2012

Annual Financial Report

University of Colorado

Boulder | Colorado Springs | Denver | Anschutz Medical Campus

The University of Colorado Board of Regents, November 2012

The University of Colorado Board of Regents (back row, left to right): Joseph Neguse, Tilman "Tillie" Bishop, James E. Geddes, Steve Bosley, Stephen Ludwig; (front row, left to right): Irene Griego, Michael Carrigan (Chair), Kyle Hybl, and Sue Sharkey (Vice Chair).
Photo by Glenn Asakawa, University Communications, University of Colorado Boulder.

FROM THE PRESIDENT

The University of Colorado is efficient and creative in its operations. Although the state's economic recovery has been slow, the University is well positioned because of its dedication to finding innovative ways to continue and enhance operations. As this report shows, our primary funding streams—with the exception of state funding—have held steady, and even grown.

Net increases during a period of declining budgets are an indicator of diligent planning on the part of University management to address current funding restrictions, as well as projected cutbacks. For the year that ended June 30, 2012, the University's net position increased by nearly $167 million. We are in this position because we have taken active steps to ensure the financial health of the University.

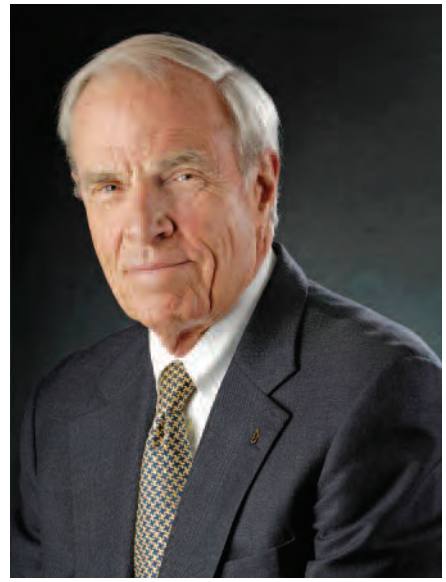
Research funding from federal sources remains strong. Fundraising, including our $1.5 billion Creating Futures campaign, is at record levels. Our auxiliary enterprises (housing, parking, etc.) are healthy. Student enrollments are steady. We have secured legislation in recent sessions of the Colorado General Assembly that allows us to operate more efficiently and effectively—our administrative overhead is 44 percent lower than our peers. We have made strategic reductions and have grown revenues in select areas. And we have successfully pursued operational efficiencies that are driven by suggestions from our staff and faculty.

Our financial health is critical to ensuring that we meet our obligation to serve our students, state and nation. Accountability is important to the University and we will continue to share our progress in reports such as this and online at www.cu.edu/accountability.

Sincerely,

Bruce D. Benson

President



CliftonLarsonAllen LLP
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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 years ended June 30, 2012 and 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2012 and 2011 financial statements of University Physicians, Inc. (UPI) a blended component unit, which represents approximately 6%, 8%, and 15%, respectively, of the assets, net position, and revenues of the business-type activities of the University for 2012 and 2011. In addition, we did not audit the 2012 and 2011 financial statements of the University of Colorado Foundation (CU Foundation) and the University of Colorado Real Estate Foundation (CUREF), which represent 100% of the assets, net position, and revenues of the aggregate discretely presented component units for 2012 and 2011. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for UPI, CU Foundation, and CUREF, are based on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the CU Foundation and CUREF, discretely presented component units, and UPI, a blended component unit, were not audited in accordance with *Government Auditing Standards.* An audit includes 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 audits and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits 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, 2012 and 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the years 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 13, 2012 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 and the Funding Status of Postemployment Benefits and the Alternate Medicare Plan on page 54 be presented to supplement the basic financial statements. Such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
November 13, 2012

Management is 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, accountable, and transparent manner. It provides an analysis of the University's position and results of operations for the years ended June 30, 2012 and 2011 (Fiscal Year 2012 and 2011, respectively), with comparative information for the year ended June 30, 2010. 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 Position present the assets, liabilities, and net position of the University at a point in time (June 30, 2012 and 2011). 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 position and the availability of assets for expenditure by the University.

Statements of Revenues, Expenses, and Changes in Net Position present the total revenues and expenses of the University for operating, nonoperating, and other undertakings during the fiscal years ended June 30, 2012 and 2011. Their purpose is to assess the University's operating and nonoperating activities.

Statements of Cash Flows present cash receipts and payments of the University during the fiscal years ended June 30, 2012 and 2011. 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 the Alternate Medicare Plan, as well as this management's discussion and analysis.

It is important to 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). Additional information may be obtained at the University's Accountability Data Center (see www.cu.edu/accountability).

FINANCIAL HIGHLIGHTS

Increases in net position during a period of declining budgets are one indicator of concerted planning on the part of University management to address previous and anticipated future funding reductions. For each of the two past fiscal years, the University has managed to increase its net position. The University's net position increased by $166,801,000 for the year ended June 30, 2012.

Selected financial highlights for the fiscal year ended June 30, 2012 include:

- University assets total $4,837,078,000 with liabilities of $2,024,618,000 resulting in net position of $2,812,460,000. Of this amount, $1,473,009,000 is the net investment in capital assets, $32,861,000 is restricted for nonexpendable purposes meaning only the earnings on the related investments may be used for purposes dictated by the resource provider, and $379,820,000 is restricted for purposes for which the donor, grantor, or other external party intended. The remaining $926,770,000 is available to be used to meet the University's ongoing financial obligations.
- The significant factors impacting the increase in net position include increases in student tuition and fee revenue due to increased enrollment and rates, increases in auxiliary revenue due to the new C4C dining hall on the Boulder campus being online for the entire year combined with an increase in the amount of student housing available, an increase in gifts and capital gifts received by the University (for example $14,412,000 was received for the Health and Wellness Center at the University of Colorado Anschutz Medical Campus), and increases in net health services revenue from University Physicians Inc. (UPI), a blended component unit.
- In total, operating revenues increased approximately 4.0 percent in Fiscal Year 2012 while operating expenses increased 3.6 percent. For comparative purposes, operating revenues increased 11.9 percent in Fiscal Year 2011 while operating expenses increased 9.3 percent. The University increased its primary revenue streams at a greater rate than the increase in operating expenses for both fiscal years. This is in direct response to continuing declines in State funding and University management's long-term plan to address the issue through a combination of revenue enhancements and ongoing cost containment. Figure 1 demonstrates the six-year trend in State support. In Fiscal Years 2011, 2010, and 2009 the University also received State Fiscal Stabilization Funds (SFSF) of $10,910,000, $120,888,000, and $49,995,000, respectively, from the federal government to make up for the cuts to State funding. No such funding was available in Fiscal Year 2012 and no further funding of this type is expected.

Figure 1. Summary of College Opportunity Fund (COF) Stipend, Fee-for-service, and State Fiscal Stabilization Funds (SFSF) as of June 30, 2007–2012 (in thousands)

State Support		2012	2011	2010	2009	2008	2007
COF stipend	$	50,246	50,617	38,073	57,164	73,651	70,550
Fee-for-service		95,530	130,939	50,138	101,940	121,334	108,782
Total State Support	**$**	**145,776**	**181,556**	**88,211**	**159,104**	**194,985**	**179,332**
SFSF		–	10,910	120,888	49,995	–	–
Total State Support and SFSF	**$**	**145,776**	**192,466**	**209,099**	**209,099**	**194,985**	**179,332**

On February 17, 2009, the American Recovery and Reinvestment Act (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 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. The change in SFSF received is the result of the timing of distributions of funding from the federal stimulus program. 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.

STATEMENT OF NET POSITION

Figure 2 illustrates the University's summary of net position and demonstrates that the University has positioned itself for the current economic environment and related anticipated budget constraints through its fiscal decisions made at the beginning of the economic downturn several years ago. The mix of assets, liabilities, and net position 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 noncapital assets and other liabilities.

The University's investments were $1,837,958,000 and $1,534,239,000 at June 30, 2012 and 2011, respectively, representing an increase of $303,719,000. 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. The increase in investments in Fiscal Year 2012 is due primarily to $238,246,000 of unspent construction funds invested, compared to $67,441,000 at the end of Fiscal Year 2011, an increase in net position of $166,801,000 (resulting in additional funds available for investment) in addition to normal fluctuations in balances such as changes in fair value and reallocation between funds held in cash versus those invested.

The University's investments increased $82,570,000, from $1,451,669,000 in Fiscal Year 2010 to $1,534,239,000 in Fiscal Year 2011. The increase is the result of unrealized gains on investments of $97,189,000 during Fiscal Year 2011, an increase in net position of $260,996,000 (resulting in additional funds available for investment) offset by a decline in unspent bond proceeds of $110,790,000 and other normal fluctuations.

The increase in net accounts and loans receivable from Fiscal Year 2011 to Fiscal Year 2012 of $16,070,000 is due to increases in tuition and fee revenue increasing student accounts receivable, increases in private sponsors funding of grant spending, and

Figure 2. Summary of Assets, Liabilities, and Net Position as of June 30, 2012, 2011, and 2010 (in thousands)

		2012	2011	2010
Assets				
Current assets	$	502,781	612,267	522,133
Noncurrent, noncapital assets		1,723,700	1,306,694	1,249,412
Net capital assets		2,610,597	2,534,573	2,331,983
Total Assets		**4,837,078**	**4,453,534**	**4,103,528**
Liabilities				
Current liabilities		489,815	463,370	452,790
Noncurrent liabilities		1,534,803	1,344,505	1,266,075
Total Liabilities		**2,024,618**	**1,807,875**	**1,718,865**
Net Position				
Net investment in capital assets		1,473,009	1,441,393	1,351,486
Restricted for nonexpendable purposes		32,861	31,924	46,127
Restricted for expendable purposes		379,820	342,163	303,706
Unrestricted		926,770	830,179	683,344
Total Net Position		**2,812,460**	**2,645,659**	**2,384,663**
Total Net Position and Liabilities	**$**	**4,837,078**	**4,453,534**	**4,103,528**

Figure 3. Composition of Non-debt-related Liabilities as of June 30, 2012, 2011, and 2010 (in thousands)

		2012	2011	2010
Accounts payable	$	71,468	63,751	69,997
Accrued expenses		178,190	170,520	170,168
Compensated absences		143,471	132,123	123,613
Other postemployment benefits		131,508	105,563	33,022
Unearned revenue		114,978	120,897	121,526
Alternate medicare plan		5,200	4,100	–
Early retirement incentive program		7,973	8,978	–
Risk financing		17,078	16,394	17,471
Construction contract retainage		4,367	11,391	9,822
Funds held for others		15,948	17,052	14,765
Miscellaneous liabilities		5,682	4,620	5,728
Total Non-debt-related Liabilities	**$**	**695,863**	**655,389**	**566,112**

increases in health services revenue increasing patient accounts receivable.

The increase in net accounts and loans receivable from Fiscal Year 2010 to Fiscal Year 2011 of $30,521,000 is driven by the increase in amounts receivable from the federal government of $14,470,000, which is due in part to the additional research funding received from the federal government under ARRA. The overall increase is also due in part to increases in student accounts receivable of $6,679,000 related to increased tuition and fee rates and enrollment, an increase of $5,850,000 due from component units related to timing issues, and an increase in patient receivables related to increased volume in services provided at UPI. Amounts due from private sponsors increased $6,711,000 related to timing issues.

Inventories increased by $9,216,000 between 2011 and 2012 due to the addition of a cord blood bank inventory at the University of Colorado Anschutz Medical Campus.

The University's non-debt-related liabilities are $695,863,000 and $655,389,000 at June 30, 2012, and 2011, respectively. These liabilities are comprised of amounts categorized in Figure 3.

The largest categories of non-debt-related liabilities are accrued expenses, compensated absences, other postemployment benefits (OPEB), and unearned revenue. Accrued expenses primarily represent salaries and benefits earned by University employees, primarily for June payroll, but not paid as of fiscal year end. This balance will vary depending upon the timing of payment of bi-weekly payrolls.

Compensated absences and OPEB 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 other postemployment benefits to which each employee may be entitled (Note 1). Compensated absences typically increase year-over-year as employees accrue additional vacation days and salaries change.

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 current actuary, is $343,144,000 as of July 1, 2012, and July 1, 2011 (the University has elected to perform an actuarial analysis every two years as allowed for under accounting principles). 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 currently reflected in the financial statements and is therefore not included in Figure 3. 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. As noted in Figure 3, the liability required to be reported in the financial statements totaled $131,508,000 in Fiscal Year 2012, an increase of $25,945,000. This increase is primarily due to the annual required contribution of $40,717,000 (which is unfunded) offset by pay-as-you-go amounts of approximately $10,805,000. The remaining increase is detailed in Table 7.2.

In Fiscal Year 2011, the OPEB liability increased by $72,541,000, primarily due to the recognition of the healthcare trend rate in the actuarially-determined postemployment liability calculation and a decrease in the discount rate utilized to calculate the actuarial liability from 5.0 percent to 4.5 percent. Prior to the actuarial valuation as of July 1, 2010, a healthcare trend rate was disclosed in the actuarial report, but was not utilized in the determination of the actuarial accrued liability or in the net OPEB liability. This oversight was corrected in the Fiscal Year 2011 financial statements. The discount rate was lowered to be in line with the University's actual long-term rate of return.

Unearned revenue represents amounts paid by students, auxiliary enterprise customers, grantors, and contractors, for which 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 unearned revenue balance fluctuates from year to year depending on factors such as first day of classes and the rate of spending on grants and contracts in which payment has been received in advance.

The University's net position may have restrictions imposed by external parties, such as donors, or by their nature are invested in capital assets (property, plant, and equipment) and are therefore not available for expenditure or debt repayment. To help understand these

Figure 4. Summary of Revenues, Expenses, and Changes in Net Position for Years Ended June 30, 2012, 2011, and 2010 (in thousands)

	2012	2011	2010
Operating revenues	$ 2,517,634	2,420,456	2,163,732
Operating expenses	2,586,986	2,496,981	2,285,433
Operating Loss	**(69,352)**	**(76,525)**	**(121,701)**
Nonoperating revenues (net of expenses)	168,987	279,878	338,554
Income Before Other Revenues	**99,635**	**203,353**	**216,853**
Other revenues	67,166	57,643	38,136
Increase in Net Position	**166,801**	**260,996**	**254,989**
Net Position, beginning of year	2,645,659	2,384,663	2,129,674
Net Position, End of Year	**$ 2,812,460**	**2,645,659**	**2,384,663**

restrictions, the University's net position is shown in four categories, as displayed in Figure 2.

A portion of net position is restricted for either expendable or nonexpendable purposes. This portion is then more specifically delineated by programmatic restrictions. The programmatic category of the restriction is shown on the statement of net position. 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 position, as defined by GAAP, is 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 position for certain purposes in keeping with management's plans to conserve resources in the current budgetary environment (Note 11).

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Figure 4 illustrates the University's summary of revenues, expenses, and changes in net position. 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/expenses include items determined to not fall in the operating category. Federal Pell Grant revenue of $44,146,000 in Fiscal Year 2012, $46,280,000 in Fiscal Year 2011, and $40,139,000 in Fiscal Year 2010 was required to be reported as nonoperating beginning in Fiscal Year 2010.

