



'09



FINANCIAL
ACCOUNTABILITY
REPORT
2009

Colorado
State
University



Joseph Blake
Chancellor
Colorado State University
System



Dr. Anthony A. Frank
President
Colorado State University

COLORADO STATE UNIVERSITY TAKES ACCOUNTABILITY SERIOUSLY

As a public university, CSU's business is the public's business. Still, navigating the institutional bureaucracy to track down detailed information can be a challenge for even the most seasoned watchdog, which is why we publish this annual Financial Accountability Report. This report summarizes our audited financial statements and provides an overview of University finances, including a review of revenues and expenditures. Our hope is that this report provides a clear, concise look at how your state university is responsibly and strategically managing its resources to assure maximum benefit for our students, our state, and the people of Colorado.

Particularly during tough economic times, major universities like CSU need to focus on their highest priorities: teaching, learning, research, and service. With that emphasis in mind, we've taken action this past year to reduce administrative costs and minimize the impact on the classroom from state funding cuts. We've streamlined our operations in key areas to increase efficiency, and reorganized to deploy staff to areas of greatest need, while continuing to offer the most affordable, high-quality research university education in Colorado.

Colorado State University is proud to be a good steward of the public trust, and this report is part of that ongoing commitment to transparency and accountability. We invite you to read it, ask questions, and become more familiar with the business of your state university.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe".

Chancellor Joseph Blake

A handwritten signature in black ink, appearing to read "Anthony A. Frank".

President Anthony A. Frank



FINANCIAL HIGHLIGHTS

Following are key points regarding Colorado State University's management of financial resources in FY08-09. The topics and information below are not comprehensive but represent frequently asked questions regarding top areas of interest to CSU's students and supporters. The FY09 figures below are based on the University's audited financial reports.

Overall

- Over the past five years, as the University has grown in nearly all areas, CSU's revenue from all sources has increased from \$600 million to approximately \$816 million.
- The percentage of CSU's revenue provided by students through tuition and fees was 22 percent of total revenue in 2005 and 23 percent in 2009.
- State support for the University accounted in FY09 for about 13 percent of CSU's total revenue. In 2009, due to the economic downturn, the State supplemented \$29 million in COF stipends and fee-for-service funds with Federal State Fiscal Stabilization Funds grant provided through the American Recovery and Reinvestment Act.
- The portion of University expenditures toward instruction and academic support has remained consistent over the past five years at 31 percent of the University's total expenditures. Likewise, expenditures for research have remained consistent at 23 percent of the University's overall expenditures.
- For FY 2009, students provided \$191.4 million (23%) of CSU's revenue through their share of tuition and fees (less scholarship allowance and state-provided College Opportunity Fund tuition stipends). For the same period, the University expended \$245.9 million on instruction and academic support (31% of total expenditures).
- The University's priorities have remained relatively consistent as have its revenues and expenditures. Although the University witnessed significant growth over the last five years, it did not witness significant changes in the proportions of CSU revenues and expenditures.

Tuition and Fees

- Colorado State remains among the most affordable universities for resident undergraduate students among its in- and out-of-state peers.
- In 2009-10, Colorado State University is second lowest among its 12 peers in resident undergraduate tuition and fees – only above North Carolina State University and well below most others.
- Along with one of the lowest tuition rates, Colorado State's FY 10 budget included \$3.9 million in new financial aid to help lower-income working families.
- CSU's annual tuition and fees (\$6,318 in FY10) are approximately 75 percent of the average of its peer group's annual tuition and fees.
- Colorado State's tuition increases over the last 10 years have not kept up with peers. CSU's increases remain 14 percent below the average peer increases over the last decade.
- With budget cuts in the early part of the decade, and state funding now accounting for only 13 percent (including fee for service revenue, the College Opportunity Fund, and state capital appropriations) of Colorado State University's revenue, tuition has increased to help the University keep pace with mandatory costs and to maintain the quality of the educational experience.

Institutional Support

- The percentage of CSU's expenditures spent on administrative or institutional support was 4.2 percent of total expenditures in FY08-09, leaving CSU below national averages.
- Institutional support expenditures encompass a wide range of support functions, including custodial, police and safety, accounting, purchasing, human resources, clerical services, and central administration.

Academic Funding

- Academic colleges receive the largest share of University funding at CSU each year even though the money often is first allocated through an administrative office. For example, all of the money for start-ups that goes to the Vice President for Research is spent within the colleges. The following examples from the most recent 2010 CSU operating budget are VP division line items that clearly and directly benefit students and the academic mission of the University:
 - The new School for Global Environmental Sustainability and other cross-disciplinary programs that do not fall into one specific college budget.
 - Financial aid.
 - New faculty positions and new faculty startup costs.
 - Efforts to enhance diversity.
 - Information technology that benefits students.
 - Enrollment, access, and success programs targeted specifically at students.
- The pages that follow break down expenditures in specific areas, including instruction and academic support, and provide a consistent and effective means of examining academic and other funding at CSU.

Athletics

- The Board of Governors of the CSU System set ambitious stretch goals for CSU Athletics and has approved additional funding in recent years to assure the program's continued competitiveness. Even with the increases, Colorado State ranks at the bottom of the Mountain West Conference for funding:
 - CSU's FY10 operating budget for Athletics (\$21.5 million) remains 9th of 9 conference members.
 - The ratio of athletics expenses to university expenses at CSU is about 3 percent, below the league average of 7 percent; CSU is 9th of 9 universities in that comparison.
 - The conference average institutional support is \$8.9 million; CSU's budgeted \$4.8 million of central budget support is well below the peer average, and less than 1 percent of the University's overall operating budget.

Increased Emphasis on Alternative Funding Sources

- During a time of major growth and investment in its academic core over the past five years, Colorado State also has experienced record research expenditures and private fundraising growth.
- CSU has seen 22 percent of research expenditure growth during a time of decrease in overall federal funding.
- FY09 was one of the top fundraising years in the University's history. The CSU Foundation realized \$54.5 million in private support last year, its second highest year ever. This money supports student scholarships, faculty recruitment and retention, and other academic needs.

Certain amounts for 2008 have been restated to reflect the change in methods of accounting for certain postemployment benefits as required by Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.



