UNIVERSITY OF COLORADO
2014 ANNUAL FINANCIAL REPORT

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ABBREVIATIONS AND ACRONYMS

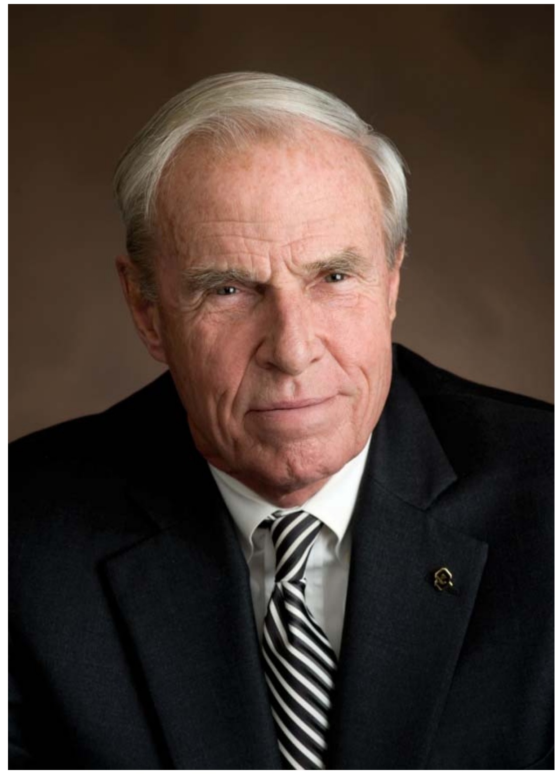
18th Avenue .... 18th Avenue, LLC
33rd Street .... 33rd Street, LLC
457 .... PERA Deferred Compensation Plan
AED .... Amortization Equalization Disbursement
AHEC .... Auraria Higher Education Center
AMP .... Alternate Medicare Plan
ARC .... Annual Required Contribution
ARRA .... American Recovery and Reinvestment Act
Children’s Colorado .... Children’s Hospital Colorado Association
CRS .... Colorado Revised Statutes
CU Anschutz Medical Campus .... University of Colorado Anschutz Medical Campus
CU-Boulder .... University of Colorado Boulder
CU Denver .... University of Colorado Denver
CU Foundation .... University of Colorado Foundation
CU UK .... University of Colorado UK Foundation Limited
CUREF .... University of Colorado Real Estate Foundation
CVA .... Campus Village Apartments
DPCU .... Discretely Presented Component Units
DURA .... Denver Urban Renewal Authority
ERIP .... Early Retirement Incentive Program
Foothills .... Foothills Medical Office Building, LLC
GAAP .... Generally Accepted Accounting Principles
GASB .... Governmental Accounting Standards Board
HAS .... Highest Average Salary
HDS .... Housing and Dining Services
Hospital Authority .... University of Colorado Hospital Authority
LHV LLC .... Land Holdings Venture, LLC
OPEB .... Other Postemployment Benefit
ORP .... Optional Retirement Plan
PDPA .... Public Deposit Protection Act
PERA .... Public Employees’ Retirement Association of Colorado
PHV LLC .... Partnership Holdings Venture, LLC
Regents .... Board of Regents
SAED .... Supplemental Amortization Equalization Disbursement
SEC .... Securities and Exchange Commission
SEEC .... Sustainability, Energy and Environment Complex
SFSF .... State Fiscal Stabilization Fund
SOM .... School of Medicine
State .... State of Colorado
Surgery Center .... Children’s Hospital North Surgery Center, LLC
TABOR .... Taxpayer’s Bill of Rights
TIF .... Tax Increment Financing
TriWest .... TriWest Healthcare Alliance Corp.
Trust .... University of Colorado Health and Welfare Trust
UAAL .... Unfunded Actuarial Accrued Liability
UCCS .... University of Colorado Colorado Springs
UIS .... University Information Services
ULEHI .... University License Equity Holding, Inc.
University .... University of Colorado
UPI .... University Physicians, Inc.

The University of Colorado, Board of Regents, September 2014

Front Row: Mr. Kyle Hybl, 5th Congressional District; Dr. Irene Griego, 7th Congressional District; Chair, Mr. Michael Carrigan, 1st Congressional District; Vice Chair, Ms. Sue Sharkey, 4th Congressional District; Mr. Joseph Neguse, 2nd Congressional District

Back Row: Mr. Steve Bosley, At-Large; Dr. James Geddes, 6th Congressional District; Mr. Stephen Ludwig, At-Large; Mr. Glen Gallegos, 3rd Congressional District

FROM THE PRESIDENT



The University of Colorado received good news this year. The Colorado Legislature last spring significantly increased funding to higher education. The Long Bill, which appropriates state funding, allowed for a $100 million increase ($60 million in operating, $40 million in financial aid) for the state's colleges and universities. The University’s share of the operating funds is about $17 million.

While the Colorado economy has shown signs of improvement, higher education funding remains unpredictable at best. With this in mind, the University continues to be prudent and efficient in its practices and is well positioned, despite fiscal fluctuation and uncertainty.

As this report shows, our primary funding streams have held steady and even grown as we continue to increase revenue resources and improve on our efficiencies. For the year that ended June 30, 2014, the University’s net position increased by nearly $270 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 healthy. The University’s faculty researchers attracted $861.04 million in research awards in Fiscal Year 2014, based on preliminary figures. That total investment represents a stunning jump of 11.7 percent over the previous year’s total, $770.53 million.

The University had set a record in raising private support, $298.4 million in Fiscal Year 2014. We are seeing positive results from the restructuring of our fundraising operations, which began more than a year ago. The total also speaks to what our university is about: the promise of our students and the excellence of our faculty teachers and researchers. It is also emblematic of the confidence our donors have in the university, its people and programs.

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 cu.edu/accountability. In addition, the Office of University Controller developed a website that makes it easier to understand where the University’s money comes from and how it is spent. It can be found at cu.edu/controller/annualreport/illustratedguide.

Sincerely,

Bruce D. Benson
President

INDEPENDENT AUDITORS' REPORT

Members of the Legislative Audit Committee

Report on the Financial Statements

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), an institution of higher education of the State of Colorado, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2014 and 2013 financial statements of University Physicians, Inc. (UPI) a blended component unit, which represents approximately 7%, 10%, and 20%, respectively, of the assets, net position, and revenues of the business-type activities of the University for 2014 and 6%, 9%, and 19%, respectively, of the assets, net position, and revenues of the business-type activities of the University for 2013. In addition, we did not audit the 2014 and 2013 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 2014 and 2013. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for UPI, CU Foundation, and CUREF, are based solely 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 from 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audits and the reports of 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, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the University, an institution of higher education of the State of Colorado, are intended to present the financial position, the changes in financial position and cash flows of the business-type activities of only the University. Financial results for the State of Colorado are presented in separate state-wide financial statements prepared by the Office of the State Controller and audited by the Office of the State Auditor. Complete financial information for the State of Colorado is available in these state-wide financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 20 and the funding status of Other Post Employment Benefits and the Alternate Medicare Plan on page 82 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2014 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* in considering the University's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
December 1, 2014

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, 2014 and 2013 (Fiscal Year 2014 and 2013, respectively), with comparative information for the year ended June 30, 2012. 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, deferred outflows, liabilities, and net position of the University at a point in time (June 30, 2014 and 2013). 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, 2014 and 2013. 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, 2014 and 2013. Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.

Notes to 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 from 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 challenges. For each of the two past fiscal years, the University has managed to increase its net position. The University's net position increased by $269,560,000 for the year ended June 30, 2014.

Selected financial highlights for the fiscal year ended June 30, 2014 include:

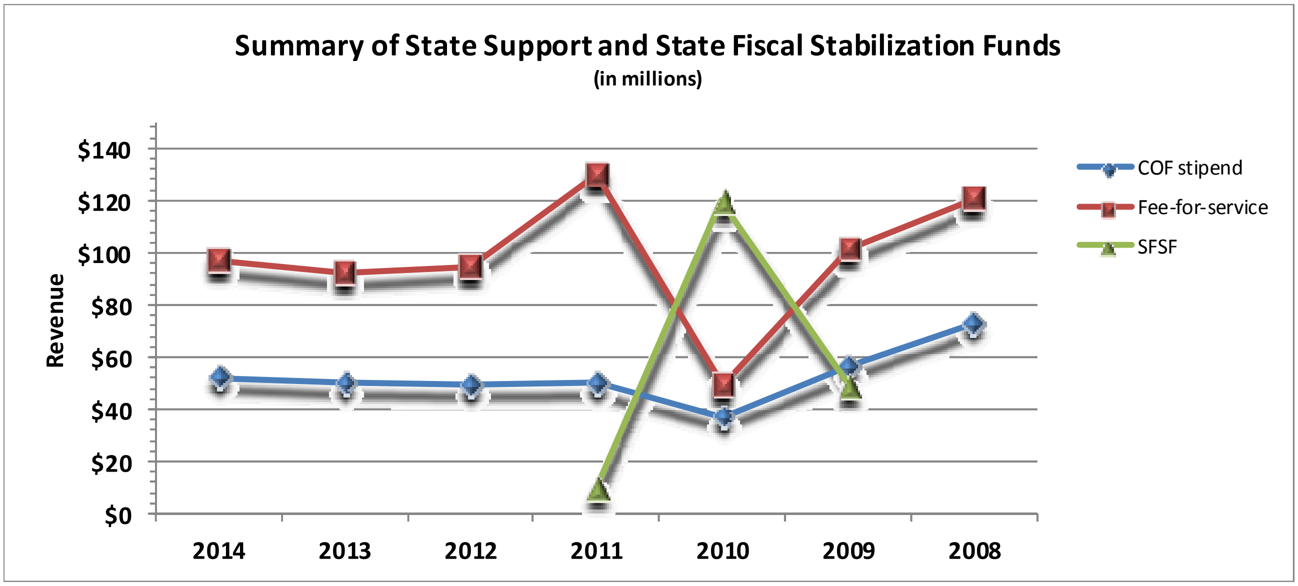
- University assets total $5,642,279,000, deferred outflows of resources (representing loss on bond refundings) total $34,882,000, and liabilities total $2,385,039,000, resulting in net position of $3,292,122,000. Of this amount, $1,633,209,000 is the net investment in capital assets, $32,861,000 is restricted for nonexpendable purposes, meaning only the earnings on the related investments may be used for purposes dictated by the resource provider, and $448,402,000 is restricted for purposes for which the donor, grantor, or other external party intended. The remaining unrestricted balance is available to be used to meet the University's ongoing financial obligations.

- The past three years have seen an increase in change in net position. Operating income from University Physicians, Inc. (UPI), a blended component unit, and nonoperating revenue from investment income and gifts are the major drivers in achieving these results.

- In total, operating revenues increased approximately 7.0 percent in Fiscal Year 2014 while operating expenses increased 7.5 percent. For comparative purposes, operating revenues increased 4.6 percent in Fiscal Year 2013 while operating expenses increased 5.8 percent. Figure 1 demonstrates the seven-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 since then 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) for the years June 30, 2008 - 2014 *(in thousands)*

		2014	2013	2012	2011	2010	2009	2008
COF stipend	$	52,810	50,941	50,246	50,617	38,073	57,164	73,651
Fee-for-service		97,445	92,901	95,530	130,939	50,138	101,940	121,334
Total COF and Fee-for-service	$	150,255	143,842	145,776	181,556	88,211	159,104	194,985
SFSF		-	-	-	10,910	120,888	49,995	-
Total COF, Fee-for-service and SFSF	$	150,255	143,842	145,776	192,466	209,099	209,099	194,985



On February 17, 2009, the American Recovery and Reinvestment Act (ARRA) was signed into law. ARRA was 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, with the exception of deferred outflows of resources. The deferred outflows of resources of $34,882,000 in Fiscal Year 2014, $39,407,000 in Fiscal Year 2013 and $31,445,000 in Fiscal Year 2012 represent the deferred loss on bond refundings which was previously netted against bonds, leases, and notes payable. 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.

Figure 2. Summary of Assets, Deferred Outflows, Liabilities, and Net Position as of June 30, 2014, 2013, and 2012 *(in thousands)*

	2014	2013	2012
Assets			
Current assets	$ 669,237	636,454	502,781
Noncurrent, noncapital assets	2,088,126	1,816,409	1,715,943
Net capital assets	2,884,916	2,713,849	2,610,597
Total Assets	**5,642,279**	**5,166,712**	**4,829,321**
Deferred Outflows			
Deferred loss	34,882	39,407	31,445
Total Deferred Outflows	**34,882**	**39,407**	**31,445**
Total Assets and Deferred Outflows	**5,677,161**	**5,206,119**	**4,860,766**
Liabilities			
Current liabilities	573,440	519,960	489,815
Noncurrent liabilities	1,811,599	1,663,597	1,566,248
Total Liabilities	**2,385,039**	**2,183,557**	**2,056,063**
Net Position			
Net investment in capital assets	1,633,209	1,579,724	1,473,009
Restricted for nonexpendable purposes	32,861	32,861	32,861
Restricted for expendable purposes	448,402	390,116	379,820
Unrestricted	1,177,650	1,019,861	919,013
Total Net Position	**3,292,122**	**3,022,562**	**2,804,703**
Total Net Position and Liabilities	**$ 5,677,161**	**5,206,119**	**4,860,766**

The University's investments were $2,305,328,000 and $2,044,486,000 at June 30, 2014 and 2013, respectively, representing an increase of $260,842,000. 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 2014 is due primarily to an increase in net position of $269,560,000 (resulting in additional funds available for investment), an increase in unrealized gains of $131,628,000, 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 were $2,044,486,000 and $1,837,958,000 at June 30, 2013 and 2012, respectively, representing an increase of $206,528,000. The increase is due primarily to an increase in net position of $217,859,000 and an increase in unrealized gains of $66,609,000.

The increase in net accounts and loans receivable from Fiscal Year 2013 to Fiscal Year 2014 of $40,870,000 was due to sponsored projects revenues, the contractual PAC-12 distribution to Athletics which was not received as of year-end, pollution remediation from September 2013 flooding, and UPI operations. The increase from Fiscal Year 2012 to Fiscal Year 2013 of $7,919,000 was due to increases in tuition and fee revenue increasing student accounts receivable, increases in private sponsors funding of grant spending, and increases in health services revenue increasing patient accounts receivable.

The University's non-debt-related liabilities are $876,142,000, $778,453,000 and $695,863,000 at June 30, 2014, 2013 and 2012, respectively. These liabilities are comprised of amounts categorized in Figure 3.