Figure 5 provides an illustration of gross operating and nonoperating revenues by major sources excluding capital-related revenues. These sources include both State-appropriated and non-appropriated funds (Note 12). In Fiscal Year 2012, appropriated funds primarily include State stipends, fee-for-service contract revenues, and

Figure 5. Operating and Nonoperating Revenues (Excluding Capital) for Years Ended June 30, 2012, 2011, and 2010 (in thousands)

	2012	2011	2010
Operating Revenues			
Student tuition and fees, net	$ 747,128	694,477	641,478
Fee-for-service contracts	95,530	130,939	50,138
Grants and contracts	796,527	791,995	734,913
Sales and services of educational departments	153,063	151,164	138,683
Auxiliary enterprises, net	192,365	180,892	179,811
Health services	478,461	422,491	375,345
Other operating	54,560	48,498	43,364
Total Operating Revenues	**2,517,634**	**2,420,456**	**2,163,732**
Nonoperating Revenues			
Federal Pell Grant	44,146	46,280	40,139
State appropriations	14,365	15,674	17,150
Gifts	103,129	89,544	87,951
Investment income, net	24,581	133,665	103,486
Royalty income, net	24,178	3,037	2,465
State fiscal stabilization funds	–	10,910	120,888
Other nonoperating, net	6,294	4,565	6,771
Total Nonoperating Revenues	**216,693**	**303,675**	**378,850**
Total Noncapital Revenues	**$ 2,734,327**	**2,724,131**	**2,542,582**

tobacco litigation settlement monies. The Fiscal Year 2012 State budget specifically excluded student tuition and fees from appropriated funds. In Fiscal Years 2011 and 2010, the student's share of tuition and certain academic fees were appropriated. 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, 2012 and 2011, the University believes it has met all requirements of TABOR enterprise status (Note 12). The amount of State grants received by the University was 1.11 percent and 1.04 percent during the Fiscal Years ended June 30, 2012 and 2011, 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.

The University experienced increases in all operating revenue sources in Fiscal Year 2012 except for state funded fee-for-service contract revenue and state and local grants and contracts. The increase in tuition and fee revenue for both Fiscal Year 2012 and 2011 reflects a combination of increased enrollment and rate increases. In Fiscal Year 2012, approved tuition rates increased 9.4 percent at the University of Colorado Boulder, 7.0 percent at the University of Colorado Colorado Springs, and 9.0 percent at the University of Colorado Denver; in Fiscal Year 2011 the increases were 8.9 percent, 7.2 percent, and 8.8 percent, respectively. At the University of Colorado Anschutz Medical Campus the increase to approved tuition rates ranged from 3.0 percent to 15.0 percent in Fiscal Year 2012 and from 3.0 percent to 9.0 percent in Fiscal Year 2011. The College Opportunity Fund (COF) provides stipends to qualified undergraduate students; the receiving students then use the stipends to pay a portion of their tuition. In Fiscal Years 2012 and 2011, the University applied $50,246,000 and $50,617,000, respectively, of COF stipends against student tuition bills (these amounts are included in tuition revenues). Fee-for-service revenue from the State decreased $35,409,000 between Fiscal Year 2011 and 2012 due to State budget cuts. Fee-for-service revenue increased $80,801,000 from Fiscal Year 2010 to Fiscal Year 2011 primarily due to the phasing out of the federally-funded SFSF which totaled $120,888,000 in Fiscal Year 2010 and $10,910,000 in Fiscal Year 2011. As noted above, the University received no federally-funded SFSF in Fiscal Year 2012 and is not expected to receive additional funding under this program in the future.

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 83 percent of total grants and contract revenue for both Fiscal Year 2012 and Fiscal Year 2011. These funds can only be used for the purpose given and have increased in both Fiscal Years 2012 and 2011 as a result of general overall growth in research funds received and funds received under ARRA. These also provide necessary funding for the administrative functions and facilities that support the grants through the facilities and administrative reimbursement. In Fiscal Years 2012 and 2011, the University received $166,230,000 and $165,888,000, 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 2012 and 2011, such reimbursements represented 56 percent and 61 percent of its pledged revenues, respectively, thus creating a reliance on continued federal research funding.

The increase in sales and services of educational departments of $12,481,000 from Fiscal Year 2010 to 2011 is primarily due to increased operations in Hemophilia and Graduate Medical Education.

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, and increased dining and on-campus housing units.

The majority of health services revenue includes medical practice plan revenues earned through UPI (Notes 1 and 16), which has experienced continued clinical growth over the last three years.

The decrease in Federal Pell funding from Fiscal Year 2011 to Fiscal Year 2012 is due to a change in federal regulations. Beginning in the 2011-2012 award year, a student could no longer have a second Pell grant award during the year. The increase in Federal Pell funding from Fiscal Year 2010 to Fiscal Year 2011 is due to a combination of increased enrollment, and an increase in the number of students eligible for Pell grants due to economic conditions.

The University received $14,365,000 and $15,674,000 in Fiscal Year 2012 and Fiscal Year 2011, respectively, in State appropriations funded by State of Colorado tobacco litigation settlement monies.

Gifts increased $13,585,000, or approximately 15 percent, between Fiscal Year 2011 and Fiscal Year 2012. Gifts include amounts received through distributions from the University's supporting foundations and amounts received directly by the University. The change is due to an increase in overall donor gifts coupled with additional funding received from the Foundation.

Investment income is subject to inherent variability due to the requirement to record the majority of investments at fair value. Investment income decreased from $133,665,000 in Fiscal Year 2011 to $24,581,000 in Fiscal Year 2012 mainly due to changes in the fair value of investments. In Fiscal Year 2012, the University's unrealized gains on investments (the difference between the investment's fair value and cost basis) decreased $18,268,000. In Fiscal Year 2011, investment income increased from $103,486,000 in Fiscal Year 2010 to $133,665,000 as unrealized gains on investments increased to $97,189,000 from $68,106,000 in the prior year.

Royalty income increased by $21,141,000 between Fiscal Year 2011 and Fiscal Year 2012 due to the sale of certain royalty rights to a third party.

Figure 6. Capital Revenues for Years Ended June 30, 2012, 2011, and 2010 (in thousands)

	2012	2011	2010
Capital contributions from the State	$ 1,383	4,130	12,199
Capital student fee (net)	9,879	10,144	10,385
Capital appropriations	1,677	2,399	8,792
Capital grants and gifts	54,160	40,901	6,753
Gain (loss) on disposal of capital assets	(983)	18,471	791
Total Capital Revenues	**$ 66,116**	**76,045**	**38,920**

In addition to operating and nonoperating revenues, the University had capital revenues in the amounts depicted in Figure 6. As a result of construction and renovation of certain buildings, the University recognized capital contributions from the State of $1,383,000 and $4,130,000 in Fiscal Year 2012 and 2011, respectively. These capital contributions are related to certificates of participation issued by the State to finance construction and renovation.

The University also received additional appropriations from the State of $1,677,000 in Fiscal Year 2012 compared to $2,399,000 in Fiscal Year 2011. These monies are used for various controlled maintenance and other capital construction activity and fluctuate year to year based on the State budget.

Capital grants and gifts increased $13,259,000 in Fiscal Year 2012 due to the Health and Wellness Center at the CU Anschutz Medical Campus, in addition to continued ARRA funding for building construction on the Boulder campus. In Fiscal Year 2011, capital grants and gifts increased $34,148,000 due to ARRA funding on the Biotechnology building and the JILA building extension, private gifts on ATLAS and C4C buildings and the Alsam Foundation gifts for the Pharmaceutical Research building.

The loss on disposal of capital assets in Fiscal Year 2012 is primarily due to the move of University Information Services (UIS) from Boulder to Grant Street in Denver. The gain on disposal of capital assets in Fiscal Year 2011 is due to the sale of the Given Institute Building and the North Pavilion Building.

The programmatic uses of resources are displayed in Figure 7 and demonstrate that the focus is basically unchanged over the past three fiscal years. Total educational and general programs overall have grown by 3 percent and 7 percent in Fiscal Year 2012 and Fiscal Year 2011, respectively, due to increases in instruction and research. The increase in academic, institutional, and plant support is related to the increases in instruction and research. Cost management measures in place for the past several fiscal years were continued and expanded in Fiscal Year 2012 as State budget cuts have impacted the University's operations. In implementing these measures the focus is more on targeted decreases in support and other services in planning for anticipated cuts in State funding in the next few years to minimize the impact on instruction.

Research has continued to increase due to one-time 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 revenue as a scholarship allowance (Note 13). The University's scholarship allowance was $140,418,000 and $137,037,000 in Fiscal Year 2012 and Fiscal Year 2011, respectively.

The decrease in auxiliary enterprises expenses from Fiscal Year 2011 to Fiscal Year 2012 is due to the nonrecurring nature of expenses associated with the change from the Big 12 Conference to the PAC 12 Conference and other one-time expenses that took place during Fiscal Year 2011. The increase in auxiliary enterprises expenses from Fiscal Year 2010 to Fiscal Year 2011 is related to the expansion of housing operations and other student auxiliary operations as student enrollment grows (these are ongoing expenses) and one-time expenses associated with the change from the Big 12 Conference to the PAC 12 Conference and other one-time athletic related expenses incurred in Fiscal Year 2011.

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 ASSETS AND DEBT MANAGEMENT

The University had $4,216,701,000 and $4,003,658,000 of plant, property, and equipment at June 30, 2012 and 2011, respectively, offset by accumulated depreciation of $1,606,104,000 and $1,469,085,000, respectively. The major categories of plant, property, and equipment at June 30, 2012 and 2011 are displayed in Figure 8. Related depreciation charges of $153,680,000 and $140,025,000 were recognized in the Fiscal Years 2012 and 2011, respectively. Detailed financial activity related to the changes in capi-

Figure 7. Expense Program Categories for Years Ended June 30, 2012, 2011, and 2010 (in thousands)

	2012	2011	2010
Instruction	$ 739,061	716,349	676,943
Research	530,198	529,463	467,343
Public service	89,103	94,954	88,549
Academic, institutional, and plant support	381,017	349,445	330,827
Student aid and other services	104,931	98,268	103,845
Total Education and General	**1,844,310**	**1,788,479**	**1,667,507**
Depreciation	153,680	140,025	124,313
Auxiliary enterprises	147,900	159,274	149,720
Health services	441,096	409,203	343,893
Total Operating Expenses	**$ 2,586,986**	**2,496,981**	**2,285,433**

Figure 8. Capital Asset Categories (before depreciation) for Years Ended June 30, 2012, 2011, and 2010 (in thousands)

	2012	2011	2010
Land	$ 58,393	57,641	57,369
Construction in progress	114,160	301,193	307,184
Buildings and improvements	3,177,665	2,824,189	2,559,570
Equipment	471,791	442,025	425,437
Software	63,017	62,926	33,917
Other intangibles	1,910	–	–
Library and other collections	329,765	315,684	303,829
Total Capital Assets (gross)	**$ 4,216,701**	**4,003,658**	**3,687,306**

Figure 9. Current Construction Projects as of June 30, 2012 (in thousands)

Campus/Project Description	Financing Sources	Value*
CU-Boulder:		
Housing Kittredge Central Projects	Bond proceeds and campus cash resources	$ 37,250
Housing Kittredge West Renovation	Bond proceeds	22,800
Housing Baker Hall Renovation	Bond proceeds	41,300
Recreation Facilities Improvements	Bond proceeds	63,500
Housing Stearns Hall Improvements	Campus cash	5,900
Campus Utility System	Bond proceeds and campus cash resources	91,100
Housing Willard Super Ramp	Campus cash	7,175
Stadium Upgrades Video Boards	Campus cash	7,000
Jennie Smoly Caruthers Biotechnology Building	Governmental grants and contracts, bond proceeds, and campus cash resources	163,100
Geosciences Building	Bond proceeds and campus cash resources	100,000
CU Denver:		
CU Anschutz Medical Campus Center for BioEthics and Humanities, new building	Private gifts	8,255
1475 Lawrence Court Remodel	Campus cash resources	20,403
AHEC Academic Building 1 and Backfill Renovation	Bond proceeds, private gifts, and campus cash resources	65,821
UCCS:		
Lane Medical Center	Bond proceeds, private gifts, and campus resources	18,500
Summit Village Expansion	Bond proceeds	17,500

* Value represents budgeted costs for project in thousands

tal assets is presented in Note 5. Figure 9 details the University's current construction commitments.

During Fiscal Year 2012, the University issued $377,875,000 in revenue bonds. Of this amount, $174,450,000 was used to refund previously issued debt and $203,425,000 was issued to fund the following University of Colorado Boulder projects: Heating and Cooling Complex, Student Recreation Center, Kittredge West, and the Kittredge Central, along with the following University of Colorado Colorado Springs projects: Summit Village Expansion and the Academic Health Sciences Center (AHSC). These bonds are special limited obligations of the University, payable solely from net revenues, as defined.

At June 30, 2012 and 2011, the University had debt (or similar long-term obligations) of $1,328,755,000 and $1,152,486,000, respectively, in the categories illustrated in Figure 10. 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 to ensure the 7-percent limit currently established by the Regents is not exceeded. 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–, Aa2, and AA+ (Standard & Poor's, Moody's, and Fitch, respectively).

Figure 10. Debt Categories for Years Ended June 30, 2012, 2011, and 2010 (in thousands)

	2012	2011	2010
Revenue bonds	$ 1,311,015	1,134,996	1,098,748
Capital leases	17,740	17,490	54,005
Total Long-term Debt	**$ 1,328,755**	**1,152,486**	**1,152,753**

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Public institutions continue to face a great deal of uncertainty as the nation deals with the ongoing effects of the 2008 financial crisis. A recent study conducted by the University of Denver states that funding for higher education in Colorado could face elimination within the next decade due to the various competing priorities in the State budget. The University has been taking actions to adjust for changes in the uncertain economic environment. Student enrollment, tuition revenue, sponsored research, auxiliary revenues, and private support have all increased over the prior year while cost containment and increasing efficiencies continue to be a significant focus.

Economic challenges will continue in Fiscal Year 2013. State revenues are not increasing at the same rate as statewide Medicaid caseload or K-12 enrollment growth. State support for these mandated expenses requires a larger share of the available revenues. Higher education funding continues to be vulnerable because it continues to be one of the only flexible components of the State budget that is not protected through the constitution or federal requirements.

The University took a leadership position in seeking legislation to increase flexibility and efficiency. These efforts include streamlining operations, as was accomplished through the adoption of the University of Colorado Fiscal Procedures, and finding new ways to lower operating costs, such as through the elimination of selected policies and procedures driven by the University's Office of Policy and Efficiency. In addition to these efforts, the University has increased tuition to keep pace with reduced State support, mandated cost increases, and campus renewal projects. Through all of these efforts, the University is determined to continue its stewardship of its financial resources. Users of this annual financial report are encouraged to visit the Accountability Data Center website mentioned above for detailed information on the University and how it compares to other higher education institutions.

