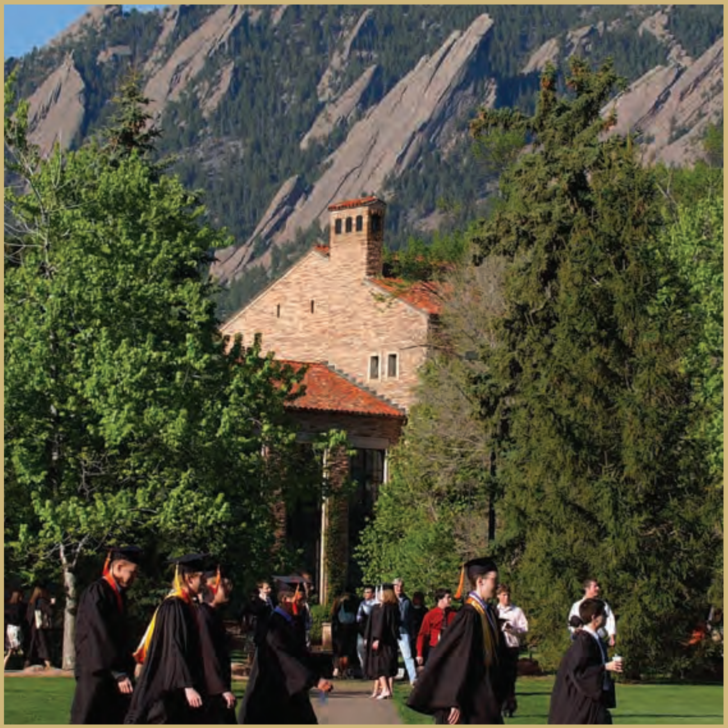


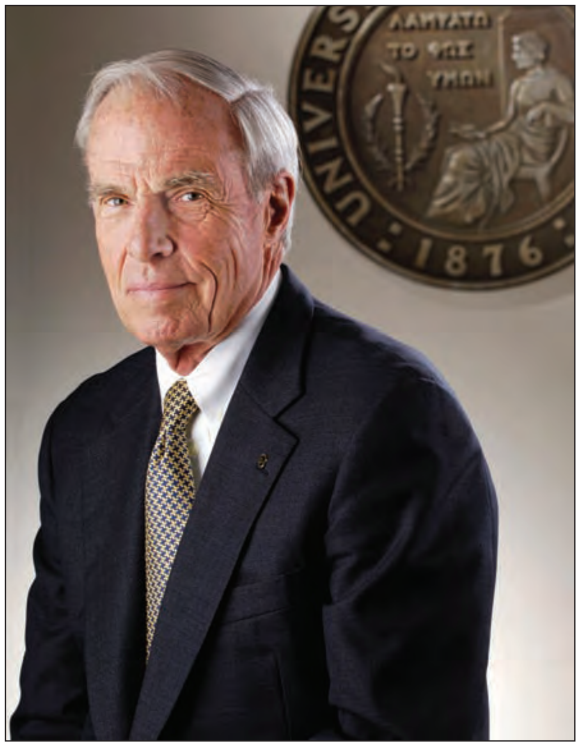
2010
ANNUAL FINANCIAL REPORT

University of Colorado

Boulder • Colorado Springs • Denver • Anschutz Medical Campus

The University of Colorado Board of Regents, October 2010

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



FROM THE PRESIDENT

In the midst of a significant financial crisis in Colorado and beyond, the University of Colorado has maintained a solid financial foundation. We have done so by enacting budget-balancing measures that include strategic cuts, operational efficiencies, and revenue growth. Despite continued declines in state funding, CU shows strong activity in several areas of its operation. This annual financial report gives a detailed look at the financial health of the University.

Student enrollment remains strong (with record levels at some of our campuses) and the attendant revenue from auxiliary enterprises (housing, dining, parking, etc.) helps us maintain appropriate service levels. Our research funding, $847 million awarded in Fiscal Year 2010 across the system, is at an all-time high. A portion of the indirect cost recovery revenue from grants and contracts helps pay for critical research infrastructure; CU's research enterprises have important ripple effects on Colorado's economy.

While there are bright spots in our financial picture, we remain cautious in our budget approach. Given the fiscal uncertainty in our state and across the country, we will continue to make careful plans and prudent decisions about the University's budget. We do so with a focus on the fundamental activities across the University of Colorado system: learning and teaching; discovery and innovation; health and wellness; and community and culture.

With that focus, the University of Colorado will continue to advance the economy, culture, and health of Colorado and the nation.

Sincerely,

Bruce D. Benson
President

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Colorado (the University), a component unit of the State of Colorado, as of and for the year ended June 30, 2010, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the 2010 financial statements of University Physicians, Inc. (UPI) and University License Equity Holding, Inc. (ULEHI), blended component units, which represent approximately 6%, 8%, and 15% of the assets, net assets, and revenues of the business-type activities of the University. In addition, we did not audit the 2010 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. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as they relate to the amounts included for UPI, ULEHI, CU Foundation, and CUREF, are based on the reports of the other auditors. The financial statements of the University as of and for the year ended June 30, 2009, were audited by other auditors whose report dated November 9, 2009, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 12, 2010 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 on pages 5 through 13 and the Funding Status of Postemployment Benefits on page 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Greenwood Village, Colorado
November 12, 2010

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 analysis of the University's position and results of operations as of and for the years ended June 30, 2010 and 2009 (Fiscal Year 2010 and 2009, respectively), with comparative information for Fiscal Year 2008. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements.

UNDERSTANDING THE FINANCIAL STATEMENTS

Statements of Net Assets present the assets, liabilities, and net assets of the University at a point in time (June 30, 2010 and 2009). 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 and expenses of the University for operating, nonoperating, and other related activities during the fiscal years ended June 30, 2010 and 2009. Their purpose is to assess the University's operating and nonoperating operations.

Statements of Cash Flows present cash receipts and payments of the University during the fiscal years ended June 30, 2010 and 2009. 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 and this management's discussion and analysis.

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

FINANCIAL HIGHLIGHTS

Increases in net assets during a period of declining budgets are one indicator of concerted planning on the part of University management to address anticipated future funding reductions. For two of the past three fiscal years, the University has managed to increase its net assets. For the year ended June 30, 2010, the University's net assets increased by approximately $254,989,000. For the year ended June 30, 2009, the University's net assets decreased by $2,084,000 and for the year ended June 30, 2008, the University's net assets increased by approximately $92,264,000.

For Fiscal Year 2010, the increase in net assets is primarily attributable to investment income of $103,486,000, compared to an investment loss of $95,754,000 in Fiscal Year 2009. In Fiscal Year 2010, included in investment income are unrealized gains of $68,106,000. Unrealized gains, by their nature, do not result in spendable funds for the University. State funding decreases of $51,802,000 in fee-for-service contracts ($50,138,000 in Fiscal Year 2010 versus $101,940,000 in Fiscal Year 2009) and a decrease in stipends received ($38,073,000 in Fiscal Year 2010 versus $57,164,000 in Fiscal Year 2009) eroded the University's level of state support (these cuts were backfilled with federal stimulus funds as discussed below). Stipends represent the amount the state pays for each credit hour a resident undergraduate student is enrolled. The Colorado Department of Higher Education purchases graduate and specialized education services, such as law and medicine from public higher education institutions via fee-for-service contracts. The decrease in stipends received occurred despite an increase in enrollment. The stipend amount per credit hour has decreased from $92 per credit hour to $68 per credit hour to $44 per credit hour in Fiscal Year 2010. This decrease in state funding in both stipends and fee-for-service between Fiscal Year 2010 and Fiscal Year 2009 was backfilled with stimulus funds of $120,888,000 from the federal government (the American Recovery and Reinvestment Act, "ARRA") and are included in nonoperating revenues. Federal stimulus funding for the state is scheduled to expire in October 2011.

The University sustained an operating loss of $131,875,000 in Fiscal Year 2010 due in part to the issues noted above and the classification of Federal Pell Grant revenue in the amount of $40,139,000 from operating revenue to nonoperating revenue as a result of additional guidance provided by the Governmental Accounting Standards Board (GASB). A similar reclassification, in the amount of $24,131,000, was made to the Fiscal Year 2009 financial statements.

For Fiscal Year 2009, the decrease in net assets 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. The University sustained operating losses for Fiscal Year 2009 of $119,331,000. 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 (COF) in the form of reduced student stipends and fee-for-service contracts. This decrease was offset by ARRA funds of $49,995,000. As noted above, this funding is reported as nonoperating revenues and is scheduled to expire in October 2011. Additionally, Federal Pell Grant revenue of $24,131,000 was reclassified to nonoperating.

STATEMENT OF NET ASSETS

Figure 1 illustrates the University's summary of net assets and demonstrates that the University has positioned itself for the current economic downturn and related anticipated budget reductions through its fiscal decisions 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.

In analyzing the University's assets, approximately 82 percent and 80 percent of the University's non-capital assets are investments, with a balance of $1,451,669,000 and $1,272,400,000 at June 30, 2010 and 2009, 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. Funds invested in the University's investment pool increased approximately $101,000,000 from June 30, 2009 to June 30, 2010. Also, in Fiscal Year 2010, the University recovered a portion of the losses incurred in Fiscal Year 2009 on the equities in the investment pool of approximately $26 million. For the fixed income portion of the portfolio, interest and capital gains added about $40 million to the recovery/increase. Nineteen million dollars of this was directly related to market changes. At the end of Fiscal Year 2009, the University had $80 million of unspent construction funds invested. At the end of Fiscal Year 2010, that number was approximately $180 million.

The increase in accounts and loans receivable from Fiscal Year 2010 versus Fiscal Year 2009 of $24,433,000 is driven by the increase in amounts receivable from the federal government of $14,222,000. This increase is due in part to the additional research funding received from the federal government under the ARRA program. There was no similar increase in Fiscal Year 2009. It is also due in part to increases in nongovernmental research funding which resulted in receivables from these parties to increase by $5,073,000.

The University's non-debt-related liabilities are $566,112,000 and $607,106,000 at June 30, 2010 and 2009, respectively. These liabilities are comprised of amounts categorized in Figure 2.

Figure 1. Summary of Assets, Liabilities, and Net Assets as of June 30, 2010, 2009, and 2008
(all dollars in thousands)

	2010	2009	2008
Assets			
Current assets	$ 522,133	580,630	500,025
Noncurrent, noncapital assets	1,249,412	1,001,864	996,374
Net capital assets	2,331,983	2,121,616	2,007,618
Total Assets	**4,103,528**	**3,704,110**	**3,504,017**
Liabilities			
Current liabilities	452,790	502,642	464,310
Noncurrent liabilities	1,266,075	1,071,794	907,949
Total Liabilities	**1,718,865**	**1,574,436**	**1,372,259**
Net Assets			
Invested in capital assets, net of related debt	1,351,486	1,248,656	1,200,357
Restricted for nonexpendable purposes	46,127	41,968	52,831
Restricted for expendable purposes	303,706	284,012	309,220
Unrestricted	683,344	555,038	569,350
Total Net Assets	**2,384,663**	**2,129,674**	**2,131,758**
Total Net Assets and Liabilities	**$ 4,103,528**	**3,704,110**	**3,504,017**

Figure 2. Composition of Other Liabilities (non-debt-related) as of June 30, 2010, 2009, and 2008
(all dollars in thousands)

		2010	2009	2008
Accounts payable	$	69,997	70,794	66,800
Accrued salaries and benefits		166,246	157,746	143,721
Compensated absences and postemployment benefits		156,635	136,503	115,274
Deferred revenue		121,526	105,390	95,222
Contract retainage		9,822	3,939	16,707
Risk financing related		17,471	18,332	19,512
Securities lending		–	88,456	69,101
Miscellaneous liabilities		24,415	25,946	33,668
Total Other Liabilities	**$**	**566,112**	**607,106**	**560,005**

The three largest categories of non-debt-related liabilities are accrued salaries and benefits, compensated absences and postemployment benefits, and deferred revenue. For accrued salaries and benefits, and deferred revenue, the increase in Fiscal Years 2010 and 2009 is due primarily to federal stimulus dollars for research. 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 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 $20,132,000 and $21,229,000, for Fiscal Years 2010 and 2009, respectively, primarily due to increases in postemployment benefits other than pension benefits (OPEB). In accordance with GASB Statement No. 45, "Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions," 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 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. The unfunded actuarial liability, as determined by the University's actuary, as of June 30, 2010, is $196,715,000. The unfunded actuarial liability represents the excess of the actuarial accrued liability (the obligation for benefits earned) over the actuarial value of assets. As noted earlier, the University has elected not to fund this liability, therefore there are no assets held in trust to pay future benefits which have been earned by employees. In accordance with Generally Accepted Accounting Principles (GAAP) the unfunded actuarial liability amount is not reflected in the financial statements and is therefore not included in Figure 2. Although accounting standards do not prescribe the inclusion of the unfunded actuarial liability in the financial statements, the existence and amount of this balance should be considered in determining future resource demands on the University.