Operating and Nonoperating Revenues

(amounts expressed in thousands, as restated)

	2009	2008	2005
Operating Revenues			
Student tuition and fees (net of scholarship allowance)	\$191,400	173,461	133,863
State COF tuition stipends	33,418	42,744	–
State Fee for Service contract	67,201	75,595	–
Grants and contracts	278,905	265,431	220,698
Sales and service of educational activities	20,159	19,030	16,906
Auxiliary enterprises (net of scholarship allowance)	115,730	107,321	88,968
Other operating revenue	4,889	4,237	4,486
Total Operating Revenues	\$711,702	687,819	464,921
Nonoperating revenues			
State appropriations	4,750	3,250	95,126
State fiscal stabilization	29,290	–	–
Gifts	25,630	24,234	16,940
State capital contributions	30,979	20,321	4
Capital gifts and grants	10,194	6,956	19,103
Other nonoperating, net	2,994	7,947	4,343
Total Nonoperating Revenues	\$103,837	62,708	135,516
Total Revenues	\$815,539	750,527	600,437

Student Tuition and Fee revenue represents tuition and fees paid by students, less scholarship allowance. The University also receives tuition revenue in the form of COF tuition stipends, which are provided to students by the state. The University also receives state support in the form of revenue generated from the State Fee-for-Service contract. Under this contract the University provides graduate education services, professional Veterinary Medicine programs, and services to the state from the CSU

agencies which include CSU Extension, Agricultural Experiment Station, and the Colorado State Forest Service.

Due to the economic downturn in 2009, the state supplemented state COF stipends and fee-for-service contract revenue with Federal State Fiscal Stabilization Funds in the approximate amount of \$29 million.

Operating Expenses

(amounts expressed in thousands, as restated)

	2009	2008	2005
Operating Expenses			
Instruction	\$198,990	185,953	145,093
Research	173,975	168,060	143,111
Public Service	88,315	82,537	59,210
Academic Support	46,956	45,205	33,867
Student Services	21,282	20,769	9,486
Institutional Support	34,687	30,753	18,490
Operation and maintenance of plant	54,766	52,091	35,231
Scholarships and fellowships	6,349	6,435	5,270
Auxiliary enterprises	104,937	101,109	83,444
Depreciation	40,292	32,615	33,634
Total Operating Expenses	\$770,549	725,527	576,836

The programmatic use of expenses remained relatively consistent from fiscal year 2005 to fiscal year 2009.

Statement of Revenues, Expenses and Changes in Net Assets

The University's Condensed Statement of Revenues, Expenses and Changes in Net Assets presents information showing how the net assets of the University have changed. The statement distinguishes between operating and nonoperating activities. Operating revenues and expenses result from providing goods and services relating to the University's mission and incurring expenditures to acquire goods and services necessary to carry out this mission. Nonoperating revenues, net, are derived from non-mission related activities.

Condensed Statement of Revenues, Expenses and Change in Net Assets

(amounts expressed in thousands, as restated)

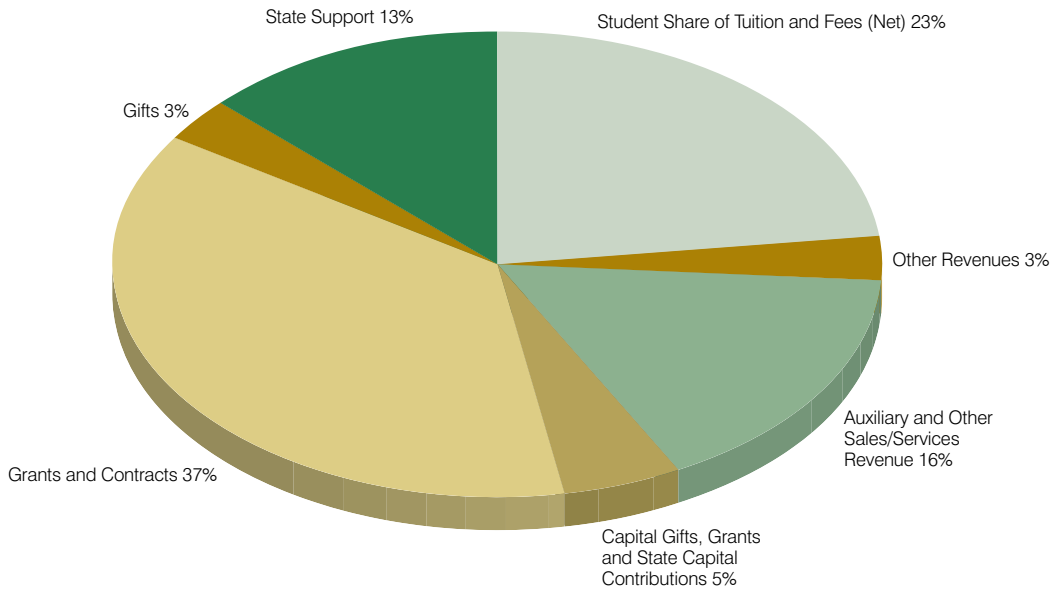
	2009	2008
Operating Revenues	\$711,702	687,819
Operating Expenses	770,549	730,447
Operating Loss	(58,847)	(42,628)
Nonoperating revenues (net of expenses)	68,818	39,119
Income before Other Revenues, Expenses, Gains or Losses	9,971	(3,509)
Other revenues	35,019	23,589
Increase in Net Assets	44,990	20,080
Net Assets, beginning of year	608,398	588,318
Net Assets, end of year	\$653,388	608,398

Revenues and Expenditures

The following charts provide a comparison between revenue and expenditures by category for fiscal year 2005 and fiscal year 2009.

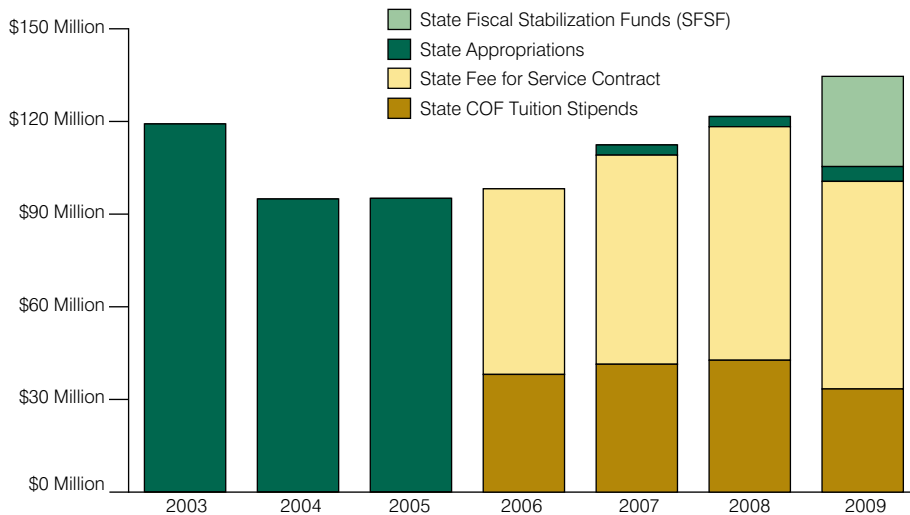


CSU Revenue FISCAL YEAR 2009



CSU Schedule of State Support FISCAL YEARS 2003-2009

The following chart provides an overview of state support provided to the University over the past seven years.