UNIVERSITY OF COLORADO

FINANCIAL STATEMENTS

June 30, 2012 and 2011

UNIVERSITY OF COLORADO

STATEMENTS OF NET POSITION

June 30, 2012 and 2011 (*in thousands*)

	2012		2011	
	University	Component Units	University	Component Units
Assets				
Current Assets				
Cash and cash equivalents	$ 57,235	19,751	78,865	21,235
Investments	157,784	2,084	272,088	1,496
Accounts, contributions, and loans receivable, net	264,509	16,973	247,642	16,784
Inventories	18,466	–	9,250	–
Other assets	4,787	979	4,422	668
Total Current Assets	**502,781**	**39,787**	**612,267**	**40,183**
Noncurrent Assets				
Investments	1,680,174	1,071,391	1,262,151	1,100,878
Assets held under split–interest agreements	–	58,264	–	61,928
Accounts, contributions, and loans receivable, net	26,686	42,681	27,483	37,530
Other assets	16,840	10,699	17,060	9,610
Capital assets, net	2,610,597	60,788	2,534,573	63,915
Total Noncurrent Assets	**4,334,297**	**1,243,823**	**3,841,267**	**1,273,861**
Total Assets	**$ 4,837,078**	**1,283,610**	**4,453,534**	**1,314,044**
Liabilities				
Current Liabilities				
Accounts payable	$ 71,468	9,609	63,751	11,024
Accrued expenses	178,190	–	170,520	–
Compensated absences	8,866	–	8,667	–
Other postemployment benefits	11,766	–	15,314	–
Unearned revenue	111,510	1,372	117,235	1,168
Bonds, leases, and notes payable	71,759	1,053	46,821	918
Split–interest agreements	–	3,540	–	3,774
Custodial funds	–	7,485	–	7,021
Alternate medicare plan	912	–	875	–
Early retirement incentive program	1,903	–	1,385	–
Other liabilities	33,441	–	38,802	–
Total Current Liabilities	**489,815**	**23,059**	**463,370**	**23,905**
Noncurrent Liabilities				
Compensated absences	134,605	–	123,456	–
Other postemployment benefits	119,742	–	90,249	–
Unearned revenue	3,468	–	3,662	–
Bonds, leases, and notes payable	1,256,996	69,351	1,105,665	70,705
Split–interest agreements	–	15,828	–	18,798
Custodial funds	–	240,037	–	240,040
Alternate medicare plan	4,288	–	3,225	–
Early retirement incentive program	6,070	–	7,593	–
Other liabilities	9,634	2,263	10,655	2,271
Total Noncurrent Liabilities	**1,534,803**	**327,479**	**1,344,505**	**331,814**
Total Liabilities	**$ 2,024,618**	**350,538**	**1,807,875**	**355,719**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF NET POSITION

June 30, 2012 and 2011 (*in thousands*)

	2012		2011	
	University	Component Units	University	Component Units
Net Position				
Net investment in capital assets	$ 1,473,009	(2,367)	1,441,393	(698)
Restricted for nonexpendable purposes (endowments)				
Instruction	–	200,209	–	182,955
Research	2,475	17,515	2,536	16,504
Academic support	15,076	14,829	13,835	14,234
Scholarships and fellowships	13,955	111,394	14,177	102,365
Capital and other	1,355	6,273	1,376	6,466
Total restricted for nonexpendable purposes	32,861	350,220	31,924	322,524
Restricted for expendable purposes				
Instruction	20,694	254,278	19,229	264,790
Research	24,719	46,987	26,638	49,355
Academic support	24,566	43,153	26,252	44,886
Student loans and services	38,528	–	38,580	–
Scholarships and fellowships	26,085	102,273	27,885	114,205
Auxiliary enterprises	156,206	–	144,627	–
Capital	71,982	59,697	41,752	76,371
Other	17,040	5,475	17,200	4,539
Total restricted for expendable purposes	379,820	511,863	342,163	554,146
Unrestricted	926,770	73,356	830,179	82,353
Total Net Position	**$ 2,812,460**	**933,072**	**2,645,659**	**958,325**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended June 30, 2012 and 2011 (*in thousands*)

	2012		2011	
	University	Component Units	University	Component Units
Operating Revenues				
Student tuition (net of scholarship allowances of $123,881 in 2012 and $120,506 in 2011; pledged revenues of $68,116 in 2012; and $63,267 in 2011)	$ 681,156	–	632,571	–
Student fees (net of scholarship allowances of $12,219 in 2012 and $12,141 in 2011; pledged revenues of $9,504 in 2012 and $7,578 in 2011)	65,972	–	61,906	–
Fee-for-service contracts	95,530	–	130,939	–
Federal grants and contracts (pledged revenues of $147,277 in 2012 and $144,111 in 2011)	662,635	–	653,938	–
State and local grants and contracts (pledged revenue of $6,364 in 2012 and $9,229 in 2011)	33,300	–	42,876	–
Nongovernmental grants and contracts	100,592	–	95,181	–
Sales and services of educational departments (pledged revenues of $13,020 in 2012 and $7,455 in 2011)	153,063	–	151,164	–
Auxiliary enterprises (net of scholarship allowances of $2,727 in 2012 and $2,744 in 2011; pledged revenues of $48,547 in 2012 and $40,025 in 2011)	192,365	–	180,892	–
Health services (pledged revenues of $44 in 2012)	478,461	–	422,491	–
Contributions	–	107,770	–	103,758
Other operating revenues (pledged revenues of $2,274 in 2012 and $1,684 in 2011)	54,560	15,880	48,498	20,408
Total Operating Revenues	**2,517,634**	**123,650**	**2,420,456**	**124,166**
Operating Expenses				
Education and general				
Instruction	739,061	–	716,349	–
Research	530,198	–	529,463	–
Public service	89,103	–	94,954	–
Academic support	140,557	–	130,607	–
Student services	85,922	–	82,505	–
Institutional support	126,013	138,574	110,455	125,359
Operation and maintenance of plant	114,447	–	108,383	–
Student aid	19,009	–	15,763	–
Total education and general expenses	1,844,310	138,574	1,788,479	125,359
Depreciation	153,680	3,173	140,025	3,185
Auxiliary enterprises	147,900	–	159,274	–
Health services	441,096	–	409,203	–
Total Operating Expenses	**2,586,986**	**141,747**	**2,496,981**	**128,544**
Operating Loss	**$ (69,352)**	**(18,097)**	**(76,525)**	**(4,378)**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Years ended June 30, 2012 and 2011 (*in thousands*)

	2012		2011	
	University	Component Units	University	Component Units
Nonoperating Revenues (Expenses)				
Federal Pell Grant	$ 44,146	–	46,280	–
State appropriations	14,365		15,674	
Gifts	103,129	–	89,544	–
Investment income (loss) (net of investment expenses of $7,384 in 2012 and $6,873 in 2011; pledged revenues of $2 in 2012 and $42 in 2011)	24,581	(2,944)	133,665	125,616
Royalty income (net of royalty expense of $21,393 in 2012 and $4,536 in 2011; pledged revenues of $154 in 2012 and $115 in 2011)	24,178	–	3,037	–
Gain (loss) on disposal of capital assets	(983)	–	18,471	–
Interest expense on capital asset-related debt (including amortization of deferred loss of $2,745 in 2012 and $1,870 in 2011)	(46,723)	(4,212)	(42,268)	(4,282)
State fiscal stabilization funds	–	–	10,910	–
Other nonoperating revenues (net expenses of $0 in 2012 and $27 in 2011; pledged revenues of $45 in 2012 and $103 in 2011)	6,294	–	4,565	–
Net Nonoperating Revenues (Expenses)	**168,987**	**(7,156)**	**279,878**	**121,334**
Income (Loss) Before Other Revenues	**99,635**	**(25,253)**	**203,353**	**116,956**
Other Revenues				
Capital contributions from the State	1,383	–	4,130	–
Capital student fee (net of scholarship allowance of $1,591 in 2012 and $1,646 in 2011)	9,879	–	10,144	–
Capital appropriations	1,677	–	2,399	–
Capital grants and gifts	54,160	–	40,901	–
Additions to permanent endowments	67	–	69	–
Total Other Revenues	**67,166**	**–**	**57,643**	**–**
Increase (Decrease) in Net Position	**166,801**	**(25,253)**	**260,996**	**116,956**
Net Position, beginning of year	2,645,659	958,325	2,384,663	841,369
Net Position, End of Year	**$ 2,812,460**	**933,072**	**2,645,659**	**958,325**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011 (*in thousands*)

	2012	2011
	University	
Cash Flows from Operating Activities		
Tuition and fees	$ 843,097	820,762
Grants and contracts	788,126	775,291
Sales and services of educational departments	153,063	151,164
Auxiliary enterprise charges	191,597	179,268
Health services	468,534	418,960
Other receipts	57,559	46,226
Payments to employees	(1,896,773)	(1,788,566)
Payments to suppliers	(467,468)	(469,442)
Payments for scholarships and fellowships	(19,009)	(15,763)
Total Cash Flows Provided by Operating Activities	**118,726**	**117,900**
Cash Flows from Noncapital Financing Activities		
Federal Pell Grant	44,146	46,280
State appropriations	14,365	15,674
Gifts and grants for other than capital purposes	103,129	89,544
State fiscal stabilization fund receipts	–	10,910
Endowment additions	67	69
Agency transactions	(736)	2,554
Direct lending receipts	389,835	384,844
Direct lending disbursements	(389,480)	(383,852)
Total Cash Flows Provided by Noncapital Financing Activities	**161,326**	**166,023**
Cash Flows from Capital and Related Financing Activities		
State capital contributions	1,677	2,399
Capital student fees	9,879	10,144
Proceeds from capital debt	431,120	103,154
Bond issuance costs paid	(2,421)	(1,215)
Principal paid on capital debt	(226,214)	(96,527)
Interest paid on capital debt	(85,837)	(60,807)
Proceeds from sale of capital assets	4,974	23,527
Purchases and construction of capital assets	(179,139)	(285,288)
Total Cash Flows Used for Capital and Related Financing Activities	**(45,961)**	**(304,613)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	3,925,388	4,408,913
Purchase of investments	(4,247,375)	(4,394,295)
Interest on investments	42,088	37,419
Royalty income	45,571	7,572
Royalty fees paid	(21,393)	(4,536)
Total Cash Flows Provided by (Used for) Investing Activities	**(255,721)**	**55,073**
Net Increase (Decrease) in Cash and Cash Equivalents	**(21,630)**	**34,383**
Cash and cash equivalents, beginning of year	78,865	44,482
Cash and Cash Equivalents, End of Year	**$ 57,235**	**78,865**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011 (*in thousands*)

		2012	2011
		University	
Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities:			
Operating loss	$	(69,352)	(76,525)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation expense		153,680	140,025
Receipts of items classified as nonoperating revenues		6,294	4,565
Changes in assets and liabilities			
Receivables		(16,033)	(32,722)
Inventories		(9,217)	1,901
Other assets		1,653	(1,532)
Accounts payable		11,493	(9,384)
Accrued expenses		6,993	257
Unearned revenue		(5,920)	(629)
Compensated absences and other postemployment benefits		37,294	81,051
Other liabilities		1,841	10,893
Net Cash Provided by Operating Activities	**$**	**118,726**	**117,900**

Noncash Transactions			
Donations of capital assets	$	13,414	10,840
State-funded acquisitions of capital assets		1,383	4,130
Lease-financed acquisitions		1,934	2,272
Change in unrealized gains on investments		(18,268)	97,189
Amortization of premiums		11,855	4,945
Amortization of deferred loss		(2,745)	(1,870)

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO
QUICK GUIDE TO THE FOOTNOTES/SELECTED ABBREVIATIONS AND ACRONYMS
June 30, 2012 and 2011

QUICK GUIDE TO THE FOOTNOTES

SELECTED ABBREVIATIONS AND ACRONYMS

AED	Amortization Equalization Disbursement
AHEC	Auraria Higher Education Center
AMP	Alternate Medicare Plan
ARC	Annual Required Contribution
ARRA	American Recovery and Reinvestment Act
COF	College Opportunity Fund
CUP	Central Utility Plant
CUREF	University of Colorado Real Estate Foundation
DPCU	Discretely Presented Component Units
ERIP	Early Retirement Incentive Program
FFS	Fee-for-Service
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
HAS	Highest Average Salary
NOO	Net Other Postemployment Benefit Obligation
OPEB	Other Postemployment Benefit
ORP	Optional Retirement Plan
PDPA	Public Deposit Protection Act
PERA	Public Employees' Retirement Association of Colorado
PSA	Purchase and Sale Agreement
RSI	Required Supplementary Information
SAED	Supplemental Amortization Equalization Disbursement
SFSF	State Fiscal Stabilization Fund
SOM	School of Medicine
TIF	Tax Increment Financing
UAAL	Unfunded Actuarial Accrued Liability
UCCS	University of Colorado Colorado Springs
UIS	University Information Services
ULEHI	University License Equity Holding, Inc.
UPI	University Physicians, Inc.

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 office and the following three accredited campuses, each with its unique mission as detailed below:

- **University of Colorado 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 | Anschutz Medical Campus**

  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 institutionally merged into the University of Colorado Denver. The consolidated institution 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. In 2007 the Health Sciences Center was renamed the Anschutz Medical Campus in recognition of several large gifts by businessman Philip Anschutz that helped make the building of the campus possible. The campuses are currently referred to collectively as University of Colorado Denver | Anschutz Medical Campus and separately as the University of Colorado Denver (CU Denver) and the University of Colorado Anschutz Medical Campus (CU Anschutz Medical Campus).

- **University of Colorado Colorado Springs (UCCS)**

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

To accomplish its mission, the University's 6,134 instructional faculty serve 57,592 students through 303 degree programs in 21 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. 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. Blended component units include those entities (1) that provide services entirely to the University, (2) in which there is a financial benefit or burden relationship, or (3) management of the University has operational responsibility. 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 position, revenues, or expenses for Fiscal Years 2012 and 2011. The University appoints a voting majority of Buffalo Power Corporation's governing body and can remove appointed members at will. Additionally, the University is legally entitled to or can otherwise access Buffalo Power Corporation's resources, and the services provided are entirely for the University.

- **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 2012 and 2011. The University appoints a voting majority of the University of Colorado Finance Corporation's governing body and can remove appointed members at will. Additionally, the University is legally entitled to or can otherwise access the University of Colorado Finance Corporation's resources, and the services provided are entirely for the University.

- **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. The University appoints a voting majority of ULEHI's governing body, is able to impose its will on the organization, and the organization provides services entirely to the University.

  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 CU 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 1,800 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. The University appoints a majority of UPI's governing body and is able to impose its will. Additionally, UPI exclusively benefits the University by providing the services described above.

  In 1997, UPI acquired a 30-percent interest in the University of Colorado Hospital Authority's (the Hospital Authority) investment in TriWest Healthcare Alliance Corp. (TriWest). Since that time, the Hospital Authority sold 50 percent of the joint TriWest investment back to TriWest resulting in a revised ownership split between the Hospital Authority and UPI. UPI now holds 60 percent of the Hospital Authority's 15-percent investment. TriWest was formed to deliver healthcare services to eligible beneficiaries of the Civilian

Health and Medical Program of the Uniformed Services within certain specified geographic regions. UPI accounts for its participation in TriWest on the cost basis. See Note 18 for additional information.

In December 2010, UPI, the Hospital Authority, and the University's School of Medicine (SOM) entered into a joint operating agreement to develop and operate a radiology imaging facility. In 2012 and 2011, UPI contributed approximately $988,000, which is equal to 49 percent of total capital contributions for the imaging center. Capital contributions and division of revenue and expenses will be split between the partners based upon the operating agreement. The University did not contribute any funds to the facility and has no equity interest in it. UPI received $244,000 and $0 in dividends during the years ended June 30, 2012 and 2011, respectively.