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. The increase in deferred revenue between Fiscal Year 2010 and Fiscal Year 2009 of $16,136,000 is primarily attributable to increased research funding.

In addition to these three categories, at June 30, 2010 and 2009, the University recorded a securities lending liability of $0 and $88,456,000, 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 Fiscal Year 2009, University management determined it was in the best interest of the University to hold those security contracts. The securities lending agreements were settled at June 30, 2010.

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

A portion of net assets are restricted 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, as defined by GAAP, are available for spending for any lawful purpose under the full discretion of management. However, the University has placed internal limitations on future use by designating unrestricted net assets for certain purposes in keeping with management's plans to conserve resources in the current budgetary environment (Note 11).

Figure 3. Summary of Revenues, Expenses, and Changes in Net Assets as of June 30, 2010, 2009, and 2008
(all dollars in thousands)

	2010	2009	2008
Operating revenues	$ 2,153,558	2,064,986	1,965,508
Operating expenses	2,285,433	2,184,317	2,040,775
Operating Loss	**(131,875)**	**(119,331)**	**(75,267)**
Nonoperating revenues (net of expenses)	348,728	75,855	76,570
Income before Other Revenues, Expenses, Gains, or Losses	**216,853**	**(43,476)**	**1,303**
Other revenues	38,136	41,392	90,961
Increase (Decrease) in Net Assets	**254,989**	**(2,084)**	**92,264**
Net assets, beginning of year	2,129,674	2,131,758	2,039,494
Net Assets, end of year	**$ 2,384,663**	**2,129,674**	**2,131,758**

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. Federal Pell Grant revenue of $40,139,000 in 2010 and $24,131,000 in Fiscal Year 2009 is now classified as nonoperating.

Figure 4 provides an illustration of gross operating and non-operating revenues by major sources. These sources include both State appropriated and non-appropriated funds (Note 12). Appropriated funds primarily include tuition (which includes state stipends), fee-for-service contract revenues, and academic fees. In November 1992, Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to all the local governments and the State of Colorado, including the University. In Fiscal Year 2005, the Colorado State Legislature determined 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 revenue 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 provisions of TABOR. In July 2005, the University Board of Regents (the Regents) designated the University as a TABOR enterprise pursuant to the statute. During the Fiscal Years ended June 30, 2010 and 2009, the University believes it has met all requirements of TABOR enterprise status. The amount of state grants received by the University was 1.57 percent and 2.40 percent during the Fiscal Years ended June 30, 2010 and 2009, respectively. The ability of the Regents to increase tuition rates is limited by the State, although the University's operations no longer impact the State's 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 2010 and 2009 except fee-for-service contracts and other operating revenues. The increase in tuition and fees revenues reflects a combination of rate increases and increased enrollment. The COF provides stipends to qualified undergraduate students; the receiving students then use the stipends to pay a portion of their tuition. In Fiscal Years 2010 and 2009, the University applied $38,073,000 and $57,164,000, respectively, of COF stipends against student tuition bills (these amounts are included in tuition revenues). Consistent with the University's goal to increase its focus and national role as a comprehensive 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 81 percent and 80 percent of total grants and contract revenues for Fiscal Years 2010 and 2009, respectively. These funds can only be used for the purpose given and have increased in both Fiscal Years 2010 and 2009 as a result of research awards received under the ARRA program and general overall growth in research funds received. These also provide necessary funding for the administrative functions that support the grants through the facilities and administrative reimbursement. In Fiscal Years 2010 and 2009, the University received $152,565,000 and $135,112,000, respectively, of such administrative and facility overhead cost reimbursements. The University pledges portions of this reimbursement revenue and other auxiliary revenues to satisfy its bond obligations, which are commonly referred to as pledged revenues. In Fiscal Years 2010 and 2009, such reimbursements represented 58 percent and 57 percent of its pledged revenues, respectively, thus creating a reliance on continued federal research funding.

Figure 4. Operating and Nonoperating Revenues for Years Ended June 30, 2010, 2009, and 2008
(all dollars in thousands)

	2010	2009	2008
Operating Revenues			
Student tuition and fees, net	$ 641,478	604,484	568,381
Fee-for-service	50,138	101,940	121,334
Grants and contracts	734,913	668,624	639,795
Sales and services of educational departments	138,683	130,057	120,433
Auxiliary enterprises, net	179,811	174,780	161,809
Health services	375,345	348,509	310,038
Other operating	33,190	36,592	43,718
Total Operating Revenues	**2,153,558**	**2,064,986**	**1,965,508**
Nonoperating Revenues			
Federal Pell Grant	40,139	24,131	–
State appropriations	17,150	17,997	8,512
Gifts	87,951	77,919	81,233
Investment income (loss), net	103,486	(95,754)	719
State fiscal stabilization funds	120,888	49,995	–
Other nonoperating, net	16,945	16,977	17,118
Total Nonoperating Revenues	**386,559**	**91,265**	**107,582**
Total Revenues (noncapital)	**$ 2,540,117**	**2,156,251**	**2,073,090**

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 2010 and 2009, the University received $50,138,000 and $101,940,000, respectively, as fee-for-service contract revenue. The decrease in fee-for-service revenue from Fiscal Year 2008 through Fiscal Year 2010 results 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. (UPI) (Notes 1 and 16), 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.

Beginning in Fiscal Year 2010, Federal Pell Grant revenue is shown as nonoperating revenue. The increase in Pell funding from Fiscal Year 2009 to Fiscal Year 2010 is due to a combination of increased enrollment, an increase in the number of students eligible for Pell grants due to economic conditions, and an increase in the maximum Pell award per student of $4,731 to $5,350.

The University received in Fiscal Years 2010 and 2009, $17,150,000 and $17,997,000, respectively, in state appropriations funded by State of Colorado tobacco litigation settlement monies. The University recognized $8,512,000 in state appropriations revenues in Fiscal Year 2008.

Gifts increased approximately 13 percent between Fiscal Year 2010 and 2009. Gifts include amounts received through distributions from the University's supporting foundations and amounts received directly by the University.

The variance in investment income is explained above in the "Statement of Net Assets" section. The change in gain (loss) on disposal of capital assets is due to the sale, at a gain, of the UPI building in Fiscal Year 2009. This is included in other nonoperating revenues, net.

On February 17, 2009, ARRA was signed into law. ARRA 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 made to their budgets resulting from the recession. The State of Colorado received $760 million from the SFSF over a three year period of which $622 million was allocated for education stabilization. In Fiscal Years 2010 and 2009, the University received $120,888,000 and $49,995,000, respectively, from the SFSF. The increase from Fiscal Year 2008 through Fiscal Year 2010 is directly attributable to decreasing levels of state funding of the student stipend and 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. As noted earlier, the state must expend these funds by October 2011.

Figure 5. Capital Revenues for Years Ended June 30, 2010, 2009, and 2008
(all dollars in thousands)

	2010	2009	2008
Capital contributions from the State	$ 12,199	8,818	34,088
Capital student fee (net)	10,385	7,730	5,045
Capital appropriations	8,792	21,437	18,838
Capital grants and gifts	6,753	3,344	31,604
Total Capital Revenues	**$ 38,129**	**41,329**	**89,575**

In addition to operating and nonoperating revenues, the University had capital revenues in the amounts depicted in Figure 5. The University did not seek new external financing of capital improvements in Fiscal Year 2008 (also see the Capital Asset and Debt Management section). As a result of construction and renovation of certain buildings, the University recognized capital contributions from the State of $12,199,000 and $8,818,000 in Fiscal Year 2010 and 2009, respectively. Capital contributions are related to the construction of educational buildings at the UC Denver Anschutz Medical Campus (AMC) and the University of Colorado at Colorado Springs (UCCS) 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 AMC. 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. UCCS was allocated $17,085,000 from the proceeds of the 2009 COP for the renovation of Centennial Hall. Columbine Hall was used as collateral for the 2009 COP. The Capital student fee increased from $7,730,000 in Fiscal Year 2009 to $10,385,000 in Fiscal Year 2010 due to an increase in the number of enrolled students and an increase in the fee amount. The University also received additional appropriations from the State of $8,792,000 in Fiscal Year 2010 compared to $21,437,000 in Fiscal Year 2009. These monies are used for various controlled maintenance and other capital construction activity. Capital additions were funded with the capital revenues and other existing resources. This funding strategy resulted in an increase in capital gifts of 102 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.

The programmatic uses of resources are displayed in Figure 6 and demonstrate that the focus is basically unchanged over the past three fiscal years with the exception of academic, institutional, and plant support. Total educational and general programs overall have grown by 4 percent and 7 percent in Fiscal Years 2010 and 2009, respectively, due to increases in instruction and research. Cost management measures in place for the past several fiscal years were continued and expanded in Fiscal Year 2010 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 provide for targeted decreases in support services costs in planning for anticipated cuts in State funding in the next few years. This is evident in the decrease in academic, institutional, and plant support of almost $22,745,000 from Fiscal Year 2009 to 2010. Research has continued to increase from Fiscal Year 2009 due to ARRA funded stimulus grants and general overall growth in research funds received. The amounts shown for student aid do not reflect the actual resources 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 $123,492,000 and $109,903,000 in Fiscal Years 2010 and 2009, respectively.

Figure 6. Expense Program Categories for Years Ended June 30, 2010, 2009, and 2008 *(all dollars in thousands)*

	2010	2009	2008
Instruction	$ 676,943	644,669	587,143
Research	467,343	422,961	396,629
Public service	88,549	86,643	80,958
Academic, institutional, and plant support	330,827	353,572	342,210
Student aid and other services	103,845	97,454	91,520
Total Education and General	**1,667,507**	**1,605,299**	**1,498,460**
Depreciation	124,313	123,157	130,139
Auxiliary enterprises	149,720	137,758	132,632
Health services	343,893	318,103	279,544
Total Operating Expenses	**$ 2,285,433**	**2,184,317**	**2,040,775**

Figure 7. Capital Asset Categories (before depreciation) for Years Ended June 30, 2010, 2009, and 2008
(all dollars in thousands)

	2010	2009	2008
Land	$ 57,369	56,096	53,525
Construction in progress	307,184	173,099	98,159
Buildings and improvements	2,559,570	2,427,992	2,322,017
Equipment	459,354	431,904	413,715
Library and other collections	303,829	291,741	275,585
Total Capital Assets (gross)	**$ 3,687,306**	**3,380,832**	**3,163,001**

Increases in auxiliary enterprises expenses from Fiscal Year 2008 to Fiscal Year 2010 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 UPI, are consistent with the associated increases in health services revenue discussed earlier in this section.

CAPITAL ASSET AND DEBT MANAGEMENT

The University had $3,687,306,000 and $3,380,832,000 of plant, property, and equipment at June 30, 2010 and 2009, respectively, offset by accumulated depreciation of $1,355,323,000 and $1,259,216,000, respectively. The major categories of plant, property, and equipment at June 30, 2010 and 2009 are displayed in Figure 7. Related depreciation charges of $124,313,000 and $123,157,000 were recognized in the Fiscal Years 2010 and 2009, respectively. Detailed financial activity related to the changes in capital assets is presented in Note 5.