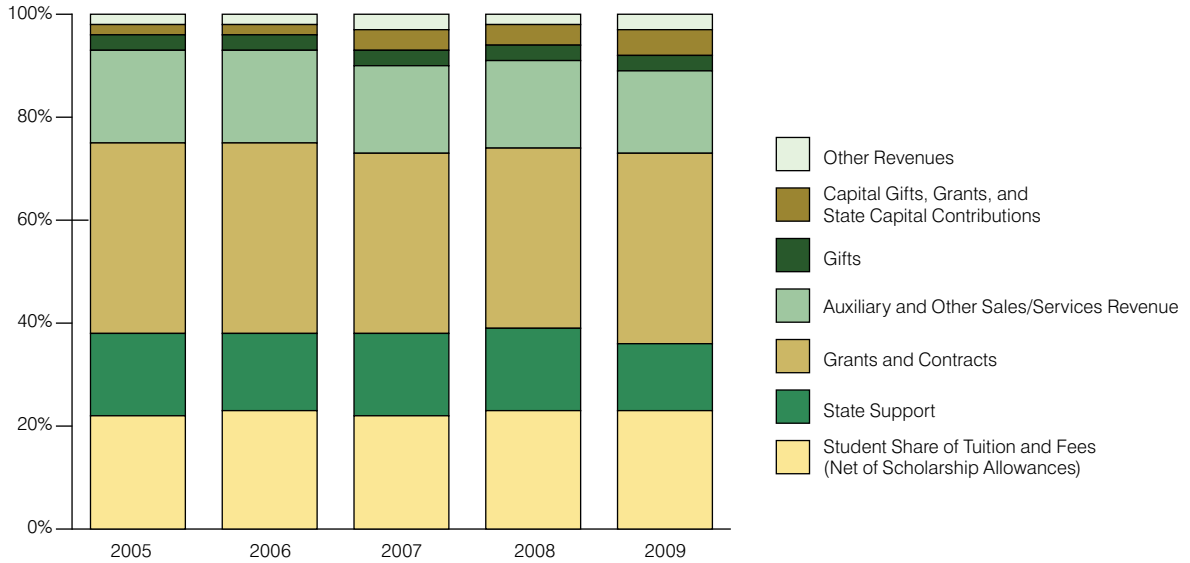
The funding mechanism for higher education in Colorado changed in fiscal year 2006. Prior to this time the University received state support in the form of a general fund appropriation directly from the state. In fiscal year 2006 and thereafter, state support was provided to the University in the form of COF (College Opportunity Fund) tuition stipends and revenue earned by providing services to the state under the fee-for-service contract. As a result of this change, no state appropriations were received in fiscal year 2006.

However, fee for service revenue and COF stipends were received in lieu of this appropriation. In 2009, due to the economic downturn, the state supplemented \$29 million of COF stipends and fee-for-service funds with a federal State Fiscal Stabilization Funds grant (SFSF). For comparative purposes only, the SFSF grant is included in the above graph as a component of state support. In all other graphs, the SFSF grant is reflected as a component of revenue from grants and contracts.

CSU Revenue by Percentage

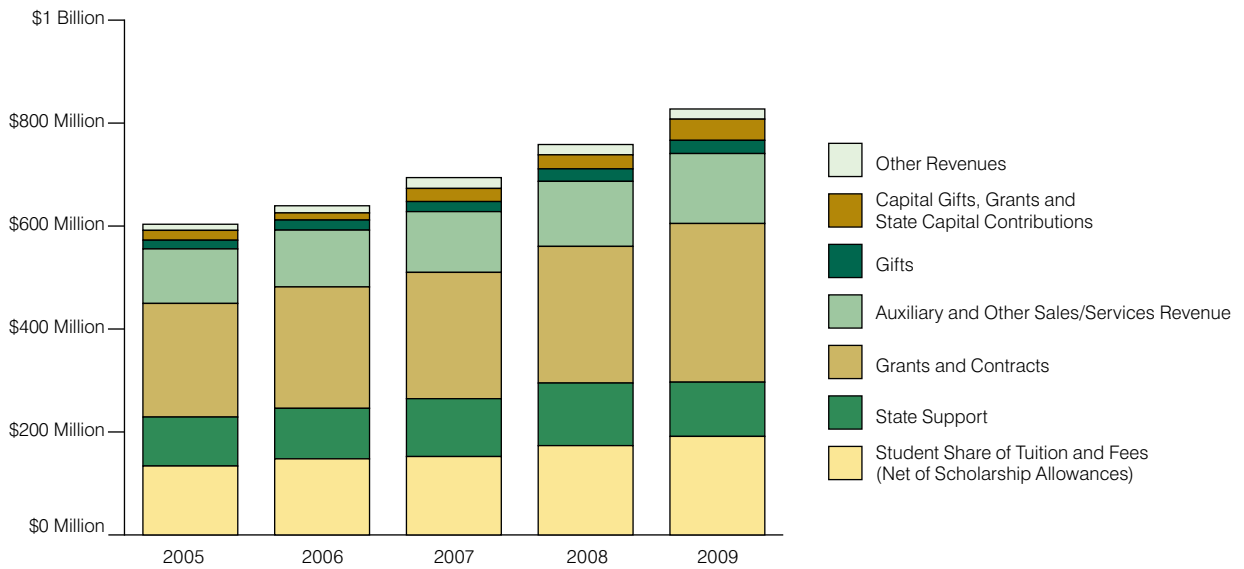
FISCAL YEARS 2005-2009

Although the revenue base is growing, as demonstrated by the chart "Revenue by Amount" below, the distribution among the categories has remained relatively consistent between 2005 and 2009.