Figure 3. Composition of Non-debt-related Liabilities as of June 30, 2014, 2013, and 2012 *(in thousands)*

		2014	2013	2012
Accounts payable	$	96,054	89,397	71,468
Accrued expenses		215,932	189,380	178,190
Compensated absences		166,505	157,540	143,471
Other postemployment benefits		195,587	165,393	131,508
Unearned revenue		123,661	116,408	114,978
Alternate medicare plan		8,200	6,700	5,200
Early retirement incentive program		10,851	6,245	7,973
Risk financing		23,294	17,795	17,078
Construction contract retainage		10,502	6,036	4,367
Funds held for others		16,102	16,707	15,948
Miscellaneous liabilities		9,454	6,852	5,682
Total Non-debt-related Liabilities	**$**	**876,142**	**778,453**	**695,863**

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 for and report on OPEB (Note 7). Such benefits include health insurance benefits for University retirees and their dependents. The accounting standard requires a liability to be recorded for the cumulative difference between the annual OPEB cost and the employer's contribution to fund the obligation. The University has chosen to fund this liability on a pay-as-you-go basis rather than fund the annual OPEB cost. The unfunded actuarial liability, as determined by the University's actuary, is $406,782,000 as of July 1, 2012 and $343,144,000 as of July 1, 2010. 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 $195,587,000 in Fiscal Year 2014, an increase of $30,194,000, and the liability totaled $165,393,000 in Fiscal Year 2013, an increase of $33,885,000. This increase is primarily due to the annual required contribution of $49,553,000 and $49,553,000 offset by pay-as-you-go amounts of approximately $12,529,000 and $11,608,000 for Fiscal Year 2014, and Fiscal Year 2013, respectively. The remaining increase is detailed in Table 7.2 contained in Note 7 to the financial statements.

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 the timing of the 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 include items that, 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 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 (CUF), 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.

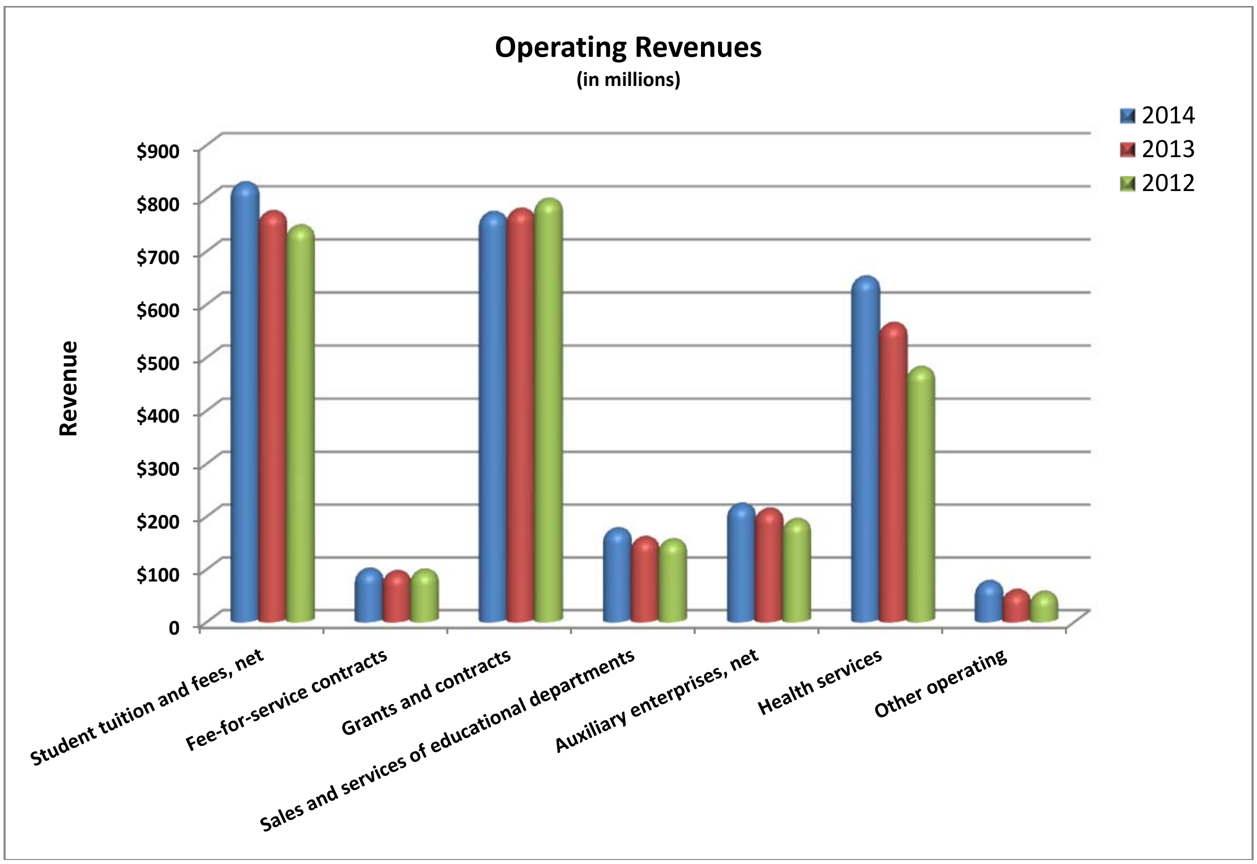
Figure 4. Summary of Revenues, Expenses, and Changes in Net Position for Years Ended June 30, 2014, 2013, and 2012 *(in thousands)*

		2014	2013	2012
Operating revenues	$	2,811,353	2,628,120	2,512,192
Operating expenses		2,937,220	2,731,247	2,581,544
Operating Loss		**(125,867)**	**(103,127)**	**(69,352)**
Nonoperating revenues, net		361,916	264,642	168,475
Income Before Other Revenues		**236,049**	**161,515**	**99,123**
Other revenues		33,511	56,344	67,166
Increase in Net Position		**269,560**	**217,859**	**166,289**
Net Position, beginning of year		3,022,562	2,804,703	2,645,659
Cumulative effect of adoption of new accounting standard		-	-	(7,245)
Net Position, End of Year	**$**	**3,292,122**	**3,022,562**	**2,804,703**

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 2014, appropriated funds primarily included State stipends, fee-for-service contract revenues, and tobacco litigation settlement monies. The Fiscal Year 2014, 2013 and 2012 State budgets 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's Board of Regents (the Regents) designated the University as a TABOR enterprise pursuant to the statute. During the Fiscal Years ended June 30, 2014 and 2013, the University believes it has met all requirements of TABOR enterprise status (Note 12). The amount of State grants received by the University was 1.05 percent and 1.09 percent of total revenues during the Fiscal Years ended June 30, 2014 and 2013, 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.

Figure 5. Operating and Nonoperating Revenues (Excluding Capital) for Years Ended June 30, 2014, 2013, and 2012 *(in thousands)*

		2014	2013	2012
Operating Revenues				
Student tuition and fees, net	$	826,104	771,692	745,005
Fee-for-service contracts		97,445	92,901	95,530
Grants and contracts		770,282	776,414	795,085
Sales and services of educational departments		173,912	157,437	152,945
Auxiliary enterprises, net		220,771	211,151	191,548
Health services		648,768	561,249	478,364
Other operating		74,071	57,276	53,715
Total Operating Revenues		**2,811,353**	**2,628,120**	**2,512,192**
Nonoperating Revenues				
Federal Pell Grant		46,355	44,754	44,146
State appropriations		13,720	14,172	14,365
Gifts		116,693	101,439	103,129
Investment income, net		226,570	130,685	24,581
Royalty income, net		2,560	7,718	24,178
Other nonoperating, net		6,784	6,690	6,294
Total Nonoperating Revenues		**412,682**	**305,458**	**216,693**
Total Noncapital Revenues	**$**	**3,224,035**	**2,933,578**	**2,728,885**



The University experienced increases in all operating revenue sources in Fiscal Year 2014 except for federal grants and contracts. The increase in tuition and fee revenue for Fiscal Years 2014 and 2013 reflects a combination of changing enrollment and rate increases. In Fiscal Year 2014, approved tuition rates increased 8.7 percent at the University of Colorado Boulder (CU-Boulder), 6.0 percent at the University of Colorado Colorado Springs (UCCS), and 6.0 percent at the University of Colorado Denver (CU Denver). In Fiscal Year 2013, the increases were 5.0 percent, 4.9 percent, and 1.0 percent, respectively. At the University of Colorado Anschutz Medical Campus (CU Anschutz Medical Campus), the increase to approved tuition rates ranged from 0 percent to 14.8 percent in Fiscal Year 2014, and was 3.0 percent in Fiscal Year 2013. 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 2014, 2013 and 2012, the University applied $52,810,000, $50,941,000 and $50,246,000, respectively, of COF stipends against student tuition bills (these amounts are included in tuition revenues). Fee-for-service revenue from the State increased $4,544,000 between Fiscal Year 2014 and 2013, but it decreased $2,629,000 between Fiscal Year 2013 and 2012, due to State budget cuts.

Consistent with the University's goal to increase its focus and national role as a comprehensive research institution, one of the two largest sources of revenue of the University continues to be grants and contracts revenue, which includes federal, state, and local governments, and private sources. Grants and contracts revenue from the federal government represents 81 percent, 82 percent and 83 percent of total grants and contract revenue for Fiscal Year 2014, 2013 and Fiscal Year 2012, respectively. These funds can only be used for the purpose given and have decreased in Fiscal Year 2014 due to the national decline of available federal funding for research and the ARRA projects endings, and decreased in Fiscal Year 2013 due to a decrease in ARRA projects and a decrease of spending on Federal grants. These grants also provide necessary funding for the administrative functions and facilities that support the grants through the facilities and administrative reimbursement. In Fiscal Years 2014, 2013 and 2012, the University received $156,916,000, $161,868,000 and $166,230,000, 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, thus creating a reliance on continued federal research funding.

The increase to auxiliary enterprise revenues is mainly due to Housing and Dining Services (HDS) and Athletics. The increase for HDS was created by an increase to the room and board rates, as well as an overall increase in room occupancy. Room and board rates increased by 4.5 percent over Fiscal Year 2013 and HDS experienced an almost 4 percent increase in occupancy, due to the re-opening of several newly renovated dorms. The occupancy also served to increase revenue through volume at the HDS dining halls and other retail centers. This combination of factors contributed to the 7.3 percent overall increase in HDS auxiliary revenues. Also contributing to the increase in auxiliary revenues was a larger PAC-12 distribution in Athletics. The Fiscal Year 2014 distribution was $20.4 million compared to the Fiscal Year 2013 amount of $17.9 million. In Fiscal Year 2013, the University also experienced growth in its auxiliary operations due to the new operation of the Health and Wellness facility on the CU Anschutz Medical Campus and the PAC-12 distributions received.

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 four years.

The University received $13,720,000, $14,172,000 and $14,365,000 in Fiscal Year 2014, Fiscal Year 2013 and Fiscal Year 2012, respectively, in State appropriations funded by State of Colorado tobacco litigation settlement monies.

Investment income is subject to inherent variability due to the requirement to record the majority of investments at fair value. Investment income increased from $24,581,000 in Fiscal Year 2012 to $130,685,000 in Fiscal Year 2013 and then increased to $226,570,000 in Fiscal Year 2014 mainly due to changes in the fair value of investments. In Fiscal Year 2014, the University's unrealized gains on investments (the difference between the investment's fair value and cost basis) increased by $131,628,000. In Fiscal Year 2013, the University's unrealized gains on investments increased by $66,609,000.

Royalty income decreased $5,158,000 between Fiscal Year 2014 and 2013 due to the economic downturn and a maturing portfolio with royalty expenses increasing slowly in staff-related costs and speculative patent expense. Royalty income decreased $16,460,000 between Fiscal Year 2013 and Fiscal Year 2012 due to the sale of certain royalty rights to a third party that only occurred in Fiscal Year 2012.

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 $0, $314,000 and $1,383,000 in Fiscal Year 2014, 2013 and 2012, respectively. These capital contributions are related to certificates of participation issued by the State to finance construction and renovation.

Figure 6. Capital Revenues as of June 30, 2014, 2013, and 2012
(in thousands)

		2014	2013	2012
Capital contributions from the State	$	-	314	1,383
Capital student fee, net		8,065	8,517	9,879
Capital appropriations		6,183	2,269	1,677
Capital grants and gifts		19,263	45,244	54,160
Gain (loss) on disposal of capital assets		(1,582)	6,490	(983)
Total Capital Revenues	**$**	**31,929**	**62,834**	**66,116**

The University also received additional appropriations from the State of $6,183,000 in Fiscal Year 2014 compared to $2,269,000 in Fiscal Year 2013 and $1,677,000 in Fiscal Year 2012. These monies are used for various controlled maintenance and other capital construction activity and fluctuate year to year based on the State budget.

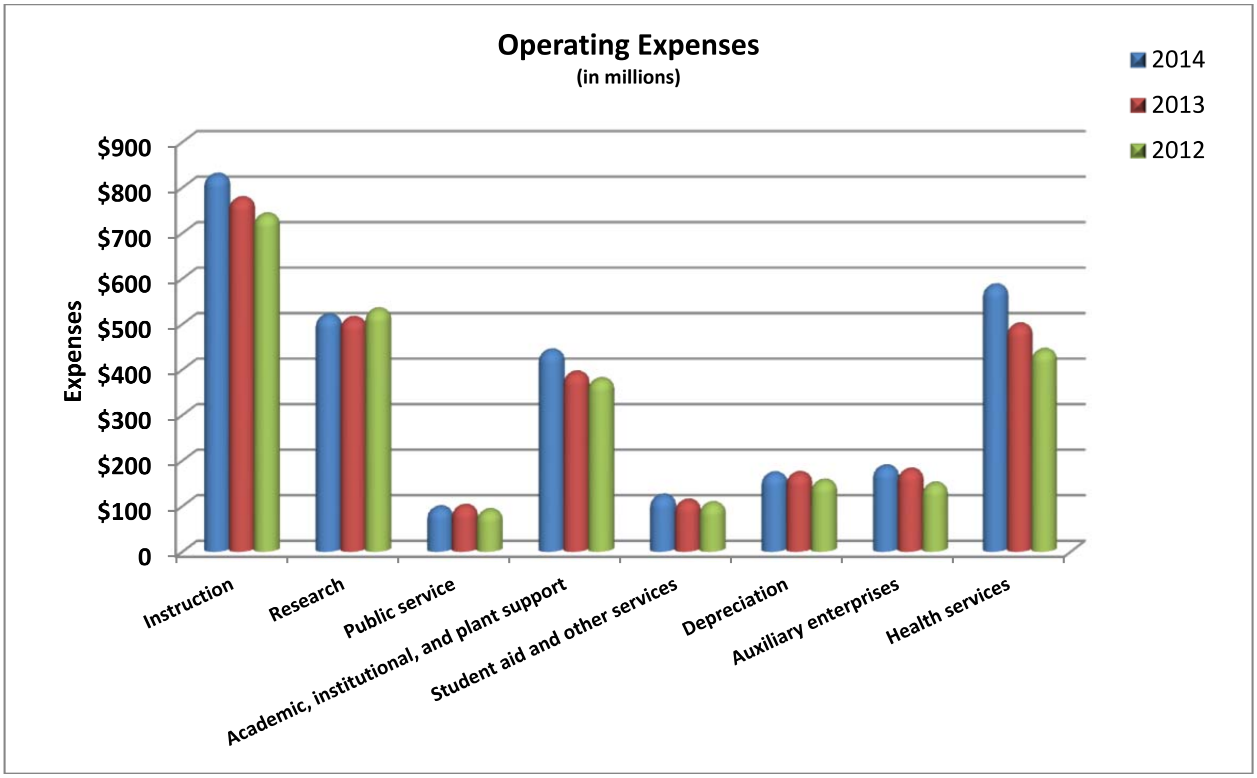
Capital grants and gifts decreased $25,981,000 in Fiscal Year 2014 due to decreases in software gift-in-kind to the Business School at CU Denver and the completion of the Business School Building at CU Denver and the Jennie Smoly Caruthers Biotechnology at CU-Boulder. Capital grants and gifts decreased $8,916,000 in Fiscal Year 2013 due to the completion of four large construction projects: the JILA X-Wing addition, the BioFrontiers building, the MRI consortium, and the Health and Wellness Center. These construction projects had both grant and gift funding sources.

