June 30, 2009, 2008, and 2007 *(all dollars in thousands)*

				Increase (Decrease)			
				2009 vs 2008		2008 vs 2007	
	2009	2008	2007	Amount	Percent	Amount	Percent
Instruction	$ 644,669	587,143	529,648	$ 57,526	9.8%	$ 57,495	10.9%
Research	422,961	396,629	391,637	26,332	6.6%	4,992	1.3%
Academic, Institutional, and Plant Support	353,572	342,210	329,928	11,362	3.3%	12,282	3.7%
Student Aid and Other Services	97,454	91,520	91,823	5,934	6.5%	(303)	(0.3%)
Public Service	86,643	80,958	73,914	5,685	7.0%	7,044	9.5%
Total Education and General	1,605,299	1,498,460	1,416,950	106,839	7.1%	81,510	5.8%
Depreciation	123,157	130,139	125,059	(6,982)	(5.4%)	5,080	4.1%
Auxiliary Enterprises	137,758	132,632	115,838	5,126	3.9%	16,794	14.5%
Health Services	318,103	279,544	250,465	38,559	13.8%	29,079	11.6%
Total Operating Expenses	$ 2,184,317	2,040,775	1,908,312	143,542	7.0%	$ 132,463	6.9%

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) issued $192,625,000 of certificates of participation, Series 2005B (2006 COP) to fund construction of several educational buildings on the UC Denver Anschutz Medical Campus. These buildings serve as collateral for the 2006 COP. In Fiscal Year 2009, the State issued $230,845,000 of Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 (2009 COP) to fund additional construction activity for most of the state funded higher education institutions. The Colorado Springs campus was allocated $17,085,000 from the proceeds of the 2009 COP to renovate the science and engineering building, which is also used as collateral for the 2009 COP. As a result of construction and renovation of these buildings, the University recognized capital contributions from the State of $8,818,000 and $34,088,000 in Fiscal Years 2009 and 2008, respectively. The University also received additional State financing as evidenced by the capital appropriations from the State of $21,437,000 in Fiscal Year 2009 compared to $18,838,000 in Fiscal Year 2008. These monies are used for various controlled maintenance and other capital construction activity.

The programmatic uses of resources displayed in Figure 6 demonstrates that the focus is basically unchanged over the past three fiscal years. Total educational and general programs overall have grown by 7 and 6 percent in Fiscal Years 2009 and 2008, respectively. Cost management measures in place for the past several fiscal years were continued and expanded in Fiscal Year 2009 as State budget cuts have impacted the University's operations. The objectives of such measures are to expand programmatic costs to meet increased demand for services, such as instruction, and to provide for targeted increases in support services costs while planning for anticipated cuts in State funding in the next few years. The amounts shown for student aid do not reflect the actual resources

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.

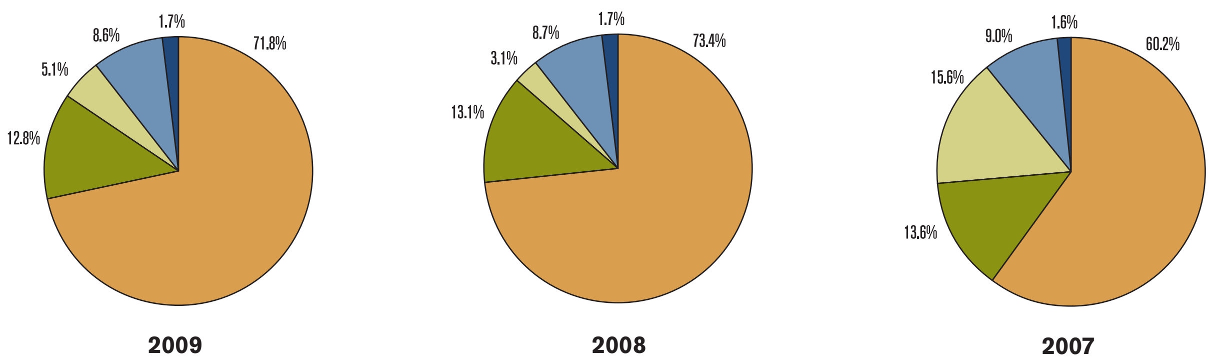


Figure 7. Capital Asset Categories (before depreciation) for Years Ended June 30, 2009, 2008, and 2007
(all dollars in thousands)

	2009	2008	2007	Increase (Decrease) 2009 vs 2008 Amount	Increase (Decrease) 2009 vs 2008 Percent	Increase (Decrease) 2008 vs 2007 Amount	Increase (Decrease) 2008 vs 2007 Percent
Buildings and Improvements	$ 2,427,992	2,322,017	1,735,844	$ 105,975	4.6%	$ 586,173	33.8%
Equipment	431,904	413,715	390,953	18,189	4.4%	22,762	5.8%
Construction in Progress	173,099	98,159	448,790	74,939	76.3%	(350,631)	(78.1%)
Library and Other Collections	291,741	275,585	260,252	16,156	5.9%	15,333	5.9%
Land	56,096	53,525	46,024	2,572	4.8%	7,501	16.3%
Total Capital Assets (gross)	$ 3,380,832	3,163,001	2,881,863	$ 217,831	6.9%	$ 281,138	9.8%

dedicated to student aid. The majority of the University's student aid resources are netted against tuition and fee revenues as a scholarship allowance (Note 13). The University's scholarship allowance was $109,903,000 and $93,420,000 in Fiscal Years 2009 and 2008, respectively.

Increases in auxiliary enterprises expenses from 2007 to 2009 are primarily attributable to the expansion of housing operations and other student auxiliary operations as student enrollment grows. 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 $3,380,832,000 and $3,163,001,000 of plant, property, and equipment at June 30, 2009 and 2008, respectively, offset by accumulated depreciation of $1,259,216,000 and $1,155,383,000, respectively. The major categories of plant, property, and equipment at June 30, 2009 and 2008 are displayed in Figure 7. Related depreciation charges of $123,157,000 and $130,139,000 were recognized in the Fiscal Years 2009 and 2008, respectively. Detailed financial activity related to the changes in Capital Assets is presented in Note 5.

In Fiscal Years 2009 and 2008, the University put into service capital construction projects of $116,885,000 and $557,392,000, respectively. In addition, another $173,099,000 and $98,159,000 of construction activity was in progress at June 30, 2009 and 2008, 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 2010 capital projects budget of $682,580,000 as detailed in Figure 9. This budget includes $15,610,000 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, 2009 *(in thousands)*

Campus/Project Description	Financing Sources	Value*
CU-Boulder:		
• Information technology upgrade wireless network enhancement	Campus resources	$ 13,525
• Extensive renovation to various student residence halls:		
Center for Community (C4C) formerly new dining center	Bond proceeds	84,433
Renovate Kittredge/Smith/Andrews/Buckingham	Bond proceeds	58,276
• Visual Arts Complex, new building to replace Sibell Wolle building	Bond proceeds, campus cash resources, and state capital appropriations	63,522
• Norlin Library Renaissance Plan	Campus cash resources	5,101
• Institute of Behavioral Sciences	Bond proceeds	15,700
• Joint Institute of Laboratory Astrophysics (JILA)	Governmental grants and contracts and campus cash resources	27,500
• Biotechnology Building Systems	Campus cash resources	148,010
UC Denver:		
• Pharmacy Research Building	Campus cash resources, private gifts, and bond proceeds	70,597
• Anschutz Medical Campus—Center for BioEthics and Humanities, new building	Private gifts	8,255
• 1475 Lawrence Court remodel	Campus cash resources	15,453
• Science building leasehold improvements	Bond proceeds	10,337
• Anschutz Medical Campus—Health and Wellness Center	Campus cash resources, private gifts, and bond proceeds	37,721
UCCS:		
• Events center	Bond proceeds	9,000
• Renovating science building	Certificates of participation proceeds	17,086

**Value represents budgeted costs for project in thousands.*

Figure 9. Fiscal Year 2010 Capital Projects Budget
(in thousands)

Continuing projects (described in Figure 8)	$ 584,516
CU-Boulder Willard and Hallett residence halls recommissioning	10,925
CU-Boulder basketball and volleyball practice facility	9,985
CU-Boulder Williams Village renovation	51,535
UC Denver School of Medicine 4th floor addition	8,201
UC Denver Lease Purchase of academic facilities at Fitzsimons	13,142
Various other capital projects and controlled maintenance	4,276
Total 2010 Capital Projects Budget	$ 682,580

Due to conducive bond markets, the University issued debt in Fiscal Year 2009 to finance capital investments. Increase in capital leases reflect the expansion of the central utility plant operated by UC Denver and buildout of educational space on the Auraria Campus.

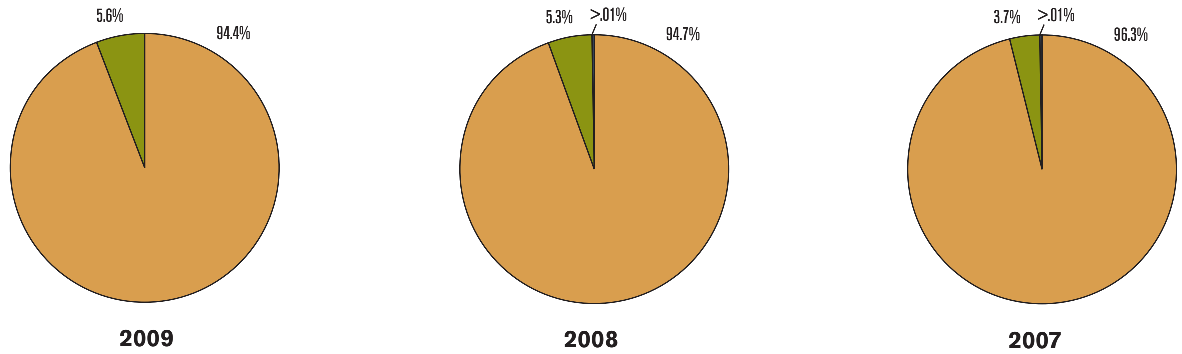


Figure 10. Debt Categories for Years Ended June 30, 2009, 2008, and 2007 *(all dollars in thousands)*

					Increase (Decrease)				
					2009 vs 2008			2008 vs 2007	
		2009	2008	2007	Amount	Percent		Amount	Percent
Revenue Bonds	$	910,228	768,821	793,787	$ 141,407	18.4%	$	(24,966)	(3.1%)
Capital Leases		57,102	43,385	30,332	13,717	31.6%		13,053	43.0%
Notes Payable		–	48	93	(48)	(100.0%)		(45)	(48.8%)
Total Long-term Debt	$	967,330	812,254	824,212	$ 155,076	19.1%	$	(11,958)	(1.5%)