During 2009, UPI purchased 49 units representing a 24.5-percent share in The Children's Hospital North Surgery Center, LLC (Surgery Center) for $490,000. The Surgery Center was formed by Children's Hospital Colorado Association, UPI, and individual community physicians for the purpose of owning and operating a multi-specialty ambulatory surgery center focused on pediatric care. UPI accounts for its participation in the Surgery Center on the cost basis. During 2012 and 2011, UPI contributed $122,500 and $367,500, respectively, through capital calls, thereby maintaining UPI's original ownership interest. In addition to its equity interest in the entity, UPI has issued a guaranty for up to $1.2 million in support of a $4.7 million loan taken by the Surgery Center in support of its operations. In the event of default, UPI and Children's Colorado would be responsible for their proportionate interest in this indebtedness to the extent it could not be satisfied by any equity remaining in the venture.

Detailed financial information may be obtained directly from UPI at P.O. Box 111719, Aurora, Colorado 80042-1719.

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:

- **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, the president of the University, and another University designee serve as ex-officio non-voting members. The board of trustees of the CU Foundation selects the board of directors. The CU Foundation, as a not-for-profit entity, follows Financial Accounting Standards Board guidance in the preparation of its financial statements, which are then modified to match the University's financial reporting format.

  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.

  The University of Colorado UK Foundation Limited (CU UK), a charitable company with limited liability, was formed under the laws of England and Wales and incorporated February 25, 2010, with CUREF as the sole shareholder. CU UK's purpose is to advance and promote education for the public benefit, in particular for any educational and charitable purposes connected with the University of Colorado, its affiliates, and its past and present students and staff. CU UK owns property in London.

  Detailed financial information may be obtained directly from CUREF at 1800 Grant Street, Suite 725, 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
- 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. The Board of Regents is elected by popular vote of the citizens of the State. Thus, for financial reporting purposes, the University is included as part of the State's reporting entity.

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, 2012 and 2011.

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.

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 money market funds and securities are presented as investments. UPI and the CU Foundation consider money market funds and securities with a maturity, when acquired, of three months or less to be cash equivalents.

Investments, other than University investments held by the CU Foundation, are reported in the financial statements at fair value, which is determined primarily based on quoted market prices as of June 30, 2012 and 2011. Amortized costs (which approximate fair value) are used for money market investments. These money market accounts are held with Securities and Exchange Commission (SEC) registered investment companies under Rule 2a7 of the Investment Company Act of 1940.

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 investments with a maturity in excess of one year, 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 CU Foundation include those held for the University for endowment purposes. The CU Foundation records investment purchases at cost, or when contributed to the Foundation, at the fair values of the investment assets received at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at their fair values. The fair values of alternative investments publicly traded on national security exchanges are stated at their closing market prices at June 30, 2012 and 2011, respectively. The fair values of alternative investments not publicly traded on national security exchanges represent the Foundation's pro-rata interest in the net assets of each investment and are based on financial information determined and reported by investment managers, subject to review, evaluation, and adjustment by the management of the Foundation, or on the basis of other information developed, obtained, and evaluated periodically by the Foundation. Because of the inherent uncertainties in the valuation of alternative investments, those estimated fair values may differ significantly from the values that would have been used has a ready market for the investments existed. Included in the investments portfolio are real estate and note receivable assets. These assets are booked at cost and present value, respectively.

Endowments and similar gift instruments owned by the University and the CU Foundation 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 the CU Foundation upon the death of the designated beneficiary. Annuity funds are used to account for property contributed to the University or the CU Foundation 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. Gifts-in-kind are recorded at the fair market value as of the date of donation.

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

Contributions receivable for the CU Foundation 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 the present value of their expected future cash flows if expected to be collected in more than one year. The CU Foundation uses the allowance method to determine the uncollectible portion of the unconditional contributions receivable. The allowance is based on management's analysis of the historical collectability of contributions pledged. These promises to give are recorded at the net present value of the expected future cash flows.

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 (including software) 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
Software	5–10
Intangibles	Varies

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

Compensated Absences and Other 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

Table 1.2. Compensated Absence Accrual Rates for Vacation

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

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

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

Accrual Rates for Vacation. Vacation accruals are paid in full upon separation, whereas only a portion of sick leave is paid upon specific types of separation, such as retirement.

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

Other postemployment benefits (OPEB) 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 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.

Unearned Revenue consists of amounts received for 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 borrowing or financing usually for the acquisition of buildings, equipment, or capital construction. Bonds are addressed in Note 9.

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

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 CU Foundation typically serves as trustee, although certain trusts are administered by outside trustees.

For trusts administered by the CU Foundation, specified earnings are typically paid to a named beneficiary. After termination of the trusts, the assets revert to the CU Foundation 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, is 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 CU Foundation 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 CU Foundation becomes aware of its interest in the trust. Under certain circumstances, the CU Foundation accepts and manages trust funds for which the University or the CU Foundation has beneficial interest but is not the sole beneficiary of the trust. Funds received for which the University or the CU Foundation 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 CU Foundation for endowments legally owned by other entities, including the University.

Other Liabilities are addressed in Note 10 and consist of risk financing, construction contract retainage, funds held for others, Alternate Medicare Plan, Early Retirement Incentive Plan, and miscellaneous.

Net Position is classified in the accompanying financial statements as follows:

Net investment in capital assets 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 net investment in capital assets.

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 position represents 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 are allocated on a pro-rata basis. Operating revenues of the DPCU also include contributions, which are derived from their fundraising mission.

Other operating revenues include rental income, charges for services, transcript and diploma fees, other miscellaneous fees, and miscellaneous revenues from UPI.

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, including those from the CU Foundation), 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. Tuition and fee revenue 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 Services Revenue from Contractual Arrangements is recognized by UPI as a result of providing care to patients covered under various third parties such as Medicare and Medicaid, private insurance companies, and managed care programs, primarily from fixed-rate agreements. The federal and state government 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 services 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, 2012 and 2011, the authorized spending rate was equal to the greater of 4 percent of the current market value of the endowment or 4.5 percent of the endowment's trailing 36-month average fair market value. 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. In Fiscal Years 2012 and 2011, there was $8,419,000 and $8,410,000, respectively, in net appreciation of investments available for authorization for expenditure as reported in restricted expendable net position.

Application of Restricted and Unrestricted Resources is made on a case-by-case basis by management depending on overall program resources.

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, including those made by the CU Foundation, have been made to conform to the current year's financial statement presentation.

NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

Effective July 1, 2011, the University early adopted the provisions of GASB No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" (GASB No. 62) and GASB No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" (GASB No. 63).

GASB No. 62 continues GASB's efforts to codify all sources of GAAP for state and local governments so that they can derive from a single source. In addition, all Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements became nonauthoritative literature for the private sector on July 1, 2009, the effective date of the *FASB Accounting Standards Codification*™. The adoption of GASB No. 62 had no impact on the University's financial statements.

GASB No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources as introduced and defined in GASB Concepts Statement No. 4, "Elements of Financial Statements" (Concepts Statement No. 4). Concepts Statement No. 4 defines a deferred outflow of resources as consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net assets applicable to a future reporting period. The University does not have any financial statement balances that under current GAAP meet the definition of a deferred outflow of resources or a deferred inflow of resources. As such, the names of certain statements and certain line items were changed as required by GASB No. 63, otherwise, the adoption of this pronouncement had no impact to the University's financial statements.

The GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions (Statement No. 68)*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The University provides certain of its employees with pension benefits through the State's multiple employer cost-sharing Public Employees' Retirement Association (PERA) defined benefit retirement program.

Statement No. 68 requires cost-sharing employers participating in the PERA program, such as the University, to record their proportionate share, as defined in Statement No. 68, of PERA's unfunded pension liability. The University has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA or the General Assembly. The requirement of Statement No. 68 to record a portion of PERA's unfunded liability will negatively impact the University's future unrestricted net position. Statement No. 68 is effective for Fiscal Year 2015. At this time, management is unable to estimate the magnitude of this impact. Information regarding PERA's current funding status can be found in its Comprehensive Annual Financial Report.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. To manage custodial credit risk, deposits with U.S. and foreign financial institutions are made in accordance with University and State policy, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name. Deposits with foreign financial institutions are not PDPA-eligible deposits and thus are exposed to custodial credit risk and require separate authorization as depositories by the State. During the years ended June 30, 2012 and 2011, all deposits with foreign financial institutions were authorized. Of the University's total cash and cash equivalents, approximately $71,000 and $72,000 related to deposits in foreign institutions are subject to custodial credit risk at June 30, 2012 and 2011, respectively. Custodial credit risk information is not available for the CU Foundation.

Table 2. Cash and Cash Equivalents (in thousands)

	2012	2011
University		
Cash on hand (petty cash and change funds)	$ 361	390
Deposits with U.S. financial institutions	56,803	78,403
Deposits with foreign financial institutions	71	72
Total Cash and Cash Equivalents—University	**$ 57,235**	**78,865**

NOTE 3 – INVESTMENTS

The University's investments generally include direct obligations of the U.S. government and its agencies, commercial paper, municipal and corporate bonds, asset-backed securities, mortgage-backed securities, mutual funds, repurchase agreements, equities and alternative non-equity securities. CU Foundation 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 its investment policy. Details of investments by type for both the University and the CU Foundation 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.

Table 3.1. Investments (in thousands)

Investment Type	2012	2011
University		
U.S. government securities	$ 273,085	148,157
Commercial paper	4,050	499
Corporate bonds	167,714	182,219
Corporate equities	123,921	130,583
Municipal bonds	8,583	1,378
Mutual funds	806,030	832,626
Municipal securities	5,289	–
Certificates of deposit	963	–
Repurchase agreements	199,539	15,878
Asset-backed securities	127,135	106,900
Alternative non-equity securities:		
Absolute return fund	42,230	44,197
Oil and gas	–	5,877
Private equity	36,299	34,559
Real estate	21,305	17,687
Venture capital	14,619	13,561
Other	7,196	118
Total Investments—University	**$ 1,837,958**	**1,534,239**
CU Foundation		
Cash equivalents	$ 13,227	13,504
Equity securities:		
Domestic	237,247	250,773
International	170,945	191,336
Fixed-income securities	174,009	178,280
Alternative non-equity securities:		
Real estate	72,490	59,663
Private equity	143,886	143,326
Hedge funds	58,790	68,100
Absolute return funds	109,683	112,251
Venture capital	55,445	51,472
Oil and gas	27,736	23,976
Other	868	1,373
Total Investments—CU Foundation	**$ 1,064,326**	**1,094,054**

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 $1,269,578,000 and $1,120,367,000 for the years ended June 30, 2012 and 2011, respectively. The total return on this pool was 1.1 percent and 10.2 percent for the years ended June 30, 2012 and 2011, respectively.

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Therefore, exposure arises if the securities are uninsured, not registered in the University's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the University's name. Open-ended mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. None of the University's investments are subject to custodial risk. The CU Foundation 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 CU Foundation 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, 2012 and 2011 is shown in Table 3.2, Debt Investments and Interest Rate Risk.

The University has investments in asset-backed securities, which 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.

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

Investment Type		2012	2012	2011	2011
		Amount	*Duration*	*Amount*	*Duration*
University					
U.S. government securities	$	$224,324	5.3	141,533	4.34
Bond mutual funds		138,421	2.1	127,481	2.38
Corporate bonds		114,854	6.2	105,436	5.82
Municipal bonds		8,583	8.3	1,378	17.65
Certificates of deposit		963	4.6	–	–
Asset-backed securities:					
Fixed-rate securities		90,308	–	46,111	–
Variable-rate securities		11,445	–	2,255	–
Collateralized mortgage obligations		21,806	–	58,349	–
Total asset-backed securities		123,559	14.37	106,715	14.13
		Amount	*Weighted Average Maturity*	*Amount*	*Weighted Average Maturity*
U.S. government securities–UPI	$	48,761	5.65	6,569	3.97
Commercial paper–UPI		4,050	0.10	499	0.35
Corporate bonds–UPI		52,860	2.86	76,783	2.63
Municipal securities–UPI		5,289	5.87	–	–
Asset-backed securities–UPI		3,576	4.16	185	1.04
Total Debt Investments—University	**$**	**725,240**		**566,579**	
		Amount	*Duration*	*Amount*	*Duration*
CU Foundation					
U.S. government securities	$	64,930	4.65	58,350	4.76
Corporate bonds		8,140	2.30	7,400	3.21
Asset-backed securities		4,770	1.45	7,160	1.54
Bond mutual funds		14,940	4.80	16,450	4.4
Money market mutual funds		13,270	0.02	12,730	0.13
Total Debt Investments—CU Foundation	**$**	**106,050**		**102,090**	

CREDIT QUALITY RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk only applies to debt investments. This risk is assessed by national rating agencies, which assign a credit quality rating for many investments. The University's investment policies for the Treasury pool do not permit investments in debt securities that are below investment grade at the time the security is purchased. University policy allows no more than 20 percent of investments to be rated below A (Standard and Poor's) or A3 (Moody's) at the time of purchase. 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 CU Foundation does not have a policy concerning credit quality risk. A summary of the University's debt investments and credit quality risk as of June 30, 2012, and 2011 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, 2012, 4 percent of the University's total investments is in Fannie Mae (6 percent in 2011). The University's

Table 3.3. Debt Investments and Credit Quality Risk (in thousands)

	2012			2011		
	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 securities	$ 32,814	96,934	1% Aaa	44,188	36,335	92% Aaa
			95% AA/Aa			2% Aa
			4% A			6% A
Bond mutual funds	138,421	–	–	127,481	–	–
Commercial paper	–	–	–	–	499	100% A
Corporate bonds	1,612	113,242	3% Aaa	4,183	178,036	24% Aaa
			14% Aa			10% Aa
			55% A			43% A
			28% Baa/Ba/B			23% Baa/Ba/B
Money market mutual funds	44,129	220,153	100% Aaa	64,241	320,308	100% Aaa
Certificates of deposit	963	–		–	–	–
Municipal bonds	54	8,529	96% Aa	70	1,308	74% Aaa
			4% A			16% A
						10% B
Repurchase agreement	199,539	–		15,878	–	–
Asset-backed securities	86,093	37,466	35% Aaa	54,784	52,116	47% Aaa
			34% Aa/A			19% Aa/A
			14% Baa/Ba/B			16% Baa/Ba/B
			17% Caa/Ca			18% Caa/Ca
U.S. government securities–UPI	–	48,761	100% >Aa	–	6,755	100% >Aa
Commercial paper–UPI	–	4,050	100% P-1	–	499	100% P-1
Corporate bonds–UPI	605	52,255	37% Aaa/Aa		76,783	98% Aaa/Aa
			63% <Aa			2% <Aa
Municipal securities–UPI	–	5,289	100% >Aa	–	–	–
Asset-backed securities–UPI	–	3,576	100% Aaa	–	–	–
Total Debt Investments– University	**$ 503,625**	**590,859**		**$ 310,825**	**672,140**	
CU Foundation						
U.S. government agencies	$ –	59,610	100% AA	$ –	58,350	100% AAA
Corporate bonds	–	13,460	8% AAA	–	7,400	6% AAA
			41% AA/A			63% AA/A
			9% BBB			27% BBB
			42% <BBB			4% <BBB
Asset-backed securities	–	4,770	100% AAA	–	7,160	100% AAA
Bond mutual funds	14,940	–	–	16,450	–	–
Money market mutual funds	–	13,270	100% AAA	–	12,730	100% AA+
Total Debt Investments— CU Foundation	**$ 14,940**	**91,110**		**$ 16,450**	**85,640**	

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.