On December 11, 2009, the University issued $76,725,000 of Tax-Exempt University Enterprise Revenue Bonds Subseries 2009B-1, $138,130,000 of Taxable University Enterprise Revenue Bonds Subseries 2009B-2 (Build America Bonds), and $24,510,000 of Tax-Exempt University Enterprise Refunding Revenue Bonds Series 2009C. The proceeds from the sale of these bonds are to defray a portion of the cost of financing certain improvement projects and to finance the refunding, payment, and discharge of all or a portion of certain outstanding obligations of the University. Amounts reported for bonds payable do not include the State-issued certificates of participation used to finance construction on the campuses. That debt and associated debt service is recorded on

Figure 8. Current Construction Projects as of June 30, 2010 *(in thousands)*

Campus/Project Description	Financing Sources	Value*
CU-Boulder:		
Housing Williams Village Projects	Bond proceeds	$ 51,535
Center for Community (C4C)	Bond proceeds and campus cash resources	84,433
Renovate Smith/Buckingham	Bond proceeds	58,276
Williard Hall Renovation	Campus cash resources	7,500
Basketball/Volleyball Practice Facility	Bond proceeds and campus cash resources	10,800
Institute of Behavioral Sciences	Campus cash resources	15,700
New Power Plant	On hold	75,190
Joint Institute of Laboratory Astrophysics (JILA)	Governmental grants and contracts, and campus cash resources	37,100
Biotechnology Building Systems	Governmental grants and contracts, bond proceeds, and campus cash resources	148,010
UC Denver:		
Pharmacy Research Building	Campus cash resources, private gifts, and bond proceeds	71,439
AMC Center for BioEthics and Humanities, new building	Private gifts	8,255
1475 Lawrence Court Remodel	Campus cash resources	15,453
AMC Health and Wellness Center	Campus cash resources, private gifts, and bond proceeds	37,721
School of Dental Medicine Building Fourth Floor Addition	Campus cash resources	8,201
RCI Energy Conservation Project	Campus cash resources	6,276
UCCS:		
Renovation of Centennial Hall	Certificates of Participation proceeds	17,085

* Value represents budgeted costs for project in thousands

the State's financial records. The lease payment debt schedule from the State indicates payments of approximately $14,536,000 for fiscal year 2010. The University continues to monitor the legislative appropriation process to ensure State funding of the annual debt service requirements exists. On December 9, 2009, the State, acting through the Regents, issued $23,110,000 of Refunding Certificates of Participation, Series 2009. The proceeds from this issuance were used to advance refund and redeem a portion of the Certificates of Participation, Series 2005B in order to lower the amount and restructure the base rentals payable by the State under the lease.

At June 30, 2010 and 2009, the University had debt (or similar long-term obligations) of $1,152,753,000 and $967,330,000, respectively, in the categories illustrated in Figure 9. The University increased its outstanding debt in Fiscal Year 2010 by $185,423,000, or 19 percent, primarily resulting from new bond issuances of $239,365,000 (as described above) as offset by normal annual debt service payments. This compares to an increase in outstanding debt in Fiscal Year 2009 by 19 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 AMC. 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 $10,272,000 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. The University Treasurer will report to the Regents, prior to the issuance of new debt, the effect that the new debt will have on the University's debt capacity ratio, in contrast to the 7 percent limit currently established by the Regents. The ratio is calculated as maximum annual debt service as a percentage of the University's unrestricted current fund expenditures plus mandatory transfers. State statute sets the maximum for this ratio at 10 percent in C.R.S. 23-5-129.5 (2) (d). A component of this policy is debt capacity, which is the calculated ratio of the University's 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 & Poor's and Moody's, respectively).

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University faces ongoing budgetary constraints due to the economy. As part of the University's efforts to streamline processes and thereby make them more cost-efficient, the Regents opted out of Colorado State Fiscal rules in June 2010 and adopted the University of Colorado Fiscal Procedures. The flexibility enabled by this change will be fully evaluated during Fiscal Year 2011 and opportunities to enhance efficiencies while maintaining an acceptable structure of internal control will be taken.

Since the start of the financial downturn, the University has implemented budget reductions of over $51,000,000 in order to balance its budgets. Appropriated funds from the State are budgeted to increase from approximately $38,000,000 in Fiscal Year 2010 for COF stipends to $55,000,000 in Fiscal Year 2011, and fee-for-service appropriations funds are budgeted to increase from approximately $50,000,000 to approximately $104,000,000 in Fiscal Year 2011. This proposed increase in State funding is dependent upon improving economic conditions, which is uncertain. At the start of Fiscal Year 2011, the State and University have budgeted $33,000,000 in ARRA funding. Additionally, the Regents approved increases in tuition and fees for the 2010–11 school year. If the increases in COF stipends and fee-for-service do not materialize, and ARRA backfill funds do not fully cover the shortfall, additional budget reductions will be required.

Enrollment headcount continues to increase. The University's total enrollment was 57,361, 56,311, and 54,174 in fall 2010, 2009, and 2008 respectively. Total enrollment at CU-Boulder decreased 157 students compared to fall 2009. Total enrollment at UCCS increased 428 students. Total enrollment at UC Denver Downtown Campus increased 590 students, while total enrollment at UC Denver AMC increased 189 students.

Figure 9. Debt Categories for years Ended June 30, 2010, 2009, and 2008
(all dollars in thousands)

	2010	2009	2008
Revenue bonds	$ 1,098,748	910,228	768,821
Capital leases	54,005	57,102	43,385
Certificates of participation and notes payable	–	–	48
Total Long-term Debt	**$ 1,152,753**	**967,330**	**812,254**

Research funding also continues to increase. Research funding in Fiscal Year 2010 was $734,913,000, $668,624,000 in Fiscal Year 2009 (each of which do not include the Federal Pell Grant) versus $639,795,000 in Fiscal Year 2008 (which does include the Federal Pell Grant).

Auxiliary enterprises revenue continues its increase. Fiscal Year 2010 auxiliary enterprises revenue was $179,811,000, Fiscal Year 2009 auxiliary enterprises revenue was $174,780,000, and Fiscal Year 2008 auxiliary enterprises revenue was $161,809,000.

The receipt of ARRA funding, in combination with continued budget cuts, enrollment tuition and increases, and increases in other funding sources has enabled the University to continue to balance its budget during several years of decreasing State support. Management of the University is developing plans in anticipation of possible future budget reductions to continue its fiscal stability throughout the current climate.

UNIVERSITY OF COLORADO
FINANCIAL STATEMENTS

June 30, 2010 and 2009

UNIVERSITY OF COLORADO

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009 (*in thousands*)

	2010		2009	
	University	Component Units	University	Component Units
Assets				
Current Assets				
Cash and cash equivalents	$ 44,482	34,321	56,058	37,489
Investments	250,396	2,011	320,715	1,402
Accounts, contributions, and loans receivable, net	211,615	16,577	187,105	24,638
Inventories	11,151	–	10,880	–
Other assets	4,489	2,132	5,872	411
Total Current Assets	**522,133**	**55,041**	**580,630**	**63,940**
Noncurrent Assets				
Investments and restricted cash	1,201,273	933,213	951,685	831,045
Assets held under split-interest agreements	–	53,570	–	51,406
Accounts, contributions, and loans receivable, net	32,989	36,074	33,066	30,963
Other assets	15,150	6,238	17,113	6,251
Capital assets, net	2,331,983	65,955	2,121,616	72,058
Total Noncurrent Assets	**3,581,395**	**1,095,050**	**3,123,480**	**991,723**
Total Assets	**$ 4,103,528**	**1,150,091**	**3,704,110**	**1,055,663**
Liabilities				
Current Liabilities				
Accounts payable	$ 69,997	6,388	70,794	5,549
Accrued expenses	170,168	–	161,117	–
Compensated absences and other postemployment benefits	17,642	–	15,008	–
Deferred revenue	116,151	1,330	99,793	1,144
Securities lending	–	–	88,456	–
Bonds, leases, and notes payable	41,428	797	34,612	948
Split-interest agreements	–	3,397	–	3,298
Custodial funds	–	6,780	–	6,174
Other liabilities	37,404	–	32,862	–
Total Current Liabilities	**452,790**	**18,692**	**502,642**	**17,113**
Noncurrent Liabilities				
Compensated absences and other postemployment benefits	138,993	–	121,495	–
Deferred revenue	5,375	–	5,597	–
Bonds, leases, and notes payable	1,111,325	71,245	932,718	74,443
Split-interest agreements	–	17,594	–	18,013
Custodial funds	–	199,255	–	184,940
Other liabilities	10,382	1,883	11,984	2,118
Total Noncurrent Liabilities	**1,266,075**	**289,977**	**1,071,794**	**279,514**
Total Liabilities	**$ 1,718,865**	**308,669**	**1,574,436**	**296,627**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF NET ASSETS

June 30, 2010 and 2009 (*in thousands*)

	2010		2009	
	University	Component Units	University	Component Units
Net Assets				
Invested in capital assets, net of related debt	$ 1,351,486	83	1,248,656	2,697
Restricted for nonexpendable purposes (endowments)				
Instruction	–	167,074	–	152,788
Research	3,029	18,490	2,919	17,198
Academic support	19,063	13,826	16,804	13,410
Scholarships and fellowships	21,636	97,283	20,001	91,729
Capital and other	2,399	6,317	2,244	6,276
Total restricted for nonexpendable purposes	46,127	302,990	41,968	281,401
Restricted for expendable purposes				
Instruction	16,649	207,839	16,092	184,127
Research	23,226	45,482	21,560	37,201
Academic support	13,929	36,410	13,330	34,088
Student loans and services	38,743	–	39,327	–
Scholarships and fellowships	15,102	93,623	14,369	82,493
Auxiliary enterprises	156,298	–	146,969	–
Capital	26,261	82,985	19,922	82,297
Other	13,498	5,092	12,443	5,246
Total restricted for expendable purposes	303,706	471,431	284,012	425,452
Unrestricted	683,344	66,918	555,038	49,486
Total Net Assets	**$ 2,384,663**	**841,422**	**2,129,674**	**759,036**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2010 and 2009 (*in thousands*)

	2010		2009	
	University	Component Units	University	Component Units
Operating Revenues				
Student tuition (net of scholarship allowances of $108,027 in 2010 and $97,283 in 2009; pledged revenues of $58,011 in 2010 and $55,107 in 2009)	$ 580,106	–	551,074	–
Student fees (net of scholarship allowances of $11,286 in 2010 and $9,487 in 2009; pledged revenues of $8,621 in 2010 and $7,762 in 2009)	61,372	–	53,410	–
Fee-for-service contracts	50,138	–	101,940	–
Federal grants and contracts (pledged revenues of $129,437 in 2010 and $111,408 in 2009)	597,124	–	532,997	–
State and local grants and contracts (pledged revenues of $9,650 in 2010 and $9,690 in 2009)	47,363	–	51,086	–
Nongovernmental grants and contracts	90,426	–	84,541	–
Sales and services of educational departments (pledged revenues of $8,505 in 2010 and $7,787 in 2009)	138,683	–	130,057	–
Auxiliary enterprises (net of scholarship allowances of $2,534 in 2010 and $2,013 in 2009; pledged revenues of $48,536 in 2010 and $44,492 in 2009)	179,811	–	174,780	–
Health services	375,345	–	348,509	–
Contributions	–	89,480	–	101,741
Other operating revenues (pledged revenues of $1,566 in 2010 and $2,092 in 2009)	33,190	18,363	36,592	13,421
Total Operating Revenues	**2,153,558**	**107,843**	**2,064,986**	**115,162**
Operating Expenses				
Education and General				
Instruction	676,943	–	644,669	–
Research	467,343	–	422,961	–
Public service	88,549	–	86,643	–
Academic support	121,285	–	120,514	–
Student services	78,810	–	80,781	–
Institutional support	124,045	98,230	130,152	93,603
Operation and maintenance of plant	85,497	–	102,906	–
Student aid	25,035	–	16,673	–
Total Education and General Expenses	1,667,507	98,230	1,605,299	93,603
Depreciation	124,313	3,252	123,157	3,206
Auxiliary enterprises	149,720	–	137,758	–
Health services	343,893	–	318,103	–
Total Operating Expenses	**2,285,433**	**101,482**	**2,184,317**	**96,809**
Operating Income (Loss)	**$ (131,875)**	**6,361**	**(119,331)**	**18,353**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2010 and 2009 (*in thousands*)