CSU Revenue by Amount

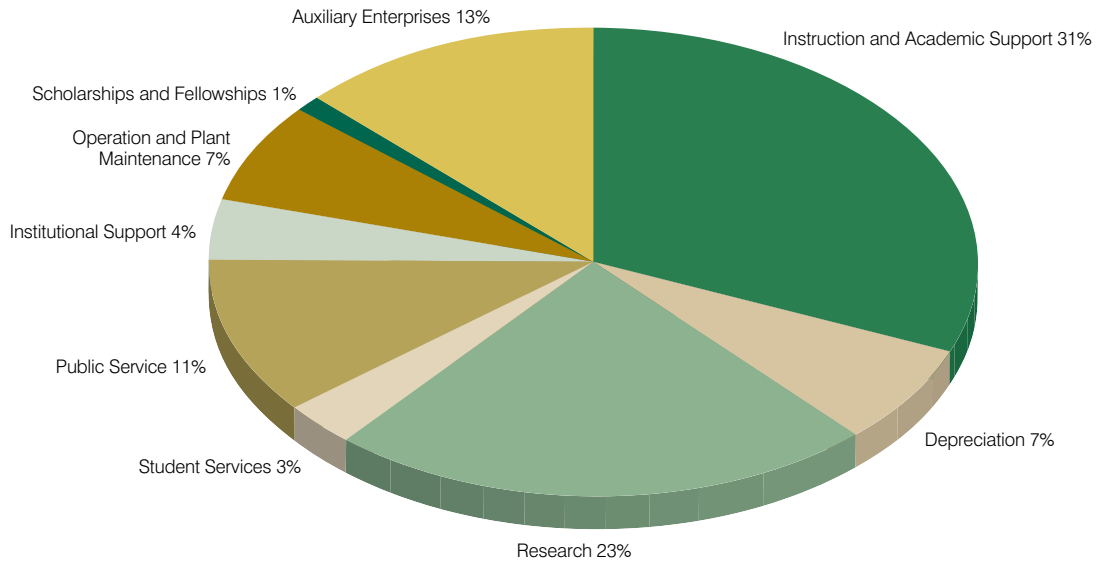
FISCAL YEARS 2005-2009



CSU Expenditures

FISCAL YEAR 2009

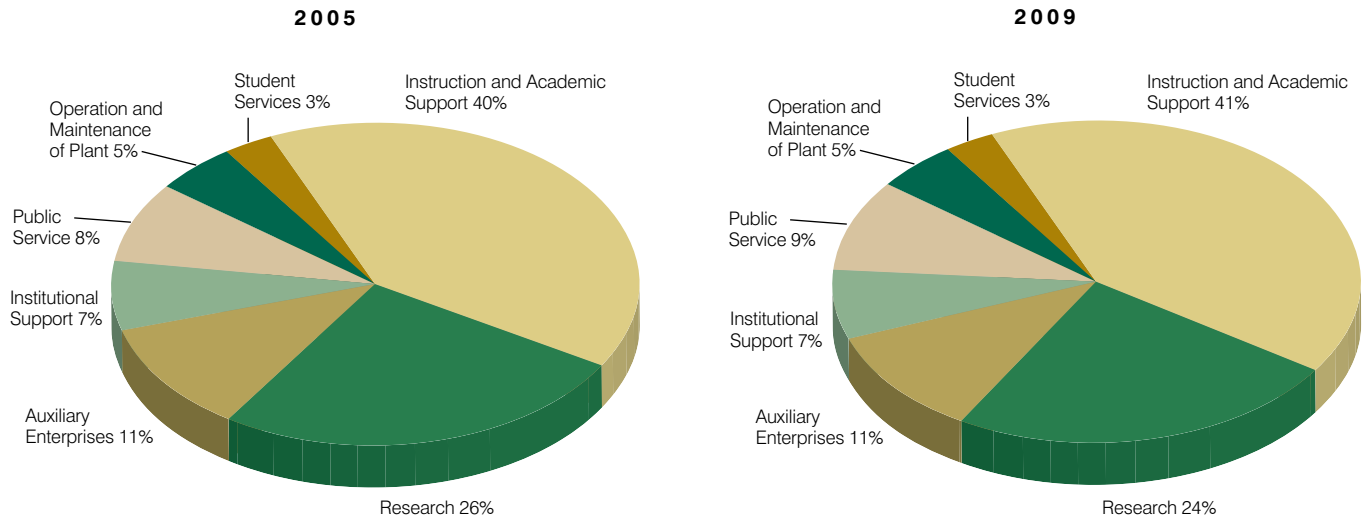
Colorado State University utilizes the revenues it receives to support the education, research, and public service missions of the institution. These expenditures are tracked by functional categories which designate the primary purpose for which the expenditure occurred. As the University has grown over the past five years there have been increases in all functional expense categories. Over this period, the University's total operating expenses have increased from \$576.8 million to \$770.5 million, an overall increase of 34 percent from fiscal year 2005 to fiscal year 2009.



CSU Salary Expenditures by Functional Area

FISCAL YEAR 2005 AND 2009

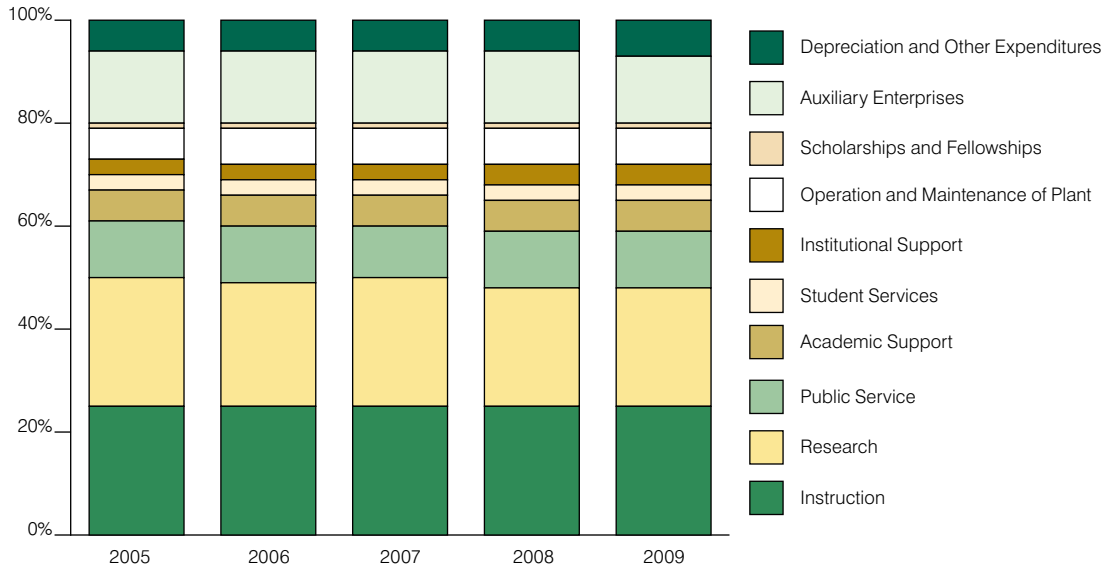
The data demonstrates that total salary expenditures, as a part of the total expenditures, have remained relatively consistent between fiscal year 2005 and fiscal year 2009, with the largest increases occurring in the category of salary expenditures for Instruction and Academic Support.