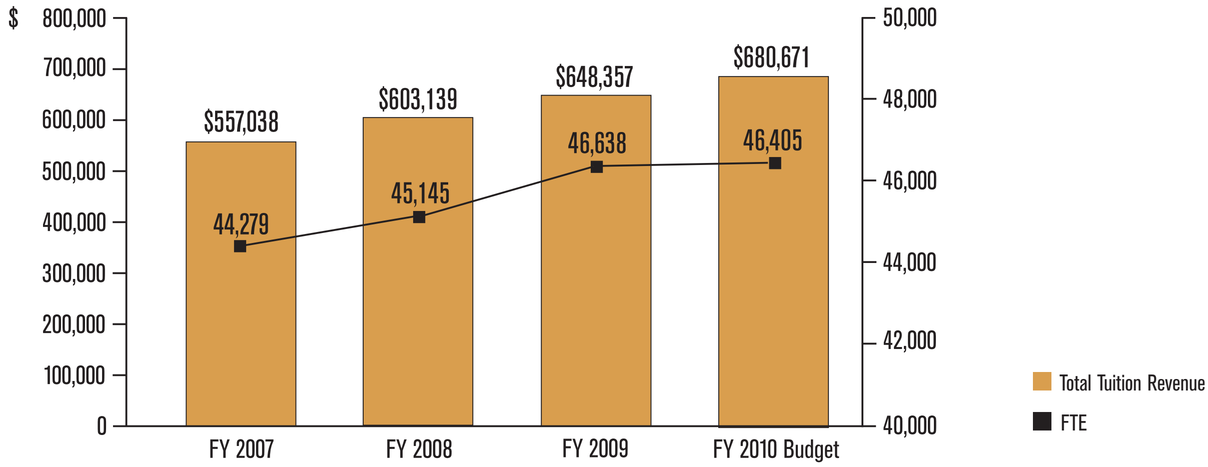
At June 30, 2009 and 2008, the University had debt (or similar long-term obligations) of $967,330,000 and $812,254,000, respectively, in the categories illustrated in Figure 10. The University increased its outstanding debt in Fiscal Year 2009 by $155,076,000, or 19.1 percent, primarily resulting from a new bond issuance of $165,635,000 as offset by normal annual debt service payments. This compares to a decrease in outstanding debt in Fiscal Year 2008 by 1.5 percent. Included in capital leases is a $39,370,000 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. Capital leases also include a $10,337,000 lease agreement with the Auraria Higher Education Center associated with the build-out of educational space on the UC Denver Downtown campus. 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).

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 grant and contract revenue. As shown in Figure 11, the University's gross tuition revenues increased 7.5 percent from Fiscal Year 2008 to Fiscal Year 2009 and are budgeted to increase by 5 percent in Fiscal Year 2010. 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 9.5 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 maximum increase in tuition provided by the State 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 9.5 percent. The largest increases were in graduate professional programs such as engineering, business, and law. The University is continuing its commitment to invest institutional dollars in financial aid, despite decreases in financial aid assistance from the State. Fiscal Year 2010 institutional financial aid is budgeted to be $98,600,000, reflecting an increase of 3.5 percent over Fiscal Year 2009.

Figure 11. Tuition Revenue Compared to Student FTE



Student full-time equivalents (FTE) were projected to decrease by .5 percent in Fiscal Year 2010. 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.

Figure 12 also demonstrates 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 2010 (2009 census). Preliminary enrollment data for fall 2009 indicates that total student enrollment at all four University campuses is up between 1 and 7.3 percent compared to fall 2008.

The University has budgeted to receive $59,052,000 of its tuition revenue in Fiscal Year 2010 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 2010 provides for $100,052,000. In total, this represents no growth in funding from the State in Fiscal Year 2010 as compared to Fiscal Year 2009. Similar to Fiscal Year 2009, the University will receive $49,995,000 of SFSF from the State of Colorado in Fiscal Year 2010 to help mitigate the cuts in State funding that occurred in Fiscal Year 2009 and were carried forward into Fiscal Year 2010.

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 2010 with a $17,413,000 allocation to the UC Denver Anschutz Medical Campus. This represents a 3.2 percent decrease in funding from Fiscal Year 2009 to Fiscal Year 2010.

Subsequent to the Regent's approval of the budget, the national economy and the State economy experienced further declines, and the State is projecting further reductions in the State budget for Fiscal Year 2010. The University expects an additional $29,913,000 of cuts in State funding for Fiscal Year 2010 in the form of reduced funding from the College Opportunity Fund. The University anticipates receiving an additional $29,913,000 of SFSF in Fiscal Year 2010 to offset this decrease. Accordingly, the State and University are adjusting their approved plans to ensure the University continues its financial stability through this change in economic climate.

The University is also working to obtain additional ARRA funding through federally sponsored project research activity. Through the first two months of Fiscal Year 2010, the University has received 147 grant awards with total ARRA funding of $78,913,000. The ARRA funding is primarily coming from the National Aeronautics and Space Administration, the National Science Foundation, and the National Institutes of Health. In addition, the University has 709 ARRA-related grant proposals totaling $421,791,000, with plans to submit additional proposals.

Although the slow economy continues, there are signs that the economy could be turning around. An indicator of this potential turnaround is reflected in the University's investments. Through the first quarter of Fiscal Year 2010, the value of the University's investments increased by $59,105,000, with the overall fair value of the investments being $66,911,000 below purchase price. In comparison, at the end of Fiscal Year 2009, the fair value was

$126,016,000 below the purchase price. Because the University maintains a long-term investment strategy, the University has remained able to weather the current market conditions and was not forced to sell investments and realize investments losses in order to cover current operating needs. The University has sufficient liquid resources to meet its Fiscal Year 2010 obligations without a need to liquidate any long-term investments.

In response to the cuts in State funding and in anticipation of further cuts, management has responded with the following key steps. As discussed above, a concerted effort is being made to obtain additional ARRA funding, especially in the area of capital construction funding. Administrative salaries were frozen at Fiscal Year 2009 levels and faculty salary increases were limited to between 0 and .3 percent. In addition, vacant positions were either eliminated or are not being filled, and new employee hiring requires a mission-critical review by the chancellors or the University president before being authorized. The University will continue to maintain a close watch over resources to ensure the ability to react to unknown internal and external issues.

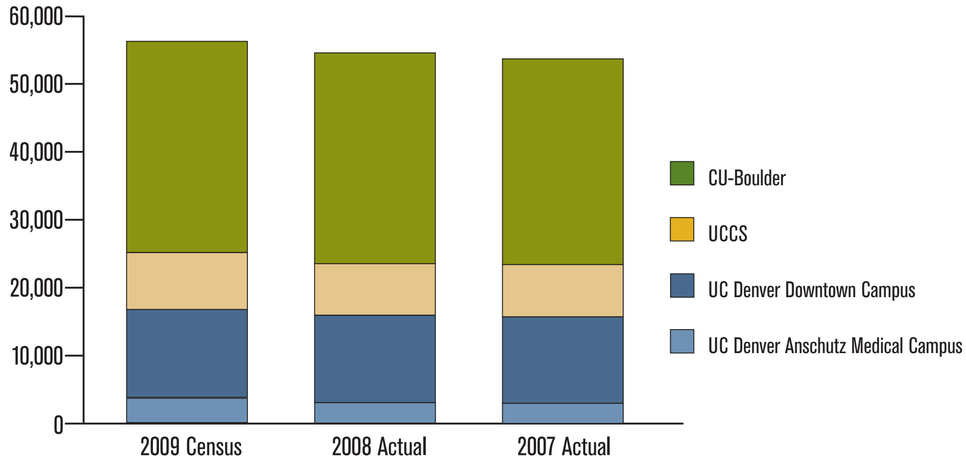


Figure 12. Fall Enrollment Figures

	2009 Census	2008 Actual	2007 Actual	2009 Census vs. 2008 Actual	Percentage	2008 Actual vs. 2007 Actual	Percentage
Resident							
CU-Boulder	20,451	20,117	20,285	334	1.7%	(168)	(0.8%)
CU-Colorado Springs	7,873	7,432	7,327	441	5.9%	105	1.4%
UC Denver Downtown Campus	12,636	11,912	11,693	724	6.1%	219	1.9%
UC Denver Anschutz Medical Campus	2,638	2,583	2,616	55	2.1%	(33)	(1.3%)
Total Resident	**43,598**	**42,044**	**41,921**	**1,554**	**3.7%**	**123**	**0.3%**
Nonresident							
CU-Boulder	10,208	10,035	9,191	173	1.7%	844	9.2%
CU-Colorado Springs	591	579	388	12	2.1%	191	49.2%
UC Denver Downtown Campus	1,393	1,254	1,094	139	11.1%	160	14.6%
UC Denver Anschutz Medical Campus	521	416	363	105	25.2%	53	14.6%
Total Nonresident	**12,713**	**12,284**	**11,036**	**429**	**3.5%**	**1,248**	**11.3%**
Total CU	**56,311**	**54,328**	**52,957**	**1,983**	**3.7%**	**1,371**	**2.6%**

UNIVERSITY OF COLORADO
FINANCIAL STATEMENTS

June 30, 2009 and 2008

UNIVERSITY OF COLORADO
STATEMENTS OF NET ASSETS
June 30, 2009 and 2008 (*in thousands*)

		2009		2008	
		University	Component Units	University	Component Units
Assets					
Current Assets					
Cash and cash equivalents	$	56,058	36,611	45,925	16,131
Investments		320,715	1,402	253,374	2,278
Accounts, contributions, and loans receivable, net		187,105	24,638	184,073	22,028
Inventories		10,880	–	11,567	–
Other assets		5,872	411	5,086	613
Total Current Assets		**580,630**	**63,062**	**500,025**	**41,050**
Noncurrent Assets					
Investments and restricted cash		951,685	831,923	947,364	992,694
Assets held under split-interest agreements		–	51,406	–	62,896
Accounts, contributions, and loans receivable, net		33,066	30,963	34,012	28,977
Other assets		17,113	6,251	14,998	7,339
Capital assets, net		2,121,616	72,058	2,007,618	73,194
Total Noncurrent Assets		**3,123,480**	**992,601**	**3,003,992**	**1,165,100**
Total Assets	**$**	**3,704,110**	**1,055,663**	**3,504,017**	**1,206,150**
Liabilities					
Current Liabilities					
Accounts payable	$	70,794	5,549	66,800	7,230
Accrued expenses		161,117	–	146,901	–
Compensated absences and other postemployment benefits		6,937	–	6,832	–
Deferred revenue		99,793	1,144	89,371	1,314
Security lending		88,456	–	69,101	–
Bonds, leases, and notes payable		34,612	948	31,278	806
Split-interest agreements		–	3,298	–	3,960
Custodial funds		–	6,174	–	6,781
Other liabilities		32,862	–	54,031	–
Total Current Liabilities		**494,571**	**17,113**	**464,314**	**20,091**
Noncurrent Liabilities					
Compensated absences and other postemployment benefits		129,566	–	108,442	–
Deferred revenue		5,597	–	5,851	–
Bonds, leases, and notes payable		932,718	74,443	780,976	72,674
Split-interest agreements		–	18,013	–	23,852
Custodial funds		–	184,940	–	233,393
Other liabilities		11,984	2,118	12,676	2,528
Total Noncurrent Liabilities		**1,079,865**	**279,514**	**907,945**	**332,447**
Total Liabilities	**$**	**1,574,436**	**296,627**	**1,372,259**	**352,538**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF NET ASSETS