	2010		2009	
	University	Component Units	University	Component Units
Nonoperating Revenues (Expenses)				
Federal Pell Grant	$ 40,139	–	24,131	–
State appropriations	17,150	–	17,997	–
Gifts	87,951	–	77,919	–
Investment income (loss) (net of investment expenses of $6,534 in 2010 and $5,607 in 2009; pledged revenues of $25 in 2010 and $0 in 2009)	103,486	80,444	(95,754)	(108,372)
Royalty income (net of royalty expense of $3,004 in 2010 and $3,359 in 2009; pledged revenues of $134 in 2010 and $136 in 2009)	2,465	–	4,181	–
Gain on disposal of capital assets	791	–	21,241	–
Loss on debt extinguishment	(1,152)	–	(722)	–
Interest expense on capital asset-related debt	(38,622)	(4,419)	(36,651)	(4,557)
State fiscal stabilization funds	120,888	–	49,995	–
Other nonoperating revenues (net of expenses of $11 in 2010 and $3 in 2009; pledged revenues of $36 in 2010 and $28 in 2009)	15,632	–	13,518	–
Net Nonoperating Revenues (Expenses)	**348,728**	**76,025**	**75,855**	**(112,929)**
Income (Loss) Before Other Revenues	**216,853**	**82,386**	**(43,476)**	**(94,576)**
Capital contributions from the State	12,199	–	8,818	–
Capital student fee (net of scholarship allowance of $1,645 in 2010 and $1,120 in 2009)	10,385	–	7,730	–
Capital appropriations	8,792	–	21,437	–
Capital grants and gifts	6,753	–	3,344	–
Additions to permanent endowments	7	–	63	–
Total Other Revenues	**38,136**	**–**	**41,392**	**–**
Increase (Decrease) in Net Assets	**254,989**	**82,386**	**(2,084)**	**(94,576)**
Net Assets, Beginning of Year	2,129,674	759,036	2,131,758	853,612
Net Assets, End of Year	**$ 2,384,663**	**841,422**	**2,129,674**	**759,036**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2010 and 2009 (*in thousands*)

	2010	2009
	University	
Cash Flows from Operating Activities		
Tuition and fees	$ 691,148	599,366
Grants and contracts	728,976	769,808
Payments to suppliers	(610,899)	(552,586)
Payments to employees and benefits	(1,501,055)	(1,459,972)
Payments for scholarships and fellowships	(25,035)	(15,768)
Loans	–	1,169
Auxiliary enterprise charges	181,641	173,917
Sales and services of educational departments	138,683	129,223
Health services	372,091	352,729
Other receipts	52,232	50,849
Total Cash Flows Provided by Operating Activities	**27,782**	**48,735**
Cash Flows from Noncapital Financing Activities		
State appropriations	17,150	17,997
Federal Pell Grant	40,139	24,131
Gifts and grants for other than capital purposes	71,179	72,257
Endowment additions	7	63
William D. Ford direct lending receipts	253,963	177,978
William D. Ford direct lending disbursements	(253,538)	(180,963)
PLUS loans receipts	70,451	71,356
PLUS loans disbursements	(69,915)	(71,372)
School as lender disbursements	–	(9)
Agency transactions	71	(3,098)
State fiscal stabilization fund receipts	120,888	49,995
Total Cash Flows Provided by Noncapital Financing Activities	**250,395**	**158,335**
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	246,739	168,690
Capital grants and gifts received	17,138	10,028
State capital contributions	12,199	8,818
Proceeds from sale of capital assets	3,545	37,542
Purchases and construction of capital assets	(298,932)	(208,511)
Principal paid on capital debt	(59,199)	(30,180)
Interest paid on capital debt	(48,342)	(41,319)
Total Cash Flows Used for Capital and Related Financing Activities	**(126,852)**	**(54,932)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	3,314,594	3,678,642
Purchase of investments	(3,425,757)	(3,865,177)
Securities lending transaction	(88,456)	19,356
Loans made	(300)	–
Interest on investments	41,087	26,600
Royalty income	5,469	7,540
Royalty fees paid	(3,004)	(3,359)
Investment management fees paid	(6,534)	(5,607)
Total Cash Flows Used for Investing Activities	**(162,901)**	**(142,005)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(11,576)**	**10,133**
Cash and Cash Equivalents, Beginning of Year	56,058	45,925
Cash and Cash Equivalents, End of Year	**$ 44,482**	**56,058**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2010 and 2009 (*in thousands*)

	2010	2009
	University	
Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities:		
Operating loss	$ (131,875)	(119,331)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	124,313	123,157
Provision for doubtful receivables	973	4,672
Receipts of items classified as nonoperating revenues	15,631	10,823
Changes in assets and liabilities		
Receivables	(24,874)	(9,263)
Notes receivable	–	347
Inventories	(271)	(686)
Other assets	3,346	(1,982)
Accounts payable	(797)	(1,455)
Accrued expenses	8,447	14,043
Deferred revenue	16,136	10,168
Compensated absences and other postemployment benefits	20,132	21,228
Other liabilities	(3,379)	(2,986)
Net Cash Provided by Operating Activities	**$ 27,782**	**48,735**

Noncash Transactions		
Capital additions (gifts, leases)	$ 22,458	46,586
Amortization of deferred loss	(1,157)	–
Amoritzation of premiums	(2,273)	–
Unrealized gain (loss) on investments	68,106	(114,874)

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 5,429 instructional faculty serve 57,361 students through 360 degree programs in 28 schools and colleges.

BASIS OF PRESENTATION AND FINANCIAL REPORTING ENTITY

Blended Component Units

The University's financial reporting entity includes the operations of the University and all related entities for which the University is financially accountable and that provide services entirely to the University, referred to as blended component units. Financial accountability may stem from the University's ability to appoint a majority of the governing board of the related organization, its ability to impose its will on the related organization, its ability to access assets, or its responsibility for debts of the related organization. The University has the following blended component units:

- **Buffalo Power Corporation**

  Established in 1991, Buffalo Power is a Colorado nonprofit corporation organized to facilitate the construction and financing of a cogeneration plant project (plant). Buffalo Power Corporation's directors are appointed by the Regents. The plant is designed to supply steam and electric power to CU-Boulder. Excess electricity produced by the plant is sold to third parties by CU-Boulder. There are no assets, liabilities, net assets, revenues, or expenses for Fiscal Years 2010 and 2009.

- **University of Colorado Finance Corporation**

  Established in 1998, the University of Colorado Finance Corporation is a Colorado nonprofit corporation organized to facilitate the acquisition of personal and real property for the University. There is no financial activity for this corporation for Fiscal Years 2010 and 2009.

- **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 health care services to eligible beneficiaries of the Civilian Health and Medical Program of the Uniformed Services within certain specified geographic regions. UPI accounts for its participation in TriWest on the cost basis. Detailed financial information may be obtained directly from UPI at P.O. Box 876, Aurora, Colorado 80040.

Discretely Presented Component Units

The University's financial statements include certain supporting organizations as discretely presented component units (DPCU) of the University (labeled component units). The majority of the resources, or income thereon that the supporting organizations hold and invest, are restricted to the activities of the University by the donors. Because these restricted resources held by the supporting organizations can only be used by, or for the benefit of, the University, the following supporting organizations are considered DPCU of the University:

- **Coleman Colorado Foundation (Coleman Foundation)**

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

- **University of Colorado Foundation (CU Foundation)**

  Established in 1967, the CU Foundation solicits, receives, holds, invests, and transfers funds for the benefit of the University. The CU Foundation, a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code, has a 15-member board of directors, of which a member of the Regents and the president of the University serve as ex-officio non-voting members.

  The Alumni Association of the University of Colorado at Boulder (Boulder Alumni Association) was a division of the 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 May 2010.

  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. 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 holdings in land.

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

Joint Ventures and Related Organizations

The University has associations with the following organizations for which it is not financially accountable, 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)
- University of Colorado Health and Welfare Trust (the Trust)

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, 2010 and 2009.

BASIS OF ACCOUNTING

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

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

ACCOUNTING POLICIES

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

Investments, other than University investments held by the DPCU, are reported in the financial statements at fair value, which is determined primarily based on quoted market prices as of June 30, 2010 and 2009. Amortized costs (which approximate fair value) are used for money market investments.

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

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

Investments of the DPCU, including those held for the University for endowment purposes, 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 the 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.

Other Assets consists of prepaid expenses, travel advances, issuance costs, and deferred charges.

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.

Intangibles and renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. For intangibles and 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.

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
Intangibles	Varies

*Certain buildings are componentized, and the components may have useful lives similar to improvements or equipment.

Compensated Absences and Postemployment Benefits and related personnel expenses are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the University. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service. Professional exempt and faculty employees accrue sick leave with pay at the rate of 10 hours per month with a maximum accrual of 960 hours while classified employees earn 6.67 hours per month with a maximum accrual of 360 hours for employees hired after June 30, 1988. Employees hired before June 30, 1988, can accrue up to 360 hours in excess of amount of sick leave earned as of June 30, 1988. Employees earn and accrue vacation leave per the rates in Table 1.2, Compensated Absence Accrual Rates for Vacation. Vacation accruals are paid in full upon separation, whereas only a portion of sick leave is paid upon specific types of separation, such as retirement.

The liability for compensated absences is expected to be funded by various sources of revenue that are available in future years when the liability is paid.

Postemployment Benefits consist of University-provided post-retirement healthcare and life insurance benefits for retired employees in accordance with the Regents' authority, as a single-employer plan. Substantially all 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 other post-employment benefit (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.

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.

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

Bonds, Leases, and Notes Payable are debt by borrowings or financing usually of buildings, equipment, or capital construction.

Bonds are addressed in Note 9 and represent borrowings made by the University to finance capital construction.

Capital Leases consists 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.

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

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

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

Other Liabilities are addressed in Note 10 and consists of risk financing, construction contract retainage, funds held for others, and miscellaneous.

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 the 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, and contracts. 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 the 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), and insurance recoveries.

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, 2010 and 2009, 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. In Fiscal Year 2010, Federal Pell Grant revenue is classified in the amount of $40,139,000 from operating revenue to nonoperating revenue as a result of additional guidance provided by the GASB. A similar reclassification, in the amount of $24,131,000 was made to the Fiscal Year 2009 financial statements.

NEW ACCOUNTING PRONOUNCEMENT

Effective July 1, 2009, the University adopted the provisions of GASB No. 51 "Accounting and Financial Reporting for Intangible Assets." As substantially all patents held by the University are used for revenue producing activities, such patents are not reported as intangible assets in the accompanying statement of net assets. Therefore, the adoption of this standard did not have a material effect on the basic financial statements.

NOTE 2—CASH AND CASH EQUIVALENTS

The University's and DPCU cash and cash equivalents are detailed in Table 2, Cash and Cash Equivalents.

Table 2. Cash and Cash Equivalents *(in thousands)*

	2010	2009
University		
Cash on hand (petty cash and change funds)	$ 328	323
Deposits with U.S. financial institutions	44,037	55,623
Deposits with foreign financial institutions	117	112
Total Cash and Cash Equivalents–University	**$ 44,482**	**56,058**
Discretely Presented Component Units		
Deposits with U.S. financial institutions	$ 34,321	37,489
Total Cash and Cash Equivalents–DPCU	**$ 34,321**	**37,489**

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, 2010 and 2009, all deposits with foreign financial institutions were authorized. Of the University's total cash and cash equivalents, approximately $117,000 and $112,000 related to deposits in foreign institutions are subject to custodial credit risk at June 30, 2010 and 2009, respectively. Custodial credit risk information is not available for the DPCU.

NOTE 3—INVESTMENTS

The University's investments generally include direct obligations of the U.S. Government and its agencies, commercial paper, corporate bonds, asset-backed securities, mortgage-backed securities, money market funds, commingled and mutual funds, repurchase agreements, guaranteed investment contracts, and equities. DPCU 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 excluding 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 $1,037,420,000 and $937,257,000 for the years ended June 30, 2010 and 2009, respectively. The total return on this pool was positive 9.2 percent and negative 6.2 percent for the years ended June 30, 2010 and 2009, respectively.