SPLIT-INTEREST AGREEMENTS

Assets held by the CU Foundation under split-interest agreements are included in investments and consisted of the following as of June 30, 2012 and 2011, as shown in Table 3.4, CU Foundation Investments Held under Split-interest Agreements.

Table 3.4. CU Foundation Investments Held under Split-interest Agreements (in thousands)

Type		2012	2011
Charitable remainder trusts	$	55,975	58,718
Charitable gift annuities and pooled income funds		2,289	3,210
Total Investments Held under Split-interest Agreements	**$**	**58,264**	**61,928**

NOTE 4 – ACCOUNTS, CONTRIBUTIONS, AND LOANS RECEIVABLE

Table 4.1, Accounts, Contributions, and Loans Receivable, segregates receivables as of June 30, 2012 and 2011, by type.

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

		2012			
Type of Receivable		Gross Receivables	Allowance	Net Receivables	Net Current Portion
University					
Student accounts	$	51,774	20,801	30,973	30,973
Federal government		67,049	–	67,049	67,049
Other governments		24,012	–	24,012	24,012
Private sponsors		45,496	–	45,496	45,496
Patient accounts		65,675	5,700	59,975	59,975
DPCU		15,226	–	15,226	15,226
Interest		3,222	–	3,222	3,222
Other		16,461	1,464	14,997	14,043
Total accounts receivable		288,915	27,965	260,950	259,996
Loans		33,502	3,257	30,245	4,513
Total Receivable—University	**$**	**322,417**	**31,222**	**291,195**	**264,509**

		2011			
Type of Receivable		Gross Receivables	Allowance	Net Receivables	Net Current Portion
University					
Student accounts	$	47,188	18,117	29,071	29,070
Federal government		71,704	–	71,704	71,704
Other governments		24,348	–	24,348	24,348
Private sponsors		37,855	–	37,855	37,855
Patient accounts		55,848	5,800	50,048	50,048
DPCU		16,388	–	16,388	16,388
Interest		2,461	–	2,461	2,461
Other		13,788	1,506	12,282	11,171
Total accounts receivable		269,580	25,423	244,157	243,045
Loans		34,129	3,161	30,968	4,597
Total Receivable—University	**$**	**303,709**	**28,584**	**275,125**	**247,642**

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, 2012 and 2011 is detailed in Table 4.2, UPI Concentration of Credit Risk.

Table 4.2. UPI Concentration of Credit Risk

Category	2012	2011
Managed care	57.6%	49.4%
Medicare	15.1	13.2
Medicaid	14.9	19.2
Other third-party payers	7.9	11.1
Self-pay	4.5	7.1
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, 2012 and 2011.

The total interest expense related to capital asset debt incurred by the University during the years ended June 30, 2012 and 2011 approximated $54,642,000 and $50,770,000, respectively. Of this amount, approximately $9,843,000 and $10,372,000, respectively, was capitalized as part of the value of construction in progress.

The University had insurance recoveries of $1,825,000 and $1,169,000 in the years ended June 30, 2012 and 2011 respectively, which are included in nonoperating revenues.

Table 5. Capital Assets (in thousands)

Category		Balance 2011	Additions	Retirements	Transfers	Balance 2012
University						
Nondepreciable capital assets						
Land	$	57,641	688	–	64	58,393
Construction in progress		301,193	177,220	55	(364,198)	114,160
Collections		13,477	448	–	–	13,925
Total nondepreciable capital assets		372,311	178,356	55	(364,134)	186,478
Depreciable capital assets						
Buildings		2,649,706	167	2,473	350,045	2,997,445
Improvements other than buildings		174,483	704	276	5,309	180,220
Equipment		442,025	40,003	19,017	8,780	471,791
Software		62,926	91	–	–	63,017
Other intangibles		–	1,910	–	–	1,910
Library and other collections		302,207	14,430	797	–	315,840
Total depreciable capital assets		3,631,347	57,305	22,563	364,134	4,030,223
Less accumulated depreciation						
Buildings		837,012	88,232	959	–	924,285
Improvements other than buildings		80,531	7,247	244	–	87,534
Equipment		324,440	35,299	14,667	–	345,072
Software		26,152	9,261	–	–	35,413
Library and other collections		200,950	13,647	797	–	213,800
Total accumulated depreciation		1,469,085	153,686	16,667	–	1,606,104
Net depreciable capital assets		2,162,262	(96,381)	5,896	364,134	2,424,119
Total Net Capital Assets—University	**$**	**2,534,573**	**81,975**	**5,951**	**–**	**2,610,597**

Category		Balance 2010	Additions	Retirements	Transfers	Balance 2011
University						
Nondepreciable capital assets						
Land	$	57,369	941	669	–	57,641
Construction in progress		307,184	266,144	139	(271,996)	301,193
Collections		12,705	622	–	150	13,477
Total nondepreciable capital assets		377,258	267,707	808	(271,846)	372,311
Depreciable capital assets						
Buildings		2,388,524	19,450	4,944	246,676	2,649,706
Improvements other than buildings		171,046	583	165	3,019	174,483
Equipment		425,437	44,499	21,236	(6,675)	442,025
Software		33,917	246	63	28,826	62,926
Library and other collections		291,124	15,186	4,103	–	302,207
Total depreciable capital assets		3,310,048	79,964	30,511	271,846	3,631,347
Less accumulated depreciation						
Buildings		763,734	77,804	4,526	–	837,012
Improvements other than buildings		73,110	7,531	110	–	80,531
Equipment		311,099	30,802	17,461	–	324,440
Software		15,423	10,792	63	–	26,152
Library and other collections		191,957	13,096	4,103	–	200,950
Total accumulated depreciation		1,355,323	140,025	26,263	–	1,469,085
Net depreciable capital assets		1,954,725	(60,061)	4,248	271,846	2,162,262
Total Net Capital Assets—University	**$**	**2,331,983**	**207,646**	**5,056**	**–**	**2,534,573**

NOTE 6 – ACCRUED EXPENSES

Table 6.1, Accrued Expenses, details the accrued expenses as of June 30, 2012 and 2011 by type.

Table 6.1. Accrued Expenses (in thousands)

Type	2012	2011
University		
Accrued salaries and benefits	$ 173,824	166,797
Accrued interest payable	3,370	2,694
Other accrued expenses	996	1,029
Total Accrued Expenses—University	**$ 178,190**	**170,520**

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, 2012 and 2011, total rental expense under these agreements approximated $5,574,000 and $5,802,000 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)

	University
Years Ending June 30	Minimum Lease Obligation
2013	$ 7,376
2014	5,650
2015	4,852
2016	3,960
2017	1,479
2018–2022	1,883
2023–2027	1,223
2028–2032	244
Total Operating Lease Obligations	**$ 26,667**

NOTE 7 – COMPENSATED ABSENCES AND OTHER POSTEMPLOYMENT BENEFITS

Table 7.1, Compensated Absences, and Table 7.2, Other Postemployment Benefits, present changes in compensated absences and postemployment benefits other than pension benefits for the years ended June 30, 2012 and 2011.

Table 7.1. Compensated Absences (in thousands)

	2012	2011
University		
Beginning of year	$ 132,123	123,613
Additions	113,820	106,723
Reductions	(102,472)	(98,213)
End of year	**$ 143,471**	**132,123**
Current compensated absences	8,866	8,667

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

During the years ended June 30, 2012 and 2011, approximately 4,200 and 4,000 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. The University contributed $10,805,000 and $8,865,000 during the years ended June 30, 2012 and 2011, respectively. As shown in Table 7.2, the actuarial valuation used estimated contributions of $13,041,000 for each fiscal year. A separately issued report is not available as the plan is unfunded and, therefore, no trust exists.

Table 7.2. Other Postemployment Benefits (in thousands)

	2012	2011
University		
Annual required contribution (ARC)	$ 40,717	40,717
Interest on net obligation	4,750	3,563
Adjustment to ARC	(6,481)	(4,861)
Annual OPEB cost (expense)	38,986	39,419
Error in prior valuations	–	46,163
Estimated contributions	(13,041)	(13,041)
Increase in OPEB	25,945	72,541
Beginning of year	105,563	33,022
End of year	**$ 131,508**	**105,563**
Current OPEB	11,766	15,314

Funded Status and Funding Progress. As of July 1, 2010, the most recent actuarial valuation date, the plan was 0 percent funded. For the years ended June 30, 2012, 2011, and 2010, the actuarial accrued liability for benefits was $343,144,000, $343,144,000, and $196,715,000 respectively. The actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $343,144,000, $343,144,000, and $196,715,000, respectively. The covered payroll (annual payroll of active employees covered by the program) was $1,089,502,000, $1,023,525,000, and $898,899,000, and the ratio of the UAAL to the covered payroll was 40.1 percent, 33.5 percent, and 21.9 percent, respectively.

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.

The University utilized a different firm to conduct the July 1, 2010, actuarial valuation (the valuation). During the course of preparing the valuation, management determined, based on the long-term rate of return on investments, that the discount rate used in the calculation should be lowered from 5 percent to 4.5 percent. This change in assumption has been accounted for prospectively. It was also determined that healthcare trend rates disclosed in prior years' financial statements had erroneously not been utilized in the calculation of the actuarial accrued liability and, by default, in the determination of the net other postemployment benefit obligation (NOO).

Including the healthcare trend rate assumption increased the NOO at July 1, 2010, by approximately $46,163,000. Management determined this error was not of sufficient magnitude to require restatement of Fiscal Year 2010 financial statements. As a result, the impact of the error is reflected in Fiscal Year 2011 year activity.

Also in the July 1, 2010, valuation, the projected 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-percent long-term average increase for all healthcare benefits, trending down to an ultimate 5-percent increase for 2019 and later years. 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 over a period of 30 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 PERA and the Health Care Fund; PERA 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.

Employees are not required to contribute to the Health Care Trust Fund, which is maintained by employer's contributions as discussed in Note 15, PERA-Defined Benefit Pension Plan. Beginning July 1, 2004, State agencies/institutions are required to contribute 1.02 percent of gross covered wages to the Health Care Trust Fund. The University contributed $370,000, $336,000, and $381,000 as required by statute in Fiscal Years 2012, 2011, and 2010, respectively. In each year the amount contributed was 100 percent of the required contribution.

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, 2011, there were 50,217 enrolled participants including spouses and dependents, from all contributors to the plan. At December 31, 2011, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.43 billion, a funded ratio of 16.5 percent and a 49-year amortization period.

NOTE 8 – UNEARNED REVENUE

As of June 30, 2012 and 2011, the types and amounts of Unearned Revenue are shown in Table 8, Unearned Revenue.

Table 8. Unearned Revenue (in thousands)

	2012		2011	
Type	Total	Current Portion	Total	Current Portion
University				
Tuition and fees	$ 24,853	24,853	22,512	22,512
Auxiliary enterprises	18,039	14,571	18,807	15,145
Grants and contracts	65,626	65,626	73,127	73,127
Miscellaneous	6,460	6,460	6,451	6,451
Total Unearned Revenue— University	**$ 114,978**	**111,510**	**120,897**	**117,235**

NOTE 9 – BONDS AND CAPITAL LEASES

As of June 30, 2012 and 2011, the categories of long-term obligations are summarized in Table 9.1, Bonds and Capital Leases.

Table 9.1. Bonds and Capital Leases (in thousands)

Type	Interest Rates	Maturity	2012	2011
University				
Enterprise system revenue bonds (including premium of $79,077 in 2012 and $37,687 in 2011 and deferred loss of $31,447 in 2012 and $12,731 in 2011)	1.38%–5.50%	6/1/41	$ 1,294,315	1,117,651
UPI variable demand bonds	0.17%*	1/1/25	16,700	17,345
Total revenue bonds			1,311,015	1,134,996
Capital leases	1.77%–11.83%	Various	17,740	17,490
Total Bonds and Capital Leases—University			**$ 1,328,755**	**1,152,486**

* 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, 2012; however, the average interest rate for 2012 was 0.14%.

Table 9.2, Changes in Bonds and Capital Leases, presents changes in bonds and capital leases for the years ended June 30, 2012 and 2011.

Table 9.2. Changes in Bonds and Capital Leases (in thousands)

Type		Balance 2011	Additions	Retirements	Balance 2012	Current Portion
University						
Revenue bonds	$	1,110,040	377,875	224,530	1,263,385	63,770
Plus unamortized premiums		37,687	53,245	11,855	79,077	6,174
Less deferred loss		12,731	21,613	2,897	31,447	–
Net revenue bonds		1,134,996	409,507	233,488	1,311,015	69,944
Capital leases		17,490	1,934	1,684	17,740	1,815
Total Bonds and Capital Leases—University	**$**	**1,152,486**	**411,441**	**235,172**	**1,328,755**	**71,759**

Type		Balance 2010	Additions	Retirements	Balance 2011	Current Portion
University						
Revenue bonds	$	1,070,990	96,790	57,740	1,110,040	42,056
Plus unamortized premiums		36,268	6,364	4,945	37,687	3,246
Less deferred loss		8,510	6,111	1,890	12,731	–
Net revenue bonds		1,098,748	97,043	60,795	1,134,996	45,302
Capital leases		54,005	2,272	38,787	17,490	1,519
Total Bonds and Capital Leases—University	**$**	**1,152,753**	**99,315**	**99,582**	**1,152,486**	**46,821**

REVENUE BONDS

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2012 and 2011 is detailed in Table 9.3, Revenue Bonds Detail.

