

FINANCIAL
ACCOUNTABILITY
REPORT
Fiscal Year 2010



Colorado
State
University



Joseph B. Blake
Chancellor
Colorado State University
System



Dr. Anthony A. Frank
President
Colorado State University

Colorado State University: Academic Excellence; Fiscal Responsibility and Accountability

Colorado State University publishes this annual Financial Accountability Report to provide easy access to our audited financial statements, along with summary information on areas of specific concern to Colorado State's constituents. 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.

Given the ongoing financial struggles facing the State of Colorado, this year's report includes a section on ways that CSU has reduced expenditures while preserving our commitment to academic excellence and achievement.

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 (feel free to e-mail us at presofc@colostate.edu), and become more familiar with the business of your state University.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe", written over a white background.

Chancellor Joseph B. Blake

A handwritten signature in black ink, appearing to read "Anthony A. Frank", written over a white background.

President Anthony A. Frank

Colorado State University today educates a student for 4 percent less in inflation-adjusted dollars than it did 20 years ago. Quite simply, the University has done a good job of controlling its operating costs while staying focused on academic excellence. What has changed is that 20 years ago, two-thirds of the cost of a CSU education was paid for by the state, with taxpayer support. Today, that ratio has flipped – individual students and their families pay for two-thirds of the cost, with the state paying the remaining one-third.

For every dollar that state taxpayers invest in the education of an individual Colorado State student, that student will return on average \$10 to the state in the higher taxes paid on their income after graduation.

Contents

Financial Highlights	The Cost to Students.....	5
Overall.....	Educational Costs Per Student for FY2010-11.....	5
Tuition and Fees	Comparison of Undergraduate	
Institutional Support.....	Tuition and Fees	7
Academic Funding	Economic Impact and Return on Investment	8
Athletics	Efficiency in Tight Budget Times.....	9
Increased Emphasis on Alternative Funding Sources....	Financial Charts	10

FINANCIAL HIGHLIGHTS

The following are key points regarding Colorado State University's management of financial resources in FY09-10. 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 FY10 figures below are based on the University's audited financial reports.

Overall

- Over the past five years, as the University has seen significant increases in student enrollment, CSU's revenue from all sources has increased from \$639 million to approximately \$811 million.
- The percentage of CSU's revenue provided by students through tuition and fees was 23 percent of total revenue in 2006 and 25 percent in 2010.
- State support in FY10 for the University accounted for about 8 percent of CSU's total revenue. In 2010, due to the economic downturn, the State supplemented \$72 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 31-32 percent of the University's total expenditures. Likewise, expenditures for research have remained relatively consistent at 23-25 percent of the University's overall expenditures.
- For FY10, students provided \$202.4 million (25 percent) 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 \$251.6 million on instruction and academic support (32 percent of total expenditures).
- The University's priorities have remained relatively consistent as have its revenues and expenditures. Although the University experienced significant growth over the last five years, it did not witness significant changes in the proportions of 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 2010-11, Colorado State University is among the lowest of its Board of Governors peers in resident undergraduate tuition and fees – only above North Carolina State University, Oklahoma State University, and Oregon State University.
- Along with one of the lowest tuition rates, Colorado State's FY11 budget included \$4.7 million in new financial aid to help lower-income working families.
- CSU's annual tuition and fees for resident undergraduates (\$6,985 in FY11) are approximately 83 percent of the average of its peer group's annual tuition and fees.
- With budget cuts in the early part of the decade, and state funding now accounting for only 8 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 percent of total expenditures in FY09-10, 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 funding for start-ups that goes to the Vice President for Research is spent within the colleges. The following examples from the FY11 CSU operating budget are VP division line items that clearly and directly benefit students and the academic mission of the University:
 - Financial aid.
 - New faculty positions and new faculty startup costs.
 - Efforts to enhance diversity.
 - The new School for Global Environmental Sustainability and other cross-disciplinary programs that do not fall into one specific college budget.
 - Information technology that benefits students.
 - Enrollment, access, and success programs targeted specifically at students.
 - Graduate Assistant tuition and stipends.
 - Background checks, environmental health and safety, risk management, and insurance.