June 30, 2009 and 2008 (*in thousands*)

	2009		2008	
	University	Component Units	University	Component Units
Net Assets				
Invested in capital assets, net of related debt	$ 1,248,656	2,697	1,200,357	5,265
Restricted for nonexpendable purposes (endowments)				
Instruction	–	152,788	–	129,130
Research	2,919	17,198	3,755	22,692
Academic support	16,804	13,410	20,515	14,157
Scholarships and fellowships	20,001	91,729	25,821	84,108
Capital and other	2,244	6,276	2,740	6,422
Total restricted for nonexpendable purposes	41,968	281,401	52,831	256,509
Restricted for expendable purposes				
Instruction	16,092	184,127	13,851	238,801
Research	21,560	37,201	27,884	48,491
Academic support	13,330	34,088	15,801	40,494
Student loans and services	39,327	–	44,265	–
Scholarships and fellowships	14,369	82,493	17,654	112,987
Auxiliary enterprises	146,969	–	137,781	–
Capital	19,922	82,297	37,809	75,076
Other	12,443	5,246	14,175	4,576
Total restricted for expendable purposes	284,012	425,452	309,220	520,425
Unrestricted	555,038	49,486	569,350	71,413
Total Net Assets	**$ 2,129,674**	**759,036**	**2,131,758**	**853,612**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2009 and 2008 (*in thousands*)

	2009		2008	
	University	Component Units	University	Component Units
Operating Revenues				
Student tuition (net of scholarship allowances of $97,283 in 2009 and $82,890 in 2008; pledged revenues of $55,107 in 2009 and $52,025 in 2008)	$ 551,074	–	520,249	–
Student fees (net of scholarship allowances of $9,487 in 2009 and $7,980 in 2008; pledged revenues of $7,762 in 2009 and $7,083 in 2008)	53,410	–	48,132	–
Fee-for-service contracts	101,940	–	121,334	–
Federal grants and contracts (pledged revenues of $111,408 in 2009 and $105,279 in 2008)	557,128	–	525,595	–
State and local grants and contracts (pledged revenues of $9,690 in 2009 and $8,704 in 2008)	51,086	–	44,480	–
Nongovernmental grants and contracts	84,541	–	69,720	–
Sales and services of educational departments (pledged revenues of $7,787 in 2009 and $7,045 in 2008)	130,057	–	120,433	–
Auxiliary enterprises (net of scholarship allowances of $2,013 in 2009 and $1,852 in 2008; pledged revenues of $44,492 in 2009 and $39,198 in 2008)	174,780	–	161,809	–
Health services	348,509	–	310,038	–
Contributions	–	101,741	–	122,790
Other operating revenues (pledged revenues of $2,092 in 2009 and $2,090 in 2008)	36,592	13,421	43,718	16,894
Total Operating Revenues	**2,089,117**	**115,162**	**1,965,508**	**139,684**
Operating Expenses				
Education and General				
Instruction	644,669	–	587,143	–
Research	422,961	–	396,629	–
Public service	86,643	–	80,958	–
Academic support	120,514	–	111,374	–
Student services	80,781	–	74,936	–
Institutional support	130,152	93,674	119,789	122,595
Operation and maintenance of plant	102,906	–	111,047	–
Student aid	16,673	–	16,584	–
Total Education and General Expenses	1,605,299	93,674	1,498,460	122,595
Depreciation	123,157	3,206	130,139	2,956
Auxiliary enterprises	137,758	–	132,632	–
Health services	318,103	–	279,544	–
Total Operating Expenses	**2,184,317**	**96,880**	**2,040,775**	**125,551**
Operating Income (Loss)	**$ (95,200)**	**18,282**	**(75,267)**	**14,133**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2009 and 2008 (*in thousands*)

	2009		2008	
	University	Component Units	University	Component Units
Nonoperating Revenues (Expenses)				
State appropriations	$ 17,997	–	8,512	–
Gifts	77,919	–	81,232	–
Investment income (loss) (net of investment expenses of $5,607 in 2009 and $7,715 in 2008; pledged revenues of $1 in 2008)	(95,754)	(108,372)	719	6,012
Royalty income (net of royalty expense of $3,359 in 2009 $1,921 in 2008; pledged revenues of $136 in 2009 and $127 in 2008)	4,181	–	5,534	–
Gain (loss) on disposal of capital assets	20,519	–	(2,407)	–
Interest expense on capital asset-related debt	(36,651)	(4,486)	(28,604)	(3,337)
State fiscal stabilization funds	49,995	–	–	–
Other nonoperating revenues (net of expenses of $3 in 2009 and $22 in 2008; pledged revenues of $28 in 2009 and $52 in 2008)	13,518	–	11,584	–
Net Nonoperating Revenues	**51,724**	**(112,858)**	**76,570**	**2,675**
Income (Loss) Before Other Revenues	**(43,476)**	**(94,576)**	**1,303**	**16,808**
Capital contributions from state	8,818	–	34,088	–
Capital student fee (net of scholarship allowance of $1,120 in 2009 and $698 in 2008)	7,730	–	5,045	–
Capital appropriations	21,437	–	18,838	–
Capital grants and gifts	3,344	–	31,604	–
Additions to permanent endowments	63	–	1,386	–
Total Other Revenues	**41,392**	**–**	**90,961**	**–**
Increase (Decrease) in Net Assets	**(2,084)**	**(94,576)**	**92,264**	**16,808**
Net Assets, Beginning of Year	2,131,758	853,612	2,039,494	836,804
Net Assets, End of Year	**$ 2,129,674**	**759,036**	**2,131,758**	**853,612**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2009 and 2008 (*in thousands*)

	2009	2008
	University	
Cash Flows from Operating Activities		
Tuition and fees	$ 599,366	565,637
Grants and contracts	793,939	768,002
Payments to suppliers	(505,822)	(494,271)
Payments for utilities	(46,764)	(46,505)
Payments to employees	(1,175,598)	(1,072,959)
Payments for benefits	(284,374)	(254,446)
Payments for scholarships and fellowships	(15,768)	(15,451)
Loans issued to students and employees	(3,164)	(6,863)
Collection of loans to students and employees	4,333	10,746
Auxiliary enterprise charges	173,917	160,344
Sales and services of educational departments	129,223	124,717
Health services	352,729	297,625
Other receipts	50,849	53,863
Total Cash Flows Provided by Operating Activities	**72,866**	**90,439**
Cash Flows from Noncapital Financing Activities		
State appropriations	17,997	8,512
Gifts and grants for other than capital purposes	72,257	74,492
Endowment additions	63	1,386
William D. Ford direct lending receipts	177,978	64,818
William D. Ford direct lending disbursements	(180,963)	(63,975)
PLUS loans receipts	71,356	48,849
PLUS loans disbursements	(71,372)	(48,849)
School as lender receipts	–	57,878
School as lender disbursements	(9)	(57,878)
Agency transactions	(3,098)	(1,232)
State fiscal stabilization fund receipts	49,995	–
Total Cash Flows Provided by Noncapital Financing Activities	**134,204**	**84,001**
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	168,690	–
Capital grants and gifts received	10,028	35,562
State capital contributions	8,818	34,088
Proceeds from sale of capital assets	37,542	481
Purchases and construction of capital assets	(208,511)	(258,906)
Principal paid on capital debt	(30,180)	(25,673)
Interest paid on capital debt	(41,319)	(41,837)
Total Cash Flows Used for Capital and Related Financing Activities	**(54,932)**	**(256,285)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	3,678,642	3,738,749
Purchase of investments	(3,865,177)	(3,812,247)
Securities lending transaction	19,356	69,101
Interest on investments	26,600	92,087
Royalty income	7,540	7,455
Royalty fees paid	(3,359)	(1,921)
Investment management fees paid	(5,607)	(7,715)
Total Cash Flows Provided by (Used For) Investing Activities	**(142,005)**	**85,509**
Net Increase in Cash and Cash Equivalents	**10,133**	**3,664**
Cash and Cash Equivalents, Beginning of Year	45,925	42,261
Cash and Cash Equivalents, End of Year	**$ 56,058**	**45,925**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2009 and 2008 (*in thousands*)

	2009	2008
	University	
Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	$ (95,200)	(75,267)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	123,157	130,139
Provision for doubtful receivables	4,672	3,769
Receipts of items classified as nonoperating revenues	10,823	11,584
Changes in assets and liabilities		
Receivables	(9,263)	(10,016)
Notes receivable	347	1,470
Inventories	(686)	(2,309)
Other assets	(1,982)	(2,089)
Accounts payable	(1,455)	12,973
Accrued expenses	14,043	4,417
Deferred revenue	10,168	18,388
Compensated absences and other postemployment benefits	21,228	(5,200)
Other liabilities	(2,986)	2,580
Net Cash Provided by Operating Activities	**$ 72,866**	**90,439**

Noncash Transactions		
Donations, lease-financed acquisitions, state-funded acquisitions of capital assets	$ 46,586	35,414
Unrealized losses on investments	(114,874)	(79,709)

See accompanying notes to basic 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, and doctoral degree programs.

To accomplish its mission, the University's 2,778 actual tenure/tenure track faculty serve more than 54,174 students through 298 degree programs in 29 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 by CU-Boulder. There is no current year financial activity for this corporation.

- 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. There is no current year financial activity for this corporation.

- 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. UCIP was legally dissolved as of June 30, 2009.

- 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 healthcare 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 21-member board of directors, of which a member of the Regents, the president of the University, and a president's appointee 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 CU Foundation until September 1, 2008, at which point the CU Foundation transferred the operations of the Boulder Alumni Association to the University.

  In October 2007, the CU Foundation established University Summit I, LLC (University Summit), a Colorado limited liability company, whose sole member is the CU Foundation. University Summit was established for the purpose of purchasing property adjacent to UCCS. UCCS purchased this property from the CU Foundation in October 2008.