Table 3.1. Investments *(in thousands)*

Investment Type	2010	2009
University		
U.S. government and agency securities	$ 265,400	139,644
Municipal bonds	3,842	643
Corporate equity securities	85,954	29,396
Corporate bonds and commercial paper	219,659	181,899
Repurchase agreements	15,458	112,834
Asset-backed securities	119,962	112,949
Open-ended mutual funds	616,905	582,351
Alternative non-equity securities:		
Real estate	11,884	9,969
Private equity	38,741	34,764
Hedge fund	35,537	27,508
Absolute return fund	17,224	23,289
Venture capital	10,657	8,896
Oil and gas	5,843	7,596
Other	4,603	662
Total Investments–University	**$1,451,669**	**1,272,400**
Discretely Presented Component Units		
Cash equivalents	$ 48,859	13,101
Equity securities:		
Domestic	129,085	131,539
International	154,033	138,332
Fixed-income securities	177,197	165,880
Alternative non-equity securities:		
Real estate	36,355	22,991
Private equity	160,582	140,923
Hedge funds	53,312	155,920
Absolute return funds	106,670	–
Venture capital	32,628	24,191
Oil and gas	25,486	31,499
Other	4,847	1,504
Guaranteed investment contracts	6,170	6,567
Total Investments–DPCU	**$ 935,224**	**832,447**

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. 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.

A summary of the fair value of the University's debt investments and interest rate risk as of June 30, 2010 and 2009 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

Table 3.2. Debt Investments and Interest Rate Risk *(amounts in thousands and years)*

Investment Type	2010	2010	2009	2009
	Amount	*Duration*	*Amount*	*Duration*
University				
U.S. government and agency securities	$ 244,937	3.18	111,306	5.64
Municipal bonds	3,842	10.98	643	11.24
Corporate bonds	125,444	4.84	89,384	4.65
Asset-backed securities:				
Fixed-rate securities	102,544	–	135,172	–
Variable-rate securities	37,963	–	30,657	–
Collateralized mortgage obligations	13,951	–	7,005	–
Total asset-backed securities	154,458	2.59	172,834	2.58
Bond mutual funds	104,798	1.53	32,748	2.64
	Amount	*Weighted Average Maturity*	*Amount*	*Weighted Average Maturity*
U.S. government and agency securities–UPI	$ 19,276	5.36	1,945	4.19
Federal agency paper–UPI	–	–	22,231	2.45
Corporate bonds–UPI	78,371	3.29	78,730	3.46
Commercial paper–UPI	13,496	0.19	–	–
Money market mutual funds–UPI	79	–	–	–
Asset-backed securities–UPI	992	5.23	1	1.00
Total Debt Investments–University	**$ 745,693**		**509,822**	
	Amount	*Duration*	*Amount*	*Duration*
Discretely Presented Component Units				
U.S. government agencies	$ 101,920	4.81	53,020	7.47
Municipal bonds	620	0.35	–	–
Corporate bonds	6,930	3.08	–	–
Commercial paper	11,660	0.02	–	–
Repurchase agreements	11,760	0.02	–	–
Asset-backed securities	6,930	1.43	–	–
Bond mutual funds	–	–	27,080	5.07
Money market mutual funds	–	–	12,750	0.13
Total Debt Investments–DPCU	**$ 139,820**		**92,850**	

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, 2010, and 2009 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 other than the federal government. At June 30, 2010, 7 percent of the University's investments are in Fannie Mae (4 percent in 2009). The University's policy is that exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, or government-sponsored corporations, shall not exceed 10 percent of the market value of the fixed income portfolio.

Table 3.3. Debt Investments and Credit Quality Risk

	2010			2009		
	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	$ 57,101	113,725	98% Aaa 2% Aa	$ 14,825	25,322	98% Aaa
Municipal bonds	59	3,783	6% AAA 50% Aa 44% A	99	544	62% Aa 38% A
Corporate bonds	4,047	202,082	8% Aaa 31% Aa/AA 42% A 19% Baa/Ba/B 0% Caa/Ca/C	4,803	176,817	17% Aaa 28% Aa 36% A 17% BBB/Baa 2% BB/B/Caa
Repurchase agreements	15,458		–		36,783	100% AAA
Asset-backed securities	41,817	78,144	72% AAA 9% Aa/A 12% Baa/Ba/B 7% Caa/Ca	110,434	62,400	67% AAA 12% Aa/A 16% Baa/Ba/B 5% Caa/Ca
Bond mutual funds	105,628	–	–	32,748	–	–
Commercial paper	–	13,496	100% A	–	–	–
Money market mutual funds	75,450	229,896	100% Aaa	55,186	265,767	100% Aaa
Total Debt Investments–University	**$ 299,560**	**641,126**		**218,095**	**567,633**	
Discretely Presented Component Units						
U.S. government agencies	$ –	101,920	100% AAA	–	53,020	100% AAA
Municipal bonds	–	620	100% A	–	–	–
Corporate bonds		6,930	64% AAA 16% Aa/A 20% Baa/Ba/B	–	–	–
Commercial paper	–	11,660	100% AA+	–	–	–
Repurchase agreements	–	11,760	100% AA+	–	–	–
Asset-backed securities	–	6,930	96% AAA 2% Aa/A 2% <B	–	–	–
Bond mutual funds	–	–	–	27,080	–	–
Guaranteed investment contracts	–	5,165	100% AA+/Aa2	–	5,165	100% AA+/Aa2
Money market mutual funds	–	1,006	100% AAAm/Aaa	–	13,615	97%AAA 3% AA
Total Debt Investments–DPCU	**$ –**	**145,991**		**27,080**	**71,800**	

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, loaned the University's securities for collateral of 102 percent to broker-dealers and other entities (borrowers) with a simultaneous agreement to return the collateral for the same security in the future. Acceptable forms of collateral are cash, irrevocable standby letters of credit, and obligations issued or guaranteed by the U.S. Government or its agencies. If the fair value of a loaned security increases, the borrower is required to deliver additional collateral to the custodian to protect the University. For both term and open loans collateralized by cash from the borrower, the collateral is invested in high-quality, U.S. dollar-denominated, short-term money market instruments that can have fixed, variable, or floating rates of interest. Collateral is invested in diversified instruments to provide adequate liquidity and to avoid concentration by issuer or industry except that no concentration limits are set for obligations of the U.S. Government or its agencies. The University does not have the ability to pledge or sell securities under a security lending agreement unless the borrower defaults. As of June 30, 2010 and 2009, the University had approximately $0 and $88,456,000 securities on loan, respectively. There is no credit risk associated with these agreements.

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, 2010 and 2009, 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		2010	2009
Charitable remainder trusts	$	53,276	51,131
Charitable gift annuities and pooled income funds		294	275
Total Investments Held under Split-interest Agreements	**$**	**53,570**	**51,406**

NOTE 4 – ACCOUNTS, CONTRIBUTIONS, AND LOANS RECEIVABLE

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

	2010			
Type of Receivable	**Gross Receivables**	**Allowance**	**Net Receivables**	**Net Current Portion**
University				
Student accounts	$ 35,600	13,208	22,392	22,390
Federal government	57,234	–	57,234	57,234
Other governments	26,689	–	26,689	26,689
Private sponsors	31,156	12	31,144	31,144
Patient accounts	52,260	5,743	46,517	46,517
DPCU	10,538	–	10,538	10,538
Interest	3,404	–	3,404	3,404
Other	16,316	1,857	14,459	13,399
Total accounts receivable	233,197	20,820	212,377	211,315
Student loans	35,188	2,961	32,227	300
Total Receivable–University	**$ 268,385**	**23,781**	**244,604**	**211,615**
Discretely Presented Component Units				
Contributions *	$ 297,326	248,849	48,477	16,292
Other	4,174	–	4,174	285
Total Receivable–DPCU	**$ 301,500**	**248,849**	**52,651**	**16,577**

	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 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**

*The allowance on the contributions receivable is comprised of uncollectible and unamortized discounts of $247,324,000 and $1,525,000, as of June 30, 2010, respec-

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, 2010 and 2009 is detailed in Table 4.2, UPI Concentration of Credit Risk.

Table 4.2. UPI Concentration of Credit Risk

Category	2010	2009
Managed care	50.0%	53.6%
Medicare	13.9	10.9
Medicaid	20.1	17.3
Other third-party payers	9.3	11.7
Self-pay	6.7	6.5
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, 2010 and 2009.

The total interest expense related to capital asset debt incurred by the University during the years ended June 30, 2010 and 2009 approximated $48,944,000 and $40,536,000, respectively. Of this amount, approximately $10,322,000 and $3,615,000, respectively, was capitalized as part of the value of construction in progress.

The University had insurance recoveries of $2,592,000 and $2,242,000 in the years ended June 30, 2010 and 2009 respectively, which are included in other nonoperating revenues.

Table 5. Capital Assets *(in thousands)*

Category		Balance 2009	Additions	Retirement	Transfers	Balance 2010
University						
Nondepreciable capital assets						
Land	$	56,096	–	–	1,273	57,369
Construction in progress		173,099	263,507	–	(129,422)	307,184
Collections		11,576	1,155	26	–	12,705
Total nondepreciable capital assets		240,771	264,662	26	(128,149)	377,258
Depreciable capital assets						
Buildings		2,273,286	3,744	300	111,794	2,388,524
Improvements other than buildings		154,706	27	51	16,364	171,046
Equipment		431,904	53,312	25,853	(9)	459,354
Library and other collections		280,165	15,691	4,732	–	291,124
Total depreciable capital assets		3,140,061	72,774	30,936	128,149	3,310,048
Less accumulated depreciation						
Buildings		693,525	70,452	243	–	763,734
Improvements other than buildings		64,631	7,124	45	–	71,710
Equipment		317,390	33,707	23,186	–	327,911
Library and other collections		183,670	13,030	4,732	–	191,968
Total accumulated depreciation		1,259,216	124,313	28,206	–	1,355,323
Net depreciable capital assets		1,880,845	(51,539)	2,730	128,149	1,954,725
Total Net Capital Assets–University	**$**	**2,121,616**	**213,123**	**2,756**	**–**	**2,331,983**
Discretely Presented Component Units						
Nondepreciable capital assets						
Land	$	16,407	20	400	–	16,027
Construction in progress		125	468	–	(319)	274
Total nondepreciable capital assets		16,532	488	400	(319)	16,301
Depreciable capital assets						
Buildings		58,948	314	3,735	284	55,811
Improvements other than buildings		4,128	3	113	(391)	3,627
Equipment		6,626	34	21	426	7,065
Total depreciable capital assets		69,702	351	3,869	319	66,503
Less accumulated depreciation						
Buildings		8,986	2,167	314	–	10,839
Improvements other than buildings		847	322	108	–	1,061
Equipment		4,343	625	19	–	4,949
Total accumulated depreciation		14,176	3,114	441	–	16,849
Net depreciable capital assets		55,526	(2,763)	3,428	319	49,654
Total Net Capital Assets–DPCU	**$**	**72,058**	**(2,275)**	**3,828**	**–**	**65,955**

Table 5. Capital Assets (continued). *(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	$	16,424	8	25	–	16,407
Construction in progress		104	21	–	–	125
Total nondepreciable capital assets		16,528	29	25	–	16,532
Depreciable capital assets						
Buildings		58,093	989	134	–	58,948
Improvements other than buildings		4,004	134	10	–	4,128
Equipment		5,959	797	130	–	6,626
Total depreciable capital assets		68,056	1,920	274	–	69,702
Less accumulated depreciation						
Buildings		6,840	2,183	37	–	8,986
Improvements other than buildings		549	305	7	–	847
Equipment		3,898	563	118	–	4,343
Total accumulated depreciation		11,287	3,051	162	–	14,176
Net depreciable capital assets		56,769	(1,131)	112	–	55,526
Total Net Capital Assets–DPCU	**$**	**73,297**	**(1,102)**	**137**	**–**	**72,058**

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, 2010 and 2009 by type.

Table 6.1. Accounts Payable and Accrued Expenses *(in thousands)*

Type	2010	2009
University		
Accounts payable–vendors	$ 69,945	70,454
Accounts payable–DPCU	52	340
Accrued salaries and benefits	166,246	157,746
Accrued interest payable	2,599	1,996
Other accrued expenses	1,323	1,375
Total Accounts Payable and Accrued Expenses–University	**$ 240,165**	**231,911**
Discretely Presented Component Units		
Accounts payable–vendors	$ 2,708	2,893
Accounts payable–University (excludes custodial funds)	3,680	2,656
Total Accounts Payable–DPCU	**$ 6,388**	**5,549**

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, 2010 and 2009, total rental expense under these agreements approximated $6,222,000 and $7,688,000 for the University, respectively. Future minimum payments for these operating leases are shown in Table 6.2, University Operating Leases Minimum Lease Obligations.