Table 9.3. Revenue Bonds Detail (in thousands)

Issuance Description	Original Issuance Amount	Outstanding Balance 2012	Outstanding Balance 2011
University			
Enterprise system revenue bonds:			
Refunding Series 1995A–			
Used to refund all of the Refunding Series 1986, 1989, 1990, and 1992B	$ 32,940	2,495	3,265
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	–	2,037
Series 2002A–			
Used to fund capital improvements at CU Denver (includes premium)	101,875	–	3,325
Series 2002B–			
Used to fund capital improvements at CU-Boulder (includes premium)	40,055	1,511	4,542
Series 2003A–			
Used to fund capital improvements at CU-Boulder, UCCS, and CU Denver	64,260	2,226	34,861
Series 2004–			
Used to fund capital improvements at CU-Boulder and UCCS	24,360	9,495	18,815
Series 2005A–			
Used to fund capital improvements at CU-Boulder, UCCS, CU Denver, and refund 1995 RBRF Bonds (includes premium)	230,025	89,591	208,232
Series 2005B–			
Used to fund capital improvements at UCCS and CU Denver	25,225	18,900	22,965
Series 2006A–			
Used to fund capital improvements at CU-Boulder, UCCS, and CU Denver	101,425	65,625	95,391
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	165,646	169,276
Series 2007B–			
Used to fund acquisition and capital improvements at CU-Boulder, Williams Village	63,875	52,626	59,637
Series 2009A–			
Used to finance the acquisition, renovation, and equipping of certain facilities at CU-Boulder, UCCS, and CU Denver	165,635	158,847	163,029
Series 2009B-1–			
Used to construct the CU-Boulder Systems Biotechnology Building, basketball and volleyball practice facility, renovate housing facilities, and construct CU Denver Pharmaceutical Research Center	76,725	67,393	75,688
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 CU Denver Pharmaceutical Research Center	138,130	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	25,184	25,442
Series 2010A–			
Taxable Build American Bonds used to acquire and retrofit 3665 Discovery Drive, add to Dental Medicine Building, finish School of Pharmacy Building, purchase and expand CU Anschutz Medical Campus Central Utility Plant capacity	35,510	34,130	34,980
Series 2010B–			
Used to refund Enterprise System Revenue Bonds Series 2002A and Enterprise System Revenue Bonds Series 2003A	56,905	50,964	53,661

Table 9.3 continues next page

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

Issuance Description	Original Issuance Amount	Outstanding Balance 2012	Outstanding Balance 2011
Series 2010C–			
Taxable Qualified Energy Conservation Bonds used to fund energy improvements to two buildings at CU Anschutz Medical Campus	4,375	4,245	4,375
Series 2011A–			
Used for CU-Boulder projects: to upgrade the Heating and Cooling Complex, expand the Student Recreation Center, renovate and expand Kittredge West\Kittredge Central; University of Colorado-Colorado Springs projects: Summit Village expansion, initial construction of the Academic Health Sciences Center	203,425	221,813	–
Series 2011B–			
Used to partially refund Enterprise System Revenue Bonds Series 2002B, 2003A, 2004, and 2005A	52,600	55,277	–
Series 2012A-1–			
Used to partially refund Enterprise System Revenue Bonds Series 2003A, 2004, 2005A, 2005B, 2006A, and 2007B	121,850	130,217	–
Total enterprise system revenue bonds		1,294,315	1,117,651
Series 2002–UPI Variable Rate Demand Bonds–			
Used to finance construction of UPI's administrative office building	20,500	16,700	17,345
Total revenue bonds		1,311,015	1,134,996
Less premium		79,077	37,687
Plus deferred loss		31,447	12,731
Total Outstanding Revenue Bond Principal—University		**$ 1,263,385**	**1,110,040**

The University's revenue bonds are payable semiannually, have serial and term maturities, 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 auxiliary services, other self-funded services, and research services, in addition to 10 percent of the University's tuition, 100 percent of the University's capital student fees, and 100 percent of the University's indirect cost recoveries. 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's bonds are payable through June 1, 2041. As of June 30, 2012 and 2011, the total principal and interest paid on the University's bonds was $99,742,000 and $91,272,000, respectively, which is 33 percent of the total net pledged revenues of $295,347,000 and $273,609,000, respectively. Net pledged revenues are 12 percent of the total specific revenue streams.

On October 26, 2011, the University issued $203,425,000 of University Enterprise Revenue Bonds, Series 2011A, and used the proceeds to defray a portion of the cost of financing capital improvement projects at CU-Boulder and UCCS, and to pay certain costs related to this bond issuance. These fixed rate coupon revenue bonds bear interest rates of 2.0 percent to 5.25 percent, and mature through June 1, 2041.

On November 30, 2011, the University issued $52,600,000 of University Enterprise Refunding Revenue Bonds, Series 2011B, and used the proceeds to in-substance defease a portion of existing enterprise revenue and refunding bonds, and to pay certain costs related to this bond issuance. The old debt had interest rates ranging from 4.0 percent to 5.0 percent, and the new debt has interest rates ranging from 2.0 percent to 5.0 percent. The refunding resulted in an economic gain of $2,116,000 and an accounting loss of $6,347,000, which is deferred and amortized over the life of the new bonds. The debt service cash flow decreased by $2,492,000. These fixed rate coupon revenue bonds mature through June 1, 2024.

On February 8, 2012, the University issued $121,850,000 of University Enterprise Refunding Revenue Bonds, Series 2012A-1, and used the proceeds to in-substance defease a portion of existing enterprise revenue and refunding bonds, and to pay certain costs related to this bond issuance. The old debt had interest rates ranging from 4.0 percent to 5.0 percent, and the new debt has interest rates ranging from 1.5 percent to 5.0 percent. The refunding resulted in an economic gain of $9,026,000 and an accounting loss of $15,266,000, which is deferred and amortized over the life of the new bonds. The debt service cash flow decreased by $11,650,000. These fixed rate coupon revenue bonds mature through June 1, 2029.

The University's 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 are currently rated A+/A-1. The bonds bear interest at a variable municipal bond interest rate that is reset weekly and are estimated to have an average interest rate of 3.50 percent over the life of the bonds. The variable weekly interest rate was 1.25 percent at December 19, 2002 (bond issuance date) and was 0.17 percent at June 30, 2012. The average interest rate for 2012 was 0.14 percent. The interest payments in the debt service requirements schedule are calculated based on the estimated average interest rate over the life of the bonds. Proceeds from the sale of these bonds were used to fund the development, construction, and equipping of UPI's administrative office building. UPI's public variable rate debt is supported by a letter of credit with US Bank, which was executed in December 2010 and includes a four-year term with an option for a one-year extension. Under this agreement, UPI is subject to certain financial covenants, including the maintenance of 60 days cash on hand (defined as cash plus readily marketable securities) and a debt service coverage ratio of 1.25. UPI management believes it is in compliance with its debt service requirements and financial covenants.

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		
Years Ending June 30	**Principal**	**Interest**	**Total**
2013	$ 63,770	60,836	124,606
2014	48,235	58,728	106,963
2015	50,405	56,794	107,199
2016	50,190	54,603	104,793
2017	49,590	52,463	102,053
2018–2022	278,615	226,436	505,051
2023–2027	303,520	155,399	458,919
2028–2032	237,710	84,818	322,528
2033–2037	155,410	26,858	182,268
2038–2042	25,940	2,032	27,972
Total	**$1,263,385**	**778,967**	**2,042,352**

CAPITAL LEASES

The University's capital leases are primarily equipment. The University also has a capital lease with a related party. During the year ended June 30, 2009, CU Denver entered into a $10,272,000 site lease agreement with AHEC associated with the build-out of educational space for CU Denver. In addition, AHEC acquired land and CU Denver entered into a second site lease of $2,805,000 as a share of the cost of this land. As of June 30, 2012, and 2011, the University paid base rent to AHEC of approximately $836,000 and $839,000, respectively.

The University had a capital lease agreement to lease purchase a central utility plant (CUP) to deliver steam and chilled water to the CU Anschutz Medical Campus. The CUP capital lease agreement provided for biannual payments through December 2022 with an effective interest rate of 6 percent. In December 2010, the University purchased the CUP from the lessor by using a portion of the proceeds from the new Tax-Exempt University Enterprise Refunding Revenue Bond, Series 2010B. The CUP portion of the bond was $37,845,000 with a premium of $4,071,000. This resulted in a reduction of the capital lease liability by $37,305,000 and a deferred loss as of June 30, 2012 and 2011 of $3,141,000 and $3,629,000, respectively, with amortization expense in Fiscal Year 2012 of $488,000 and $302,000 in Fiscal Year 2011.

As of June 30, 2012 and 2011, the University had an outstanding liability for all its capital leases approximating $17,740,000 and $17,490,000, respectively, with underlying gross capitalized asset cost approximating $21,316,000 and $20,963,000, respectively, with amortization of $5,452,000 and $4,733,000 respectively, resulting in underlying net capitalized assets of $15,864,000 and $16,230,000, respectively.

Future minimum payments for all the University's capital lease obligations are detailed in Table 9.5, Capital Leases.

Table 9.5. Capital Leases (in thousands)

	University		
Years Ending June 30	**Principal**	**Interest**	**Total**
2013	$ 1,815	832	2,647
2014	1,767	755	2,522
2015	1,518	683	2,201
2016	1,427	621	2,048
2017	1,214	564	1,778
2018–2022	4,434	2,124	6,558
2023–2027	4,785	938	5,723
2028–2032	780	23	803
Total	**$ 17,740**	**6,540**	**24,280**

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 a par value of $192,625,000 and a premium of $7,568,000. The certificates have interest rates ranging from 3.75 to 5.25 percent and mature in November 2030. On December 17, 2009, the University issued Refunding Certificates of Participation, Series 2009, with a par value of $23,110,000. The net proceeds were used to advance refund $18,525,000 principal amount of the Series 2005B Certificates, and pay costs of issuance of the Series 2009 Certificates.

On April 18, 2012, the University issued Refunding Certificates of Participation, Series 2012, with a par value of $56,095,000. The net proceeds were used to advance refund $57,595,000 principal amount of the Series 2005B, outstanding in the aggregate principal amount of $151,550,000 and pay costs of issuance of the Series 2012. The old debt had interest rates ranging from 5.00 to 5.25 percent, and the new debt has interest rates ranging from 4.25 to 5.25 percent. The refunding resulted in an economic gain of $2,771,000 and an accounting loss of $7,701,000, which the State deferred and will amortize over the life of the new bonds. The debt service cash flow decreased by $3,342,000.

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, 2012 and 2011, the University had underlying gross capitalized assets consisting of seven academic buildings on the CU Anschutz Medical Campus costing approximately $188,800,000, amortized by $22,635,000 resulting in an underlying net capitalized asset of $166,165,000.

On October 23, 2008, the State issued State of Colorado Higher Education Capital Construction Lease Purchase Financing Program Certificates of Participation, Series 2008, with a par value of $230,845,000, 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 2027. 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 fund 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 $1,383,000 and $4,130,000, during the years ended June 30, 2012 and 2011, 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 $257,405,000 and $187,420,000 as of June 30, 2012 and 2011, respectively. In Fiscal Year 2012, the new defeasances totaled $181,075,000 (Series 2011B and Series 2012A-1 as previously discussed) with escrow agent payments on this defeased debt of $111,090,000.

NOTE 10 – OTHER LIABILITIES

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2012 and 2011.

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 the cost and risks associated with employee health benefit programs through the Trust, a related organization as discussed in Note 18 to the financial statements. Under the terms of the Trust, the University is self-insured for medical claims beginning July 1, 2010. However, the risk of loss has been transferred to the Trust. Therefore, no liability was reported as of June 30, 2012 or 2011 for unpaid claims. The University does not purchase excess insurance coverage for its self-insured health benefit programs.

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 CU 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 CU Denver.

All self-insurance programs, other than employee health benefit 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. The property, general liability, and workers' compensation reserve is reported on an undiscounted basis, and the CU Denver professional liability reserve is reported on a discounted 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.

Table 10.1. Other Liabilities (in thousands)

	2012		2011	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
University				
Risk financing	$ 17,078	8,037	16,394	5,778
Construction contract retainage	4,367	4,367	11,391	11,391
Funds held for others	15,948	15,948	17,052	17,052
Miscellaneous	5,682	5,089	4,620	4,581
Total Other Liabilities—University	**$ 43,075**	**33,441**	**49,457**	**38,802**

Table 10.2. Risk Financing-related Liabilities (in thousands)

	Property, General Liability, and Workers' Compensation	CU Denver Professional Liability	Graduate Medical Student Health Benefits	Total
University				
Balance as of June 30, 2010	**$ 11,561**	**4,588**	**1,322**	**17,471**
Fiscal Year 2011:				
Claims and changes in estimates	4,659	1,865	6,320	12,844
Claim payments	(6,244)	(1,327)	(6,350)	(13,921)
Balance as of June 30, 2011	**$ 9,976**	**5,126**	**1,292**	**16,394**
Fiscal Year 2012:				
Claims and changes in estimates	4,723	2,472	7,121	14,316
Claim payments	(4,684)	(1,943)	(7,005)	(13,632)
Balance as of June 30, 2012	**$ 10,015**	**5,655**	**1,408**	**17,078**

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, 2012 and 2011 are presented in Table 10.2, Risk Financing-related Liabilities.

DIRECT LENDING

The University participates in two student lending programs operated by the federal government, Direct Student Loan and the State School as Lender. These programs enable eligible students or parents to obtain a loan to pay for the student's cost of attendance directly through the University rather than through a private lender. The University is responsible for handling the complete loan process, including funds management as well as promissory note functions.

For the Direct Lending program, the University is not responsible for collection of these loans or for defaults by borrowers; therefore, these loans are not recognized as receivables in the accompanying financial statements. Direct lending activity during the years ended June 30, 2012 and 2011 was $389,480,000 and $380,420,000, respectively.

NOTE 11 – UNRESTRICTED NET POSITION

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 and internal service centers, loss reserves for risk financing activities, and capital reserves for planned construction efforts.

As of June 30, 2012 and 2011, all of the University's unrestricted net position has been designated by management for the following purposes and amounts detailed in Table 11, Designations of Unrestricted Net Position.

Table 11. Designations of Unrestricted Net Position (in thousands)

Designation Description	2012	2011
University		
Accounts receivable	$ 157,592	155,965
Auxiliary facilities operating reserves	98,755	88,907
Capital-related activities	213,329	198,047
Faculty start-up and research initiatives	113,955	86,602
Inventories and prepaids	2,045	2,070
Investment pool	69,593	63,794
Risk financing activities	36,313	33,223
Service center reserves	17,745	8,818
Technology Transfer Office	17,012	10,452
University Physicians, Inc.	200,431	182,301
Total Designated Unrestricted Net Position—University	**$ 926,770**	**830,179**

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, 2012 and 2011, 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 1.11 percent and 1.04 percent during the years ended June 30, 2012 and 2011, respectively, as shown in Table 12.1, TABOR Enterprise State Support Calculation.

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

	2012	2011
University		
Capital appropriations	$ 1,677	2,399
Tobacco Litigation Settlement Appropriation	14,365	15,674
State appropriations for CU Anschutz Medical Campus COP annual payments for debt service	13,085	9,695
State COP Issuance for UCCS—Science Building	1,051	750
Total State Support	**$ 30,178**	**28,518**
Total TABOR enterprise revenues	$ 2,724,000	2,734,000
Ratio of State support to total revenues	1.11%	1.04%

A portion of the University is subject to revenue and expense limitations imposed by the Colorado State Legislature through the annual appropriation process. For the years ended June 30, 2012 and 2011, the University's appropriated funds included $50,246,000 and $50,617,000, respectively, received for students that qualified for stipends from the College Opportunity Fund (COF) and $95,530,000 and $130,939,000, respectively, as fee-for-service (FFS) contract revenue, as well as certain cash funds as specified in the State's annual appropriations bill.

Appropriated cash funds for fiscal year ended June 30, 2011, include the student-paid portion of tuition, certain fees, and certain other revenue sources, which are recognized in various revenue lines, as appropriate, in the accompanying financial statements. For fiscal year ended June 30, 2012, the student-paid portion of tuition, certain fees and certain other revenue sources were non-appropriated.

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, 2012 and 2011, expenses were within the appropriated spending authority. Table 12.2, Appropriated Funds, details the related activities for the years ended June 30, 2012 and 2011.

Table 12.2. Appropriated Funds (in thousands)

Description	2012	2011
University		
Total appropriation	$ 160,980	897,388
Actual appropriated revenues	160,140	898,301
Actual appropriated expenditures and transfers	160,140	897,388
Net increase (decrease) in appropriated Net Position	**$ –**	**913**

NOTE 13 – SCHOLARSHIP ALLOWANCES

During the years ended June 30, 2012 and 2011, scholarship allowances were provided by the following funding sources in amounts detailed in Table 13, Scholarship Allowances.