The loss on disposal of capital assets in Fiscal Year 2014 is due to the sale or scrapping of various equipment before the end of their useful life. The gain on disposal of capital assets in Fiscal Year 2013 is due to the sale of 6.74 acres of the 28.55 acre site at the former 9th Avenue campus. 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 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 6.0 percent and 2.5 percent in Fiscal Year 2014 and Fiscal Year 2013, respectively, due to increases in instruction. The increase in academic, institutional, and plant support is related to the increases in instruction. The increase in instruction is due to the increased number of students. The increase in institutional support is also due to the addition of the Office of Advancement and the fact that as of July 2013 all fundraising and certain other advancement employees are now staff at the University and previously were staff of the CUF. Cost management measures in place for the past several fiscal years were continued in Fiscal Year 2014 as restrictions on funding 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 potential restrictions in funding in the next few years to minimize the impact on instruction.

Figure 7. Expense Program Categories for Years Ended June 30, 2014, 2013, and 2012
(in thousands)

	2014	2013	2012
Instruction	$ 825,919	774,465	738,736
Research	517,244	511,162	530,198
Public service	95,251	98,606	89,032
Academic, institutional, and plant support	439,807	391,423	376,836
Student aid and other services	120,976	110,025	104,446
Total Education and General	**1,999,197**	**1,885,681**	**1,839,248**
Depreciation	170,090	170,478	153,680
Auxiliary enterprises	185,094	177,917	147,516
Health services	582,839	497,171	441,100
Total Operating Expenses	**$ 2,937,220**	**2,731,247**	**2,581,544**



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 $155,135,000, $146,201,000 and $140,418,000 in Fiscal Year 2014, 2013 and 2012, respectively.

Auxiliary expenses changed due to an overall increase in salaries, benefits, cost of goods, and operating expenses, particularly within HDS at CU-Boulder resulting from greater volume. The increase in Fiscal Year 2013 is due to a one-time expense in Athletics related to severance packages, increased expenses to the housing and dining services due to greater utility cost and upgrades to IT services, and expenses related to the new operation of the Health and Wellness facility.

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 $4,732,746,000, $4,407,275,000 and $4,216,701,000 of plant, property, and equipment at June 30, 2014, 2013 and 2012, respectively, offset by accumulated depreciation of $1,847,830,000, $1,693,426,000 and $1,606,104,000, respectively. The major categories of plant, property, and equipment at June 30, 2014, 2013 and 2012 are displayed in Figure 8. Related depreciation charges of $170,090,000, $170,478,000 and $153,680,000 were recognized in the Fiscal Years 2014, 2013 and 2012, respectively. Detailed financial activity related to the changes in capital assets is presented in Note 5. Figure 9 details the University's current construction commitments.

Figure 8. Capital Asset Categories (before depreciation) for Years Ended June 30, 2014, 2013, and 2012 *(in thousands)*

	2014	2013	2012
Land	$ 58,565	56,940	58,393
Construction in progress	266,229	251,891	114,160
Buildings and improvements	3,496,732	3,234,296	3,177,665
Equipment	466,679	442,467	471,791
Software and other intangibles	82,747	74,519	64,927
Library and other collections	361,794	347,162	329,765
Total Capital Assets (gross)	**$ 4,732,746**	**4,407,275**	**4,216,701**

Figure 9. Current Construction Projects as of June 30, 2014

Campus/Project Description	Financing Sources	Value*
CU-Boulder:		
Housing Baker Hall Renovation	Bond proceeds	41,300
Wilderness Place ACQ & Renovation	Campus cash resources	17,949
Housing Stearns Fan Coil Units	Campus cash resources	5,900
Campus Utility System	Bond proceeds and campus cash resources	91,100
Geosciences Building (SEEC)	Bond proceeds and campus cash resources	111,500
Athletics Complex	Bond proceeds and campus cash resources	155,198
Euclid Autopark Addition (Center for Academic Success)	Campus cash resources	43,000
Quadrangle Residential Hall Redevelopment	Bond proceeds and campus cash resources	62,400
Ekeley Sciences Middle Wing Renovation	Campus cash resources	15,700
Williams Village Dining and Community Center	Campus cash resources	48,900
Housing Bathroom Upgrades	Campus cash resources	9,463
Jennie Smoly Caruthers Biotech Bldg (5th Wing)	Governmental grants and contracts, bond proceeds, and campus cash resources	194,900
Athletics Complex Parking Garage	Bond Proceeds	24,825
CU Denver:		
AHEC Academic Building 1, new building	Bond proceeds and campus cash resources	62,552
AHEC Academic Building 1, backfill	Campus cash resources	5,324
BioScience 2	Bond proceeds and campus cash resources	37,643
Research Complex 1 Energy Conservation Phase2	Bond proceeds	5,248
UCCS:		
Alpine Village	Bond proceeds	83,000
Recreation Center Expansion & Student Wellness Center	Bond proceeds	17,000
Stanton Road Parking Garage	Bond proceeds	23,000
Visual and Performing Arts Building-Phase I	State, Gift and campus cash resources	60,000

** Value represents budgeted costs for project in thousands*

During Fiscal Year 2014, the University issued $153,705,000 in revenue bonds to fund the following University of Colorado Improvement Projects: Sustainability, Energy and Environment Complex (SEEC) and Campus Data Center at CU-Boulder; Village at Alpine Valley and Student Health and Wellness Center at UCCS; and Research I Energy Improvements and Bioscience II Building at CU Anschutz Medical Campus. These bonds are special limited obligations of the University, payable solely from net revenues, as defined.

At June 30, 2014, 2013 and 2012, the University had debt (or similar long-term obligations) of $1,508,897,000, $1,405,104,000 and $1,360,200,000, respectively, in the categories illustrated in Figure 10. More detailed information about the University's debt is included in Note 9.

Figure 10. Debt Categories as of June 30, 2014, 2013, and 2012

(in thousands)		2014	2013	2012
Revenue bonds	$	1,493,279	1,388,696	1,342,460
Capital leases		15,618	16,408	17,740
Total Long-term Debt	**$**	**1,508,897**	**1,405,104**	**1,360,200**

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 CRS 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 Aa2 and AA+ (Moody's and Fitch, respectively).

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The Fiscal Year 2015 budget approved by the State Legislature includes an additional $61,000,000 in funding for higher education, excluding financial aid. Of this amount, the University has been appropriated approximately $17,000,000. Additionally, State funding for capital projects at the University is set to increase compared to Fiscal Year 2014. The budget for the University for Fiscal Year 2015, as approved by the Board of Regents, increased approximately $147,500,000, or 4.7 percent.

Based on long-term forecasts, continued increases in state funding are unlikely. State revenues are not increasing at the same rate as statewide Medicaid caseload or K-12 enrollment growth. State support for these mandated expenses will require a larger share of available resources and higher education remains vulnerable as it continues to be one of the only flexible components of the state budget that is not protected via state constitutional or federal requirements. Competition for federal research funding is intensifying as the amount of federal funding available decreases. Continued pressure on research funding is anticipated pending resolution of the debate over the federal deficit.

In response to the pressures noted above, the University has taken strategic steps to ensure the continuing quality of education and research. Resident tuition revenue is budgeted to increase by $8,300,000 or 2.1 percent while nonresident tuition is budgeted to increase by $30,200,000 or 8.1 percent. Funding for federal research is expected to face continued pressure due to ongoing budget issues at the national level. The University continues to focus on achieving additional efficiencies, reducing cost growth, increasing private support through increased gifts, research funding from non-federal sources, and management of its investment portfolio.

As of June 30, 2014 the University has $1,117,650,000 in unrestricted net position. Effective July 1, 2014 (Fiscal Year 2015), the University is required to adopt the provisions of Statement No. 68 *Accounting and Financial Reporting for Pensions* (Statement No. 68). Statement No. 68 requires the University to record, as a liability, its "proportionate share" of the net pension liability of the Colorado Public Employees' Retirement Association (PERA). PERA has not yet performed the calculations required to determine the net pension liability nor has it determined the University's proportionate share of the net pension liability. Under existing accounting and actuarial standards, at December 31, 2013 PERA disclosed an unfunded actuarial accrued liability of $9,714,265,000. Using available information, it is expected the University's proportionate share of the net pension liability will be between 11 percent and 13 percent. The net pension liability assigned to the University under the provisions of Statement No. 68 will directly offset unrestricted net position. As discussed in Note 1, the University has no legal obligation to fund this liability nor does it have the ability to affect funding, benefit, or required contribution decisions made by PERA. Also, the University is prohibited from "paying down" the liability by making extra payments. The implementation of this statement is not expected to have any effect on the University's cash flows or debt covenants.

UNIVERSITY OF COLORADO
STATEMENTS OF NET POSITION
June 30, 2014 and 2013 *(in thousands)*

		2014		2013	
		University	*Component Units*	*University*	*Component Units*
Assets					
Current Assets					
Cash and cash equivalents (Note 2)	$	77,890	26,378	76,410	25,674
Investments (Note 3)		254,167	2,609	264,035	2,044
Accounts, contributions, and loans receivable, net (Note 4)		313,919	19,960	271,428	15,855
Inventories		19,196	-	19,407	-
Other assets		4,065	1,487	5,174	1,283
Total Current Assets		**669,237**	**50,434**	**636,454**	**44,856**
Noncurrent Assets					
Investments (Note 3)		2,051,161	1,428,845	1,780,451	1,210,787
Assets held under split-interest agreements (Note 3)		-	45,527	-	41,288
Accounts, contributions, and loans receivable, net (Note 4)		26,065	58,260	27,686	43,905
Other assets		10,900	7,121	8,272	6,780
Capital assets, net (Note 5)		2,884,916	59,923	2,713,849	62,537
Total Noncurrent Assets		**4,973,042**	**1,599,676**	**4,530,258**	**1,365,297**
Total Assets	**$**	**5,642,279**	**1,650,110**	**5,166,712**	**1,410,153**
Deferred Outflows					
Loss on bond refundings	$	34,882	-	39,407	-
Total Deferred Outflows		**34,882**	**-**	**39,407**	**-**
Total Assets and Deferred Outflows	**$**	**5,677,161**	**1,650,110**	**5,206,119**	**1,410,153**
Liabilities					
Current Liabilities					
Accounts payable	$	96,054	9,887	89,397	9,538
Accrued expenses (Note 6)		215,932	-	189,380	-
Compensated absences (Note 7)		11,056	-	10,018	-
Other postemployment benefits (Note 7)		14,076	-	12,706	-
Unearned revenue (Note 8)		122,012	967	116,378	1,064
Bonds, leases, and notes payable (Note 9)		64,337	757	60,096	1,357
Split-interest agreements (Note 3)		-	2,998	-	2,718
Custodial funds		-	9,240	-	8,089
Alternate medicare plan (Note 15)		1,380	-	1,411	-
Early retirement incentive program (Note 15)		2,463	-	1,858	-
Other liabilities (Note 10)		46,130	-	38,716	-
Total Current Liabilities	**$**	**573,440**	**23,849**	**519,960**	**22,766**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF NET POSITION
June 30, 2014 and 2013 *(in thousands)*

		2014		2013	
		University	*Component Units*	*University*	*Component Units*
Noncurrent Liabilities					
Compensated absences (Note 7)	$	155,449	-	147,522	-
Other postemployment benefits (Note 7)		181,511	-	152,687	-
Unearned revenue (Note 8)		1,649	-	30	-
Bonds, leases, and notes payable (Note 9)		1,444,560	69,718	1,345,008	70,423
Split-interest agreements (Note 3)		-	18,349	-	16,869
Custodial funds		-	324,769	-	270,842
Alternate medicare plan (Note 15)		6,820	-	5,289	-
Early retirement incentive program (Note 15)		8,388	-	4,387	-
Other liabilities (Note 10)		13,222	3,337	8,674	5,060
Total Noncurrent Liabilities		**1,811,599**	**416,173**	**1,663,597**	**363,194**
Total Liabilities	**$**	**2,385,039**	**440,022**	**2,183,557**	**385,960**
Net Position					
Net investment in capital assets	$	1,633,209	(3,284)	1,579,724	(1,011)
Restricted for nonexpendable purposes (endowments)					
Instruction		-	240,056	-	224,825
Research		2,632	29,029	2,632	27,831
Academic support		15,188	18,564	15,188	15,669
Scholarships and fellowships		13,883	131,887	13,883	122,698
Capital and other		1,158	7,197	1,158	6,967
Total restricted for nonexpendable purposes		32,861	426,733	32,861	397,990
Restricted for expendable purposes					
Instruction		30,139	356,237	22,077	287,414
Research		31,819	76,480	26,432	52,003
Academic support		41,171	57,004	33,434	54,604
Student loans and services		42,185	-	39,065	-
Scholarships and fellowships		38,112	149,202	30,617	115,970
Auxiliary enterprises		170,983	-	200,271	-
Capital		46,384	60,278	17,413	38,394
Other		47,609	5,185	20,807	6,094
Total restricted for expendable purposes		448,402	704,386	390,116	554,479
Unrestricted (Note 11)		1,177,650	82,253	1,019,861	72,735
Total Net Position	**$**	**3,292,122**	**1,210,088**	**3,022,562**	**1,024,193**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
June 30, 2014 and 2013 *(in thousands)*