CSU Expenditures by Percentage

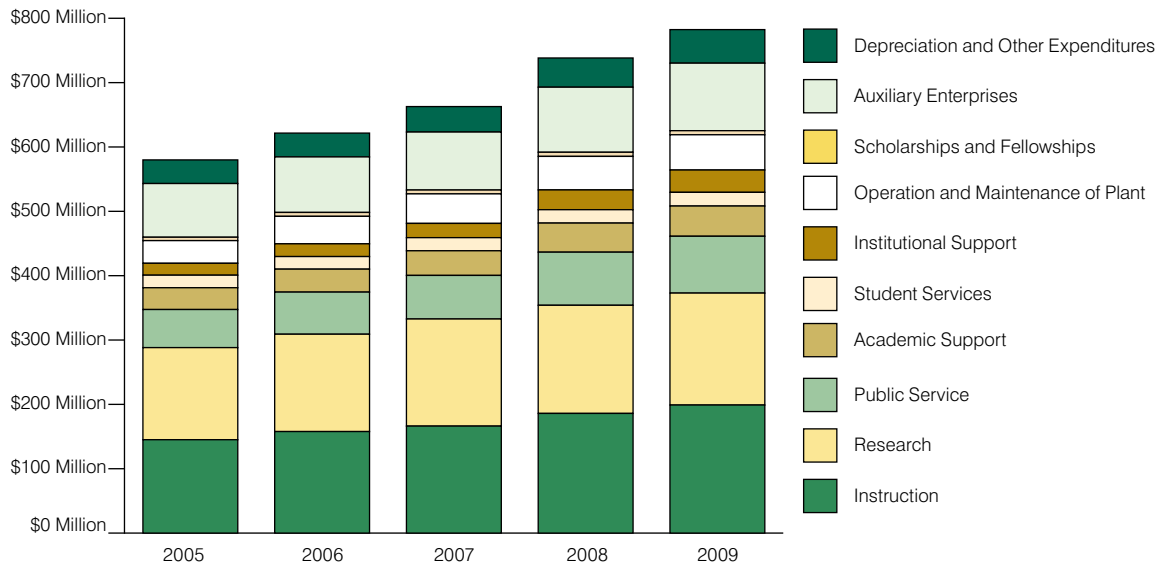
FISCAL YEARS 2005-2009

Although the expenditure base is growing as demonstrated in the chart "Expenditures by Amount," below, the distribution among the expenditure categories has remained relatively constant between 2005 to 2009.