Table 13. Scholarship Allowances (in thousands)

For years ended June 30	2012			2011		
Funding Source Description	Tuition and Fees	Auxiliary Enterprise Revenues	Total	Tuition and Fees	Auxiliary Enterprise Revenues	Total
University						
University general resources	$ 52,405	1,208	53,613	45,581	1,184	46,765
University auxiliary resources	9,486	299	9,785	8,283	177	8,460
Colorado Commission on Higher Education financial aid program	13,911	192	14,103	15,742	240	15,982
Federal programs, including Federal Pell grants	46,361	744	47,105	50,275	905	51,180
Other State of Colorado programs	141	4	145	198	6	204
Private programs	299	5	304	114	–	114
Gift fund	15,088	275	15,363	14,100	232	14,332
Total Scholarship Allowances—University	**$ 137,691**	**2,727**	**140,418**	**134,293**	**2,744**	**137,037**

NOTE 14 – HEALTH SERVICES REVENUE

Health services revenue is recorded net of contractual adjustments approximating $708,141,000 and $572,165,000 and bad debt expense on uncollectible patient account receivables approximating $16,736,000 and $14,991,000 for the years ended June 30, 2012 and 2011, respectively. Charity care provided during the years ended June 30, 2012 and 2011, for which no reimbursement was received, measured at established rates, totaled approximately $43,174,000 and $38,168,000, respectively.

NOTE 15 – RETIREMENT PLANS AND INSURANCE PROGRAMS

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

Non-higher education employees hired by the State after January 1, 2006, are allowed 60 days to elect to participate in a defined contribution retirement plan administered by the State Deferred Compensation Committee rather than becoming a member of PERA. If that election is not made, the employee becomes a member of PERA, and the member is allowed 60 days from commencing employment to elect to participate in a defined contribution plan administered by PERA rather than the defined benefit plan. At the University of Colorado, all classified employees participate in PERA.

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, the University's employees, except classified employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

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

Defined benefit plan members are eligible to vest after five years of service and are eligible for full retirement based on their original hire date as follows:

- Hired before July 1, 2005—age 50 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 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 any years of service.
- Hired between January 1, 2007 and December 31, 2010—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. For members with less than five years of service credit as of January 1, 2011, age and service requirements increase to those required for members hired between January 1, 2007 and December 31, 2010.
- Hired between January 1, 2011 and December 31, 2016—any age with 35 years of service, age 58 with 30 years of service, or age 65 with 5 years of service.
- Hired on or after January 1, 2017—any age with 35 years of service, age 58 with 30 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.
- Hired between January 1, 2011 and December 31, 2016—age 58 and age plus years of service equals 88 or more.
- Hired on or after January 1, 2017—age 60 and age plus years of service equals 90.

Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15-percent increase between periods. For retirements after January 1, 2009, or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually in July based on the member's original hire date as follows:

- Hired before July 1, 2007—the lessor of 2 percent or the average of the monthly Consumer Price Index increases.
- Hired on or after January 1, 2007—the lesser of 2 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.)

- The upper limits on benefits increase by one-quarter percentage point each year when the funded ratio of PERA equals or exceeds 103 percent and declines by one-quarter percentage point when the funded ratio drops below 90 percent after having exceeded 103 percent. The funded ratio increase does not apply for three years when a negative return on investment occurs.

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) may be entitled to a single payment or monthly benefit payments. If there is no eligible child or spouse then financially dependent parents, beneficiaries, or the member's estate, may be entitled to a survivor's benefit.

The total payroll of employees covered by PERA was approximately $279,810,000 and $278,497,000 for the years ended June 30, 2012 and 2011, respectively. From January 1, 2011, through December 31, 2011, the University contributed 12.25 percent. From January 1, 2012, through June 30, 2012, the University contributed 13.15 percent. During the years ended June 30, 2012 and 2011, the University contributed a total of 12.95 percent and 11.80 percent, respectively, of the employee's gross covered wages to PERA in accordance with the following allocations and amounts detailed in Table 15.1, University Contributions to PERA. These contributions met the contribution requirement for each year.

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

Most employees contribute 8.0 percent of their salary, as defined in CRS 24-51-101(42), to an individual account in the plan. Effective July 1, 2011, Senate Bill 11-076 extended the requirement for members in the State to pay 2.5 percent additional member contributions through June 30, 2012. Employer contributions for members in these two divisions will be reduced by 2.5 percent.

From July 1, 2011, to December 31, 2011, the State contributed 12.25 percent of the employee's salary. From January 1, 2012, through June 30, 2012, the State contributed 13.15 percent. During all of Fiscal Year 2011-12, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. As of December 31, 2011, the division of PERA in which the State participates has a funded ratio of 57.7 percent and a 56-year amortization period based on current contribution rates. The funded ratio on the market value of assets is lower at 57.6 percent.

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 0.5 percent of salary for calendar years 2006 and 2007, with subsequent year increases of 0.4 percent of salary through 2017, to a maximum of 5 percent.

In the 2006 and 2010 legislative sessions, 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, for calendar years 2008 through 2017, to a maximum of 5 percent. The SAED will be deducted from the amount otherwise available to increase State employee's salaries.

At 103 percent funding ratio, both the AED and the SAED will be reduced by one-half percentage point, and for subsequent declines to below 90 percent funded both the AED and SAED will be increased by one-half percentage point.

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.

The University's contributions to the PERA defined benefit plan and/or the defined contribution plan for the fiscal years ending June 30, 2012, 2011, and 2010 were $36,235,000, $32,925,000, and $37,398,000, respectively. These contributions met the contribution requirement for each year.

DEFINED CONTRIBUTION PLAN

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. All employees, with the exception of certain higher education employees, have the option of participating in the plan. At July 1, 2009, the State's administrative functions for the defined contribution plan were transferred to PERA. New member contributions to the plan vest from 50 percent to 100 percent evenly over 5 years. Participants in the plan are required to contribute 8 percent of their salary. For Fiscal Years 2009–10 and 2010–11 the legislature temporarily increased the required contribution rate to 10.5 percent. At December 31, 2011, the plan had 4,029 participants.

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 for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2011, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution with a temporarily increase to 10.5 percent for Fiscal Years 2010–11 and 2011–12) to a maximum of $16,500. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2010, for total contributions of $22,000. Contributions and earnings are tax deferred. At December 31, 2011, the plan had 17,821 participants.

Table 15.1. University Contributions to PERA (in thousands)

Program	Basis		2012	2011	2010
Health Care Trust Fund	1.02% after July 1, 2004	$	370	336	381
Defined Benefit Plan	The balance remaining		35,865	32,589	37,017
Total University Contribution		**$**	**36,235**	**32,925**	**37,398**

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

UNIVERSITY OPTIONAL RETIREMENT PLAN

Under the University's optional retirement plan (ORP), 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 ORP after completing one year of service and are vested immediately upon participation. For the years ended June 30, 2012 and 2011, 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 ORP during the years ended June 30, 2012 and 2011, approximated $77,088,000 and $72,364,000, respectively. The employees' contribution under the ORP approximated $38,439,000 and $36,069,000 during the years ended June 30, 2012 and 2011, respectively.

Participants in the University's ORP choose to invest all contributions with one or more of three designated vendors. In addition, participants in the University's ORP are covered under federal Social Security. Federal Social Security regulations require both the employer and employee to contribute a percentage of covered payroll to Social Security. In the first half of Fiscal Year 2011, the Social Security rate was 6.2 percent of covered payroll. The second half of Fiscal Year 2011, the employee percentage dropped temporarily to 4.2 percent which will remain in effect until December 31, 2012.

EARLY RETIREMENT INCENTIVE PROGRAM

The University provides an early retirement incentive program (ERIP) to tenured professors who are at least 55 years of age and whose age and years of service total at least 70. These professors must also be participants in the University's Optional Retirement Plan. The ERIP provides eligible participants with an incentive equal to twice the professor's base salary and supplemental pay. In return, the participants will retire and relinquish tenure immediately. In the Fiscal Year 2011, 48 professors had participated in the ERIP. There were no new participants in Fiscal Year 2012. Benefits under the ERIP are payable over a five-year period. Participation in this program does not impact the Optional Retirement Plan or OPEB. The liability for Fiscal Year 2012 and Fiscal Year 2011 was $7,973,000 and $8,978,000, respectively. Table 15.2, Early Retirement Incentive Program, presents changes in the ERIP for the years ended June 30, 2012 and 2011.

Table 15.2. Early Retirement Incentive Program (in thousands)

	2012	2011
University		
Beginning of year	$ 8,978	–
Additions	–	8,978
Reductions	(1,005)	–
End of year	**$ 7,973**	**8,978**
Current ERIP	1,903	1,385

ALTERNATE MEDICARE PLAN

The University provides an Alternate Medicare Plan (AMP) to retirees aged 65 and over. The AMP is available to the employee and eligible spouse/same gender domestic partner. Coverage is not provided for dependent children. The AMP provides a monthly cash payment of approximately $140 for a retiree and approximately $238 for a retiree plus spouse/same gender domestic partner to offset medical plan costs for non-university Medicare Risk or Medicare-Eligible plan. No retiree contribution is permitted. As these monthly cash payments are not restricted as to use, they are considered a pension rather than a postemployment benefit. As of June 30, 2012, based on the July 1, 2010 actuarial valuation, the unfunded actuarial accrued liability and expense was $20,900,000, and the associated pension liability was $5,200,000 Table 15.3, Alternate Medicare Plan presents changes in the AMP for the years ended June 30, 2012 and 2011.

Table 15.3. Alternate Medicare Plan (in thousands)

	2012	2011
University		
Annual required contribution (ARC)	$ 2,200	2,300
Interest on net obligation	200	100
Adjustment to ARC	(300)	(200)
Net pension cost (expense)	2,100	2,200
Contributions made during the year	(1,000)	(1,000)
Net pension obligation for prior years	–	2,900
Increase in AMP	1,100	4,100
Beginning of year	4,100	–
End of year	**$ 5,200**	**4,100**
Current AMP	912	875

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. On behalf of eligible employees, UPI contributed an amount equal to 7 percent of eligible employees' salaries for the years ended June 30, 2012 and 2011. UPI's contributions for covered payroll to the retirement plan for the years ended June 30, 2012 and 2011, approximated $1,701,000 and $1,620,000, respectively.

HEALTH INSURANCE PROGRAMS

The University's contributions to its various health insurance programs approximated $100,976,000 and $97,188,000 during the years ended June 30, 2012 and 2011, respectively.

NOTE 16 – SEGMENT AND BLENDED COMPONENT UNIT INFORMATION

As of June 30, 2012 and 2011, the University has one segment, UPI. UPI is also a blended component unit of the University.

UPI has identifiable activities for which UPI Variable Rate Demand bonds approximating $16,700,000 and $17,345,000 are outstanding as of June 30, 2012 and 2011, respectively. The activities of this segment include all the University of Colorado Denver School of Medicine's faculty practice plan.

Summary financial information as of and for the years ended June 30, 2012 and 2011, is presented in Table 16, Segment Financial Information.

Table 16. Segment Financial Information (in thousands)

As of and for the year ended June 30	2012	2011
Condensed Statement of Net Position		
Assets		
Cash, and cash equivalents	$ 44,876	66,440
Short-term investments	33,282	13,722
Other current assets	59,452	49,704
Total current assets	137,610	129,866
Investments	93,543	79,170
Capital assets, net	43,113	45,207
Other noncurrent assets	3,265	3,041
Total noncurrent assets	139,921	127,418
Total Assets	**$ 277,531**	**257,284**
Liabilities		
Accounts payable and accrued expenses	$ 33,767	29,539
Bonds, leases, and notes payable	906	742
Total current liabilities	34,673	30,281
Bonds, leases, and notes payable	16,451	16,886
Total noncurrent liabilities	16,451	16,886
Total Liabilities	**$ 51,124**	**47,167**
Net Position		
Net investment in capital assets	$ 25,976	27,816
Unrestricted	200,431	182,301
Total Net Position	**$ 226,407**	**210,117**
Condensed Statement of Revenues, Expenses, and Changes in Net Position		
Operating revenues (expenses)		
Patient revenues	$ 470,568	415,591
Depreciation expense	(3,145)	(2,912)
Other operating expenses	(447,523)	(398,367)
Operating income	19,900	14,312
Nonoperating revenues (expenses)		
Investment income	5,125	6,520
Interest expense on capital asset-related debt	(57)	(443)
Other nonoperating expenses	(8,678)	(8,612)
Total nonoperating revenues (expenses)	(3,610)	(2,535)
Increase in Net Position	**16,290**	**11,777**
Net Position, beginning of year	210,117	198,340
Net Position, end of year	**$ 226,407**	**210,117**
Condensed Statement of Cash Flows		
Net cash flows provided by (used for)		
Operating activities	$ 18,302	19,058
Non-capital financing activities	(8,679)	(8,613)
Capital and related financing activities	(2,060)	(12,647)
Investing activities	(29,127)	22,471
Net Increase in Cash and Cash Equivalents	**(21,564)**	**20,269**
Cash and cash equivalents, beginning of year	66,440	46,171
Cash and Cash Equivalents, End of Year	**$ 44,876**	**66,440**

NOTE 17 – DISCRETELY PRESENTED COMPONENT UNITS

Summary financial information as of and for the years ended June 30, 2012 and 2011, for the University's DPCU are presented in Table 17, DPCU Summary Financial Statements.

Table 17. DPCU Summary Financial Statements (in thousands)

Condensed Statement of Net Position	**As of June 30, 2012**		
	CU Foundation	**CUREF**	**Total**
Assets			
Current assets			
Cash and cash equivalents	$ 13,726	4,876	18,602
Restricted cash	–	1,149	1,149
Short-term investments	–	2,084	2,084
Accounts and contributions receivable, net	16,749	224	16,973
Other current assets	281	698	979
Total current assets	30,756	9,031	39,787
Noncurrent assets			
Investments	1,064,326	7,065	1,071,391
Assets held under split-interest agreements	58,264	–	58,264
Contributions receivable, net	41,558	1,123	42,681
Other assets	5,279	5,420	10,699
Capital assets, net	2,048	58,740	60,788
Total noncurrent assets	1,171,475	72,348	1,243,823
Total Assets	**$ 1,202,231**	**81,379**	**1,283,610**
Liabilities			
Current liabilities			
Accounts payable	$ 2,226	603	2,829
Accounts payable–University	6,780	–	6,780
Unearned revenue	375	997	1,372
Bonds, leases, and notes payable	821	232	1,053
Split-interest agreements	3,540	–	3,540
Custodial funds	7,485	–	7,485
Total current liabilities	21,227	1,832	23,059
Noncurrent liabilities			
Bonds, leases, and notes payable	1,214	68,137	69,351
Split-interest agreements	15,828	–	15,828
Custodial funds	240,037	–	240,037
Other liabilities	2,159	104	2,263
Total noncurrent liabilities	259,238	68,241	327,479
Total Liabilities	**$ 280,465**	**70,073**	**350,538**
Net Position			
Net investment in capital assets	$ 13	(2,380)	(2,367)
Restricted for nonexpendable purposes	350,220	–	350,220
Restricted for expendable purposes	508,307	3,556	511,863
Unrestricted	63,226	10,130	73,356
Total Net Position	**$ 921,766**	**11,306**	**933,072**

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

Statement of Revenues, Expenses and Changes in Net Position	**For the year ended June 30, 2012**		
	CU Foundation	**CUREF**	**Total**
Operating revenues			
Contributions	$ 107,241	529	107,770
University support	5,100	–	5,100
Other revenue	1,422	9,358	10,780
Total operating revenues	113,763	9,887	123,650
Operating expenses			
Institutional support			
Gifts and income distributed to University and related parties	109,482	2,089	111,571
Other program services	8,253	3,859	12,112
Support services	14,608	283	14,891
Depreciation and amortization	628	2,545	3,173
Total operating expenses	132,971	8,776	141,747
Operating Income (Loss)	**$ (19,208)**	**1,111**	**(18,097)**
Nonoperating revenues (expenses)			
Investment income (loss)	(3,214)	270	(2,944)
Interest expense on capital asset-related debt	(277)	(3,935)	(4,212)
Decrease in Net Position	**(22,699)**	**(2,554)**	**(25,253)**
Net Position, beginning of year	944,465	13,860	958,325
Net Position, End of Year	**$ 921,766**	**11,306**	**933,072**