	2014		2013	
	University	*Component Units*	*University*	*Component Units*
Operating Revenues				
Student tuition (net of scholarship allowances of $136,644 in 2014 and $129,379 in 2013; net of bad debt of $0 in 2014 and $2,779 in 2013; pledged revenues of $75,175 in 2014 and $70,408 in 2013) (Note 13)	$ 751,752	-	704,086	-
Student fees (net of scholarship allowances of $13,404 in 2014 and $12,428 in 2013; net of bad debt of $0 in 2014 and $213 in 2013; pledged revenues of $10,311 in 2014 and $8,175 in 2013) (Note 13)	74,352	-	67,606	-
Fee-for-service contracts	97,445	-	92,901	-
Federal grants and contracts (pledged revenues of $132,951 in 2014 and $134,778 in 2013)	622,969	-	634,037	-
State and local grants and contracts (pledged revenues of $7,636 in 2014 and $7,886 in 2013)	39,699	-	37,100	-
Nongovernmental grants and contracts (net of bad debt of $0 in 2014 and $263 in 2013)	107,614	-	105,277	-
Sales and services of educational departments (net of bad debt of $190 in 2014 and $21 in 2013; pledged revenues of $11,097 in 2014 and $16,363 in 2013)	173,912	-	157,437	-
Auxiliary enterprises (net of scholarship allowances of $3,289 in 2014 and $3,037 in 2013; net of bad debt of $522 in 2014 and $87 in 2013; pledged revenues of $54,409 in 2014 and $49,428 in 2013) (Note 13)	220,771	-	211,151	-
Health services (net of bad debt of $77 in 2014 and $48 in 2013; pledged revenues of $0 in 2014 and $29 in 2013) (Note 14)	648,768	-	561,249	-
Contributions	-	149,075	-	128,041
Other operating revenues (net of bad debt of $0 in 2014 and $1,675 in 2013; pledged revenues of $2,918 in 2014 and $1,136 in 2013)	74,071	14,618	57,276	18,550
Total Operating Revenues	**2,811,353**	**163,693**	**2,628,120**	**146,591**
Operating Expenses				
Education and general				
Instruction	825,919	-	774,465	-
Research	517,244	-	511,162	-
Public service	95,251	-	98,606	-
Academic support	150,190	-	144,272	-
Student services	100,141	-	89,662	-
Institutional support	163,870	135,301	129,528	145,836
Operation and maintenance of plant	125,747	-	117,623	-
Student aid	20,835	-	20,363	-
Total education and general expenses	**1,999,197**	**135,301**	**1,885,681**	**145,836**
Depreciation (Note 5)	170,090	2,999	170,478	3,257
Auxiliary enterprises	185,094	-	177,917	-
Health services (Note 14)	582,839	-	497,171	-
Total Operating Expenses	**2,937,220**	**138,300**	**2,731,247**	**149,093**
Operating Income (Loss)	**$ (125,867)**	**25,393**	**(103,127)**	**(2,502)**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
June 30, 2014 and 2013 *(in thousands)*

	2014		2013	
	University	*Component Units*	*University*	*Component Units*
Nonoperating Revenues (Expenses)				
Federal Pell Grant	$ 46,355	-	44,754	-
State appropriations	13,720	-	14,172	-
Gifts	116,693	-	101,439	-
Investment income (net of investment expenses of $10,466 in 2014 and $8,222 in 2013; pledged revenues of $79 in 2014 and $15 in 2013)	226,570	164,386	130,685	100,094
Royalty income (net of royalty expense of $5,997 in 2014 and $13,322 in 2013; pledged revenues of $141 in 2014 and $147 in 2013)	2,560	-	7,718	-
Gain (loss) on disposal of capital assets	(1,582)	-	6,490	-
Interest expense on capital asset-related debt (including amortization of deferred loss of $4,525 in 2014 and $4,600 in 2013)	(48,148)	(3,884)	(45,877)	(6,175)
Bond issuance costs	(1,036)	-	(1,429)	-
Other nonoperating revenues (pledged revenues of $1,371 in 2014 and $103 in 2013)	6,784	-	6,690	(296)
Total Nonoperating Revenues (Expenses)	**361,916**	**160,502**	**264,642**	**93,623**
Income Before Other Revenues	**236,049**	**185,895**	**161,515**	**91,121**
Other Revenues				
Capital contributions from the State	-	-	314	-
Capital student fee (net of scholarship allowance of $1,798 in 2014 and $1,357 in 2013) (Note 13)	8,065	-	8,517	-
Capital appropriations	6,183	-	2,269	-
Capital grants and gifts	19,263	-	45,244	-
Total Other Revenues	**33,511**	**-**	**56,344**	**-**
Increase in Net Position	**269,560**	**185,895**	**217,859**	**91,121**
Net Position, beginning of year	3,022,562	1,024,193	2,804,703	933,072
Net Position, End of Year	**$ 3,292,122**	**1,210,088**	**3,022,562**	**1,024,193**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS
June 30, 2014 and 2013 *(in thousands)*

		2014	2013
		University	
Cash Flows from Operating Activities			
Tuition and fees	$	918,807	865,241
Grants and contracts		767,952	783,592
Sales and services of educational departments		173,913	157,437
Auxiliary enterprise charges		221,756	208,826
Health services		639,715	551,905
Other receipts		59,977	63,554
Payments to employees		(2,180,146)	(2,017,936)
Payments to suppliers		(482,105)	(450,626)
Payments for scholarships and fellowships		(20,835)	(20,363)
Total Cash Flows Provided by Operating Activities		**99,034**	**141,630**
Cash Flows from Noncapital Financing Activities			
Federal Pell Grant		46,355	44,754
State appropriations		13,720	14,172
Gifts and grants for other than capital purposes		116,693	101,439
Agency transactions		1,519	(1,615)
Direct lending receipts		362,977	369,198
Direct lending disbursements		(363,156)	(369,274)
Total Cash Flows Provided by Noncapital Financing Activities		**178,108**	**158,674**
Cash Flows from Capital and Related Financing Activities			
State capital contributions		6,183	2,269
Capital student fees		8,065	8,517
Proceeds from capital debt		163,914	226,327
Bond issuance costs paid		(1,036)	(1,429)
Deferred loss on bond refundings		-	(12,283)
Principal paid on capital debt		(51,112)	(169,156)
Interest paid on capital debt		(68,590)	(66,756)
Proceeds from sale of capital assets		3,153	12,907
Purchases and construction of capital assets		(304,982)	(213,618)
Total Cash Flows Used for Capital and Related Financing Activities		**(244,405)**	**(213,222)**
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments		4,100,077	2,820,760
Purchase of investments		(4,229,293)	(2,960,676)
Interest on investments		95,399	64,291
Royalty income		8,557	21,040
Royalty fees paid		(5,997)	(13,322)
Total Cash Flows Used for Investing Activities		**(31,257)**	**(67,907)**
Net Increase in Cash and Cash Equivalents		**1,480**	**19,175**
Cash and cash equivalents, beginning of year		76,410	57,235
Cash and Cash Equivalents, End of Year	**$**	**77,890**	**76,410**

See accompanying notes to basic financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS
June 30, 2014 and 2013 *(in thousands)*

		2014	*2013*
		University	
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:			
Operating loss	$	(125,867)	(103,127)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation expense		170,090	170,478
Receipts of items classified as nonoperating revenues		6,784	6,690
Changes in assets and liabilities			
Receivables		(43,270)	(5,685)
Inventories		211	(941)
Other assets		(1,519)	424
Accounts payable		5,812	11,656
Accrued expenses		26,174	11,092
Unearned revenue		7,253	1,430
Compensated absences and other postemployment benefits		39,159	47,954
Alternate medicare plan and early retirement incentive plan		6,106	(228)
Other liabilities		8,101	1,887
Net Cash Provided by Operating Activities	**$**	**99,034**	**141,630**

Noncash Transactions			
Donations of capital assets	$	10,996	19,889
State-funded acquisitions of capital assets		-	314
Lease-financed acquisitions		1,242	696
Change in unrealized gains on investments		(131,628)	(66,609)
Amortization of premiums		10,251	12,963
Amortization of deferred loss		(4,525)	(4,322)

See accompanying notes to basic financial statements.

NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GOVERNANCE

The University of Colorado (the University) is a comprehensive degree-granting research university in the State of Colorado (the State). It is governed by a nine-member Board of Regents (the Regents) elected by popular vote in the State's general elections. Serving staggered six-year terms, one member is elected from each of the State's seven congressional districts with two Regents elected from the State at large. The University comprises the system 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. 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 6,511 instructional faculty serve 58,166 students through 394 degree programs in 26 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 generally 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:

- **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 4845 Pearl East Circle, 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 Anschutz Medical Campus as authorized in Section 23-20-114, Colorado Revised Statutes (CRS). UPI is the School of Medicine's faculty practice plan with approximately 2,400 member physicians. It does not employ physicians or practice medicine directly; it provides the business and administrative support for the clinical faculty employed by the School of Medicine. It is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code. Medical care is provided to patients throughout the Rocky Mountain region through a statewide and regional network of services. 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 whereby UPI held 60 percent of the Hospital Authority's 15 percent investment. UPI received $3,582,000 and $4,822,000 in dividends during the years ended June 30, 2014 and 2013, respectively. In April 2013, TriWest was replaced by United Health Care as the network management services provider under the Department of Defense's TRICARE management contract. As a result of that event, TriWest recapitalized the corporation and completed a stock repurchase of all outstanding shares in February 2014. UPI received $17,151,000 for its ownership interest, which is included in investment income. A total of $9,731,000 was in the form of cash at closing, $3,250,000 of the proceeds were reinvested by UPI in the new TriWest entity, and the remaining $4,170,000 is a receivable from the Hospital Authority due in December 2014. UPI's new interest in TriWest represents 35 percent of a combined $9,250,000 investment held by the Hospital Authority. UPI and the Hospital Authority's investment in TriWest represented approximately 3 percent of the book value of the entity at closing of the transaction. UPI accounts for its participation in TriWest on the cost basis, and includes it in noncurrent other assets.

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. No contributions were made in 2014 or 2013. 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 $444,000 and $429,000 in dividends during the years ended June 30, 2014 and 2013, 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 the Children's Hospital Colorado Association (Children's Colorado), 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 and includes it in noncurrent other assets. Children's Colorado has majority ownership of the Surgery Center and is the sole decision-making body regarding its operation. During 2012, UPI contributed $123,000 through capital calls, thereby maintaining UPI's original ownership interest. There were no such capital calls during Fiscal Years 2014 or 2013. 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. UPI management believes the risk of default is unlikely. This guarantee expires in May 2019.

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

Additionally, financial statements for UPI's joint ventures may be requested at the addresses listed below:

TriWest Healthcare Alliance Corporate Office, PO Box 42049, Phoenix, Arizona 85080-2049.

Children's North Surgery Center, 469 West State Highway 7, Suite 2, Broomfield, Colorado 80023.

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 (see Note 17 for additional information):

- **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 certain development and investment services to the University in exchange for a fee.

  In May 2013, at the request of the University, the CU Foundation Board of Directors passed a resolution directing the President/CEO and the staff of the CU Foundation to cooperate with the University in transitioning fundraising and other advancement activities to the University. Implementation of this request began in July 2013. All fundraising and certain other advancement employees are now staff at the University. The CU Foundation remains the fiduciary of gift assets, managing the investment portfolio as well as receiving and receipting new gifts.

  Detailed financial information may be obtained directly from the CU Foundation at 1800 Grant Street, Suite 725, Denver, Colorado 80203.

- **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.

  Campus Village Apartments, LLC (CVA), a Delaware limited liability company, was formed under the laws of the State of Delaware on May 25, 2005, with CUREF as the sole member. CVA is organized, operated, and dedicated exclusively to the charitable purposes of promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of acquiring, constructing, improving, equipping, and operating a student housing facility located in Denver, Colorado, as well as improvements and amenities related to this facility.

  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, 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, 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, and specifically for the primary purpose of acquiring, ownership, operation, management, sale, and disposition of investments including membership interest in real estate limited liability companies.

Land Holdings Venture, LLC (LHV LLC), a Colorado limited liability company, was formed under the laws of the State of Colorado on January 10, 2008, with CUREF as the sole member. LHV LLC is organized, operated, and dedicated solely to promoting the general welfare, development, growth, and well-being of the University, 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, its affiliates, and its past and present students and staff. CU UK owns property in London.

Foothills MOB, LLC (Foothills LLC), a Colorado limited liability company, was formed under the laws of the State of Colorado on December 10, 2012, with CUREF as the sole member. Foothills is organized, operated, and dedicated solely to promoting the general welfare, development, growth, and well-being of the University, and specifically for the primary purpose of developing, operating, and maintaining a medical office building in Boulder, Colorado.

Detailed financial information may be obtained directly from CUREF at 1800 Grant Street, Suite 725, Denver, Colorado 80203.

Joint Ventures and Related Organizations

The University has associations with the following organizations for which it is not financially accountable, or has primary access to the resources. Accordingly, these organizations have not been included in the University's financial statements. Information regarding the nature of the relationships is included in Note 18.

- University of Colorado Hospital Authority (the 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 of the University is elected by popular vote of the citizens of the State. Therefore, the Board of the University is entirely different from the governing board of the State. Management of the University is completely separate and distinct from management of the State. The services provided by the University benefit the citizens of the State, rather than serving the State government. The services include provisions of undergraduate and graduate education to the citizens of the State, and conducting extensive amounts of federally and other funded research for the benefit of the citizens of the State, the nation and the world. Additionally, the University offers more than 200 public outreach programs serving Coloradans and their communities. All outstanding debt of the University is expected to be repaid entirely with resources generated by the University. No State funds are used to repay any debt issued by the University.

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, 2014 and 2013.

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 are reported in the financial statements at fair value, which is determined primarily based on quoted market prices as of June 30, 2014 and 2013. 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. All of the University's alternative investments are held at the CU Foundation and follow its valuation methods.

Investments of the CU Foundation include those held as agency funds for the University. The CU Foundation records investment purchases, or when contributed to the CU 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, 2014 and 2013, respectively. The fair values of alternative investments not publicly traded on national security exchanges represent the CU 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 CU Foundation, or on the basis of other information developed, obtained, and evaluated periodically by the CU 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 had 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, patent acquisition costs, and other prepaid items.

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 – 40 *
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 12-month faculty employees accrue sick leave with pay at the rate of 10 hours per month with a maximum accrual of 960 hours while classified employees earn 6.67 hours per month with a maximum accrual of 360 hours for employees hired after June 30, 1988. Employees hired before June 30, 1988, can accrue up to 360 hours in excess of amount of sick leave earned as of June 30, 1988. Employees earn and accrue vacation leave per the rates in Table 1.2, Compensated Absence Accrual Rates for Vacation. Vacation accruals are paid in full upon separation, whereas only a portion of sick leave is paid upon specific types of separation, such as retirement.