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

Years Ending June 30	Minimum Lease Obligation
2011	$ 7,951
2012	5,401
2013	4,100
2014	3,308
2015	2,843
2016–2020	7,516
2021–2025	1,222
2026–2030	734
Total Operating Lease Obligations	**$ 33,075**

NOTE 7 – COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS

Table 7, Compensated Absences and Other Postemployment Benefits, presents changes in compensated absences and other postemployment benefits other than pension benefits for the years ended June 30, 2010 and 2009.

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

	2010	2009
Compensated Absences		
Beginning of the year	$ 114,261	103,818
Additions	100,692	79,633
Adjustments/reduction	(91,340)	(69,190)
End of the year	123,613	114,261
Current compensated absences	7,527	6,143
Postemployment Benefits		
Beginning of the year	22,242	11,456
Annual required contribution	21,853	21,853
Interest on net obligation	1,112	572
Adjustment to annual required contribution	(1,434)	(738)
Annual OPEB cost (expense)	43,773	33,143
Contributions made during the year	(10,751)	(10,901)
End of the year	33,022	22,242
Current postemployment benefits	10,115	8,865
Total Compensated Absences and Other Postemployment Benefits	**$ 156,635**	**136,503**

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

During the years ended June 30, 2010 and 2009 approximately 3,800 and 3,700 retirees respectively met the eligibility requirements and are receiving benefits under the University's single-employer postemployment 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 $8,865,000 and $7,348,000 during the years ended June 30, 2010 and 2009, respectively. A separately issued report is not available as the plan is unfunded and therefore no trust exists.

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, 2010 and 2009, the actuarial accrued liability for benefits was $196,715,000, the actuarial value of assets were $0, resulting in an unfunded actuarial accrued liability (UAAL) of $196,715,000. The covered payroll (annual payroll of active employees covered by the program) was $898,899,000, and the ratio of the UAAL to the covered payroll was 21.88 percent.

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 valuation, the unit credit actuarial cost method was used. The healthcare trend assumption reflects healthcare cost inflation expected to impact the plan based on forecast information in published papers from industry experts (actuaries, health economists, etc.). This research suggests a 9.0 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, 2010 was 27 years.

PERA POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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 health care 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 http://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 health care 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 Note 15, PERA Defined Benefit Pension Plan).

The Health Care Trust Fund offers two general types of plans: fully-insured plans offered through health care organizations and self-insured plans administered for PERA by third party vendors. As of December 31, 2009, there were 46,985 enrolled participants including spouses and dependents, from all contributors to the plan. At December 31, 2009, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.50 billion, a funded ratio of 14.8 percent and a 53-year amortization period.

NOTE 8 – DEFERRED REVENUE

As of June 30, 2010 and 2009, the types and amounts of deferred revenue are shown in Table 8, Deferred Revenue.

Table 8. Deferred Revenue *(in thousands)*

	2010		2009	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
University				
Tuition and fees	$ 20,488	20,488	19,304	19,304
Auxiliary enterprises	20,431	15,056	19,793	14,196
Grants and contracts	70,991	70,991	57,683	57,683
Miscellaneous	9,616	9,616	8,610	8,610
Total Deferred Revenue– University	**$ 121,526**	**116,151**	**105,390**	**99,793**
Discretely Presented Component Units				
Miscellaneous	$ 1,330	1,330	1,144	1,144
Total Deferred Revenue– DPCU	**$ 1,330**	**1,330**	**1,144**	**1,144**

NOTE 9–BONDS, LEASES, AND NOTES PAYABLE

As of June 30, 2010 and 2009, the categories of long-term obligations are summarized in Table 9.1, Bonds, Leases, and Notes Payable.

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

Type	Interest Rates	Final Maturity	Balance 2010	Balance 2009
University				
Revenue Bonds				
Enterprise System (including premium of $36,268 in 2010 and $30,016 in 2009 and deferred loss of $8,510 in 2010 and $7,353 in 2009)	2.25%–5.75%	6/1/39	$ 1,080,828	891,793
UPI Variable Demand Bonds	0.8%*	1/1/25	17,920	18,435
Total Revenue Bonds			1,098,748	910,228
Other Capital Lease Obligations				
Central Utility Plant	6.00%	12/31/22	37,305	39,370
Other Lease Obligations	2.87–13.95%	Various	16,700	17,732
Total Other Capital Lease Obligations			54,005	57,102
Total Bonds, Leases, and Notes Payable–University			**$ 1,152,753**	**967,330**

* 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, 2010.

Type	Interest Rates	Final Maturity	Balance 2010	Balance 2009
Discretely Presented Component Units				
Revenue Bonds				
Student Housing Revenue Refunding Bonds Series 2008	4.0–5.5%	6/1/38	$ 53,056	53,056
Total Revenue Bonds			53,056	53,056
Capital Leases	7.50%	9/1/14	3,343	3,867
Notes Payable	6.37–6.6%**	9/10/16	15,643	18,468
Total Bonds, Leases, and Notes Payable–DPCU			**$ 72,042**	**75,391**

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

Table 9.2, Changes in Bonds, Leases, and Notes Payable, presents changes in bonds, leases, and notes payable for the years ended June 30, 2010 and 2009.

REVENUE BONDS

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2010 and 2009 is detailed in Table 9.3, Revenue Bonds Detail.

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

Type		Balance 2009	Additions	Retirements	Balance 2010	Current Portion
University						
Revenue Bonds	$	887,565	239,365	55,940	1,070,990	34,915
Plus unamortized premiums		30,016	9,472	3,220	36,268	3,184
Less deferred loss		7,353	2,098	941	8,510	–
Net Revenue Bonds		910,228	246,739	58,219	1,098,748	38,099
Capital Leases		57,102	162	3,259	54,005	3,329
Total Bonds, Leases, and Notes Payable–University	**$**	**967,330**	**246,901**	**61,478**	**1,152,753**	**41,428**
Discretely Presented Component Units						
Revenue Bonds	$	54,055	–	–	54,055	–
Less unamortized discount		999	–	–	999	–
Net Revenue Bonds		53,056	–	–	53,056	–
Capital Leases		3,867	–	524	3,343	598
Notes Payable		18,468	–	2,825	15,643	199
Total Bonds, Leases, and Notes Payable–DPCU	**$**	**75,391**	**–**	**3,349**	**72,042**	**797**

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	2,666	30,016	2,244
Less deferred loss		8,309	–	956	7,353	–
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	–
Less unamortized discount		–	999	–	999	–
Net Revenue Bonds		50,365	53,056	50,365	53,056	–
Capital Leases		4,205	–	338	3,867	506
Notes Payable		18,910	–	442	18,468	442
Total Bonds, Leases, and Notes Payable–DPCU	**$**	**73,480**	**53,056**	**51,145**	**75,391**	**948**

Table 9.3. Revenue Bonds Detail *(in thousands)*

Issuance Description		Original Issuance Amount	Outstanding Balance 2010	Outstanding Balance 2009
University				
Enterprise System Revenue Bonds:				
Refunding Series 1995A–				
Used to refund all of the Refunding Series 1986, 1989, 1990, and 1992B	$	32,940	3,995	4,690
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
Refunding Series 2001A–				
Used to refund all of the Student Recreation Center and Refunding Series 1989, Auxiliary Facilities System Refunding Series 1992A, Research Building Revolving Fund (RBRF) Series 1989 and RBRF Series 1992, and a portion of the Enterprise System Tax Exempt Commercial Paper		34,840	1,007	7,044
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	3,994	5,880
Series 2002A–				
Used to fund capital improvements at UC Denver (includes premium)		101,875	10,024	33,311
Series 2002B–				
Used to fund capital improvements at CU-Boulder (includes premium)		40,055	5,933	7,270
Series 2003A–				
Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver		64,260	52,660	54,772
Series 2004–				
Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver		24,360	19,760	20,675
Series 2005A–				
Used to fund capital improvements at CU-Boulder, UCCS, UC Denver, and refund 1995 RBRF Bonds (includes premium)		230,025	216,092	223,647
Series 2005B–				
Used to fund capital improvements at UCCS and UC Denver		25,225	23,548	24,110
Series 2006A–				
Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver		101,425	98,142	100,800
Refunding Series 2007A–				
Used to refund all of the revenue bond Refunding Series 1999A and Certificates of Participation Series 2003A and 2003B and a portion of revenue bond Refunding Series 1995A, Refunding and Improvement Series 2001B, Series 2002A, and 2002B		184,180	172,769	176,134
Series 2007B–				
Used to fund acquisition and capital improvements at CU-Boulder, Williams Village		63,875	61,345	62,991
Series 2009A–				
Used to finance the acquisition, renovation, and equipping of certain facilities of CU-Boulder, UCCS, and UC Denver		165,635	165,492	169,594
Series 2009B-1–				
Used to construct the CU-Boulder Systems Biotechnology Building, basketball and volleyball practice facility, renovate housing facilities, and construct UC Denver Pharmaceutical Research Center		76,725	80,987	–
Series 2009B-2–				
Build America Bonds used to construct the CU-Boulder Systems Biotechnology Building, basketball and volleyball practice facility, renovate housing facilities, and construct UC Denver Pharmaceutical Research Center		138,130	138,130	–
Series 2009C–				
Used to refund Enterprise System Refund Series 1997, Enterprise System Revenue Refund Bonds Series 2001A for years 2012 through 2016 and 2026, and Enterprise System Revenue Bonds Series 2002A for years 2014 through 2018		24,510	26,950	–
Total Enterprise System Revenue Bonds			1,080,828	891,793
Series 2002–UPI Variable Rate Demand Bonds–				
Used to finance construction of UPI's administrative office building		20,500	17,920	18,435
Total Revenue Bonds			1,098,748	910,228
Less premium			36,268	30,016
Plus deferred loss			8,510	7,353
Total Outstanding Revenue Bond Principal–University	**$**		**1,070,990**	**887,565**
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	$	53,056	53,056	53,056
Plus unamortized discount			999	999
Total Outstanding Revenue Bond Principal–DPCU	**$**		**54,055**	**54,055**

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, 2010 and 2009, total net pledged revenues approximate $264,521,000 and $238,502,000, 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.

UPI variable rate demand bonds, Series 2002, were issued on behalf of UPI by the Fitzsimons Redevelopment Authority. The bonds bear interest at a variable municipal bond interest rate that is reset weekly. In addition, UPI has entered into a five-year renewable letter of credit agreement with Allied Irish Bank allowing the bonds to be remarked using Allied Irish Bank's national credit rating. The letter of credit is renewable upon request and currently expires December 2012. UPI is required to maintain restricted cash and readily marketable 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 bond 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.

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

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**
2011	$ 34,915	52,109	87,024	–	2,122	2,122
2012	38,395	50,714	89,109	–	2,122	2,122
2013	59,330	48,952	108,282	–	2,122	2,122
2014	40,900	46,874	87,774	20	2,122	2,142
2015	41,420	45,051	86,471	105	2,254	2,359
2016–2020	212,740	195,915	408,655	2,040	12,032	14,072
2021–2025	256,565	140,539	397,104	2,700	12,632	15,332
2026–2030	214,970	76,628	291,598	9,335	12,045	21,380
2031–2035	152,885	27,308	180,193	15,735	8,954	24,689
2036–2039	18,870	1,588	20,458	23,121	3,815	26,936
Total	**$ 1,070,990**	**685,678**	**1,756,668**	**53,056**	**60,220**	**113,276**

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 (AMC). As of June 30, 2010 and 2009, the CUP capital lease had an outstanding liability approximating $37,305,000 and $39,370,000, 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, 2010 and 2009, the University had an outstanding liability for all other capital leases approximating $16,700,000 and $17,732,000, respectively, with underlying gross capitalized asset cost approximating $19,972,000 and $18,259,000, respectively. At June 30, 2010 and 2009, the DPCU had an outstanding liability for capital leases approximating $3,343,000 and $3,867,000, 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.

NOTES PAYABLE

As of June 30, 2010, the University had no outstanding notes payable. CUREF had two notes payable outstanding as of June 30, 2010. The two notes were for the purchase of land and buildings, and the interest rate was 6.60 percent on the first note and 6.37 percent on the second note. 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 a premium of $7,600,600. The certificates have interest rates ranging from 3.75 to 5.25 percent and mature in November 2030. Annual lease payments are made by the State and are subject to annual appropriations by the Legislature. As a result, this liability is recognized by the State and not included in the University's financial statements. As of June 30, 2010 and 2009, the University had underlying gross capitalized assets costing approximating $188,800,000.