  In January 2008, the CU Foundation established 1475 Lawrence Street I, LLC (1475 Lawrence), a Colorado limited liability company, whose sole member is the CU 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 (CVA) was formed with CUREF as the sole shareholder to promote the general welfare, development, growth, and well being of the University, specifically by acquiring, constructing, improving, equipping, and operating a new student housing facility located in Denver, Colorado.

  18th Avenue, LLC (18th Avenue), a Colorado limited liability company, was formed under the laws of the State of Colorado on April 26, 2006, with CUREF as the sole member. 18th Avenue is organized, operated, and dedicated exclusively to promoting CUREF's charitable purposes and to promoting the general welfare, development, growth, and well being of the University of Colorado, and specifically for the primary purpose of acquiring, owning, operating, and maintaining real property consisting of an office building in Denver, Colorado.

  33rd Street, LLC (33rd Street), a Colorado limited liability company, was formed under the laws of the State of Colorado on April 26, 2006, with CUREF as the sole member. 33rd Street is organized, operated, and dedicated exclusively to promoting the general welfare, development, growth, and well being of the University of Colorado, and specifically for the primary purpose of acquiring, owning, operating, and maintaining real property consisting of an industrial building in Boulder, Colorado.

  Partnership Holdings Venture, LLC (PHV LLC), a Colorado limited liability company, was formed under the laws of the State of Colorado on January 10, 2008, with CUREF as the sole member. PHV LLC is organized, operated, and dedicated solely to promoting the general welfare, development, growth, and well being of the University of Colorado, and specifically for the primary purpose of acquiring, ownership, operation, management, sale, and disposition of investments including membership interest in real estate properties.

  Land Holdings Venture, LLC (LHV LLC), a Colorado limited liability company, was formed under the laws of the State of Colorado on January 10, 2008, with CUREF as the sole member. LHV LLC is organized, operated, and dedicated solely to promoting the general welfare, development, growth, and well being of the University of Colorado, and specifically for the primary purpose of acquiring, ownership, operation, management, sale, and disposition of investments including holdings in land.

  Detailed financial information may be obtained directly from CUREF at 1800 Grant Street, Suite 250, Denver, Colorado 80203.

JOINT VENTURES AND RELATED ORGANIZATIONS

the University has associations with the following organizations for which it is not financially accountable or 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 18.

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

RELATIONSHIP TO STATE OF COLORADO

Article VIII, Section 5 of the Colorado Constitution declares the University to be a state institution. Thus, for financial reporting purposes, the University is included as part of the State's primary government.

TAX-EXEMPT STATUS

The income generated by the University, as an instrumentality of the State, is generally excluded from federal income taxes under Section 115(a) of the Internal Revenue Code. The University also has a determination letter from the Internal Revenue Service stating it is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Income generated from activities unrelated to the University's exempt purpose is subject to tax under Internal Revenue Code Section 511(a)(2)(B). There was no tax liability related to income generated from activities unrelated to the University's exempt purpose as of June 30, 2009 and 2008.

BASIS OF ACCOUNTING

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

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

ACCOUNTING POLICIES

Cash and Cash Equivalents are defined for the purposes of reporting cash flows as cash on hand and deposit accounts. Investments in money market 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, 2009 and 2008. 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 traditional fixed-income and equity securities and alternative strategies. These policies are implemented using individual securities, mutual funds, commingled funds, and alternative investments.

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. 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.

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

Contributions receivable for the DPCU are unconditional promises to give. Promises to give to CUREF are recorded at net realizable value if expected to be collected within one year and at fair value if expected to be collected in more than one year. The DPCU 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 collectability 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. For renovations and improvements, the capitalization policy includes items with a value of $75,000 or more. 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.

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

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 at pro-rata based on percentage of appointment.

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

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

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

In cases where a split-interest agreement is administered by an outside trustee, the DPCU records the estimated fair value of future cash flows from the trust as a contribution receivable from charitable remainder trusts at the point at which the DPCU becomes aware of its interest in the trust. Under certain circumstances, the DPCU accepts and manages trust funds for which the DPCU or the 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 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. Tuition and fee revenue for sessions that are conducted over two fiscal years is allocated on a pro-rata basis. 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) and also federal funds allocated to state governments via the State Fiscal Stabilization Fund (SFSF).

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

Health Service Revenue from Contractual Arrangements is recognized by UPI as a result of providing care to patients covered under various third parties such as Medicare and Medicaid, private insurance companies, and managed care programs, primarily from fixed-rate agreements. The federal and state government annually update 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, 2009 and 2008, 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 DPCU 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, 2009 and 2008, all deposits with foreign financial institutions were authorized. Of the University's total cash and cash equivalents, approximately $112,000 and $70,000 related to deposits in foreign institutions are subject to custodial credit risk at June 30, 2009 and 2008, respectively. Custodial credit risk information is not available for the DPCU.

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

	2009	2008
University		
Cash on hand (petty cash and change funds)	$ 323	319
Deposits with U.S. financial institutions	55,623	45,536
Deposits with foreign financial institutions	112	70
Total Cash and Cash Equivalents–University	**$ 56,058**	**45,925**
Discretely Presented Component Units		
Deposits with U.S. financial institutions	$ 36,611	16,131
Total Cash and Cash Equivalents–DPCU	**$ 36,611**	**16,131**

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 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 University in accordance with their investment policy. Details of investments by type for both the University and DPCU 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 (loss) 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 $937,257,000 and $903,978,000 for the years ended June 30, 2009 and 2008, respectively. The total return on this pool was negative 6.2 percent and negative 1.5 percent for the years ended June 30, 2009 and 2008, 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 DPCU 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 DPCU does not have a policy concerning interest rate risk.

TABLE 3.1 Investments *(in thousands)*

Investment Type	2009	2008
University		
U.S. government and agency securities	$ 139,644	86,195
Municipal bonds	643	124
Corporate equity securities	29,396	74,840
International equities	–	49,340
Corporate bonds and commercial paper	167,499	123,348
Repurchase agreements	112,834	15,196
Asset-backed securities	112,949	169,716
Open-ended mutual funds	582,351	491,361
Fixed-income securities	14,400	18,645
Alternative non-equity securities:		
Real estate	9,969	1,639
Private equity	34,764	40,539
Hedge fund	27,508	10,842
Absolute return fund	23,289	30,908
Venture capital	8,896	5,846
Oil and gas	7,596	9,382
Treasury inflation-protected securities	–	1,349
Other	662	3,705
Investments held under security loans		
Bond mutual funds	–	67,763
Total Investments–University	**$1,272,400**	**1,200,738**
Discretely Presented Component Units		
Cash equivalents	$ 13,979	4,268
Equity securities		
Domestic	131,539	225,682
International	138,332	187,780
Fixed-income securities	165,880	179,754
Alternative non-equity securities		
Real estate	22,991	15,711
Private equity	140,923	154,285
Hedge funds	155,920	158,893
Venture capital	24,191	22,360
Oil and gas	31,499	35,708
Other	1,504	4,980
Guaranteed investment contracts	6,567	5,551
Total Investments–DPCU	**$ 833,325**	**994,972**

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

Investment Type		2009	2009	2008	2008
		Amount	*Duration*	*Amount*	*Duration*
University					
U.S. government and agency securities	$	111,306	5.64	81,883	4.95
Municipal bonds		643	11.24	124	2.45
Corporate bonds		89,384	4.65	68,072	5.88
Asset-backed securities					
Fixed-rate securities		14,400	–	199,703	–
Variable-rate securities		–	–	27,180	–
Collateralized mortgage obligations		172,834	–	30,421	–
Total asset-backed securities		187,234	2.58	257,304	3.79
Bond mutual funds		32,748	2.64	102,807	1.16
		Amount	*Weighted Average Maturity*	*Amount*	*Weighted Average Maturity*
U.S. government and agency securities–UPI	$	1,945	4.19	954	1.62
Federal agency paper-UPI		22,231	2.45	2,730	3.45
Corporate bonds-UPI		78,730	3.46	55,820	2.87
Asset-backed securities-UPI		1	1.00	1	1.00
Total Debt Investments–University	**$**	**524,222**		**569,695**	
		Amount	*Duration*	*Amount*	*Duration*
Discretely Presented Component Units					
U.S. government agencies		53,020	7.47	45,520	10.34
Bond mutual funds		27,080	5.07	25,440	4.64
Money market mutual funds		12,750	0.13	3,610	0.13
Total Debt Investments–DPCU	**$**	**92,850**		**74,570**	

A summary of the fair value of the University's debt investments and interest rate risk as of June 30, 2009 and 2008 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 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 DPCU do not have a policy concerning credit quality risk. A summary of the University's debt investments and credit quality risk as of June 30, 2009 and 2008 is shown in Table 3.3, Debt Investments and Credit Quality Risk.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to magnitude of an entity's investment in a single issuer. At June 30, 2009 and 2008, no single investment of the University exceeded five percent of the total investments.

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

TABLE 3.3 Debt Investments and Credit Quality Risk

	2009			2008		
	Unrated	Rated		Unrated	Rated	
Investment Type	*Fair Value (in thousands)*	*Fair Value (in thousands)*	*% of Rated Value by Credit Rating*	*Fair Value (in thousands)*	*Fair Value (in thousands)*	*% of Rated Value by Credit Rating*
University						
U.S. government and agency securities	$ 14,825	25,322	98% Aaa	$ 5,194	27,968	98% AAA
			2% Aa			2% AA
Municipal bonds	99	544	62% Aa	124	–	N/A
			38% A			
Corporate bonds	4,803	176,817	17% Aaa	2,117	121,232	11% AAA
			28% Aa			32% AA
			36% A			34% A
			17% BBB/Baa			20% BB/B/Baa
			2% BB/B/Caa			3% BB/B/Caa
Repurchase agreements		36,783	100% AAA	15,196	–	N/A
Asset-backed securities	110,434	62,400	67% AAA	72,175	97,540	95% AAA/Aaa
			12% Aa/A			5% AA/BB
			16% Baa/Ba/B			
			5% Caa/Ca			
Bond mutual funds	32,748	–	N/A	102,807	–	N/A
Money market mutual funds	55,186	265,767	100% Aaa	100,925	130,738	100% Aaa
Total Debt Investments–University	**$ 218,095**	**567,633**		**$ 298,538**	**377,478**	
Discretely Presented Component Units						
U.S. government agencies	$ –	53,020	100% AAA	$ –	45,520	100% AAA
Bond mutual funds	27,080	–		25,440	–	
Guaranteed investment contracts	–	5,165	100% AA+/Aa2	–	3,273	100% AAAm/Aaa
Money market mutual funds	–	13,615	97% AAA	–	5,888	41% AA-/Aa
			3% AA			59% A1/P1
Total Debt Investments–DPCU	**$ 27,080**	**71,800**		**$ 25,440**	**54,681**	

collateral for the same security in the future. Acceptable forms of collateral are cash, irrevocable standby letters of credit, and obligations issued or guaranteed by the U.S. Government or its agencies. If the fair value of a loaned security increases, the borrower is required to deliver additional collateral to the custodian to protect the University. For both term and open loans collateralized by cash from the borrower, the collateral is invested in high-quality, U.S. dollar-denominated, short-term money market instruments that can have fixed, variable, or floating rates of interest. Collateral is invested in diversified instruments to provide adequate liquidity and to avoid concentration by issuer or industry except that no concentration limits are set for obligations of the U.S. Government or its agencies. The University does not have the ability to pledge or sell securities under a security lending agreement unless the borrower defaults. As of June 30, 2009 and 2008, the University had approximately $88,456,000 and $69,101,000 in securities on loan, respectively.