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

Other postemployment benefits (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.

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 12-month 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.

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.

Alternate Medicare Plan is described in Note 15.

Early Retirement Incentive Plan is described in Note 15.

Other Liabilities are addressed in Note 10 and consist of risk financing, construction contract retainage, funds held for others, 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, and are eliminated at year-end.

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, such as the Pell Grant, 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. The student aid line under operating expenses represents the amount of financial aid disbursed to students net of the aid applied to the student's account to pay for tuition and fees.

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 governments 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, 2014 and 2013, 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 2014 and 2013, there was $9,941,000 and $9,426,000, 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 have been made to conform to the current year's financial statement presentation.

NEW AND FUTURE ACCOUNTING PRONOUNCEMENTS

Effective July 1, 2013, the University adopted the provisions of Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (Statement No. 70). Statement No. 70 establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions extended or received by a state or local government. The adoption of Statement No. 70 had no impact on the financial statements of the University as the University neither extends nor receives any financial guarantees subject to this standard.

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.

PERA is not yet required to adopt the provisions of Statement No. 67 *Financial Reporting for Pension Plans* (Statement No. 67), which replaces Statement No. 25 *Financial Reporting for Defined Benefit Plans*, and Statement No. 50, *Pension Disclosures*. As a result, the University is unable at this time to provide an estimate of the impact of the implementation of Statement No. 68 based on the net pension liability as it will be calculated under Statement No. 67. Under the guidance currently in effect (Statement No. 25) PERA's unfunded actuarial accrued liability at December 31, 2013 is $9,714,265,000. It is anticipated the University's proportionate share of the net pension liability will be based on its contributions to PERA divided by total contributions to PERA. The University's contributions to PERA for the twelve-month period ending June 30, 2014 were $47,751,000. Total contributions to PERA for the twelve-month period ending December 31, 2013 were $401,658,000, resulting in an estimated proportionate share, prior to the impact of the adoption of Statement No. 67, of approximately 11.9 percent. All balances in this paragraph pertain only to PERA's State Trust Division as the University does not participate in any other PERA divisions.

NOTE 2 – CASH AND CASH EQUIVALENTS

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

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

		2014	2013
University			
Cash on hand (petty cash and change funds)	$	374	363
Deposits with U.S. financial institutions		77,454	75,986
Deposits with foreign financial institutions		62	61
Total Cash and Cash Equivalents – University	**$**	**77,890**	**76,410**

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, 2014 and 2013, all deposits with foreign financial institutions were authorized.

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, mutual and commingled funds, repurchase agreements, corporate equities, certificates of deposit, and alternative non-equity securities. CU Foundation investments are similar to the University's but also include alternative non-equity securities in hedge funds and oil and gas. 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.

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, based on amortized costs, approximated $1,429,711,000 and $1,348,543,000 for the years ended June 30, 2014 and 2013, respectively. The total return on this pool was 11.54 and 7.8 percent for the years ended June 30, 2014 and 2013, 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.

Table 3. 1. Investments *(in thousands)*			
Investment Type		**2014**	**2013**
University			
U.S. government securities	$	307,827	259,275
Certificates of deposit		1,987	2,480
Commercial paper		800	8,145
Corporate bonds		191,083	175,301
Corporate equities		5,168	155,535
Municipal bonds		9,205	7,608
Mutual funds		1,225,137	889,930
Repurchase agreements		234,912	237,264
Asset-backed securities		186,279	163,923
Alternative non-equity securities:			
Absolute return fund		40,479	57,337
Private equity		43,652	39,010
Real estate		28,540	22,471
Venture capital		17,976	14,548
Other		12,283	11,659
Total Investments – University	**$**	**2,305,328**	**2,044,486**
CU Foundation			
Cash equivalents	$	17,084	15,511
Equity securities:			
Domestic		331,467	254,126
International		393,159	259,727
Fixed-income securities		152,863	167,081
Alternative non-equity securities:			
Real estate		75,071	54,727
Private equity		175,571	160,681
Hedge funds		56,403	81,403
Absolute return funds		105,906	115,582
Venture capital		71,795	60,202
Oil and gas		29,623	26,113
Commodities		12,801	7,964
Other		972	869
Total Investments – CU Foundation	**$**	**1,422,715**	**1,203,986**

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, 2014, and 2013 is shown in Table 3.2, Debt Investments and Credit Quality Risk. The University obtains ratings from both Moody's and Standard and Poors, and primarily reflects the Moody's ratings in Table 3.2 unless S&P is lower. The ratings reflected are Moody's for UPI, and S&P for the CU Foundation. Table 3.2 is a subset of Table 3.1 and does not include $932,418,000 of non-debt securities and $238,130,000 of debt investments that are backed by the full faith and credit of the U.S. government in Fiscal Year 2014, and does not include $762,738,000 of non-debt securities and $200,313,000 of debt investments that are backed by the full faith and credit of the U.S. government in Fiscal Year 2013.

Table 3.2. Debt Investments and Credit Quality Risk ***(in thousands)***

	2014			2013		
	Unrated	Rated		Unrated	Rated	
Investment Type	**Fair Value**	**Fair Value**	**% of Rated Value by Credit Rating**	**Fair Value**	**Fair Value**	**% of Rated Value by Credit Rating**
University						
						99% Aa/AA
U.S. government securities	$ -	69,697	100% AA	$ 5,722	105,356	1% A
Bond mutual funds	167,082	50	8% Aa	110,934	-	-
			23% A			
			69% Baa			
Certificates of deposit	1,987	-	-	2,480	-	-
Corporate bonds	4,741	107,562	3% Aaa	1,362	125,258	10% Aaa
			17% Aa			19% Aa
			47% A			47% A
			33% Baa/Ba/BB			24% Baa/Ba/B
Money market mutual funds	48,827	224,856	97% Aaa	14,536	250,166	100% Aaa
			3% AA			
Municipal bonds	17	9,188	91% Aa/AA	873	6,735	100% Aa
			9% A			
Repurchase agreements	234,912	-	-	237,264	-	-
Asset-backed securities	16,379	117,109	31% Aaa	81,706	42,089	37% Aaa
			59% Aa/A			30% Aa/A
			5% Baa/Ba/B			19% Baa/Ba/B
			5% Caa/Ca			14% Caa/Ca
Commercial paper – UPI	-	800	100% A	8,145	-	-
Corporate bonds – UPI	-	78,780	33% Aaa/Aa	-	48,682	33% Aaa/Aa
			67% < Aa			67% < Aa
Asset-backed securities – UPI	9,919	42,874	100% Aaa	30,612	9,515	100% Aaa/Aa
Total Debt Investments – University	**$483,864**	**650,916**		**$493,634**	**587,801**	
CU Foundation						
U.S. government agencies	$ -	36,130	100% AA	$ -	47,420	100% AA
Corporate bonds	-	6,810	60% AA/A	-	8,190	8% AAA
			31% BBB			41% AA/A
			9% < BBB			9% BBB
						42% <BBB
Asset-backed securities	-	6,960	28% AAA	-	4,930	37% AAA
			69% AA/A			61% AA/A
			3% BBB / < BBB			2% BBB/<BBB
Bond mutual funds	-	-	-	12,680	-	-
Money market mutual funds	-	16,630	100% AAA	-	15,440	100% AAA
Total Debt Investments – CU Foundation	**$ -**	**66,530**		**$ 12,680**	**75,980**	

INTEREST RATE RISK

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

A summary of the fair value of the University's debt investments and interest rate risk as of June 30, 2014 and 2013 is shown in Table 3.3, Debt Investments and Interest Rate Risk. Table 3.3 is a subset of Table 3.1 and does not include $1,206,156,000 of non-debt securities in Fiscal Year 2014, and does not include $1,079,610,000 of non-debt securities in Fiscal Year 2013. The main difference in the amount of non-debt securities excluded in Table 3.2 and Table 3.3 is that money-market mutual funds are included in Table 3.2 as they have credit risk but they are excluded from Table 3.3 as they do not have interest rate risk. Also, U.S. backed securities are not subject to credit risks but are subject to interest rate risks and are included here but not in the credit quality risk section.

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. 3. Debt Investments and Interest Rate Risk ***(in thousands and years)***

Investment Type		**2014**	**2014**	**2013**	**2013**
University		**Amount**	**Duration**	**Amount**	**Duration**
U.S. government securities	$	257,337	4.3	229,395	5.6
Bond mutual funds		167,132	2.8	110,934	3.5
Certificates of deposit		1,987	2.6	2,480	3.5
Corporate bonds		112,303	6.2	126,620	6.5
Municipal bonds		9,205	7.7	7,608	5.8
Repurchase agreements		234,912	1.7	237,264	1.1
Asset-backed securities:					
Fixed-rate securities		77,697	-	92,011	-
Variable-rate securities		33,890	-	27,258	-
Collateralized mortgage obligations		21,901	-	4,526	-
Total asset-backed securities	**$**	**133,488**	**4.3**	**123,795**	**16.1**
		Amount	**Weighted Average Maturity**	**Amount**	**Weighted Average Maturity**
U.S. government securities – UPI	$	50,436	6.19	29,826	5.54
Commercial paper – UPI		800	0.13	8,145	0.77
Corporate bonds – UPI		78,780	3.04	48,682	2.95
Asset-backed securities – UPI		52,792	3.86	40,127	6.3
Total Debt Investments – University	**$**	**1,099,172**		**964,876**	
CU Foundation		**Amount**	**Duration**	**Amount**	**Duration**
U.S. government securities	$	36,130	3.72	47,420	7.53
Bond mutual funds		-	-	12,680	4.8
Corporate bonds		6,810	2.17	8,190	2.84
Asset-backed securities		6,960	1.22	4,930	1.84
Total Debt Investments – CU Foundation	**$**	**49,900**		**73,220**	

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. The University's policy is that exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, or government-sponsored corporations, shall not exceed 10 percent of the market value of the fixed income portfolio. The University had no investments exceeding 5 percent and is therefore not subject to concentration of credit risk.

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, 2014 and 2013, 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		2014	2013
Charitable remainder trusts	$	43,224	38,979
Charitable gift annuities and pooled income funds		2,303	2,309
Total Investments Held under Split-interest Agreements	**$**	**45,527**	**41,288**

NOTE 4 – ACCOUNTS, CONTRIBUTIONS, AND LOANS RECEIVABLE

Table 4.1, Accounts, Contributions, and Loans Receivable, segregates receivables as of June 30, 2014 and 2013, by type.

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

	2014				
Type of Receivable		**Gross Receivables**	**Allowance**	**Net Receivables**	**Net Current Portion**
University					
Student accounts	$	57,992	20,122	37,870	37,870
Federal government		64,257	-	64,257	64,257
Other governments		31,582	-	31,582	31,582
Private sponsors		39,783	-	39,783	39,783
Patient accounts		85,698	7,327	78,371	78,371
CU Foundation		18,282	-	18,282	18,282
Interest		2,551	-	2,551	2,551
Other		37,983	1,446	36,537	35,732
Total accounts receivable		338,128	28,895	309,233	308,428
Loans		33,914	3,163	30,751	5,491
Total Receivable – University	**$**	**372,042**	**32,058**	**339,984**	**313,919**

	2013				
Type of Receivable		**Gross Receivables**	**Allowance**	**Net Receivables**	**Net Current Portion**
University					
Student accounts	$	55,357	23,500	31,857	31,857
Federal government		58,779	-	58,779	58,779
Other governments		25,867	-	25,867	25,867
Private sponsors		46,068	-	46,068	45,371
Patient accounts		76,663	7,344	69,319	69,319
CU Foundation		15,485	-	15,485	15,485
Interest		3,007	-	3,007	3,007
Other		17,484	1,447	16,037	15,844
Total accounts receivable		298,710	32,291	266,419	265,529
Loans		35,721	3,026	32,695	5,899
Total Receivable – University	**$**	**334,431**	**35,317**	**299,114**	**271,428**

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, 2014 and 2013 is detailed in Table 4.2, UPI Concentration of Credit Risk.

Table 4.2. UPI Concentration of Credit Risk

Category	2014	2013
Managed care	51.8 %	52.1 %
Medicare	16.4	15.5
Medicaid	17.6	17.1
Other third-party payers	7.3	6.4
Self-pay	6.9	8.9
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, 2014 and 2013.

The total interest expense, net of premium amortization, related to capital asset debt incurred by the University during the years ended June 30, 2014 and 2013 approximated $58,717,000 and $53,612,000, respectively. Of this amount, approximately $15,094,000 and $12,335,000, respectively, was capitalized as part of the value of construction in progress.

The University had insurance recoveries of $2,085,000 and $1,395,000 in the years ended June 30, 2014 and 2013, respectively, which are included in nonoperating revenues.

Table 5. Capital Assets *(in thousands)*

Category	Balance 2013	Additions	Retirements	Transfers	Balance 2014
University					
Nondepreciable capital assets					
Land	$ 56,940	1,981	356	-	58,565
Construction in progress	251,891	289,001	1,619	(273,044)	266,229
Collections	16,066	361	8	-	16,419
Total nondepreciable capital assets	324,897	291,343	1,983	(273,044)	341,213
Depreciable capital assets					
Buildings	3,047,886	-	2,298	260,557	3,306,145
Improvements other than buildings	186,410	915	-	3,262	190,587
Equipment	442,467	33,193	13,799	4,818	466,679
Software	72,609	3,821	-	4,407	80,837
Other intangibles	1,910	-	-	-	1,910
Library and other collections	331,096	16,620	2,341	-	345,375
Total depreciable capital assets	4,082,378	54,549	18,438	273,044	4,391,533
Less accumulated depreciation					
Buildings	1,000,817	96,636	1,551	-	1,095,902
Improvements other than buildings	95,806	7,610	-	-	103,416
Equipment	320,133	37,444	11,795	-	345,782
Software	49,120	13,339	-	-	62,459
Other intangibles	95	76	-	-	171
Library and other collections	227,455	14,985	2,340	-	240,100
Total accumulated depreciation	1,693,426	170,090	15,686	-	1,847,830
Net depreciable capital assets	2,388,952	(115,541)	2,752	273,044	2,543,703
Total Net Capital Assets – University	**$ 2,713,849**	**175,802**	**4,735**	**-**	**2,884,916**

Table 5. Capital Assets *(in thousands)*

Category	Balance 2012	Additions	Retirements	Transfers	Balance 2013
University					
Nondepreciable capital assets					
Land	$ 58,393	-	1,453	-	56,940
Construction in progress	114,160	201,018	37	(63,250)	251,891
Collections	13,925	2,141	-	-	16,066
Total nondepreciable capital assets	186,478	203,159	1,490	(63,250)	324,897
Depreciable capital assets					
Buildings	2,997,445	21,195	21,572	50,818	3,047,886
Improvements other than buildings	180,220	1,533	613	5,270	186,410
Equipment	471,791	28,744	65,230	7,162	442,467
Software	63,017	9,592	-	-	72,609
Other intangibles	1,910	-	-	-	1,910
Library and other collections	315,840	15,924	668	-	331,096
Total depreciable capital assets	4,030,223	76,988	88,083	63,250	4,082,378
Less accumulated depreciation					
Buildings	923,772	97,929	20,884	-	1,000,817
Improvements other than buildings	88,047	7,759	-	-	95,806
Equipment	345,072	36,665	61,604	-	320,133
Software	35,413	13,707	-	-	49,120
Other intangibles	-	95	-	-	95
Library and other collections	213,800	14,323	668	-	227,455
Total accumulated depreciation	1,606,104	170,478	83,156	-	1,693,426
Net depreciable capital assets	2,424,119	(93,490)	4,927	63,250	2,388,952
Total Net Capital Assets – University	**$ 2,610,597**	**109,669**	**6,417**	**-**	**2,713,849**

NOTE 6 – ACCRUED EXPENSES

Table 6, Accrued Expenses, details the accrued expenses as of June 30, 2014 and 2013 by type.