Table 9.5. Capital Leases *(in thousands)*

		University			*Discretely Presented Component Units*		
Years Ending June 30		**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2011	$	3,329	2,817	6,146	598	348	946
2012		3,314	2,650	5,964	704	275	979
2013		3,465	2,475	5,940	824	189	1,013
2014		3,526	2,294	5,820	960	89	1,049
2015		3,671	2,110	5,781	257	7	264
2016–2020		20,011	7,519	27,530	–	–	–
2021–2025		13,833	2,226	16,059	–	–	–
2026–2029		2,856	236	3,092	–	–	–
Total	**$**	**54,005**	**22,327**	**76,332**	**3,343**	**908**	**4,251**

Table 9.6. Notes Payable Future Minimum Payments
(in thousands)

		Discretely Presented Component Units		
Years Ending June 30		**Principal**	**Interest**	**Total**
2011	$	199	1,024	1,223
2012		217	1,006	1,223
2013		232	991	1,223
2014		248	975	1,223
2015		265	958	1,223
2016–2020		14,482	1,068	15,550
Total	**$**	**15,643**	**6,022**	**21,665**

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 AMC. 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 $0 and $7,747,000, during the years ended June 30, 2010 and 2009, respectively.

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 3.0 to 5.5 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. The University has recognized capital contributions from the State and related capital assets of approximately $12,199,000 and $1,071,000, during the years ended June 30, 2010 and 2009, respectively.

EXTINGUISHMENT OF DEBT

Previous revenue bond issues and certificates of participation, considered to be extinguished through in-substance defeasance under generally accepted accounting principles, are not included in the accompanying financial statements. The amount of debt in this category, covered by assets placed in trust to be used solely for future payments, amounted to approximately $173,505,000 and $150,255,000 as of June 30, 2010 and 2009, respectively. The debt issued in Fiscal Year 2010 to defease existing debt is listed in the financial statement footnotes as the 2009C Enterprise Refunding Bonds, with a face amount of $24,510,000. The 2009C Enterprise Refunding Bonds were used to defease debt in the amount of $24,945,000, and the proceeds from the new debt were placed with an escrow agent and will be used to make all future debt service payments. At the end of Fiscal Year 2010 there was a remaining balance of $24,340,000 on this issue. The difference between cash flows required to service the old debt was $1,678,214 higher than the debt service required to service the new debt. The economic gain from this transaction was $1,422,312. The total amount of defeased debt that is outstanding at the end of Fiscal Year 2010 is $173,505,000.

NOTE 10 – OTHER LIABILITIES

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2010 and 2009.

RISK FINANCING-RELATED LIABILITIES

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

The University utilizes a protected self-insurance program for its property, liability, and workers' compensation risks. The University has established a separate self-insurance program for the purpose of providing professional liability coverage for UC Denver and the Hospital Authority (Note 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, 2010 and 2009 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.

Table 10.1. Other Liabilities *(in thousands)*

	2010		2009	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
University				
Risk financing	$ 17,471	7,205	18,332	7,004
Construction contract retainage	9,822	9,822	3,939	3,484
Funds held for others	14,765	14,765	15,466	15,466
Miscellaneous	5,728	5,612	7,109	6,908
Total Other Liabilities–University	**$ 47,786**	**37,404**	**44,846**	**32,862**
Discretely Presented Component Units				
Funds held for others	$ 1,883	–	2,118	–
Total Other Liabilities–DPCU	**$ 1,883**	**–**	**2,118**	**–**

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 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**
Fiscal Year 2010:				
Claims and changes in estimates	5,905	273	6,280	12,458
Claim payments	(6,007)	(750)	(6,562)	(13,319)
Balance 2010	**$ 11,561**	**4,588**	**1,322**	**17,471**

For the Direct Lending program, the University is not responsible for collection of these loans or for defaults by borrowers and therefore these loans are not recognized as receivables in the accompanying financial statements. Direct lending activity during the years ended June 30, 2010 and 2009 was $320,088,000 and $252,335,000, respectively.

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, 2010 and 2009, 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	2010	2009
Accounts receivable	$ 129,758	111,504
Auxiliary facilities operating reserves	88,383	75,431
Capital-related activities	128,857	77,261
Faculty start-up and research initiatives	72,532	69,566
Inventories and prepaids	1,431	4,635
Investment pool	45,223	–
Regent designated endowments	21,357	20,164
Risk financing activities	28,657	27,893
Service center reserves	15,510	23,334
Technology transfer office	12,434	14,127
University Physicians, Inc.	139,202	131,123
Total Designated Unrestricted Net Assets	**$ 683,344**	**555,038**

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 local governments and the State of Colorado, including the University. In Fiscal Year 2005, the Colorado State Legislature determined 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, 2010 and 2009, the University believes it has met all requirements of TABOR enterprise status. Specifically, the Regents retain the authority to issue revenue bonds and the amount of state grants received by the University was 1.57 percent and 2.40 percent during the years ended June 30, 2010 and 2009, respectively, as shown in Table 12.1, TABOR Enterprise State Support Calculation.

Table 12.1. TABOR Enterprise State Support Calculation *(in thousands)*

	2010	2009
Capital appropriations	$ 8,792	21,436
Tobacco Litigation Settlement Appropriation	17,150	17,997
State appropriations for AMC COP annual payments for debt service	13,142	13,126
State COP Issuance for UCCS–Science Building	1,394	844
Total State Grants	**$ 40,478**	**53,403**
Total TABOR Enterprise Revenues	$ 2,583,000	2,226,000
Ratio of State Grants to Total Revenues	1.57%	2.40%

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, 2010 and 2009, respectively, the University's appropriated funds included $38,073,000 and $57,164,000 received from students that qualified for stipends from the College Opportunity Fund and $50,138,000 and $101,940,000 as fee-for-service contract revenue, as well as certain cash funds as specified in the State's annual appropriations bill.

Appropriated cash funds include tuition, certain fees, and certain other revenue sources, which are recognized in various revenue lines, as appropriate, in the accompanying financial statements.

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

For the years ended June 30, 2010 and 2009, appropriated expenses were within the authorized spending authority. Table 12.2, Appropriated Funds, details the related activities for the years ended June 30, 2010 and 2009.

Table 12.2. Appropriated Funds *(in thousands)*

Description	2010	2009
Total appropriation	$ 866,901	777,021
Actual appropriated revenues	820,933	806,104
Actual appropriated expenditures and transfers	866,901	777,021
Net increase (decrease) in appropriated net assets	$ (45,968)	29,083

NOTE 13 – SCHOLARSHIP ALLOWANCES

During the years ended June 30, 2010 and 2009, 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 $492,817,000 and $432,355,000 and bad debt expense on uncollectible patient account receivables approximating $14,375,000 and $15,274,000 for the years ended June 30, 2010 and 2009, respectively. Charity care provided during the years ended June 30, 2010 and 2009, for which no reimbursement was received, measured at established rates, totaled approximately $32,113,000 and $23,184,000, respectively.

Table 13. Scholarship Allowances *(in thousands)*

		2010			2009		
Funding Source Description		**Tuition and Fees**	**Auxiliary Enterprise Revenues**	**Total**	**Tuition and Fees**	**Auxiliary Enterprise Revenues**	**Total**
University general resources	$	42,417	1,080	43,497	40,369	925	41,294
University auxiliary resources		7,899	233	8,132	7,357	199	7,556
Colorado Commission on Higher Education financial aid program		14,854	218	15,072	17,424	247	17,671
Federal programs, including Federal Pell Grant		40,813	694	41,507	32,094	523	32,617
Other State of Colorado programs		182	4	186	146	3	149
Private programs		2,675	77	2,752	(2,628)	(80)	(2,708)
Gift fund		12,118	228	12,346	13,128	196	13,324
Total Scholarship Allowances	**$**	**120,958**	**2,534**	**123,492**	**107,890**	**2,013**	**109,903**

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 employees.

PERA-DEFINED BENEFIT PENSION PLAN

The PERA plan provides income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple-employer plan administered by PERA. PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The State plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

Prior to legislation passed during the 2006 session, higher education employees may have participated in social security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for 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 July 1, 2005–at age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with five years of service.
- Hired between July 1, 2005, and December 31, 2006–any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2007–any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service.

Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows:

- Hired before January 1, 2007–age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more.
- Hired on or after January 1, 2007–age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods.

For retirements after January 1, 2009–the HAS is calculated based on original hire date as follows:

- For members hired before January 1, 2007–HAS is calculated based on three periods of service credit and is limited to a 15 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 15 percent increase.
- For members hired on or after January 1, 2007–HAS is calculated based on three periods of service credit and is limited to an 8 percent increase between periods; the lowest salary of four periods is used as a base for determining the maximum allowable 8 percent increase.

Prior to January 1, 2010, retiree benefits were 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.)

In the 2010 legislative session, the general assembly set the current increase as the lesser of 2 percent or the average of monthly CPI amounts for calendar year 2009. The 2009 CPI was negative resulting in a calendar year 2010 increase of 0 percent. The 2010 legislation moved the payment date of all increases to July. New rules governing the annual increase amount will be in effect beginning January 1, 2011.

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 $279,135,000 and $277,523,000 for the years ended June 30, 2010 and 2009, respectively. Employees contribute 8 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. From January 1, 2009, through June 30, 2009, the University contributed 12.95 percent. From January 1, 2010, through June 30, 2010, the University contributed 13.85 percent. During the years ended June 30, 2009 and 2008, the University contributed a total of 12.50 percent and 11.60 percent, respectively, of the employee's gross covered wages to PERA in accordance with the following allocations and amounts detailed in Table 15, University Contributions to PERA. These contributions met the contribution requirement for each year.

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

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. At December 31, 2009, the division of PERA in which the state participates was underfunded with an amortization period of 43 years.

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.

In the 2010 legislative session, the general assembly extended both the AED and SAED. The AED will continue to increase at a rate of .4 percent of salary from calendar years 2013 through 2017. The SAED will continue to increase by one-half percentage point from calendar years 2014 through 2017. If the funding ratio reaches 103 percent, both the AED and the SAED will be reduced by one-half percentage point. Neither the AED nor the SAED may exceed 5 percent.

Table 15. University Contributions to PERA *(in thousands)*

Program	Basis	2010	2009	2008
Health Care Trust Fund	1.02% after July 1, 2004	$ 381	354	302
Defined Benefit Plan	The balance remaining	37,398	34,694	29,570
Total University Contribution		**$ 37,779**	**35,048**	**29,872**

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

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the state's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the state's administrative functions were transferred to PERA, and all cost of administration and funding are borne by the plan participants. In calendar year 2009, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $16,500. Participants who are age 50 and older may contribute an additional $5,500 for total contributions of $22,000 in 2009. At December 31, 2009, the plan had 18,007 participants.

PERA also offers a voluntary 401K plan entirely separate from the defined benefit pension plan. 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. Generally, 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, 2010 and 2009, 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, 2010 and 2009, approximated $67,803,000 and $62,890,000, respectively. The employees' contribution under the optional retirement plan approximated $33,732,000 and $31,340,000 during the years ended June 30, 2010 and 2009, 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 Social Security during the years ended June 30, 2010 and 2009.

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, 2010 and 2009. UPI's contributions for covered payroll to the retirement plan for the years ended June 30, 2010 and 2009, approximated $1,647,000 and $1,549,000, 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, 2010 and 2009, the CU Foundation's matching contributions approximated $563,000 and $636,000, 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, 2010 and 2009, CUREF's matching contributions approximated $37,000 and $33,000, respectively.

HEALTH INSURANCE PROGRAMS

The University's contributions to its various health insurance programs approximated $86,832,000 and $70,404,000 during the years ended June 30, 2010 and 2009, respectively.

NOTE 16 – SEGMENT INFORMATION

As of June 30, 2010 and 2009, the University has one segment, UPI.

UPI has identifiable activities for which UPI Variable Rate Demand bonds approximating $17,920,000 and $18,435,000 are outstanding as of June 30, 2010 and 2009, respectively. The activities of this segment include all the UC Denver School of Medicine's faculty practice plan.

Summary financial information as of and for the years ended June 30, 2010 and 2009, 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, 2010 and 2009 for the University's DPCU are presented in Table 17, DPCU Summary Financial Statements.