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

SPLIT-INTEREST AGREEMENTS

Assets held by the DPCU under split-interest agreements are included in investments and consisted of the following as of June 30, 2009 and 2008, as shown in Table 3.4, DPCU Investments Held Under Split-interest Agreements.

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

Type	2009	2008
Beneficial interests in perpetual trusts held by others	$ –	217
Charitable remainder trusts	51,131	62,616
Charitable gift annuities and pooled income funds	275	280
Total Investments Held Under Split-interest Agreements	**$ 51,406**	**63,113**

NOTE 4–ACCOUNTS, CONTRIBUTIONS, AND LOANS RECEIVABLE

Table 4.1, Accounts, Contributions, and Loans Receivable, segregates receivables as of June 30, 2009 and 2008, 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, 2009 and 2008 is detailed in Table 4.2, UPI Concentration of Credit Risk.

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

		2009			
Type of Receivable		Gross Receivables	Allowance	Net Receivables	Net Current Portion
University					
Student accounts	$	34,653	12,721	21,932	21,930
Federal government		43,012	–	43,012	43,012
Other governments		26,737	–	26,737	26,737
Private sponsors		26,071	–	26,071	26,071
Patient accounts		49,025	5,762	43,263	43,263
DPCU		8,858	–	8,858	8,858
Interest		2,577	–	2,577	2,577
Other		16,563	1,365	15,198	14,657
Total accounts receivable		207,496	19,848	187,648	187,105
Student loans		35,343	2,820	32,523	–
Total loans receivable		35,343	2,820	32,523	–
Total Receivable–University	**$**	**242,839**	**22,668**	**220,171**	**187,105**
Discretely Presented Component Units					
Contributions*	$	301,574	250,528	51,046	23,938
Other		4,555	–	4,555	700
Total Receivable–DPCU	**$**	**306,129**	**250,528**	**55,601**	**24,638**

		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
Other		4,609	–	4,609	884
Total Receivable–DPCU	**$**	**304,700**	**253,694**	**51,006**	**22,028**

*The allowance on the contributions receivable is comprised of uncollectible and unamortized discounts of $248,374,000 and $2,154,000, as of June 30, 2009, respectively, and $251,152,000 and $2,542,000 as of June 30, 2008, respectively.

TABLE 4.2 UPI Concentration of Credit Risk

Category	2009	2008
Managed care	53.6%	51.5%
Medicare	10.9	11.9
Medicaid	17.3	16.0
Other third-party payers	11.7	12.3
Self-pay	6.5	8.3
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, 2009 and 2008.

The total interest expense related to capital asset debt incurred by the University during the years ended June 30, 2009 and 2008 approximated $40,536,000 and $39,973,000, respectively.

TABLE 5 Capital Assets *(in thousands)*

Category		Balance 2008	Additions	Retirement	Transfers	Balance 2009
University						
Nondepreciable capital assets						
Land	$	53,525	3,326	755	–	56,096
Construction in progress		98,159	191,825	–	(116,885)	173,099
Collections		9,176	2,400	–	–	11,576
Total nondepreciable capital assets		160,860	197,551	755	(116,885)	240,771
Depreciable capital assets						
Buildings		2,179,765	77	15,638	109,082	2,273,286
Improvements other than buildings		142,252	5,993	673	7,134	154,706
Equipment		413,715	34,512	16,992	669	431,904
Library and other collections		266,409	15,848	2,092	–	280,165
Total depreciable capital assets		3,002,141	56,430	35,395	116,885	3,140,061
Less accumulated depreciation						
Buildings		629,795	66,670	2,940	–	693,525
Improvements other than buildings		59,614	5,299	282	–	64,631
Equipment		292,825	38,575	14,010	–	317,390
Library and other collections		173,149	12,613	2,092	–	183,670
Total accumulated depreciation		1,155,383	123,157	19,324	–	1,259,216
Net depreciable capital assets		1,846,758	(66,727)	16,071	116.885	1,880,845
Total Net Capital Assets–University	**$**	**2,007,618**	**130,824**	**16,826**	**–**	**2,121,616**
Discretely Presented Component Units						
Nondepreciable capital assets						
Land	$	16,862	8	25	–	16,845
Construction in progress		–	–	–	–	–
Total nondepreciable capital assets		16,862	8	25	–	16,845
Depreciable capital assets						
Buildings		60,816	1,010	–	–	61,826
Improvements other than buildings		768	134	–	–	902
Equipment		6,076	797	129	–	6,744
Total depreciable capital assets		67,660	1,941	129	–	69,472
Less accumulated depreciation						
Buildings		7,072	2,187	–	–	9,259
Improvements other than buildings		305	305	6	–	604
Equipment		3,951	563	118	–	4,396
Total accumulated depreciation		11,328	3,055	124	–	14,259
Net depreciable capital assets		56,332	(1,114)	5	–	55,213
Total Net Capital Assets–DPCU	**$**	**73,194**	**(1,106)**	**30**	**–**	**72,058**

TABLE 5 Capital Assets (continued) *(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**

Of this amount, approximately $3,615,000 and $11,369,000, 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, 2009 and 2008 was $0 and $2,664,000, 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, 2009 and 2008 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, 2009 and 2008, total rental expense under these agreements approximated $7,688,000 and $8,536,000 for the University, respectively. Future minimum payments for these operating leases are shown in Table 6.2, Operating Leases Minimum Lease Obligations.

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

Type		2009	2008
University			
Accounts payable–vendors	$	70,454	66,033
Accounts payable–DPCU		340	767
Accrued salaries and benefits		157,746	143,722
Accrued interest payable		1,996	1,822
Other accrued expenses		1,375	1,357
Total Accounts Payable and Accrued Expenses–University	**$**	**231,911**	**213,701**
Discretely Presented Component Units			
Accounts payable–vendors	$	2,893	3,812
Accounts payable–University		2,656	3,418
Total Accounts Payable–DPCU	**$**	**5,549**	**7,230**

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

Years Ending June 30		Minimum Lease Obligation
2010	$	6,416
2011		5,563
2012		4,424
2013		3,390
2014		2,861
2015–2018		11,470
Total Operating Lease Obligations	**$**	**34,124**

NOTE 7–COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS

Table 7, Compensated Absences and Other Postemployment Benefits (OPEB) presents changes in compensated absences and other postemployment benefits other than pension benefits for the years ended June 30, 2009 and 2008.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

During the years ended June 30, 2009 and 2008, approximately 3,700 and 3,600 retirees respectively met the eligibility requirements and are receiving benefits under the University's post-employment benefit (non-pension) program. This program was established by the Regents, who have the authority to amend the program provisions. Under this program, the University subsidizes a portion of healthcare and life insurance premiums on a pay-as-you-go basis. Costs approximated $7,348,000 and $7,249,000 during the years ended June 30, 2009 and 2008, respectively.

Funded Status and Funding Progress. As of July 1, 2008, the most recent actuarial valuation date, the plan was 0 percent funded. For the years ended June 30, 2009 and 2008, the actuarial accrued liability for benefits was $196,715,000 and $195,972,000, the actuarial value of assets were $0 and $0, resulting in an unfunded actuarial accrued liability (UAAL) of $196,715,000 and $195,972,000, respectively. The covered payroll (annual payroll of active employees covered by the program) was $898,899,000 and $831,242,000, and the ratio of the UAAL to the covered payroll was 21.88 percent and 23.58 percent, respectively.

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

		2009	2008
Compensated Absences:			
Beginning of the year	$	103,818	96,886
Additions		79,633	110,655
Adjustments/reduction		(69,190)	(103,723)
End of the year		114,261	103,818
Other Postemployment Benefits:			
Beginning of the year		11,456	–
Annual required contribution		21,853	9,428
Interest on net obligation		572	532
Adjustment to annual required contribution		(738)	12,141
Annual OPEB cost (expense)		33,143	22,101
Contributions made during the year		(10,901)	(10,645)
End of the year		22,242	11,456
Total Compensated Absences and Other Postemployment Benefits	**$**	**136,503**	**115,274**

Actuarial valuations of an ongoing program 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 program 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 program (the program as understood by the employer and the program 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 program 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 and July 1, 2008 actuarial valuations, 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 research suggests an 11.0 percent long-term average increase for all healthcare benefits, trending down to an ultimate 5.0 percent increase for 2014 and later years. Expected medical claims are assumed to increase 2.0 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, 2009 was 28 years.

PERA POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

HEALTH CARE PROGRAM

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. The plan is a cost-sharing multiple-employer plan under which PERA subsidizes a portion of the monthly premium for healthcare coverage. The benefits and employer contributions are established in statute and may be amended by the General Assembly. PERA includes the Health Care Trust Fund in its Comprehensive Annual Financial Report, 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.

After the PERA subsidy, the benefit recipient pays the balance of the premium through an automatic deduction from the monthly retirement benefit. Monthly premium costs for participants depend on the healthcare plan selected, the PERA subsidy amount, Medicare eligibility, and the number of persons covered. Effective July 1, 2000, the maximum monthly subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare and $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum subsidy is based on the recipient having 20 years of service credit and is subject to reduction by 5 percent for each year less than 20 years.

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

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through healthcare organizations and self-insured plans administered for PERA by third-party vendors. As of December 31, 2008, there were 45,888 enrolled participants, including spouses and dependents, from all contributors to the plan. At December 31, 2008, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.11 billion, a funded ratio of 18.7 percent, and a 39-year amortization period.

NOTE 8–DEFERRED REVENUE

As of June 30, 2009 and 2008, the types and amounts of deferred revenue are shown in Table 8, Deferred Revenue.

TABLE 8 Deferred Revenue *(in thousands)*

	2009		2008	
Type	Total	Current Portion	Total	Current Portion
University				
Tuition and fees	$ 19,304	19,304	17,210	17,210
Auxiliary enterprises	19,793	14,195	19,647	13,796
Grants and contracts	57,683	57,684	50,971	50,971
Miscellaneous	8,610	8,610	7,394	7,394
Total Deferred Revenue– University	**$ 105,390**	**99,793**	**95,222**	**89,371**
Discretely Presented Component Units				
Miscellaneous	$ 1,144	1,144	1,314	1,314
Total Deferred Revenue– DPCU	**$ 1,144**	**1,144**	**1,314**	**1,314**

NOTE 9–BONDS, NOTES, AND LEASES PAYABLE

As of June 30, 2009 and 2008, the categories of long-term obligations are detailed in Table 9.1, Bonds, Notes, and Leases Payable.