Table 6. Accrued Expenses *(in thousands)*

Type		2014	2013
University			
Accrued salaries and benefits	$	210,802	184,595
Accrued interest payable		3,847	3,468
Other accrued expenses		1,283	1,317
Total Accrued Expenses – University	**$**	**215,932**	**189,380**

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, 2014 and 2013.

Table 7.1 Compensated Absences (*in thousands)*

		2014	2013
University			
Beginning of year	$	157,540	143,471
Additions		134,950	123,198
Reductions		(125,985)	(109,129)
End of year	**$**	**166,505**	**157,540**
Current compensated absences		11,056	10,018

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

During the years ended June 30, 2014 and 2013, approximately 4,500 and 4,300 retirees, respectively, met the eligibility requirements and are receiving benefits under the University-administered 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. This program does not issue a separate financial report.

Table 7.2 Other Postemployment Benefits (*in thousands)*

		2014	2013
University			
Annual required contribution (ARC)	$	49,553	49,553
Interest on net obligation		7,443	5,918
Adjustment to ARC		(10,154)	(8,073)
Annual OPEB cost (expense)		46,842	47,398
Estimated benefit payments		(16,648)	(13,513)
Increase in OPEB		30,194	33,885
Beginning of year		165,393	131,508
End of year	**$**	**195,587**	**165,393**
Current OPEB		14,076	12,706

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the plan was 0 percent funded, and the actuarial accrued liability for benefits was $406,782,000. The actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $406,782,000. For the year ended June 30, 2014, the covered payroll (annual payroll of active employees covered by the program) was $1,253,260,000, and the ratio of the UAAL to the covered payroll was 32.46 percent.

For the years ended June 30, 2014, 2013 and 2012, the annual OPEB cost was $46,842,000, $47,398,000, and $38,986,000, respectively. The University contributed $12,529,000, $11,608,000, and $10,805,000, respectively, which was 27 percent, 25 percent, and 28 percent, respectively, of the annual OPEB cost. The net OPEB obligation was $195,587,000, $165,393,000, and $131,508,000, respectively.

Actuarial Methods and Assumptions. 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.

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 projected unit credit actuarial cost method is used. The discount rate used in the valuation is 4.5 percent based on the University's expected long-term rate of return. 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 8 percent long-term average increase for all healthcare benefits, trending down to an ultimate 5 percent increase for 2022 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 dollar 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 $2,947,000, $2,851,000, and $2,854,000 as required by statute in Fiscal Years 2014, 2013, and 2012, 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, 2013, there were 53,041 enrolled participants including spouses and dependents, from all contributors to the plan. At December 31, 2013, the Health Care Trust Fund had an unfunded actuarial accrued liability of $1.26 billion, a funded ratio of 18.8 percent and a 30-year amortization period.

NOTE 8 – UNEARNED REVENUE

As of June 30, 2014 and 2013, the types and amounts of Unearned revenue are shown in Table 8, Unearned revenue.

Table 8. Unearned Revenue ***(in thousands)***

	2014		2013	
Type	**Total**	**Current Portion**	**Total**	**Current Portion**
University				
Tuition and fees	$ 27,657	27,657	26,385	26,385
Auxiliary enterprises	16,699	16,670	15,714	15,684
Grants and contracts	69,539	69,539	66,961	66,961
Miscellaneous	9,766	8,146	7,348	7,348
Total Unearned Revenue – University	**$ 123,661**	**122,012**	**116,408**	**116,378**

NOTE 9 – BONDS AND CAPITAL LEASES

As of June 30, 2014 and 2013, 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**	**Final Maturity**	**2014**	**2013**
University				
Enterprise system revenue bonds (including premium of $96,529 in 2014 and $96,571 in 2013)	0.76-6.26%	6/1/43	$1,478,084	1,372,711
UPI variable bonds	0.06%*	1/1/25	15,195	15,985
Total revenue bonds			1,493,279	1,388,696
Capital leases	1.29%-11.83%	Various	15,618	16,408
Total Bonds and Capital Leases – University			**$1,508,897**	**1,405,104**

* Interest on the UPI Variable Rate Bonds is set at an adjustable rate as discussed below under Revenue Bonds. The rate reflected in this table is as of June 30, 2014; however, the average interest rate for 2014 was also 0.06%.

Table 9.2, Changes in Bonds and Capital Leases, presents changes in bonds and capital leases for the years ended June 30, 2014 and 2013.

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

Type		Balance 2013	Additions	Retirements	Balance 2014	Current Portion
University						
Revenue bonds	$	1,292,125	153,705	49,080	1,396,750	52,580
Plus unamortized premiums		96,571	10,209	10,251	96,529	9,880
Net revenue bonds		1,388,696	163,914	59,331	1,493,279	62,460
Capital leases		16,408	1,242	2,032	15,618	1,877
Total Bonds and Capital Leases – University	**$**	**1,405,104**	**165,156**	**61,363**	**1,508,897**	**64,337**

Type		Balance 2012	Additions	Retirements	Balance 2013	Current Portion
University						
Revenue bonds	$	1,263,383	195,870	167,128	1,292,125	48,390
Plus unamortized premiums		79,077	30,457	12,963	96,571	9,832
Net revenue bonds		1,342,460	226,327	180,091	1,388,696	58,222
Capital leases		17,740	696	2,028	16,408	1,874
Total Bonds and Capital Leases – University	**$**	**1,360,200**	**227,023**	**182,119**	**1,405,104**	**60,096**

REVENUE BONDS

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2014 and 2013 is detailed in Table 9.3, Revenue Bonds Detail.

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

Issuance Description	Original Issuance At Par	Outstanding Balance 2014	Outstanding Balance 2013
University			
Enterprise system revenue bonds:			
Series 2004 -			
Used to fund capital improvements at CU-Boulder and UCCS	$ 24,360	-	1,045
Series 2005A -			
Used to fund capital improvements at CU-Boulder, UCCS, and CU Anschutz Medical Campus, and refund 1995 Research Building Fund Act Bonds	230,025	11,096	19,562
Series 2005B -			
Used to fund capital improvements at UCCS and CU Anschutz Medical Campus	25,225	13,191	13,848
Series 2006A -			
Used to fund capital improvements at CU-Boulder, UCCS, and CU Denver	101,425	35,389	38,450
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	158,900	164,866
Series 2007B -			
Used to fund acquisition and capital improvements at CU-Boulder	63,875	43,614	45,500
Series 2009A -			
Used to fund acquisition and capital improvements at CU-Boulder, UCCS and CU Denver	165,635	150,165	154,569
Series 2009B-1 -			
Used to fund capital improvements at CU-Boulder and CU Anschutz Medical Campus	76,725	31,229	39,608
Series 2009B-2 -			
Used to fund capital improvements at CU-Boulder and CU Anschutz Medical Campus	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 2026, and Enterprise System Revenue Bonds Series 2002A for years 2014 through 2018	24,510	20,592	24,830
Series 2010A -			
Used to fund acquisition and capital improvements at CU Anschutz	35,510	31,635	32,885
Series 2010B -			
Used to refund Enterprise System Revenue Bonds Series 2002A and Enterprise System Revenue Bonds Series 2003A	56,905	45,296	48,784
Series 2010C -			
Used to fund capital improvements at CU Anschutz Medical Campus	4,375	3,740	3,990
Series 2011A -			
Used to fund capital improvements at CU-Boulder and UCCS	203,425	216,460	220,577
Series 2011B -			
Used to partially refund Enterprise System Revenue Bonds Series 2002B, 2003A, 2004, and 2005A	52,600	54,791	59,813
Series 2012A-1 -			
Used to partially refund Enterprise System Revenue Bonds Series 2003A, 2004, 2005A, 2005B, 2006A, and 2007B	121,850	140,839	142,945

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

Issuance Description	Original Issuance At Par	Outstanding Balance 2014	Outstanding Balance 2013
Series 2012A-2 -			
Used to partially refund Enterprise System Revenue Bonds Series 2004, 2005A, and 2005B	53,000	59,941	60,525
Series 2012A-3 -			
Used to partially refund Enterprise System Revenue Bonds Series 2005A, 2005B, 2006A, and 2007B	47,165	52,007	52,863
Series 2012B -			
Used to fund capital improvements at CU-Boulder, CU Denver and UCCS	95,705	108,263	109,921
Series 2013A -			
Used to fund capital improvements at CU-Boulder, CU Anschutz Medical Campus and UCCS	142,460	151,561	-
Series 2013B -			
Used to fund capital improvements at the CU Anschutz Medical Campus	11,245	11,245	-
Total enterprise system revenue bonds	1,858,330	1,478,084	1,372,711
Series 2002 - UPI Variable Rate Bonds -			
Used to fund capital improvements at UPI	20,500	15,195	15,985
Total revenue bonds		1,493,279	1,388,696
Less premium		96,529	96,571
Total Outstanding Revenue Bond Principal - University		$ 1,396,750	1,292,125

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, 2043. As of June 30, 2014 and 2013, the total principal and interest paid on the University's bonds was $114,917,000 and $124,870,000, respectively, which is 39 percent and 43 percent of the total net pledged revenues of $296,084,000 and $288,468,000, respectively. Net pledged revenues are 10 percent and 11 percent of the total specific revenue streams, respectively.

On October 9, 2013, the University issued $142,460,000 of Tax-Exempt University Enterprise Revenue Bonds, Series 2013A, and $11,245,000 of Taxable University Enterprise Revenue Bonds, Series 2013B, and used the proceeds to defray a portion of the cost of financing certain capital improvement projects, and to pay certain costs related to the issuance. These special limited obligations are payable solely from the net revenues as defined. Series 2013A has rates ranging from 2 percent to 5 percent, and Series 2013B has rates ranging from 1.088 percent to 5.177 percent. Both series mature through June 1, 2043.

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 bonds, Series 2002, were issued on behalf of UPI by the Fitzsimons Redevelopment Authority in the amount of $20,500,000. The bonds are currently rated AA-. 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 0.06 percent at June 30, 2014, and the average interest rate for 2014 was also 0.06 percent. The interest payments in the debt service requirements schedule are calculated based on the interest rate at June 30, 2014. 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 which expires in December 2015. 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**
2015	$	52,580	67,817	120,397
2016		54,210	65,629	119,839
2017		53,810	63,446	117,256
2018		55,800	61,195	116,995
2019		58,755	58,753	117,508
2020 – 2024		318,055	251,202	569,257
2025 – 2029		308,255	171,990	480,245
2030 – 2034		271,095	97,909	369,004
2035 – 2039		160,495	36,837	197,332
2040 – 2043		63,695	6,898	70,593
Total	**$**	**1,396,750**	**881,676**	**2,278,426**

EXTINGUISHMENT OF DEBT

Previous revenue bond issues 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 $234,000,000 and $249,785,000 as of June 30, 2014 and 2013, respectively. In Fiscal Year 2014, there was no debt defeased, and escrow agent payments were $15,785,000. In Fiscal Year 2013, the amount of debt defeased totaled $100,115,000 with escrow agent payments of $107,735,000.

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. As of June 30, 2014, and 2013, the University paid base rent to AHEC of approximately $837,000 and $838,000, respectively.

As of June 30, 2014 and 2013, the University had an outstanding liability for all its capital leases approximating $15,618,000 and $16,408,000, respectively, with underlying gross capitalized asset cost approximating $22,230,000 and $21,999,000, respectively, with amortization of $8,638,000 and $7,265,000 respectively, resulting in underlying net capitalized assets of $13,592,000 and $14,734,000, 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**
2015	$ 1,877	705	2,582
2016	1,801	639	2,440
2017	1,576	575	2,151
2018	1,185	518	1,703
2019	1,024	471	1,495
2020 – 2024	4,346	1,675	6,021
2025 – 2029	3,809	427	4,236
Total	**$ 15,618**	**5,010**	**20,628**

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.

On March 7, 2013, the University issued Refunding Certificates of Participation, Series 2013, with a par value of $70,910,000. The net proceeds were used to advance refund $71,275,000 principal amount of the Series 2005B, outstanding in the aggregate principal amount of $88,685,000 and pay costs of issuance of the Series 2013. The old debt had interest rates ranging from 4.375 to 5.00 percent, and the new debt has interest rates ranging from 4.00 to 5.00 percent. The refunding resulted in an economic gain of $3,971,000 and an accounting loss of $7,857,000, which the State deferred and will amortize over the life of the new debt. The debt service cash flow decreased by $4,765,000.

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, 2014, the University had underlying gross capitalized assets consisting of seven academic buildings on the CU Anschutz Medical Campus costing approximately $188,801,000, amortized by $32,082,000 resulting in an underlying net capitalized asset of $156,719,000.

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, at a net premium of $181,000. 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 $0 and $314,000, during the years ended June 30, 2014 and 2013, respectively. During Fiscal Year 2013, the State reallocated $6.1 million of unspent Colorado Certificates of Participation proceeds, of which CU-Boulder received $1.3 million for two capital construction projects that had to be completed by November 2013. During Fiscal Years 2014 and 2013, CU-Boulder spent $260,000 and $593,000, respectively, which was recognized as capital contributions from the State.

NOTE 10 – OTHER LIABILITIES

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2014 and 2013.