- Funding resources for students with disabilities.
- The pages that follow highlight 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 is at the bottom of the Mountain West Conference for funding:
 - CSU's FY11 operating budget for Athletics (\$22.9 million) remains 9th of 9 conference members.
 - The ratio of Athletics expenses to University expenses at CSU is about 3 percent, below the conference average of 7.5 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

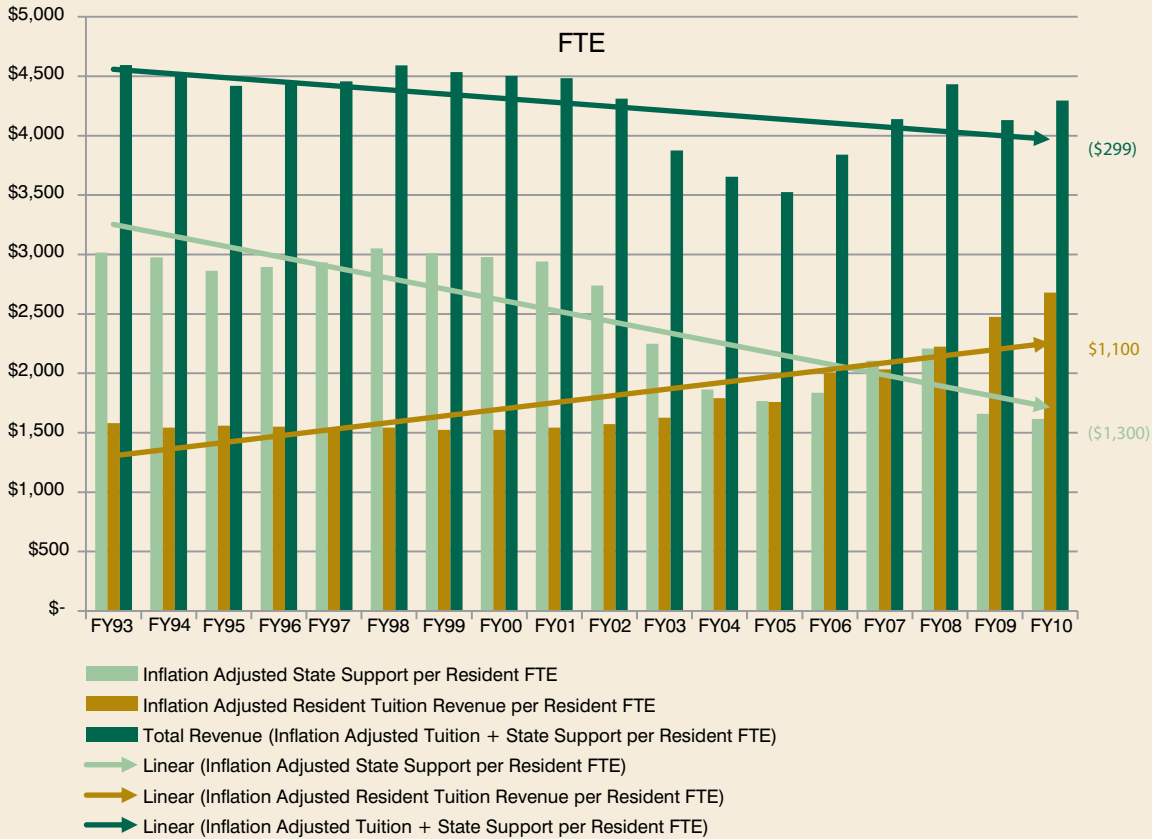
- During a time of major growth and investment in its academic core over the past five years, Colorado State also has experienced record research expenditures and private fundraising growth.
- Funding through Sponsored Programs-related activity accounted for 30 percent of the University's revenue in FY09-10.
- CSU is in the final 18 months of its first comprehensive campaign, with a fundraising goal of \$500 million. To date, \$368 million has been raised. Donors and friends

continue to play a vital role in expanding the national and global reach of this great University. Gifts from private donors provide much-needed student scholarships and fellowships and support for myriad other scholarly and research programs and initiatives. Despite a challenging economic environment in which to raise funds, Colorado State University received private support totaling \$58 million in FY10. Colorado State University experienced an increase of 17 percent in the number of donors and a 6.6 percent increase in dollars raised over the previous year – bucking the national trend of average declines topping 13 percent at U.S. public research universities. CSU also has seen a sizable increase in overall alumni engagement, alumni volunteers, and alumni association membership.