Table 9.2, Changes in Bonds, Notes, and Leases Payable, presents changes in bonds, notes, and leases payable for the years ended June 30, 2009 and 2008.

REVENUE BONDS

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2009 and 2008 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, 2009 and 2008, total net pledged revenues approximate $238,502,000 and $221,604,000, 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, Notes, and Leases Payable *(in thousands)*

Type	Interest Rates	Final Maturity	Balance 2009	Balance 2008
University				
Revenue Bonds				
Enterprise System (including premium of $30,252 in 2009 and $28,405 in 2008 and deferred loss of $7,589 in 2009 and $8,309 in 2008)	2.25%–5.75%	6/1/39	$ 891,793	749,931
UPI Variable Demand Bonds	0.8%*	1/1/25	18,435	18,890
Total Revenue Bonds			910,228	768,821
Other Capital Lease Obligations				
Central Utility Plant	6.00%	12/31/22	39,370	41,330
Other Lease Obligations	2.87–13.95%	Various	17,732	2,055
Total Other Capital Lease Obligations			57,102	43,385
Notes Payable	5.00–6.00%	12/31/09	–	48
Total Bonds, Notes, and Leases Payable–University			**$ 967,330**	**812,254**
Discretely Presented Component Units				
Revenue Bonds				
Student Housing Revenue Bonds Refunding Series 2008	4.0–5.5%	6/1/38	$ 54,055	–
Student Housing Facility Series 2005	3.21%	7/1/37	–	50,365
Total Revenue Bonds			54,055	50,365
Capital Leases	7.50%	9/1/14	3,867	4,205
Notes Payable	6.37–6.6%*	9/10/16	18,518	18,910
Total Bonds, Notes, and Leases Payable–DPCU			**$ 76,440**	**73,480**

* 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, 2009.

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

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

Type		Balance 2008	Additions	Retirements	Balance 2009	Current Portion
University						
Revenue Bonds	$	748,725	165,635	26,795	887,565	29,115
Plus Unamortized Premiums		28,405	4,277	2,430	30,252	2,244
Less Deferred Loss		8,309	–	720	7,589	–
Net Revenue Bonds		768,821	169,912	28,505	910,228	31,359
Capital Leases		43,385	17,054	3,337	57,102	3,253
Notes Payable		48	–	48	–	–
Total Bonds, Leases and Notes Payable–University	**$**	**812,254**	**186,966**	**31,890**	**967,330**	**34,612**
Discretely Presented Component Units						
Revenue Bonds	$	50,365	54,055	50,365	54,055	–
Capital Leases		4,205	–	338	3,867	506
Notes Payable		18,910	–	391	18,519	442
Total Bonds, Leases, and Notes Payable–DPCU	**$**	**73,480**	**54,055**	**51,094**	**76,441**	**948**

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**

UPI variable rate demand bonds, Series 2002, were issued on behalf of UPI by the Fitzsimmons 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 remarked using Allied Irish Bank's national credit rating. The letter of credit is renewable upon request and currently expires December 2011. UPI is required to maintain unrestricted cash and readily remarketable securities as of each June 30 and December 31 after the date of issuance of not less than $28,000,000 as a reasonable working capital reserve. UPI management believes it has met all of the financial requirements.

The Colorado Educational and Cultural Authority (the Authority) issued $54,055,000 of Series 2008 Student Housing Revenue Refunding Bonds. The Authority then loaned the proceeds of the bonds to CVA to refund the Series 2005 Bonds, fund a portion of a debt service reserve fund, and pay certain costs of issuance. In connection with the issuance of the Series 2008 Bonds, CVA and CUREF entered into a Lease Vacancy and Reimbursement Agreement with the University under which the University has agreed to rent or lease from CVA the number of rooms or beds necessary to assure CVA's ability to comply with certain financial covenants contained in the Series 2008 bond agreements. CUREF reimburses the University for any claims under the Lease Vacancy and Reimbursement Agreement.

Colorado Educational and Cultural Facilities Authority (the Authority) issued $50,365,000 of Series 2005 Variable Rate Student Housing Facility Revenue Bonds. The Authority then loaned these bond proceeds to CVA. The assets of CVA are not available to satisfy the claims of creditors of any affiliate of CVA, including CUREF, and the assets of any affiliate of CVA, including CUREF, are not available to satisfy the claims of any creditors of CVA.

TABLE 9.3 Revenue Bonds Detail *(in thousands)*

Issuance Description	Original Issuance Amount	Outstanding Balance 2009	Outstanding Balance 2008
University			
Enterprise System Revenue Bonds:			
Refunding Series 1995A–			
Used to refund all of the Refunding Series 1986, 1989, 1990, and 1992B	$ 32,940	4,690	5,350
Refunding and Improvement Series 1997–			
Used to refund all of the Series 1986 and fund capital improvements at CU-Boulder and UCCS	12,760	875	965
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	7,044	9,985
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	5,880	7,704
Series 2002A–			
Used to fund capital improvements at UC Denver (includes premium)	101,875	33,311	36,251
Series 2002B–			
Used to fund capital improvements at CU-Boulder (includes premium)	40,055	7,270	7,441
Series 2002C–			
Used to fund capital improvements at CU-Boulder (includes premium)	5,670	–	1,005
Series 2003A–			
Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver	64,260	54,772	56,843
Series 2004–			
Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver	24,360	20,675	21,565
Series 2005A–			
Used to fund capital improvements at CU-Boulder, UCCS, UC Denver and refund 1995 RBRF Bonds (includes premium)	230,025	223,647	231,048
Series 2005B–			
Used to fund capital improvements at UCCS and UC Denver	25,225	24,110	24,653
Series 2006A–			
Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver	101,425	100,800	103,171
Refunding Series 2008A–			
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	176,134	179,371
Series 2008B–			
Used to fund acquisition and capital improvements at CU-Boulder, Williams Village	63,875	62,991	64,579
Series 2009A–			
Used to finance the acquisition, renovation, and equipping of certain facilities of CU-Boulder, UCCS and UC Denver	165,635	169,594	–
Total Enterprise System Revenue Bonds		891,793	749,931
Series 2002–UPI Variable Rate Demand Bonds–			
Used to finance construction of UPI's administrative office building	20,500	18,435	18,890
Total Revenue Bonds		910,228	768,821
Less Premium		30,252	28,405
Plus Deferred Loss		7,589	8,309
Total Outstanding Revenue Bond Principal–University	**$**	**887,565**	**748,725**
Discretely Presented Component Units			
Student Housing Revenue Refunding Bonds Series 2008–			
Used to refund Series 2005, fund a portion of debt service reserve, and pay issuance costs (excludes discount of $1,049)	$ 54,055	54,055	–
Student Housing Facility Series 2005–			
Used to finance construction of housing facility adjacent to Auraria Higher Education Center	50,365	–	50,365
Total Revenue Bonds		54,055	50,365
Total Outstanding Revenue Bond Principal–DPCU	**$**	**54,055**	**50,365**

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 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, CVA 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.

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, 2009 and 2008, the CUP capital lease had an outstanding liability approximating $39,370,000 and $41,330,000 respectively, with underlying gross capitalized asset cost approximating $47,385,000 and $47,385,000, 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, 2009 and 2008, the University had an outstanding liability for all other capital leases approximating $17,732,000 and $2,055,000, respectively, with underlying gross capitalized asset cost approximating $8,333,000 and $4,988,000, respectively. At June 30, 2009 and 2008, the DPCU had an outstanding liability for capital leases approximating $3,867,000 and $4,205,000 respectively, with underlying gross capitalized asset cost approximating $5,750,000.

Future minimum payments for capital lease obligations are detailed in Table 9.5, 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
2010	$	29,115	42,636	71,751	–	2,928	2,928
2011		30,860	41,343	72,203	–	2,928	2,928
2012		31,315	40,026	71,341	–	2,928	2,928
2013		32,575	38,658	71,233	–	2,928	2,928
2014		33,460	37,144	70,604	20	2,928	2,948
2015–2019		172,680	162,122	334,802	1,510	14,551	16,061
2020–2024		213,190	116,936	330,126	4,785	13,921	18,706
2025–2029		198,000	22,737	220,737	10,445	12,079	22,524
2030–2034		123,335	22,701	146,036	16,910	8,531	25,441
2035–2039		23,035	2,263	25,298	20,385	3,045	23,430
Total	**$**	**887,565**	**526,566**	**1,414,131**	**54,055**	**66,767**	**120,822**

TABLE 9.5 Capital Leases *(in thousands)*

		University			Discretely Presented Component Units		
Years Ending June 30		Principal	Interest	Total	Principal	Interest	Total
2010	$	3,253	3,009	6,262	506	412	918
2011		3,302	2,844	6,146	601	350	951
2012		3,275	2,672	5,947	707	276	983
2013		3,432	2,495	5,927	828	190	1,018
2014		3,492	2,314	5,806	964	90	1,054
2015–2019		19,454	8,601	28,055	261	5	266
2020–2024		17,085	3,112	20,197	–	–	–
2025–2029		3,809	427	4,236	–	–	–
Total	**$**	**57,102**	**25,474**	**82,576**	**3,867**	**1,323**	**5,190**

NOTES PAYABLE

As of June 30, 2008, 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 amount outstanding of $48,000. This note was paid in full as of June 30, 2009. Future minimum payments of the notes payable for the DPCU are detailed in Table 9.6, Notes Payable Future Minimum Payments.

STATE OF COLORADO CERTIFICATES OF PARTICIPATION

On December 14, 2005, the State, acting by and through the Regents, issued Certificates of Participation, Series 2005B with an approximate par value of $192,625,000 and of 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. As of June 30, 2009 and 2008, the University had underlying gross capitalized assets costing approximating $188,800,000 and $187,897,000, respectively.

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 $7,747,000 and $34,088,000, during the years ended June 30, 2009 and 2008, respectively.

TABLE 9.6 Notes Payable Future Minimum Payments
(in thousands)

		Discretely Presented Component Units		
Years Ending June 30		**Principal**	**Interest**	**Total**
2010	$	442	1,098	1,540
2011		2,639	1,079	3,718
2012		217	1,006	1,223
2013		233	991	1,224
2014		248	975	1,223
2015–2019		14,739	2,109	16,848
Total	**$**	**18,518**	**7,258**	**25,776**

On October 23, 2008, the State issued State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008 with an approximate par value of $230,845,000 and a premium of $1,883,800 and a discount of $1,702,900. The certificates have interest rates ranging from 3.00 to 5.50 percent and mature in November 2019. 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 various capital projects for the benefit of certain State-supported institutions of higher education in Colorado, including UCCS. The underlying capitalized assets are contributed to the University from the State. As of June 30, 2009, the University has recognized capital contributions from the State and related capital assets of approximately $1,071,000.