CSU Expenditures by Amount

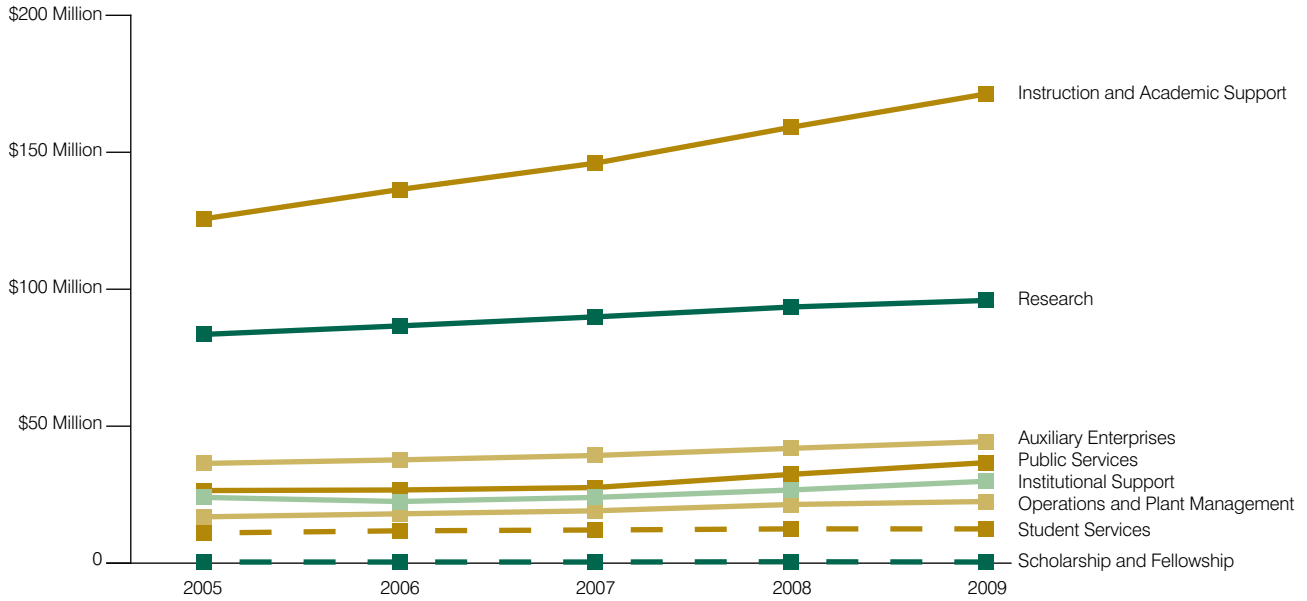
FISCAL YEARS 2005-2009



CSU Salary Trends

FISCAL YEARS 2005-2009

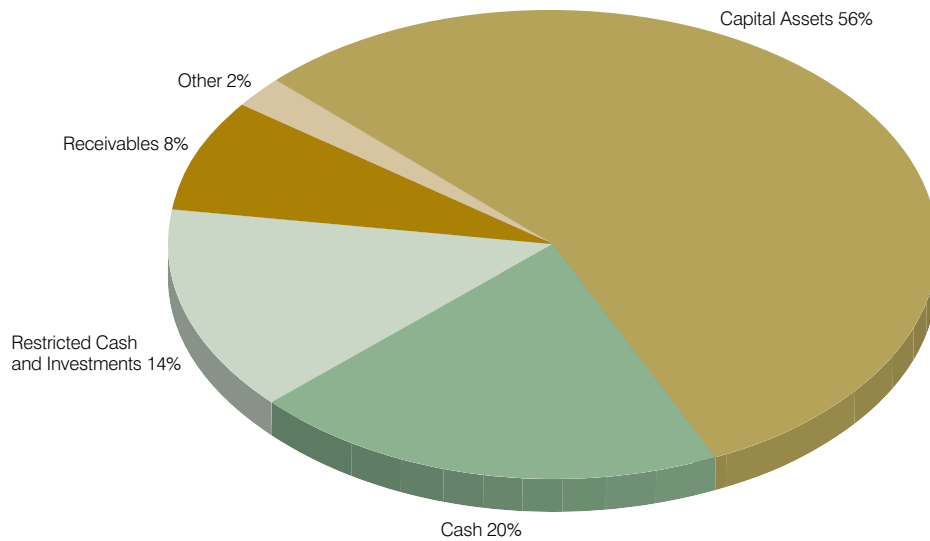
As the University has grown, total salary expense (net of fringe) has also increased. The following table illustrates the salary expenditure trends.



CSU Total Assets

FISCAL YEAR 2009

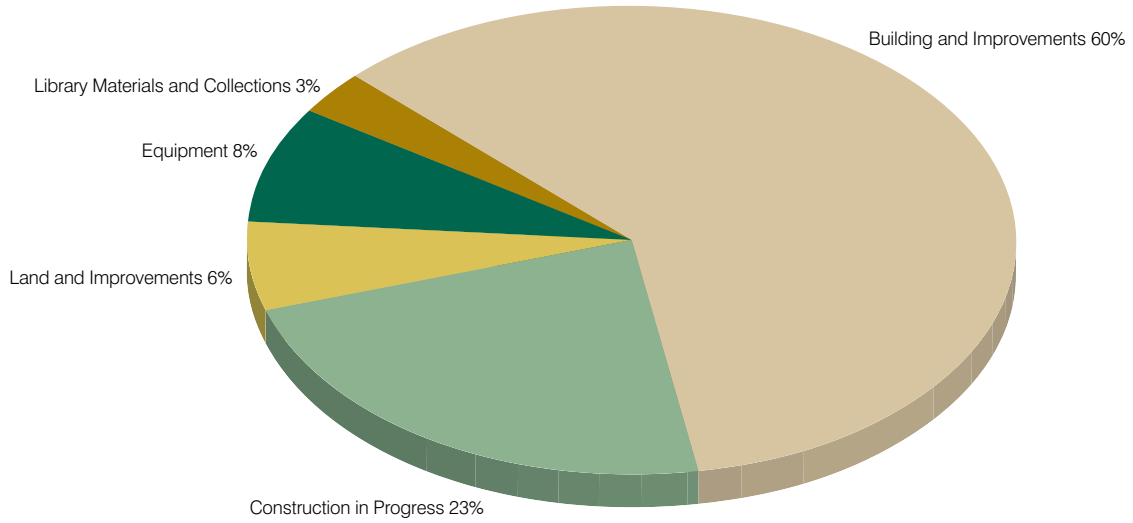
The chart below demonstrates the University's breakdown of its total assets with capital assets comprising the majority of the assets at 56%.



CSU Capital Assets

FISCAL YEAR 2009

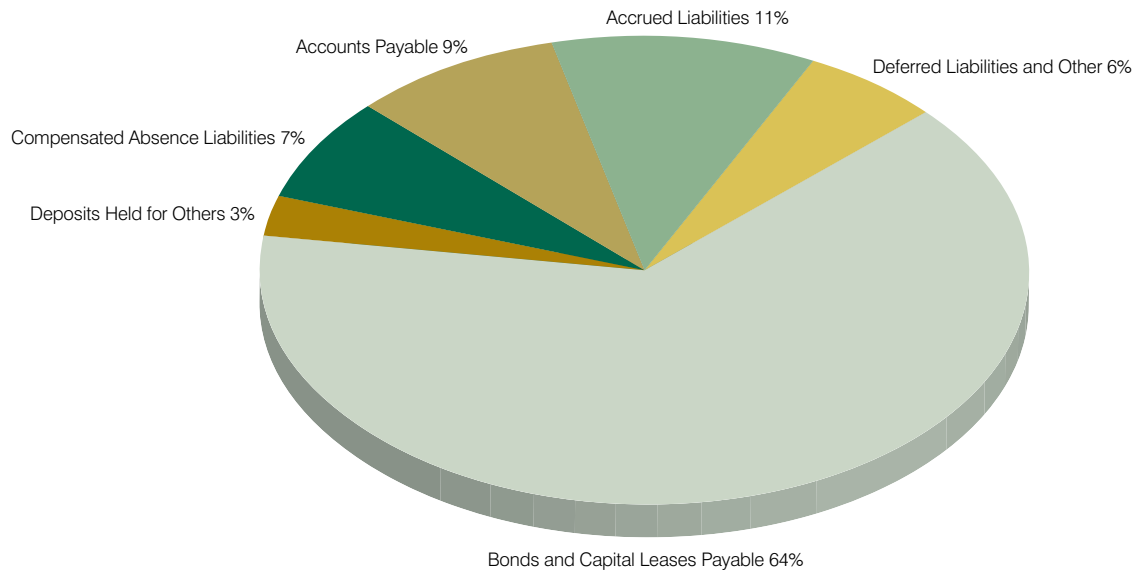
The chart below provides a distribution of the University's capital assets.



CSU Liabilities

FISCAL YEAR 2009

The chart below provides an allocation of the University's liabilities.





A GREAT RETURN ON INVESTMENT

Through its land-grant mission to serve Colorado and all its communities, Colorado State University provides a great return on investment and brings tremendous value to the state by achieving excellence in its three-pronged mission of education, innovative research, and statewide outreach.

Colorado State University is committed to advancing knowledge for all people, providing intellectual and cultural leadership, and preparing students for lifelong roles as productive citizens. These commitments stimulate economic development, cultural growth and unsurpassed intellectual achievements that benefit Colorado today and for many generations to come.

Students and Faculty – Making a Difference

Colorado State University has 25,400 students representing every county in Colorado, every state in the nation, and 85 countries. Eighty percent of all students are Colorado residents, and most stay in the state following graduation.