Table 10.1. Other Liabilities *(in thousands)*

		2014		2013	
Type		**Total**	**Current Portion**	**Total**	**Current Portion**
University					
Risk financing	$	23,294	12,880	17,795	9,747
Construction contract retainage		10,502	10,502	6,036	6,036
Funds held for others		16,102	16,102	16,707	16,707
Miscellaneous		9,454	6,646	6,852	6,226
Total Other Liabilities – University	**$**	**59,352**	**46,130**	**47,390**	**38,716**

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, 2014 or 2013 for unpaid claims.

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. 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 of $7,139,000 is reported at a discount basis using 4.01 percent. Settlements have not exceeded coverages for each of the past three fiscal years. There were no significant reductions or changes in insurance coverage from the prior year.

The amount recorded as risk financing-related liabilities represents reserves based upon the annual actuarial valuation and includes reserves for incurred but not reported claims. Such liabilities depend on many factors, including claims history, inflation, damage awards, investment return, and changes in legal doctrine. Accordingly, computation of the claims liabilities requires an annual estimation process. Claims liabilities are reevaluated on a periodic basis and take into consideration recently settled claims, frequency of claims, and other relevant factors.

Changes in the balances of risk financing-related liabilities for the years ended June 30, 2014 and 2013 are presented in Table 10.2, Risk Financing-related Liabilities.

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, 2012	**$**	**10,015**	**5,655**	**1,408**	**17,078**
Fiscal Year 2013:					
Claims and changes in estimates		7,693	1,196	6,805	15,694
Claim payments		(6,746)	(1,403)	(6,828)	(14,977)
Balance as of June 30, 2013	**$**	**10,962**	**5,448**	**1,385**	**17,795**
Fiscal Year 2014:					
Claims and changes in estimates		11,714	3,798	8,595	24,107
Claim payments		(8,231)	(2,107)	(8,270)	(18,608)
Balance as of June 30, 2014	**$**	**14,445**	**7,139**	**1,710**	**23,294**

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, 2014 and 2013 was $363,156,000 and $369,274,000, respectively.

NOTE 11 – UNRESTRICTED NET POSITION

Unrestricted Net Position is one component of the University's financial statements, which represents the net position held by the collective units of the University as of June 30. Balances fluctuate throughout the year and can only be measured as of a point-in-time. The University designates unrestricted net position by their intended purpose. Unobligated funds are generally available for campus use or support of schools, colleges, departments, or units. These funds are generated by nonrecurring revenue surpluses (such as departmental share unspent indirect cost recoveries) or year-end balances resulting from lower than expected spending levels (such as vacancy savings from an unfilled position). Campus leadership holds these funds in general categories based on internal policy or intended use. Their designation may change in accordance with directives from leadership, including Regent directives. Obligated Funds are unrestricted net position that are obligated to specific projects or are held for contractual payments (such as faculty start-up).

As of June 30, 2014, 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	**2014**
Unobligated	
Auxiliary facilities nonpledged	$ 123,559
Campus designated capital	58,710
Unobligated capital reserves	140,851
Obligated	
Accounts receivable	59,556
Approved capital	93,281
Faculty startup and research initiatives	166,687
Inventory and prepaid expenditures	18,667
Investment pool	273,342
Risk financing activities - professional risk management	12,548
Service center reserves	2,272
Technology Transfer Office	6,063
University Physicians Inc.	204,590
University risk management	17,524
Total Designated Unrestricted Net Position - University	**$ 1,177,650**

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, 2014 and 2013, 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 1.05 percent and 1.09 percent during the years ended June 30, 2014 and 2013, respectively, as shown in Table 12.1, TABOR Enterprise State Support Calculation.

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

		2014	2013
University			
Capital appropriations	$	6,183	2,269
Tobacco Litigation Settlement Appropriation		13,720	14,172
State COP annual debt service payments for CU Anschutz Medical Campus		14,366	13,987
State COP annual debt service payments for UCCS		1,548	1,548
State COP annual debt service payments for CU-Boulder		61	61
Total State Support	**$**	**35,878**	**32,037**
Total TABOR enterprise revenues	$	3,421,880	2,950,000
Ratio of State support to total revenues		1.05%	1.09%

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, 2014 and 2013, the University's appropriated funds included $52,810,000 and $50,941,000, respectively, received for students that qualified for stipends from the College Opportunity Fund and $97,445,000, and $92,901,000, respectively, as fee-for-service contract revenue, as well as certain cash funds as specified in the State's annual appropriations bill.

Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, in addition to the student-paid portion of tuition, certain fees, and certain other revenue sources. All other revenues and expenses reported by the University represent non-appropriated funds and are excluded from the annual appropriations bill.

For the years ended June 30, 2014 and 2013, expenses were within the appropriated spending authority. Table 12.2, Appropriated Funds, details the related activities for the years ended June 30, 2014 and 2013.

Table 12.2. Appropriated Funds ***(in thousands)***

		2014	2013
University			
Total appropriation	$	164,785	158,423
Actual appropriated revenues		163,976	158,013
Actual appropriated expenditures and transfers		163,976	158,013
Net increase (decrease) in appropriated net position	**$**	**-**	**-**

NOTE 13 – SCHOLARSHIP ALLOWANCES

During the years ended June 30, 2014 and 2013, 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	2014			2013		
Funding Source Description	**Tuition and Fees**	**Auxiliary Enterprise Revenues**	**Total**	**Tuition and Fees**	**Auxiliary Enterprise Revenues**	**Total**
University						
University general resources	$ 60,415	1,453	61,868	59,698	1,432	61,130
University auxiliary resources	10,507	329	10,836	9,556	300	9,856
Colorado Commission on Higher Education financial aid program	14,242	233	14,475	12,688	193	12,881
Federal programs, including Federal Pell grants	50,559	948	51,507	43,909	751	44,660
Other State of Colorado programs	112	3	115	102	2	104
Private programs	451	(4)	447	3,118	81	3,199
Gift fund	15,560	327	15,887	14,093	278	14,371
Total Scholarship Allowances - University	**$151,846**	**3,289**	**155,135**	**143,164**	**3,037**	**146,201**

NOTE 14 – HEALTH SERVICES REVENUE

Health services revenue of $648,768,000 and $561,249,000 is recorded net of contractual adjustments approximating $933,770,000 and $819,613,000 and bad debt expense on uncollectible patient account receivables approximating $21,819,000 and $18,193,000 for the years ended June 30, 2014 and 2013, respectively. Charity care provided during the years ended June 30, 2014 and 2013, for which no reimbursement was received, measured at established rates, totaled approximately $18,766,000 and $23,105,000, 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.

The University of Colorado has both classified and non-classified employees. 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 60 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 between January 1, 2007 and December 31, 2010 – age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Age plus years of service requirements increase to 85 for members with less than five years of service credit as of January 1, 2011.

- 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 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, 2012, the temporary contribution rate increase of 2.5 percent for members in the State and Judicial Divisions to replace the 2.5

percent reduction in employer contributions effective for Fiscal Years 2011 and 2012 expired.

From July 1, 2013, to December 31, 2013, the State contributed 16.55 percent of the employee's salary. From January 1, 2014, through June 30, 2014, the State contributed 17.45 percent. During all of Fiscal Year 2014, 1.02 percent of the employees' total salary was allocated to the Health Care Trust Fund.

The total PERA-defined payroll of employees covered by this plan was approximately $288,904,000 and $279,476,000 for the years ended June 30, 2014 and 2013, respectively. The University contributed a total of 17.55 percent and 16.48 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.

Table 15.1 University Contributions to PERA *(in thousands)*

Program	Basis	2014	2013	2012
Health Care Trust Fund	1.02% after July 1, 2004	$ 2,947	2,851	2,854
Defined Benefit Plan	The balance remaining	47,751	43,219	33,381
Total University Contribution		**$ 50,698**	**46,070**	**36,235**

Per Colorado Revised Statutes, an amortization period of 30 years is deemed actuarially sound. As of December 31, 2013, the division of PERA in which the State participates has a funded ratio of 57.5 percent and a 60-year amortization period based on current contribution rates. The funded ratio on the market value of assets is slightly higher at 61.0 percent.

In the 2004 and 2010 legislative sessions, 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.

DEFINED CONTRIBUTION PLAN

The PERA Defined Contribution Retirement Plan was established January 1, 2006, as an alternative to the defined benefit plan. The PERA Board has the authority to establish and amend the plan pursuant to CRS 24-51-1601. 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. Contribution requirements are established in CRS 24-51-1605, and may be amended by the PERA Board. 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. The temporary contribution rate increase to 10.5 percent effective in Fiscal Years 2011 and 2012 expired on July 1, 2012. The employer contributes 3.4 percent in AED and 3.0 percent in SAED. At December 31, 2013, the plan had 4,719 participants.

DEFERRED COMPENSATION PLAN

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 2013, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of $17,500. The reduction for the 8 percent PERA contribution reflects the expiration of the temporary contribution rate increase to 10.5 percent effective in Fiscal Year 2011 and 2012. Participants who are age 50 and older, and contributing the maximum amount allowable, were allowed to make an additional $5,500 contribution in 2013 for total contributions of $23,000. Contributions and earnings are tax deferred. At December 31, 2013, the plan had 17,462 participants.

VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA also offers a voluntary 401(k) 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, 2014 and 2013, 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 approximated $98,925,000 and $82,060,000 during the years ended June 30, 2014 and 2013, respectively. The employees' contribution under the ORP approximated

$49,319,000 and $40,887,000 during the years ended June 30, 2014 and 2013, 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. 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 remained in effect until December 31, 2012. The employee percentage of Social Security rate returned to 6.2 percent January 1, 2013.

ALTERNATE MEDICARE PLAN

The University provides an Alternate Medicare Plan (AMP) to retirees aged 65 and over. The AMP was established by the University who also administers and has the authority to amend benefits. 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, 2014 and 2013, based on the July 1, 2013 actuarial valuation, the unfunded actuarial accrued liability was $28,100,000 and $28,100,000, and the associated pension liability was $8,200,000 and $6,700,000, respectively. Table 15.2, Alternate Medicare Plan presents changes in the AMP for the years ended June 30, 2014 and 2013.

Table 15.2. Alternate Medicare Plan (*in thousands*)

	2014	2013
University		
Annual required contribution (ARC)	$ 2,700	$ 2,700
Interest on net obligation	300	200
Adjustment to ARC	(400)	(300)
Net pension cost (expense)	2,600	2,600
Contributions made during the year	(1,100)	(1,100)
Increase in AMP	1,500	1,500
Beginning of year	6,700	5,200
End of year	**$ 8,200**	**6,700**
Current AMP	1,380	1,411

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. There were 31 new participants added in Fiscal Year 2014. 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 2014 and Fiscal Year 2013 was $10,851,000 and $6,245,000, respectively, measured at a discounted present value using a rate of 5 percent. Table 15.3, Early Retirement Incentive Program, presents changes in the ERIP for the years ended June 30, 2014 and 2013.

Table 15.3. Early Retirement Incentive Program (*in thousands)*

		2014	2013
University			
Beginning of year	$	6,245	7,973
Additions		6,210	-
Reductions		(1,604)	(1,728)
End of year	**$**	**10,851**	**6,245**
Current ERIP		2,463	1,858

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, 2014 and 2013. UPI's contributions for covered payroll to the retirement plan for the years ended June 30, 2014 and 2013, approximated $1,836,000 and $1,756,000, respectively.

HEALTH INSURANCE PROGRAMS

The University's contributions to its various health insurance programs approximated $127,951,000 and $124,515,000 during the years ended June 30, 2014 and 2013, respectively.

NOTE 16 – SEGMENT AND BLENDED COMPONENT UNIT INFORMATION

As of June 30, 2014 and 2013, 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 bonds approximating $15,195,000 and $15,985,000 are outstanding as of June 30, 2014 and 2013, respectively. The activities of this segment include all the UCD SOM's faculty practice plan.

The University paid UPI rental amounts of $1,883,000 in Fiscal Year 2014 and $1,670,000 in Fiscal Year 2013. As UPI is a blended component unit, these amounts are eliminated during consolidation.

Summary financial information as of and for the years ended June 30, 2014 and 2013, is presented in Table 16, Segment Financial Information.

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

As of and for the year ended June 30		2014	2013
Condensed Statement of Net Position			
Assets			
Cash and cash equivalents	$	67,125	66,903
Short-term investments		24,806	31,972
Other current assets		89,740	72,862
Total current assets		181,671	171,737
Investments		166,542	104,149
Capital assets, net		45,166	45,226
Other noncurrent assets		5,253	2,997
Total noncurrent assets		216,961	152,372
Total Assets	**$**	**398,632**	**324,109**
Liabilities			
Accounts payable and accrued expenses	$	41,750	36,043
Accounts payable to University of Colorado		3,092	2,122
Bonds, leases, and notes payable		1,063	920
Total current liabilities		45,905	39,085
Bonds, leases, and notes payable		14,879	15,488
Total noncurrent liabilities		14,879	15,488
Total Liabilities	**$**	**60,784**	**54,573**
Net Position			
Net investment in capital assets	$	29,224	28,818
Unrestricted		308,624	240,718
Total Net Position	**$**	**337,848**	**269,536**
Condensed Statement of Revenues, Expenses, and Changes in Net Position			
Operating revenues (expenses)			
Patient revenues	$	621,303	550,812
Depreciation expense		(3,944)	(3,342)
Other operating expenses		(564,322)	(496,811)
Operating income		53,037	50,659
Nonoperating revenues (expenses)			
Investment income		25,175	5,682
Interest expense on capital asset-related debt		(24)	(41)
Other nonoperating expenses		(9,876)	(12,964)
Total nonoperating revenues (expenses)		15,275	(7,323)
Increase in Net Position		**68,312**	**43,336**
Net Position, beginning of year		269,536	226,200
Net Position, end of year	**$**	**337,848**	**269,536**
Condensed Statement of Cash Flows			
Net cash flows provided by (used for)			
Operating activities	$	53,175	44,987
Non-capital financing activities		(9,889)	(12,963)
Capital and related financing activities		(4,353)	(6,455)
Investing activities		(38,711)	(3,555)
Net Increase in Cash and Cash Equivalents		**222**	**22,014**
Cash and cash equivalents, beginning of year		66,903	44,889
Cash and Cash Equivalents, End of Year	**$**	**67,125**	**66,903**