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 $150,255,000 and $170,490,000 as of June 30, 2009 and 2008, respectively.

NOTE 10–OTHER LIABILITIES

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2009 and 2008.

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 18). 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, 2009 and 2008 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, and therefore these loans are not recognized as receivables in the accompanying financial statements. Direct lending activity during the years ended June 30, 2009 and 2008 was $252,335,000 and $112,824,000, respectively.

For the State School as Lender program, as of June 30, 2008 there is no longer a receivable or offsetting liability, as the program has been discontinued. Activity during the year ended June 30, 2008 was $57,878,000.

TABLE 10.1 Other Liabilities *(in thousands)*

	2009		2008	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
University				
Risk financing	$ 18,332	7,004	19,512	7,037
Construction contract retainage	3,939	3,484	16,707	16,707
Funds held for others	15,466	15,466	22,368	22,368
Miscellaneous	7,109	6,908	8,120	7,919
Total Other Liabilities–University	**$ 44,846**	**32,862**	**66,707**	**54,031**
Discretely Presented Component Units				
Funds held for others	$ 2,118	–	2,528	–
Liability for Return of Collateral on Securities Loaner	–	–	–	–
Total Other Liabilities–DPCU	**$ 2,118**	**–**	**2,528**	**–**

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 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**
Fiscal Year 2009:				
Claims and changes in estimates	4,040	2,830	8,693	15,563
Claim payments	(6,456)	(1,940)	(8,347)	(16,743)
Balance 2009	**$ 11,663**	**5,065**	**1,604**	**18,332**

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, 2009 and 2008, 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	2009	2008
Accounts receivable	$ 111,504	17,750
Auxiliary facilities operating reserves	75,431	65,052
Capital-related activities	77,261	137,275
Faculty start-up and research initiatives	69,566	113,165
Inventories and prepaids	4,635	5,895
Investment pool	–	40,478
Regent designated endowments	20,164	26,130
Risk financing activities	27,893	29,001
Service center reserves	23,334	12,449
Technology Transfer Office	14,127	16,275
University Physicians, Inc.	131,123	105,880
Total Designated Unrestricted Net Assets	**$ 555,038**	**569,350**

NOTE 12–SPENDING LIMITATIONS

In November 1992, the Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to all the 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 that an institution of higher education may be designated as an enterprise for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than 10 percent of its total 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, 2009, and 2008, 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 2.40 percent and 1.88 percent during the years ended June 30, 2009 and 2008, respectively, as shown in Table 12.1, TABOR Enterprise State Support Calculation.

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, 2009 and 2008, respectively, the University's appropriated funds included $57,164,000 and $73,651,000 received from students that qualified for stipends from the College Opportunity Fund and $101,940,000 and $121,344,000 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.

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

	2009	2008
Capital appropriations	$ 21,437	18,838
Tobacco Litigation Settlement Appropriation	17,997	8,512
State appropriations for annual payments for debt service	13,970	13,131
Total State Grants	**53,404**	**40,481**
Total TABOR Enterprise Revenues	$ 2,226,000	2,153,000
Ratio of State Grants to Total Revenues	2.40%	1.88%

TABLE 12.2 Appropriated Funds *(in thousands)*

Description	2009	2008
Total appropriation	$ 777,021	709,540
Actual appropriated revenues	806,104	707,798
Actual appropriated expenditures and transfers	777,021	707,798
Net increase in appropriated net assets	**$ 29,083**	–

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, 2009 and 2008, appropriated expenses were within the authorized spending authority. Table 12.2, Appropriated Funds, details the related activities for the years ended June 30, 2009 and 2008.

NOTE 13–SCHOLARSHIP ALLOWANCES

During the years ended June 30, 2009 and 2008, scholarship allowances were provided by the following funding sources in amounts detailed in Table 13, Scholarship Allowances.

NOTE 14–HEALTH SERVICES REVENUE

Health services revenue is recorded net of contractual adjustments approximating $432,355,000 and $320,623,000 and bad debt expense on uncollectible patient account receivables approximating $15,274,000 and $9,880,000 as of June 30, 2009 and 2008, respectively. Charity care provided during the years ended June 30, 2009 and 2008, for which no reimbursement was received, measured at established rates, totaled approximately $23,184,000 and $14,990,000, respectively.

NOTE 15–RETIREMENT PLANS AND INSURANCE PROGRAMS

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

PERA-DEFINED BENEFIT PENSION PLAN

The PERA plan provides income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple-employer plan administered by PERA. PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the

TABLE 13 Scholarship Allowances *(in thousands)*

Funding Source Description	2009 Tuition and Fees	2009 Auxiliary Enterprise Revenues	2009 Total	2008 Tuition and Fees	2008 Auxiliary Enterprise Revenues	2008 Total
University general resources	$ 40,369	925	41,294	34,244	854	35,098
University auxiliary resources	7,357	199	7,556	6,307	201	6,508
Colorado Commission on Higher Education financial aid program	17,424	247	17,671	14,166	181	14,347
Federal programs, including Pell grants	32,094	523	32,617	27,067	426	27,493
Other State of Colorado programs	146	3	149	108	3	111
Private programs	10,500	116	10,616	9,676	187	9,863
Total Scholarship Allowances	**$ 107,890**	**2,013**	**109,903**	**91,568**	**1,852**	**93,420**

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 classified staff, 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 five 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 five years of service. Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows; hired before January 1, 2007, age 55 with a minimum of five years of service credit and age plus years of service equals 80 or more; hired on or after January 1, 2007, age 55 with a minimum of five years of service credit and age plus years of service 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 percentage point of salaries contributed by employers for employees hired on or after January 1, 2007.)

Members who are 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 child or spouse, financially dependent parents will receive a survivor's benefit.

The total payroll of employees covered by PERA was approximately $277,523,000 and $254,932,000 for the years ended June 30, 2009 and 2008, respectively. Employees contribute 8 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From July 1, 2008 to December 31, 2008, the University contributed 12.05 percent of the employee's salary. From January 1, 2009 through June 30, 2009, the University contributed 12.95 percent. During the years ended June 30, 2008, and 2007, the University contributed a total of 11.60, and 11.01, respectively, of the employee's gross covered wages to PERA in accordance with the following allocations and amounts detailed in Table 15, University Contributions to PERA. These contributions met the contribution requirement for each year.

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

Program	Basis	2009	2008	2007
Health Care Trust Fund	1.02% after July 1, 2004	$ 354	302	260
Defined Benefit Plan	The balance remaining	34,694	29,570	25,502
Total University Contributions		**$ 35,048**	**29,872**	**25,762**

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, 2008, 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 are required to participate in a defined contribution retirement plan administered by the University for the benefit of full-time faculty and exempt 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. Employees are eligible for participation in the plan after completing one year of service and are vested immediately upon participation. For the years ended June 30, 2009 and 2008, 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, 2009 and 2008 approximated $62,890,000 and $57,033,000, respectively. The employees' contribution under the optional retirement plan approximated $31,340,000 and $28,373,000 during the years ended June 30, 2009 and 2008, 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, 2009 and 2008.

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, 2009 and 2008. UPI's contributions for covered payroll to the retirement plan for the years ended June 30, 2009 and 2008 approximated $1,549,000 and $1,592,000, 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, 2009 and 2008, the CU Foundation's matching contributions approximated $636,000 and $522,000, 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, 2009, and 2008, CUREF's matching contributions approximated $33,000 and $31,000, respectively.

HEALTH INSURANCE PROGRAMS

The University's contributions to its various health insurance programs approximated $70,404,000 and $63,374,000 during the years ended June 30, 2009 and 2008, respectively.

NOTE 16–SEGMENT INFORMATION

As of June 30, 2009 and 2008, the University has one segment, UPI.

UPI has identifiable activities for which UPI Variable Rate Demand bonds approximating $18,435,000 and $18,890,000 are outstanding as of June 30, 2009 and 2008, respectively. The activities of this segment include the UC Denver School of Medicine's faculty practice plan.

Summary financial information as of and for the years ended June 30, 2009 and 2008, respectively, is presented in Table 16, Segment Financial Information.

NOTE 17–DISCRETELY PRESENTED COMPONENT UNITS

Summary financial information as of and for the years ended June 30, 2009 and 2008, respectively, for the University's DPCU are presented in Table 17, 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, 2009 and 2008, 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, 2009 and 2008 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, 2009 and 2008, this related endowment was valued at approximately $9,657,000 and $12,044,000, respectively.

UNIVERSITY OF COLORADO FOUNDATION

Distributions made by the CU Foundation to the University during the years ended June 30, 2009 and 2008 were approximately $61,749,000 and $92,487,000, 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, 2009 and 2008, the University has recorded an accounts receivable from the CU Foundation of $8,858,000 and $10,596,000, respectively. As of June 30, 2009 and 2008, the University recorded an accounts payable to the CU Foundation of $340,000 and $767,000, respectively. Beginning July 1, 2007, the University also contracts with the CU Foundation to manage a portion of its investments. As of June 30, 2009 and 2008, respectively, $79,879,000 and $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 $99,085,000 and $127,003,000 as of June 30, 2009 and 2008, respectively. The CU Foundation retained an investment management fee equal to 1 percent. The University pays a fee to the CU Foundation for development services approximating $7,600,000 and $5,190,000 during the years ended June 30, 2009 and 2008, respectively.

THE UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION

For the years ended June 30, 2009 and 2008, CUREF distributed approximately $485,000 and $1,255,000, 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. No draws were made and no amounts were owed under the line of credit as of June 30, 2009 and 2008.

CUREF has a long-term agreement with the University to rent portions of buildings owned by CUREF. For the years ended June 30, 2009 and 2008, the University paid approximately $1,232,000 and $1,468,000, respectively, in rent, of which approximately $202,000 is prepaid at June 30, 2009 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.