Condensed Statement of Cash Flows			
Net cash flows provided by (used for)			
Operating activities	$ (48,156)	(141)	(48,297)
Non-capital financing activities	25,020	(929)	24,091
Capital and related financing activities	(698)	–	(698)
Investing activities	23,212	1,424	24,636
Net Increase (Decrease) in Cash and Cash Equivalents	**(622)**	**354**	**(268)**
Cash and cash equivalents, beginning of year	14,348	4,522	18,870
Cash and Cash Equivalents, End of Year	**$ 13,726**	**4,876**	**18,602**

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

Condensed Statement of Net Position	As of June 30, 2011		
	CU Foundation	**CUREF**	**Total**
Assets			
Current assets			
Cash and cash equivalents	$ 14,348	4,522	18,870
Restricted cash	–	2,365	2,365
Short-term investments	–	1,496	1,496
Accounts and contributions receivable, net	16,545	239	16,784
Other current assets	85	583	668
Total current assets	30,978	9,205	40,183
Noncurrent assets			
Investments	1,094,054	6,824	1,100,878
Assets held under split-interest agreements	61,928	–	61,928
Contributions receivable, net	36,206	1,324	37,530
Other assets	4,015	5,595	9,610
Capital assets, net	2,537	61,378	63,915
Total noncurrent assets	1,198,740	75,121	1,273,861
Total Assets	**$ 1,229,718**	**84,326**	**1,314,044**
Liabilities			
Current liabilities			
Accounts payable	$ 2,310	760	3,070
Accounts payable—University	7,954	–	7,954
Unearned revenue	396	772	1,168
Bonds, leases, and notes payable	701	217	918
Split-interest agreements	3,774	–	3,774
Custodial funds	7,021	–	7,021
Total current liabilities	22,156	1,749	23,905
Noncurrent liabilities			
Bonds, leases, and notes payable	2,032	68,673	70,705
Split-interest agreements	18,798	–	18,798
Custodial funds	240,040	–	240,040
Other liabilities	2,227	44	2,271
Total noncurrent liabilities	263,097	68,717	331,814
Total Liabilities	**$ 285,253**	**70,466**	**355,719**
Net Position			
Net investment in capital assets	$ (196)	(502)	(698)
Restricted for nonexpendable purposes	322,524	–	322,524
Restricted for expendable purposes	549,065	4,981	554,146
Unrestricted	73,072	9,381	82,353
Total Net Position	**$ 944,465**	**13,860**	**958,325**

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

Statement of Revenues, Expenses and Changes in Net Position	**For the year ended June 30, 2011**		
	CU Foundation	**CUREF**	**Total**
Operating revenues			
Contributions	$ 102,077	1,681	103,758
University support	5,100	–	5,100
Other revenue	6,100	9,208	15,308
Total operating revenues	113,277	10,889	124,166
Operating expenses			
Institutional support			
Gifts and income distributed to University and related parties	98,402	370	98,772
Other program services	7,846	5,028	12,874
Support services	13,301	412	13,713
Depreciation and amortization	631	2,554	3,185
Total operating expenses	120,180	8,364	128,544
Operating Income	**$ (6,903)**	**2,525**	**(4,378)**
Nonoperating revenues (expenses)			
Investment income	125,332	284	125,616
Interest expense on capital asset-related debt	(331)	(3,951)	(4,282)
Increase (Decrease) in Net Position	**118,098**	**(1,142)**	**116,956**
Net Position, beginning of year	826,367	15,002	841,369
Net Position, End of Year	**$ 944,465**	**13,860**	**958,325**

Condensed Statement of Cash Flows			
Net cash flows provided by (used for)			
Operating activities	$ 22,493	2,256	24,749
Non-capital financing activities	12,814	117	12,931
Capital and related financing activities	(611)	–	(611)
Investing activities	(47,517)	(2,894)	(50,411)
Net Decrease in Cash and Cash Equivalents	**(12,821)**	**(521)**	**(13,342)**
Cash and cash equivalents, beginning of year	27,169	5,043	32,212
Cash and Cash Equivalents, End of Year	**$ 14,348**	**4,522**	**18,870**

UNIVERSITY OF COLORADO FOUNDATION

Distributions made by the CU Foundation to the University during the years ended June 30, 2012 and 2011, were approximately $114,443,000 and $96,524,000, respectively. This amount has been recorded as University grant or gift revenue and DPCU operating expense in the accompanying financial statements and does not include undistributed income on University endowments. As of June 30, 2012 and 2011, the University recorded an accounts receivable from the CU Foundation of $15,226,000 and $16,388,000, respectively. As of June 30, 2012 and 2011, the University recorded an accounts payable to the CU Foundation of $42,000 and $0, respectively. Beginning July 1, 2007, the University also contracts with the CU Foundation to manage a portion of its investments. As of June 30, 2012 and 2011, respectively, $118,853,000 and $111,154,000 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 $126,498,000 and $123,668,000 as of June 30, 2012 and 2011, respectively. The CU Foundation retained an investment management fee equal to 1 percent. The University paid a fee to the CU Foundation for development services of $5,100,000 during the years ended June 30, 2012 and 2011.

THE UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION

For the years ended June 30, 2012 and 2011, CUREF distributed approximately $2,089,000 and $370,000, respectively, reported as operating expense, to the University, which recognized an equal amount of gift revenue. CUREF has a line of credit with the University in the amount of $7,000,000, which matures on July 3, 2013. Interest rates are determined at the time a draw on the line of credit is made. Interest-only payments are due June 1 and December 1 until maturity of the loan. During the year ended June 30, 2012, no draws were taken on the line of credit. During the year ended June 30, 2011, $350,000 was drawn and remained outstanding at year end. Interest on the line of credit is computed at 2% per annum.

CUREF has a long-term agreement with the University to rent portions of a building owned by CUREF. For the years ended June 30, 2012 and 2011, the University paid approximately $2,270,000 and

$1,355,000, respectively, in rent of which approximately $372,000 and $177,000 respectively was prepaid at June 30, 2012 and 2011, to CUREF, which recognized an equal amount of other operating revenues. As of June 30, 2012 and 2011, the University had no accounts receivable owed from and no accounts payable due to CUREF.

NOTE 18 – RELATED ORGANIZATIONS, JOINT VENTURES, AND JOINTLY GOVERNED ORGANIZATIONS

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.

CU Denver and UPI have several types of financial transactions with the Hospital Authority. On an annual basis, CU 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, CU 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 CU 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 CU Denver or the Hospital Authority.

Examples of services provided by CU Denver to the Hospital Authority include telecommunications services, rental of office space, and resident doctors. Examples of services provided by the Hospital Authority to CU 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 CU Denver approximated $34,798,000 and $32,872,000 for years ended June 30, 2012 and 2011, respectively. Total payments issued by CU Denver to the Hospital Authority for the years ended June 30, 2012 and 2011 approximated $10,792,000 and $10,428,000, respectively.

During the years ended June 30, 2012 and 2011, UPI recognized approximately $28,409,000 and $27,993,000, respectively, in health services revenue from the Hospital Authority in support of clinical and academic missions. UPI also received approximately $32,906,000 and $28,041,000 during the years ended June 30, 2012 and 2011, 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).

As of June 30, 2012 and 2011, the University recorded an accounts receivable from the Hospital Authority of $3,524,000 and $6,675,000, respectively, for various services provided. As of June 30, 2012 and 2011, the University recorded an accounts payable to the Hospital Authority of $81,000 and $92,000, respectively. Generally, amounts due are paid during the current or subsequent month.

UPI received $873,000 and $948,000 in dividends from TriWest during the years ended June 30, 2012 and 2011, respectively. UPI has 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. See Note 1 for more information about UPI and TriWest.

AURARIA HIGHER EDUCATION CENTER

AHEC, established by legislation in 1974, is jointly governed and utilized by CU Denver, the Community College of Denver, and Metropolitan State College of Denver. The institutions share the costs of operating common educational, library, and other auxiliary facilities. Costs of the common facilities are shared in accordance with an operating agreement between AHEC and the respective institutions. During the years ended June 30, 2012 and 2011, the University incurred expenses related to the common facilities approximating $8,976,000 and $7,996,000, respectively, for payments to AHEC.

At June 30, 2012 and 2011, the University recorded an accounts payable to AHEC for $375,000 and $229,000, respectively, for services rendered but not yet paid, and for fees collected for the spring end of term but not yet paid. At June 30, 2012 and 2011, the University had no accounts payable due from AHEC. For related party lease transactions, see Note 9.

Detailed financial information may be obtained directly from AHEC at 1201 5th Suite 370, Denver Colorado 80217-336.

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. Self-insured risks are transferred to the pool.

The Trust paid medical claims on behalf of the University of $91,757,000 and $59,979,000 for Fiscal Year 2012 and Fiscal Year 2011, respectively. The University's contributions to the Trust were $96,535,000 and $72,296,000 for the years ended June 30, 2012 and 2011, respectively, and the employees' contributions were $20,522,000 and $10,502,000, respectively. As of June 30, 2012 and 2011, the University had accounts receivable owed from the Trust of $143,000 and $143,000, respectively, and accounts payable due to the Trust of $287,000 and $304,000, respectively.

Detailed financial information may be obtained directly from the Trust at 1800 Grant St., Suite 400, Denver, Colorado 80203.

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 $102,153,000 and $122,687,000, as of June 30, 2012 and 2011, 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, 2012 and 2011, the amount of capital construction appropriations authorized from the State for these projects approximated $3,841,000 and $3,299,000, respectively.

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

UPI, as a member of the healthcare industry, is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, 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.

On April 8, 2011, the Regents approved the sale of the former Ninth Avenue campus for $34,800,000. On March 16, 2012, the Purchase and Sale Agreement (PSA) was amended to decrease the purchase price from $34,800,000 to $31,800,000. An amount of $325,000 was placed into escrow by the Buyer on or about April 13, 2011, upon the commencement of the 150-day Investigation Period. The Investigation Period was originally scheduled to end September 6, 2011. Under the terms of the PSA the Buyer could extend the Investigation Period for two additional 30-day periods by paying a $60,000 Extension Fee per 30-day extension. Through a number of amendments to the PSA the Investigation Period was ultimately extended through June 15, 2012. At the conclusion of the Investigation Period a 120-day Rezoning Period began, at which point the buyer was required to make an addition escrow payment of $300,000. The March 16, 2012 amendment to the PSA also provided that the sale of the property is conditioned on the buyer receiving approval from the City of Denver for Tax Increment Financing (TIF) in an amount of at least $18,600,000. If TIF financing is not approved by October 31, 2012, then the Buyer may terminate the PSA and the $325,000 and $300,000 deposits shall be returned to the Buyer. Under the terms of the PSA the Buyer began making $60,000 per month Delay Fee payments to the University beginning March 2012. If the Buyer should terminate the PSA for any reason, including the failure to obtain TIF approval from the City of Denver, the University will retain any Extension fees or Delay Fees paid to date. Recent amendments to the PSA have also including language allowing the Buyer to purchase a portion of the campus as opposed to the entire campus, and has allowed for the closing date to be extended for an additional four months at no additional cost. Under the terms of the existing PSA, the closing on the sale of the property, should it occur, could take place as late as March 2013.

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

On July 19, 2012, the University issued $53,000,000 of University Enterprise Refunding Revenue Bonds, Series 2012A-2, and used the proceeds to in-substance defease a portion of existing enterprise revenue and refunding bonds and to pay for certain costs related to this bond issuance. The old debt had interest rates ranging from 4.0 percent to 5.0 percent, and the new debt has interest rates ranging from 2.0 percent to 5.0 percent. The refunding resulted in an economic gain of $2,315,000 and an accounting loss of $5,796,000, which is deferred and amortized over the life of the new bonds. The debt service cash flow decreased by $3,113,000. These fixed rate coupon revenue bonds mature through June 1, 2035.

On October 11, 2012, the University issued $47,165,000 of University Enterprise Refunding Revenue Bonds, Series 2012A-3, and $95,705,000 of University Enterprise Revenue Bonds, Series 2012B. Proceeds of the Series 2012A-3 Bonds will be used to in-substance defease a portion of existing enterprise revenue and refunding bonds, and to pay certain costs related to this bond issuance. These fixed rate coupon revenue bonds mature through June 1, 2030. Proceeds of the Series 2012B Bonds will be used to defray a portion of the cost of financing capital improvement projects at each campus, and to pay certain costs related to this bond issuance. All of the improvement projects involving new buildings are expected to be LEED Gold Buildings. These fixed rate coupon revenue bonds mature through June 1, 2042. The old debt had interest rates ranging from 4.0 percent to 5.0 percent, and the new debt has interest rates ranging from 2.0 percent to 5.0 percent. The refunding resulted in an economic gain of $2,017,000 and an accounting loss of $6,487,000, which is deferred and amortized over the life of the new bonds. The debt service cash flow decreased by $2,452,000.

REQUIRED SUPPLEMENTARY INFORMATION

FUNDING STATUS OF OTHER POSTEMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B–A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as Percentage of Covered Payroll ([B-A]/C)
July 1, 2010	–	$343,144,000	$343,144,000	0.00%	$1,023,525,000	33.53%
July 1, 2008	–	196,715,000	196,715,000	0.00%	898,899,000	21.88%
July 1, 2007	–	195,972,000	195,972,000	0.00%	831,242,000	23.58%

FUNDING STATUS OF ALTERNATE MEDICARE PLAN

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as Percentage of Covered Payroll ([B-A]/C)
July 1, 2010	–	$22,200,000	$22,200,000	0.00%	–	0.00%

Principal Administrative Officers

Bruce Benson, President

Todd Saliman, Vice President and Chief Financial Officer

Leonard Dinegar, Senior Vice President and Chief of Staff

Patrick T. O'Rourke, Vice President, University Counsel and Secretary of the Board of Regents

Tanya Mares Kelly-Bowry, Vice President Government Relations

Ken McConnellogue, Vice President for Communications

E. Jill Pollock, Vice President, Employee and Information Services

Kathleen Bollard, Vice President and Academic Affairs Officer

Philip P. DiStefano, Chancellor, University of Colorado Boulder

Pam Shockley-Zalabak, Chancellor, University of Colorado Colorado Springs

Donald M. Elliman Jr., 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

Kelly Fox, Senior Vice Chancellor and Chief Financial Officer, University of Colorado Boulder

Brian D. Burnett, Senior Executive Vice Chancellor for Administration and Finance, University of Colorado Colorado Springs

Jeff Parker, Vice Chancellor for Administration and Finance, University of Colorado Denver

Kim Huber, Assistant Vice Chancellor for Finance and Controller, University of Colorado Denver

Laura Ragin, Controller and Director of Accounting & Business Support, University of Colorado Boulder

Julie Brewster, Controller, University of Colorado Colorado Springs

Officers and Staff as of November 2012

Produced by the Office of the President, the Office of the University Controller, the Office of the Vice President for Budget and Finance, the Office of University Relations, 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 obtained at www.cu.edu/controller/annualreport.

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