Colorado State University's faculty are among the world's leading thinkers and experts in their fields, and that expertise yields significant returns for Colorado in the form of an educated workforce, attraction of new industries, and support for communities ranging from water resources to economic development. Working side-by-side with faculty provides students with hands-on experience that will help them enter careers and share education in their home communities.

Colorado State University students are active in their community: 69 percent of seniors surveyed in 2008 said they have participated in volunteer work off-campus. Colorado State ranks among the top universities in the nation in the number of alumni serving as Peace Corps volunteers. In fact, the feasibility studies that led to the creation of the Peace Corps were conducted at Colorado State University by legendary Professor Maury Albertson.

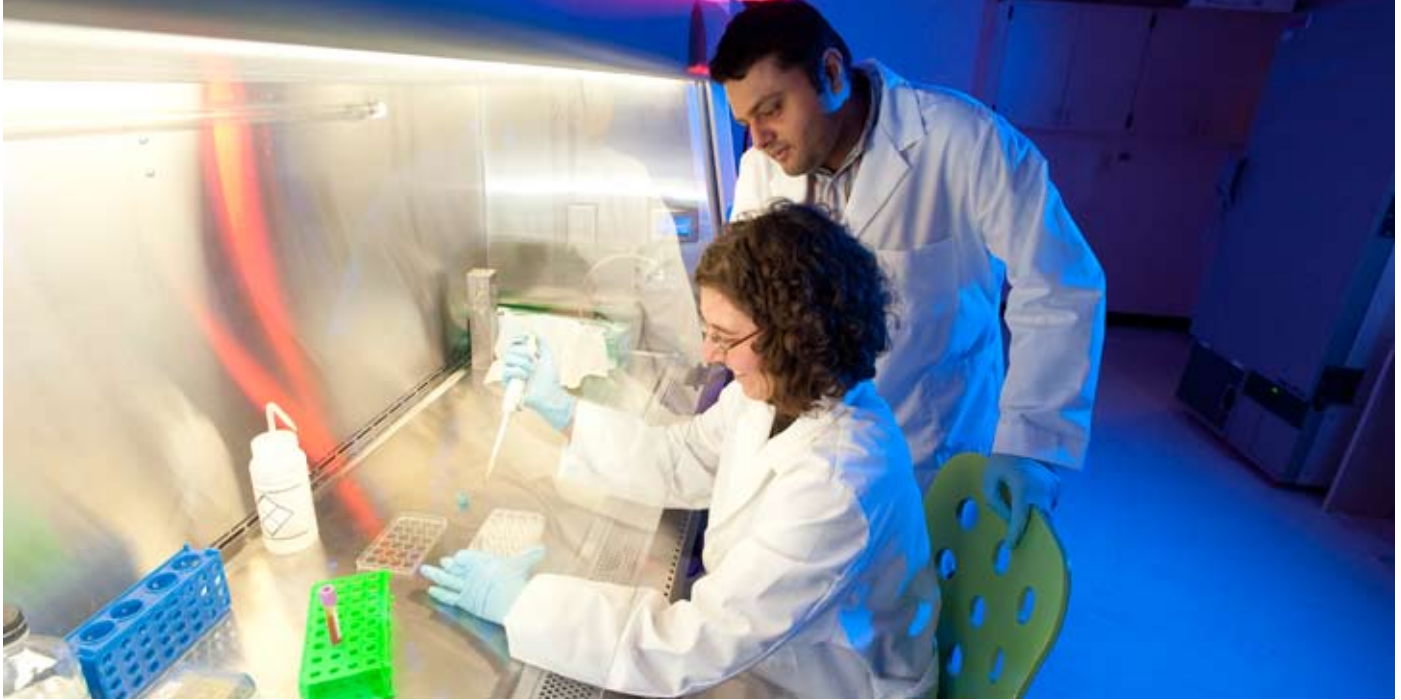
Colorado State has been consistently listed in the *Templeton Guide* among colleges that encourage character development in students. Eager to put their education to the test, Colorado State students have led efforts to develop clean-burning stoves for villages in Nepal and clean-water projects for people in El Salvador;

operate a safe-ride home program for campus; and collect many thousands of pounds of food each year for local food banks, among other projects for giving back to the community.

Economic Impact and an Educated Workforce

Created to Serve, an analysis of Colorado State University's impact on the state's economy, documents direct impacts of spending by Colorado State students, employees, and research programs; impacts of Colorado State alumni who become economic contributors in communities statewide; impacts on innovation in the form of university spin-off businesses that add jobs and revenue to the state's economy; and impacts on productivity for industries and businesses throughout Colorado. Among the findings:

- Colorado State University's 87,000-plus Colorado-based alumni account for more than \$4.1 billion in household income, representing 3.1 percent of Colorado's total household income.
- At the state level, these earnings generate more than \$130.8 million in annual income tax revenue and \$50.2 million in sales tax revenue.
- In Colorado, increasing the percentage of workers with a four-year college degree by only one percentage point (about 5,372 new college workers) increases the average earnings of all college educated workers by \$481 per year. The same one percentage point increase in college-educated workers increases the average earnings for high-school-only graduates by \$250 per year.
- Colorado State University generates \$312 million in annual research expenditures, which translate to innovation that drives research and technology advances for Colorado business.
- Colorado State University research results in a 0.2 percent increase in overall productivity for firms in Colorado, which equates to \$79.7 million annually.
- Colorado State University employs about 6,000 workers, who use their income to purchase goods and services, which results in economic growth for the state.



- An estimated 50,000 Colorado State alumni are employed in all parts of Colorado.
- Recent Colorado State University spin-offs have resulted in 550 direct new private-sector jobs in Colorado in the last two years alone.
- Colorado State students spend approximately \$160 million annually in the Fort Collins area – putting more money into the economy than is provided to the university by state funds.

The full economic impact report is available at www.president.colostate.edu.

Innovative Research

Research and discovery conducted at Colorado State University benefit the economic prosperity and quality of life for Coloradans across the state. Colorado State's commitment to research helped push the University's research expenditures to \$312 million – a new record for the University at a time when competition for federal funding is at an all-time high. The University has climbed near the top of the rankings in terms of research dollars – funds that ultimately lead to jobs in Colorado.