TABLE 16 Segment Financial Information *(in thousands)*

As of and for the year ended June 30	2009	2008
Condensed Statement of Net Assets		
Assets		
Cash, and cash equivalents	$ 46,165	37,693
Short-term investments	13,796	19,057
Other current assets	44,041	47,962
Total current assets	104,002	104,712
Investments	102,189	49,717
Capital assets, net	9,274	16,330
Other noncurrent assets	1,874	1,354
Total noncurrent assets	113,337	67,401
Total Assets	**$ 217,339**	**172,113**
Liabilities		
Accounts payable and accrued expenses	$ 25,655	20,748
Bonds, notes, and leases payable	595	511
Total current liabilities	26,250	21,259
Bonds, notes, and leases payable	18,151	18,461
Total noncurrent liabilities	18,151	18,461
Total Liabilities	**$ 44,401**	**39,720**
Net Assets		
Invested in capital assets, net of related debt	$ 6,495	(2,618)
Unrestricted	166,443	135,011
Total Net Assets	**$ 172,938**	**132,393**
Condensed Statement of Revenues, Expenses, and Changes in Net Assets		
Operating revenues	$ 340,163	301,348
Depreciation expense	(648)	(1,297)
Other operating expenses	(327,104)	(287,245)
Operating income	12,411	12,806
Nonoperating revenue (expenses)		
Investment income	29,560	6,014
Interest expense on capital asset-related debt	(407)	(653)
Other nonoperating expenses	(1,019)	(838)
Total nonoperating revenue (expenses)	28,134	4,523
Increase in Net Assets	**40,545**	**17,329**
Net Assets, beginning of year	132,393	115,064
Net Assets, end of year	**$ 172,938**	**132,393**
Condensed Statement of Cash Flows		
Net cash flows provided by (used for)		
Operating activities	$ 21,889	2,846
Non-capital financing activities	(1,019)	(839)
Capital and related financing activities	29,449	(2,392)
Investing activities	(41,847)	6,506
Net Increase in Cash and Cash Equivalents	**8,472**	**6,121**
Cash and cash equivalents, Beginning of Year	37,693	31,572
Cash and Cash Equivalents, End of Year	**$ 46,165**	**37,693**

TABLE 17 DPCU Summary Financial Statements *(in thousands)*

Condensed Statement of Net Assets	As of and for the year ended June 30, 2009			
	Coleman Foundation	CU Foundation	CUREF	Total
Assets				
Current assets				
Cash, and cash equivalents	$ 57	29,580	6,974	36,611
Investments	–	–	1,402	1,402
Accounts and contributions receivable, net	–	24,324	314	24,638
Other assets		254	157	411
Total current assets	57	54,158	8,847	63,062
Noncurrent assets				
Investments	–	825,880	6,043	831,923
Assets held under split-interest agreements	–	51,406	–	51,406
Contributions receivable, net	–	28,544	2,419	30,963
Other assets	–	–	6,251	6,251
Capital assets, net	–	3,874	68,184	72,058
Total noncurrent assets	–	909,704	82,897	992,601
Total Assets	**$ 57**	**963,862**	**91,744**	**1,055,663**
Liabilities				
Current liabilities				
Accounts payable	$ –	2,045	848	2,893
Account payable–University	–	2,656	–	2,656
Deferred revenue	–	508	636	1,144
Bonds and leases payable	–	507	441	948
Split-interest agreements	–	3,298	–	3,298
Custodial funds	–	6,174	–	6,174
Total current liabilities	–	15,188	1,925	17,113
Noncurrent liabilities				
Bonds and leases payable	–	3,360	71,083	74,443
Split-interest agreements	–	18,013	–	18,013
Custodial funds	–	184,940	–	184,940
Other liabilities	–	1,772	346	2,118
Total noncurrent liabilities	–	208,085	71,429	279,514
Total Liabilities	**$ –**	**223,273**	**73,354**	**296,627**
Net Assets				
Invested in capital assets, net of related debt	$ –	8	2,689	2,697
Restricted for nonexpendable purposes	–	281,401	–	281,401
Restricted for expendable purposes	–	421,026	4,426	425,452
Unrestricted	57	38,154	11,275	49,486
Total Net Assets	**$ 57**	**740,589**	**18,390**	**759,036**
Statements of Revenue, Expenses, and Changes in Net Assets				
Operating revenues				
Contributions	$ 1,000	100,249	492	101,741
University support	–	7,600	–	7,600
Other revenue	–	(3,938)	9,759	5,821
Total operating revenues	1,000	103,911	10,251	115,162
Operating expenses				
Institutional support				
Gifts and income distributed to University and related parties	1,000	63,189	485	64,674
Other program services	–	9,237	6,531	15,769
Support services	3	12,678	550	13,231
Depreciation	–	747	2,459	3,206
Total operating expenses	1,003	85,851	10,025	96,880
Operating Income	**(3)**	**18,060**	**225**	**18,282**
Nonoperating revenues (expenses)				
Investment income (loss)	1	(108,752)	379	(108,372)
Interest expense on capital asset-related debt	–	(545)	(3,941)	(4,486)
Increase (Decrease) in Net Assets	**(2)**	**(91,237)**	**(3,337)**	**(94,576)**
Net Assets, Beginning of Year	59	831,826	21,727	853,612
Net Assets, End of Year	**$ 57**	**740,589**	**18,390**	**759,036**

TABLE 17 (continued) 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	7,652	16,131
Investments	–	–	2,278	2,278
Accounts and contributions receivable, net	–	21,681	347	22,028
Other assets		463	150	613
Total current assets	59	30,564	10,427	41,050
Noncurrent assets				
Investments	–	989,268	3,426	992,694
Assets held under split-interest agreements	–	62,896	–	62,896
Contributions receivable, net	–	25,823	3,154	28,977
Other assets	–	–	7,339	7,339
Capital assets, net	–	4,061	69,133	73,194
Total noncurrent assets	–	1,082,048	83,052	1,165,100
Total Assets	**$ 59**	**1,112,612**	**93,479**	**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	–	414	392	806
Split-interest agreements	–	3,960	–	3,960
Custodial funds	–	6,781	–	6,781
Total current liabilities	–	17,510	2,581	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	**$ –**	**280,786**	**71,752**	**352,538**
Net Assets				
Invested in capital assets, net of related debt	$ –	(144)	5,409	5,265
Restricted for nonexpendable purposes	–	256,509	–	256,509
Restricted for expendable purposes	–	515,735	4,690	520,425
Unrestricted	59	59,726	11,628	71,413
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	93,658	1,255	95,913
Other program services	–	8,981	5,198	14,179
Support services	6	12,044	453	12,503
Depreciation	–	772	2,184	2,956
Total operating expenses	1,006	115,455	9,090	125,551
Operating Income	**11**	**13,108**	**1,014**	**14,133**
Nonoperating revenues (expenses)				
Investment income (loss)	(13)	5,525	500	6,012
Interest expense on capital asset-related debt	–	(491)	(2,846)	(3,337)
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**

NOTE 18–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 $30,320,000 and $29,594,000 for years ended June 30, 2009 and 2008, respectively. Total payments issued by UC Denver to the Hospital Authority for the years ended June 30, 2009 and 2008 approximated $10,071,000 and $11,647,000, respectively.

During the years ended June 30, 2009 and 2008, UPI recognized approximately $25,931,000 and $22,332,000, respectively, in health services revenue from the Hospital Authority in support of clinical and academic missions. UPI also received approximately $27,066,000 and $27,242,000 during the years ended June 30, 2009 and 2008, respectively, from the Hospital Authority for amounts earned for services performed by UPI faculty members but required to be processed through the Hospital Authority (such as the State of Colorado medically indigent program, Ryan White, and other miscellaneous programs).

In 1997, UPI assumed a 30 percent participation in the Hospital Authority's investment in TriWest Healthcare Alliance Corp. (TriWest) for $994,000. The Hospital Authority purchased the minority interest in TriWest for approximately $3,300,000. UPI received $623,000 and $1,171,000 in dividends from TriWest during the years ended June 30, 2009 and 2008, 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, 2009 and 2008, the University incurred expenses related to the common facilities approximating $9,247,000 and $5,743,000, respectively, for payments to AHEC.

During the year ended June 30, 2009, UC Denver entered into a $10,272,000 site lease agreement with the Auraria Higher Education Center associated with the build-out of educational space on the UC Denver Downtown Campus. As of June 30, 2009, the University paid base rent of approximately $634,000 to AHEC, and the University had underlying gross capitalized assets costing approximately $8,721,000.

NOTE 19–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 $97,159,000 and $87,271,000 as of June 30, 2009 and 2008, respectively. These additions will be funded or financed by donor contributions, appropriations from the State, issuance of revenue bonds, and other financing. As of June 30, 2009 and 2008, the amount of capital construction appropriations authorized from the State for these projects approximated $26,094,000 and $31,767,000, respectively.

The University vacated UC Denver's 9th Avenue and Colorado Boulevard campus location in February 2009 in connection with its relocation to the Anschutz Medical Campus in Aurora. In anticipation of the move, the University previously entered into a sales agreement with a third party to purchase the 9th Avenue and Colorado Boulevard property in June 2006. Pursuant to the sales agreement, the University agreed to environmentally remediate the property as necessary and relieve two related deed restrictions. As of June 30, 2009 and 2008, the University recorded a $1,349,000 contingent liability as an other current liability in the accompanying financial statements for the anticipated cost of resolving these 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 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, and significant repayments for patient services previously billed. UPI management believes that UPI is in substantial compliance with fraud and abuse statues, 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.

UNIVERSITY OF COLORADO

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Required Supplementary Information

FUNDING STATUS OF POSTEMPLOYMENT BENEFITS

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, 2008	–	$196,714,735	$196,714,735	0.00%	$898,898,961	21.88%
July 1, 2007	–	195,972,332	195,972,332	0.00%	831,242,265	23.58%

Principal Administrative Officers

Bruce Benson, President
Kelly Fox, Vice President and Chief Financial Officer
Leonard Dinegar, Vice President for Administration and Chief of Staff
Tanya Mares Kelly-Bowry, Vice President, Government Relations
Dan Wilkerson, Vice President, University Counsel, and Secretary of the Board of Regents
Philip P. DiStefano, Chancellor, University of Colorado at Boulder
Pamela Shockley-Zalabak, Chancellor, University of Colorado at Colorado Springs
M. Roy Wilson, MD, MS, Chancellor, University of Colorado Denver

Principal Financial Officers and Staff

Robert C. Kuehler, Assistant Vice President and University Controller
Richard F. Porreca, Senior Vice Chancellor and Chief Financial Officer, University of Colorado at Boulder
Brian Burnett, Vice Chancellor for Administration and Finance, University of Colorado at Colorado Springs
Jeff Parker, Interim Vice Chancellor for Administration and Finance, University of Colorado Denver
Steve McNally, Associate Vice Chancellor and Controller, University of Colorado at Boulder
Julie Brewster, Controller, University of Colorado at Colorado Springs
Amy Gannon, Interim Controller, University of Colorado Denver

Officers and staff as of November 2009

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For further information about this report or to request additional copies, contact the Office of the University Controller at 303-837-2110 or controller@cu.edu. An electronic version can be found at www.cu.edu/controller/financial-rpts.html.

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