Table 16. Segment Financial Information *(in thousands)*

As of and for the year ended June 30	2010	2009
Condensed Statement of Net Assets		
Assets		
Current assets		
Cash and cash equivalents	$ 32,675	46,165
Short-term investments	29,146	13,796
Other current assets	46,710	44,041
Total current assets	108,531	104,002
Noncurrent assets		
Investments	9,433	102,189
Capital assets, net	36,567	9,274
Other noncurrent assets	1,821	1,874
Total noncurrent assets	132,821	113,337
Total Assets	**$ 241,352**	**217,339**
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 24,712	25,655
Bonds, leases, and notes payable	672	595
Total current liabilities	25,384	26,250
Noncurrent liabilities		
Bonds, leases, and notes payable	17,628	18,151
Total noncurrent liabilities	17,628	18,151
Total Liabilities	**$ 43,012**	**44,401**
Net Assets		
Invested in capital assets, net of related debt	$ 18,266	6,495
Unrestricted	180,074	166,443
Total Net Assets	**$ 198,340**	**172,938**
Condensed Statement of Revenues, Expenses, and Changes in Net Assets		
Operating revenues (expenses)		
Patient revenues	$ 369,391	340,163
Depreciation expense	(896)	(648)
Other operating expenses	(351,725)	(327,104)
Total operating revenues (expenses)	16,770	12,411
Nonoperating revenues (expenses)		
Investment income	11,264	29,560
Interest expense on capital asset-related debt	(34)	(407)
Other nonoperating expenses	(2,598)	(1,019)
Total nonoperating revenues (expenses)	8,632	28,134
Increase in Net Assets	**25,402**	**40,545**
Net Assets, beginning of year	172,938	132,393
Net Assets, end of year	**$ 198,340**	**172,938**
Condensed Statement of Cash Flows		
Net cash flows provided by (used for)		
Operating activities	$ 14,054	21,889
Non-capital financing activities	(2,598)	(1,019)
Capital and related financing activities	(28,650)	29,449
Investing activities	3,704	(41,847)
Net Increase (Decrease) in Cash and Cash Equivalents	**(13,490)**	**8,472**
Cash and Cash Equivalents, Beginning of Year	46,165	37,693
Cash and Cash Equivalents, End of Year	**$ 32,675**	**46,165**

Table 17. DPCU Summary Financial Statements *(in thousands)*

Condensed Statement of Net Assets	As of and for the year ended June 30, 2010			
	Coleman Foundation	CU Foundation	CUREF	Total
Assets				
Current assets				
Cash and cash equivalents	$ 53	27,169	7,099	34,321
Short-term investments	–	–	2,011	2,011
Accounts and contributions receivable, net	–	16,362	215	16,577
Other current assets	–	2,017	115	2,132
Total current assets	53	45,548	9,440	55,041
Noncurrent assets				
Investments	–	928,048	5,165	933,213
Assest held under split-interest agreements	–	53,570	–	53,570
Contributions receivable, net	–	34,321	1,753	36,074
Other assets	–	–	6,238	6,238
Capital assets, net	–	3,124	62,831	65,955
Total noncurrent assets	–	1,019,063	75,987	1,095,050
Total Assets	**$ 53**	**1,064,611**	**85,427**	**1,150,091**
Liabilities				
Current liabilities				
Accounts payable	$ –	1,870	838	2,708
Accounts payable–University	–	3,680	–	3,680
Deferred revenue	–	469	861	1,330
Bonds, leases, and notes payable	–	598	199	797
Split-interest agreements	–	3,397	–	3,397
Custodial funds	–	6,780	–	6,780
Total current liabilities	–	16,794	1,898	18,692
Noncurrent liabilities				
Bonds, leases, and notes payable	–	2,746	68,499	71,245
Split-interest agreements	–	17,594	–	17,594
Custodial funds	–	199,255	–	199,255
Other liabilities	–	1,855	28	1,883
Total noncurrent liabilities	–	221,450	68,527	289,977
Total Liabilities	**$ –**	**238,244**	**70,425**	**308,669**
Net Assets				
Invested in capital assets, net of related debt	$ –	(220)	303	83
Restricted for nonexpendable purposes	–	302,990	–	302,990
Restricted for expendable purposes	–	467,478	3,953	471,431
Unrestricted	53	56,119	10,746	66,918
Total Net Assets	**$ 53**	**826,367**	**15,002**	**841,422**
Statement of Revenues, Expenses, and Changes in Net Assets				
Operating revenues				
Contributions	$ 944	88,273	263	89,480
University support	–	5,100	–	5,100
Other revenue	15	3,725	9,523	13,263
Total operating revenues	959	97,098	9,786	107,843
Operating expenses				
Institutional support				
Gifts and income distributed to University and related parties	959	70,682	565	72,206
Other program services	–	7,631	5,812	13,443
Support services	4	11,997	580	12,581
Depreciation and amortization	–	756	2,496	3,252
Total operating expenses	963	91,066	9,453	101,482
Operating Income (Loss)	**(4)**	**6,032**	**333**	**6,361**
Nonoperating revenues (expenses)				
Investment income	–	80,156	288	80,444
Interest expense on capital asset-related debt	–	(410)	(4,009)	(4,419)
Increase (Decrease) in Net Assets	**(4)**	**85,778**	**(3,388)**	**82,386**
Net Assets, Beginning of Year	57	740,589	18,390	759,036
Net Assets, End of Year	**$ 53**	**826,367**	**15,002**	**841,422**

Table 17 (continued). 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	7,852	37,489
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	9,725	63,940
Noncurrent assets				
Investments	–	825,880	5,165	831,045
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	82,019	991,723
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, leases, and notes 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, leases, and notes 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	6,461	15,698
Support services	3	12,678	550	13,231
Depreciation and amortization	–	747	2,459	3,206
Total operating expenses	1,003	85,851	9,955	96,809
Operating Income (Loss)	**(3)**	**18,060**	**296**	**18,353**
Nonoperating revenues (expenses)				
Investment income (loss)	1	(108,752)	379	(108,372)
Interest expense on capital asset-related debt	–	(545)	(4,012)	(4,557)
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**

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, 2010 and 2009, 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, 2010 and 2009, were approximately $960,000 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, 2010 and 2009, this related endowment was valued at approximately $10,315,000 and $9,657,000, respectively.

UNIVERSITY OF COLORADO FOUNDATION

Distributions made by the CU Foundation to the University during the years ended June 30, 2010 and 2009, were approximately $63,453,000 and $61,749,000, 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, 2010 and 2009, the University has recorded an accounts receivable from the CU Foundation of $10,506,000 and $8,858,000, respectively. As of June 30, 2010 and 2009, the University recorded an accounts payable to the CU Foundation of $51,000 and $340,000, respectively. Beginning July 1, 2007, the University also contracts with the CU Foundation to manage a portion of its investments. As of June 30, 2010 and 2009, respectively, $88,609,000 and $79,879,000 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 $107,047,000 and $99,085,000 as of June 30, 2010 and 2009, respectively. The CU Foundation retained an investment management fee equal to one percent. The University pays a fee to the CU Foundation for development services approximating $5,100,000 and $7,600,000 during the years ended June 30, 2010 and 2009, respectively.

THE UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION

For the years ended June 30, 2010 and 2009, CUREF distributed approximately $565,000 and $485,000, 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 for or as of June 30, 2010 and 2009.

CUREF has a long-term agreement with the University to rent portions of a building owned by CUREF. For the years ended June 30, 2010 and 2009, the University paid approximately $1,200,000 and $1,232,000, respectively, in rent of which approximately $177,000 and $202,000 were prepaid at June 30, 2010 and 2009, respectively, to CUREF, which recognized an equal amount of other operating revenues.

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 $31,674,000 and $30,320,000 for years ended June 30, 2010 and 2009, respectively. Total payments issued by UC Denver to the Hospital Authority for the years ended June 30, 2010 and 2009 approximated $10,822,000 and $10,071,000, respectively.

During the years ended June 30, 2010 and 2009, UPI recognized approximately $26,757,000 and $25,755,000, respectively, in health services revenue from the Hospital Authority in support of clinical and academic missions. UPI also received approximately $24,381,000 and $24,342,000 during the years ended June 30, 2010 and 2009, 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 $946,000 and $623,000 in dividends from TriWest during the years ended June 30, 2010 and 2009, 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

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, 2010 and 2009, the University incurred expenses related to the common facilities approximating $7,684,000 and $9,247,000, 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. In addition, Auraria acquired land and UC Denver entered into a second site lease of $1,974,000 as a share of the cost of this land. As of June 30, 2010, and 2009, the University paid base rent of approximately $1,085,000 and $679,000 to AHEC and the University had underlying gross capitalized assets costing approximately $10,272,000 and $8,721,000, respectively.

UNIVERSITY OF COLORADO HEALTH AND WELFARE TRUST

The Trust was formed June 28, 2010. Trust members are the University, the Hospital Authority, and UPI. The purpose of the Trust is to provide healthcare benefits to the employees of the Trust members on a self-insured basis effective July 1, 2010. The University does not have financial accountability over the Trust. As of June 30, 2010, immaterial amounts of funds had been placed in the Trust. No other financial activity occurred prior to June 30, 2010.

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 $135,926,000 and $97,159,000, as of June 30, 2010 and 2009, respectively. These additions will be funded or financed by donor contributions, appropriations from the State, issuance of revenue bonds, and other financings. As of June 30, 2010 and 2009, the amount of capital construction appropriations authorized from the State for these projects approximated $61,065,000 and $26,094,000, respectively.

The University vacated UC Denver's 9th Avenue and Colorado Boulevard campus location in February 2009 in connection with its relocation to the AMC 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, the University recorded a $1,349,000 liability as an other current liability in the accompanying financial statements for the anticipated cost of resolving these commitments. As of June 30, 2010, there were no outstanding remediation obligations as all buildings and site remediation had been completed.

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, as well as significant repayments for patient services previously billed. UPI management believes that UPI is in substantial compliance with fraud and abuse statutes as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

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

NOTE 20 – SUBSEQUENT EVENTS

During June 2010, CU-Boulder elected to end its affiliation with the Big 12 Conference and join the PAC-10 Conference. On September 21, 2010, the Regents voted unanimously to approve an agreement with the Big 12 Conference to join the PAC-10 Conference in 2011, thus exiting the Big 12 Conference one year before the end of the contract period. As part of the agreement, the University will forego $6,863,000 in distributions from the Big 12 Conference. As the University is foregoing distributions, no liability is recorded as of June 30, 2010.

On October 28, 2010, the University issued $96,790,000 of fixed rate coupon revenue bonds, which provided new funds of $39,885,000 and $56,905,000 towards refinancing. The Tax Exempt bonds of $56,905,000 bear interest rates from 2 to 5 percent, the Direct Payment Build America bonds of $35,510,000 bear interest rates of 0.755 to 5.601 percent, and the Direct Payment Qualified Energy Conservation Bonds of $4,375,000 bear interest rates of 1.155 to 5.601 percent. The proceeds will be used to:

- refinance existing debt
- purchase and remodel property in Boulder
- add usable space to AMC Dental and Pharmacy facilities
- exercise purchase option and expand production capacity on the CUP at AMC
- make energy conservation improvements on two research facilities at AMC
- pay for capitalized interest and closing costs

The revenue bonds all have fixed rate coupons, and the sources of funds to repay the new refunding bonds are the same as the previous debt. For the new money projects, repayment will be from overhead charged to sponsored research, in addition to user fees charged for the CUP refinancing and expansion.

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, Senior Vice President 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
Jerry Wartgow, Interim Chancellor, University of Colorado Denver
Lilly Marks, Vice President for Health Affairs, University of Colorado, and Executive Vice Chancellor, Anschutz Medical Campus

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 D. Burnett, Vice Chancellor for Administration and Finance, University of Colorado at Colorado Springs
Jeff Parker, Vice Chancellor for Administration and Finance, University of Colorado Denver
Steven D. McNally, Associate Vice Chancellor for Budget and Finance/Controller, University of Colorado at Boulder
Kim Huber, Interim Associate Vice Chancellor for Finance and Administration, University of Colorado Denver
Julie Brewster, Controller, University of Colorado at Colorado Springs

Officers and staff as of November 2010

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

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.

Printed on recycled paper