Colorado State's wide range of innovative research – from animal cancer to psychology to atmospheric science and business – addresses the challenges people face in Colorado and beyond, including food safety, disease prevention, global economic development, and environmental change. Some Colorado State research and economic-development highlights:

- Pioneered the development of radiation treatment for cancer.
- Developed a drug delivery system for bone cancer patients, drastically reducing side effects of toxic radiation treatments.
- One of only 10 U.S. Regional Centers of Excellence for Bio-defense and Emerging Infectious Diseases.
- Home of the Rocky Mountain Regional Biocontainment Laboratory, one of 13 in the nation, funded by the National Institutes of Health to develop vaccines and drugs for emerging diseases.
- Home to the world's largest animal cancer center, which conducts advanced research with significant implications for human health and medicine.
- Estimates from Colorado wheat industry leaders indicate that end-use quality enhancements from cultivars developed at Colorado State provide an average of \$20 million per year increased income for Colorado wheat producers.
- Using techniques pioneered in a Colorado State laboratory, Colorado State University spin-off Abound Solar Inc. has begun production in Longmont on the pioneering, patented technology, bringing about 150 jobs to the region and potentially providing light and power for billions in the underdeveloped world.
- Colorado State University spin-off Envirofit International is a technology leader using sustainable, scalable business models to solve global health and environmental problems. The non-profit company manufactures and sells clean-burning two-stroke engines and clean cookstoves for emerging markets in such countries as the Philippines and India.

- Solix Biofuels, another Colorado State spin-off, is working to commercialize technology to produce oil from algae and turn it into biodiesel – an environmentally friendly solution to high gas prices, greenhouse gas emissions and volatile energy markets. In Summer 2009, the company built an algae biofuel facility near Durango, Colo. – a first-of-its-kind project that will showcase Solix’s ability to produce biofuel and feedstocks for the chemicals industry at commercially feasible production levels and costs.
- Colorado State University’s clean energy commercialization arm, Cenergy, has helped launch Prieto Battery, a new company that will manufacture batteries up to 1,000 times more powerful, 10 times longer-lasting and cheaper than traditional batteries – technology that could revolutionize the military, automobile, and health-care industries. A prototype is expected to be completed in early 2010.
- Wine grape researchers are examining cultivars from around the nation and world to find species, cultivars, or clones that will allow grape growers and wineries to be more competitive in the marketplace and thus improve the economic viability of the Colorado grape and wine industry.

Colorado State University Public Service and Engagement

Engagement with the people of Colorado is a crucial and historic component of Colorado State University’s land-grant mission. Every college at Colorado State is actively engaged with the people of Colorado and the globe.

Colorado State University has agencies and staff carrying out its land-grant mission in communities throughout Colorado.

- Colorado State University Extension is supported by 59 of 64 Colorado counties, delivering research-based information, consultation, and educational programs based on issues identified at the local level.
- The 4-H program began a century ago as an educational program for the nation’s rural youth. Today, it engages young people in all areas of Colorado in positive youth-development experiences. Extension’s 4-H and youth-development programs reach more than 90,000 young Coloradans each year.
- The Colorado State Forest Service, part of the Warner College of Natural Resources, has 17 district offices statewide and provides information and programs on forest management, wildfire protection, community forestry, and conservation education. CSU’s Forest Service Nursery distributes more than 2 million seedlings for conservation efforts each year.
- The Colorado Agricultural Experiment Station has eight research centers in nine Colorado communities that conduct site-specific research on agriculture and related issues important to the state’s social and economic well-being.

- CSU’s Division of Continuing Education offers a wide range of educational opportunities through various distance education formats.
- The Office of Outreach and Strategic Partnerships provides programs in economic development as well as other programs allowing the university to strengthen its ability to achieve excellence in the areas of outreach and service to the state.
- The Colorado Water Institute provides an important connection between Colorado water researchers and users. The Institute conducts scientific research and policy analysis, including drought planning and mitigation, and climate change and adaptation, to help Colorado prepare for and address any water situation.
- The Institute for Livestock and the Environment brings together several groups from various disciplines across the Colorado State University campus to balance issues of economic growth in the livestock industry with the environment, key to achieving sustainable rural communities.
- Colorado State offers a number of additional programs to support Colorado kids, including Little Shop of Physics, Colorado State’s hands-on science outreach program. Each year, Little Shop of Physics shares its collection of nearly 300 experiments with thousands of students throughout Colorado, the United States, and abroad. Little Shop has presented to more than 250,000 students who have taken part in its traveling workshops.
- With its state-of-the-art performing arts center, the University Center for the Arts, CSU is a hub for the arts in Northern Colorado, attracting thousands of visitors to exhibits and music, theater, and dance performances each year.
- More than 1,800 CSU students participated in neighborhood clean-up projects and community service activities in Northern Colorado in 2009 as part of annual CSUnity events.





UNIVERSITY OVERVIEW

Colorado State University is a land-grant institution and a Carnegie Research University.

Academic Colleges

- College of Agricultural Sciences
- College of Applied Human Sciences
- College of Business
- College of Engineering
- College of Liberal Arts
- College of Natural Sciences
- College of Veterinary Medicine and Biomedical Sciences
- Warner College of Natural Resources

Enrollment

- More than 25,000 students from every state and 85 countries
- 80 percent of all students are Colorado residents
- 13 percent of U.S. students are ethnic minorities
- 1,300 foreign students and scholars from 94 countries
- 5,810 degrees awarded in 2008-09

Employment

- 1,520 faculty members; the student-faculty ratio is 17 to 1
- 2,260 administrative professionals (900 are research associates)
- 2,120 state-classified personnel
- Largest employer in Fort Collins and Larimer County

Tuition and Fees

- Average resident undergraduate tuition and fees for 2009-2010 are \$6,318; \$22,240 for nonresidents

Public Service and Engagement

- CSU Extension is supported by 59 of 64 Colorado counties
- The Colorado State Forest Service has 17 district offices statewide
- The Colorado Agricultural Experiment Station has eight research centers statewide
- Continuing Education offers credit and noncredit education opportunities on campus and off
- The Colorado Water Institute focuses academic expertise on the state's evolving water conditions

Research

- Annual research expenditures of \$312 million in FY09

Highlights

- CSU is ranked in the top tier of *U.S. News and World Report's* 2009 rankings of "America's Best Colleges and Universities"
- The Professional Veterinary Medicine program was ranked second in the nation by *U.S. News and World Report* in 2008 and first in the country in federal research dollars
- CSU is one of the most productive research universities in the nation in terms of research funding per faculty member
- CSU is ranked among the top 200 universities in the world in the prestigious Shanghai University ranking system. More than 2,000 universities were compared, and the top 1,000 were ranked.
- CSU was named one of the top 100 colleges in the nation for quality education and affordability in 2010 in *Kiplinger's Personal Finance Magazine's* annual "100 Best Values in Public Colleges" rankings.