NOTE 17 – DISCRETELY PRESENTED COMPONENT UNITS

Summary financial information as of and for the years ended June 30, 2014 and 2013, 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, 2014**		
	CU Foundation	**CUREF**	**Total**
Assets			
Current assets			
Cash and cash equivalents	$ 17,291	8,279	25,570
Restricted cash	-	808	808
Short-term investments	-	2,609	2,609
Accounts and contributions receivable, net	19,783	177	19,960
Other current assets	444	1,043	1,487
Total current assets	37,518	12,916	50,434
Noncurrent assets			
Investments	1,422,715	6,130	1,428,845
Assets held under split-interest agreements	45,527	-	45,527
Contributions receivable, net	57,795	465	58,260
Other assets	6,144	977	7,121
Capital assets, net	1,060	58,863	59,923
Total noncurrent assets	1,533,241	66,435	1,599,676
Total Assets	**$ 1,570,759**	**79,351**	**1,650,110**
Liabilities			
Current liabilities			
Accounts payable	$ 866	727	1,593
Accounts payable - University	8,294	-	8,294
Unearned revenue	-	967	967
Bonds, leases, and notes payable	256	501	757
Split-interest agreements	2,998	-	2,998
Custodial funds	9,240	-	9,240
Total current liabilities	21,654	2,195	23,849
Noncurrent liabilities			
Bonds, leases, and notes payable	-	69,718	69,718
Split-interest agreements	18,349	-	18,349
Custodial funds	324,769	-	324,769
Other liabilities	2,731	606	3,337
Total noncurrent liabilities	345,849	70,324	416,173
Total Liabilities	**$ 367,503**	**72,519**	**440,022**
Net Position			
Net investment in capital assets	$ -	(3,284)	(3,284)
Restricted for nonexpendable purposes	426,733	-	426,733
Restricted for expendable purposes	702,078	2,308	704,386
Unrestricted	74,445	7,808	82,253
Total Net Position	**$ 1,203,256**	**6,832**	**1,210,088**

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

Statement of Revenues, Expenses, and Changes in Net Position	For the Year Ended June 30, 2014		
	CU Foundation	CUREF	Total
Operating revenues			
Contributions	$ 148,898	177	149,075
University support	-	-	-
Other revenue	4,002	10,616	14,618
Total operating revenues	152,900	10,793	163,693
Operating expenses			
Institutional support			
Gifts and income distributed to University and related parties	109,172	570	109,742
Other program services	5,088	4,350	9,438
Support services	15,860	261	16,121
Depreciation and amortization	595	2,404	2,999
Total operating expenses	130,715	7,585	138,300
Operating Income	22,185	3,208	25,393
Nonoperating revenues (expenses)			
Investment income	164,129	257	164,386
Pledges assigned to affiliate	-	-	-
Interest expense on capital asset-related debt	(84)	(3,800)	(3,884)
Increase (Decrease) in Net Position	**186,230**	**(335)**	**185,895**
Net Position, beginning of year	1,017,026	7,167	1,024,193
Net Position, End of Year	**$ 1,203,256**	**6,832**	**1,210,088**

Condensed Statement of Cash Flows	CU Foundation	CUREF	Total
Net cash flows provided by (used for)			
Operating activities	$ 39,718	1,135	40,853
Non-capital financing activities	22,340	(2,913)	19,427
Capital and related financing activities	(1,315)	-	(1,315)
Investing activities	(58,484)	381	(58,103)
Net Increase in Cash and Cash Equivalents	**2,259**	**(1,397)**	**862**
Cash and cash equivalents, beginning of year	15,032	9,676	24,708
Cash and Cash Equivalents, End of Year	**$ 17,291**	**8,279**	**25,570**

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

Condensed Statement of Net Position	**As of June 30, 2013**		
	CU Foundation	**CUREF**	**Total**
Assets			
Current assets			
Cash and cash equivalents	$ 15,032	9,676	24,708
Restricted cash	-	966	966
Short-term investments	-	2,044	2,044
Accounts and contributions receivable, net	15,652	203	15,855
Other current assets	466	817	1,283
Total current assets	31,150	13,706	44,856
Noncurrent assets			
Investments	1,203,986	6,801	1,210,787
Assets held under split-interest agreements	41,288	-	41,288
Contributions receivable, net	43,214	691	43,905
Other assets	5,543	1,237	6,780
Capital assets, net	2,685	59,852	62,537
Total noncurrent assets	1,296,716	68,581	1,365,297
Total Assets	**$ 1,327,866**	**82,287**	**1,410,153**
Liabilities			
Current liabilities			
Accounts payable	$ 2,749	794	3,543
Accounts payable - University	5,995	-	5,995
Unearned revenue	-	1,064	1,064
Bonds, leases, and notes payable	951	406	1,357
Split-interest agreements	2,718	-	2,718
Custodial funds	8,089	-	8,089
Total current liabilities	20,502	2,264	22,766
Noncurrent liabilities			
Bonds, leases, and notes payable	257	70,166	70,423
Split-interest agreements	16,869	-	16,869
Custodial funds	270,842	-	270,842
Other liabilities	2,370	2,690	5,060
Total noncurrent liabilities	290,338	72,856	363,194
Total Liabilities	**$ 310,840**	**75,120**	**385,960**
Net Position			
Net investment in capital assets	$ -	(1,011)	(1,011)
Restricted for nonexpendable purposes	397,990	-	397,990
Restricted for expendable purposes	551,738	2,741	554,479
Unrestricted	67,298	5,437	72,735
Total Net Position	**$ 1,017,026**	**7,167**	**1,024,193**

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

Statement of Revenues, Expenses, and Changes in Net Position		**For the Year Ended June 30, 2013**		
		CU Foundation	**CUREF**	**Total**
Operating revenues				
Contributions	$	127,619	422	128,041
University support		5,100	-	5,100
Other revenue		3,814	9,636	13,450
Total operating revenues		136,533	10,058	146,591
Operating expenses				
Institutional support				
Gifts and income distributed to University and related parties		116,342	1,021	117,363
Other program services		8,694	4,238	12,932
Support services		15,269	272	15,541
Depreciation and amortization		611	2,646	3,257
Total operating expenses		140,916	8,177	149,093
Operating Income (Loss)		(4,383)	1,881	(2,502)
Nonoperating revenues (expenses)				
Investment income		99,822	272	100,094
Pledges assigned to affiliate		-	(296)	(296)
Interest expense on capital asset-related debt		(179)	(5,996)	(6,175)
Increase (Decrease) in Net Position		**95,260**	**(4,139)**	**91,121**
Net Position, beginning of year		921,766	11,306	933,072
Net Position, End of Year	**$**	**1,017,026**	**7,167**	**1,024,193**

Condensed Statement of Cash Flows				
Net cash flows provided by (used for)				
Operating activities	$	(5,136)	(1,926)	(7,062)
Non-capital financing activities		36,441	4,837	41,278
Capital and related financing activities		(827)	-	(827)
Investing activities		(29,172)	1,889	(27,283)
Net Increase in Cash and Cash Equivalents		**1,306**	**4,800**	**6,106**
Cash and cash equivalents, beginning of year		13,726	4,876	18,602
Cash and Cash Equivalents, End of Year	**$**	**15,032**	**9,676**	**24,708**

UNIVERSITY OF COLORADO FOUNDATION

Distributions made by the CU Foundation to the University were approximately $110,088,000 and $122,657,000 during the years ended June 30, 2014 and 2013, 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.

Since July 1, 2007, the University has contracted with the CU Foundation to manage a portion of its investments. As of June 30, 2014 and 2013, respectively, $155,518,000 and $131,394,000 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 $165,081,000 and $133,259,000 as of June 30, 2014 and 2013, 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 year ended June 30, 2013, however as development staff became University employees effective July 1, 2013 the CU Foundation paid the University $16,096,000 to help cover development costs during the year ended June 30, 2014, which is reported as other operating revenue.

As of June 30, 2014 and 2013, the University recorded an accounts receivable from the CU Foundation of $18,282,000 and $15,485,000, respectively. As of June 30, 2014 and 2013, the University recorded an account payable to the CU Foundation of $950,000 and $270,000, respectively.

THE UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION

For the years ended June 30, 2014 and 2013, CUREF distributed approximately $570,000 and $1,021,000, 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 expires on July 1, 2023. The outstanding balance as of June 30, 2013 of $2,500,000 was paid in full on April 30, 2014. During the year ended June 30, 2014, CUREF drew an additional $300,000 which was still outstanding at year-end at a rate of 1.03 percent. Interest rates are determined at the time a draw on the line of credit is made. Interest only payments on the draw are due semiannually on June 30 and December 31, until December 2016, when semiannual payments of principal and interest are due until maturity on December 31, 2023.

CUREF has a long-term agreement with the University to rent portions of facilities from 18th Avenue and 33rd Street. For the years ended June 30, 2014 and 2013, the University paid approximately $2,346,000 and $2,560,000, respectively, in base rent of which approximately $429,000 and $362,000, respectively was prepaid at June 30, 2014 and 2013, to CUREF, which recognized an equal amount of other operating revenues.

As of June 30, 2014 and 2013, 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 medical and patient services for sponsored research projects. 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 $47,510,000 and $37,796,000 for years ended June 30, 2014 and 2013, respectively. Total payments issued by CU Denver to the Hospital Authority for the years ended June 30, 2014 and 2013 approximated $10,952,000 and $9,943,000, respectively.

During the years ended June 30, 2014 and 2013, UPI recognized approximately $31,643,000 and $27,762,000, respectively, in health services revenue from the Hospital Authority in support of clinical and academic missions. UPI also received approximately $42,948,000 and $40,264,000 during the years ended June 30, 2014 and 2013, 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, 2014 and 2013, the University recorded an accounts receivable from the Hospital Authority of $2,886,000 and $3,417,000, respectively, for various services provided. As of June 30, 2014 and 2013, the University recorded an accounts payable to the Hospital Authority of $30,000 and $73,000, respectively. Generally, amounts due are paid during the current or subsequent month.

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 University 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, 2014 and 2013, the University incurred expenses related to the common facilities approximating $10,871,000 and $8,562,000, respectively, for payments to AHEC.

At June 30, 2014 and 2013, the University recorded an accounts payable to AHEC of $694,000 and $152,000, 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, 2014 and 2013, the University had no accounts receivable due from AHEC. For related party lease transactions, see Note 9.

Detailed financial information may be obtained directly from AHEC at 1201 5th Street 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 $121,653,000 and $109,044,000 for Fiscal Year 2014 and Fiscal Year 2013, respectively. The University's contributions to the Trust were $135,494,000 and $117,153,000 for the years ended June 30, 2014 and 2013, respectively, and the employees' contributions were $16,131,000 and $19,641,000, respectively. As of June 30, 2014 and 2013, the University had accounts receivable owed from the Trust of $302,000 and $550,000, respectively, and accounts payable due to the Trust of $396,000 and $40,000, respectively.

Detailed financial information may be obtained directly from the Trust at 1800 Grant Street, Suite 225, Denver, Colorado 80203.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

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, 2014 and 2013, total rental expense under these agreements approximated $11,015,000 and $11,329,000 for the University, respectively. Future minimum payments for these operating leases are shown in Table 19, University Operating Leases Minimum Lease Obligations.

Table 19. University Operating Leases Minimum Lease Obligations *(in thousands)*

	University	
Years Ending June 30	**Minimum Lease Obligation**	
2015	$	9,804
2016		7,409
2017		6,373
2018		5,554
2019		4,250
2020-2024		13,127
2025-2029		2,701
Total Operating Lease Obligations	**$**	**49,218**

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 $182,607,000 and $195,756,000, as of June 30, 2014 and 2013, 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, 2014 and 2013, the amount of capital construction appropriations authorized from the State for these projects approximated $18,657,000 and $14,476,000, 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 June 17, 2013, a buyer purchased 6.74 acres (Residential Parcel) of the 28.55 acres of the former Ninth Avenue campus for $9,215,000. $1,000,000 of that purchase price was escrowed and is being used by the buyer to reimburse it for the University's share of demolition and infrastructure construction costs that will benefit the remaining parcel. In addition to the purchase price, the University will be the recipient of any Tax Increment Financing (TIF) proceeds that are generated from the Residential Parcel. On August 25, 2014 the Denver Urban Renewal Authority (DURA) board approved the intergovernmental agreement between DURA and the University pertaining to the TIF. On February 19, 2014, a buyer signed on the purchase and sale contract for the remaining 21.81 acre parcel to purchase the property for $30 million. $15 million of that will be payable at closing with $2.5 million by payment of the earnest money by the escrow agent to the University, as a credit against the purchase price. The balance of the purchase price shall be payable 18 months after the closing date secured by a promissory note provided by the buyer at closing in the amount of $15 million. The contract is expected to be closed in December of 2014.

In September 2013, CU-Boulder incurred water damage to 110 of its buildings, two of its parking lots, a pedestrian bridge over Boulder Creek became unsafe, and several of the campus' underground tunnels were flooded due to the record rainfall within a 7-day period. FM Global, the University's reinsurer, sent an experienced team and hired an environmental firm to assess the damage. It was determined that since the damage was caused by rain and ground water that all of the work within the buildings would be considered an environmental hazard. Insurance recoveries are expected to cover the full cost, which is estimated to be $6,162,000.

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

BOND ISSUANCE – UNIVERSITY

On August 21, 2014, the University issued $203,485,000 of Tax-Exempt University Enterprise Revenue Bonds, Series 2014A and used the proceeds to defray a portion of the cost of financing certain capital improvement projects, and to pay certain costs related to the issuance. At the same time, the University issued $100,440,000 of Tax-Exempt Refunding Revenue Bonds, Series 2014B-1, and used the proceeds to refund portions of prior obligations, and to pay certain costs related to the issuance. These special limited obligations are payable solely from the net revenues as defined. Series 2014A has an interest rate of 5 percent, and the bonds mature through June 1, 2046. Series 2104B-1 has rates ranging from 1 percent to 5 percent, and the bonds mature through June 1, 2034.

BOND ISSUANCE – UPI

In October 2014, UPI replaced its adjustable rate debt with a fixed-rate direct purchase obligation financed by US Bank. The new borrowing will carry a ten-year term at a fixed rate of 2.3%.

CU SOUTH DENVER

In March 2014, the University leased space at The Wildlife Experience in south Denver to launch a higher education expansion. At this educational facility, two of University's campuses (CU Anschutz Medical Campus and CU Denver) started offering programs in fall 2014 that are in demand among south Denver residents, including courses in business, education, computer science, nursing and public health. The agreement provides use of 12,500 square feet of space at an annual cost of $87,500. In September 2014 the University executed phase 2 of the agreement with The Wildlife Experience which transfers control of operations to the University effective December 31, 2014, and gives the property to the University effective May 1, 2015. This gift has been appraised at $40 million.

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 A PERCENTAGE OF COVERED PAYROLL ((B-A)/C)
JULY 1, 2012	-	$406,782,000	$406,782,000	0.00%	$1,141,100,000	35.65%
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%

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 A PERCENTAGE OF COVERED PAYROLL ((B-A)/C)
JULY 1, 2012	-	$28,100,000	$28,100,000	0.00%	-	0.00%
JULY 1, 2010	-	22,100,000	22,100,000	0.00%	-	0.00%

* Only two years of information is available

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

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Officers and Staff as of September 2014

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