THE COST TO STUDENTS

Inflation Adjusted Revenue Trends per Resident



Educational Costs Per Student for FY2010-11

Paid by Students:

Tuition:	\$5,256
General Fees:	\$1,239
University Technology Fee:	\$40
University Facility Fee:	\$450

At \$6,985 in resident tuition and fees, the cost to attend Colorado State remains reasonable in comparison to peers, providing a competitive advantage along with the institution's reputation for academic rigor and excellence. (See peer comparison tables on page 7.)

For these reasons, Colorado State has continued its tradition of enrolling more Colorado high-school students than any other campus in the state. Colorado State in fall

2010 enrolled its largest and most diverse class in University history. We also retained last year's freshman class at a rate of 83.9 percent, tying our record high retention rate set in 1992. To date, application and enrollment numbers across the board have not been negatively affected by recent necessary tuition increases.

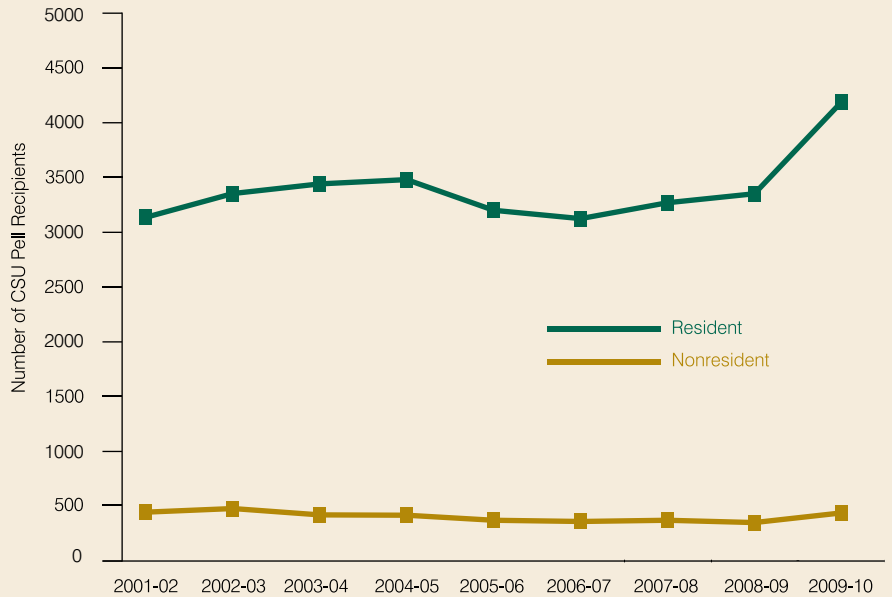
The University has a strong commitment to provide need-based financial aid to ensure equal opportunity for qualified students whose personal or family resources are insufficient to cover the cost of college. As CSU increases tuition to offset reductions in state funding, it consistently puts a portion of existing revenue into need-based aid to protect low- and middle-income students, in keeping with the state's commitment to provide broad access to higher education. For the last several years, financial aid has been the largest discretionary portion of CSU's budget. The need

for such aid has been on the rise in recent years. The University is seeing an increase in the number of highly qualified, Pell grant-eligible students with significant financial need. Pell grant recipients as a percentage of the entering fall freshman class increased from 13.2 percent in Fall 2006 to 21.2 percent in Fall 2010.

In summer 2010, President Frank announced CSU's Commitment to Colorado. Beginning in fall 2011, state resident students pursuing their first bachelor's degree whose families make \$57,000 or less – the median family income in Colorado – will pay no more than half the standard tuition rate. Students from lower-income families who are eligible for Pell grants will not pay any tuition or fees to attend CSU, saving roughly \$6,500 annually. This program has been possible through a repackaging of existing financial aid options and private support through the ongoing Campaign for Colorado State University. Ultimately, the University's goal is to fund the Commitment to Colorado through private gifts.

Current average debt load for our graduates (\$19,864) is below both the average of CSU's peers and the national average of \$23,200. One of the most significant measures of the impact of debt load on our students is their default rate, and CSU's default rate for FY08 (most recent year available) is 2.0 percent, well below the national average at 4-year public institutions of 4.4 percent.

Count of Resident and Nonresident Pell Grant Recipients from 2001-02 through 2009-10



Included in the cost of attendance is a fee that students created and manage to fund new construction and renovations to campus buildings. To date, the student-led University Facilities Fee Advisory Board has voted to fund \$55.1 million in capital construction projects. Those projects reviewed and approved for bond debt and/or funding with the student facility fee include renovation of more than 100 academic classrooms, completion of the new Behavioral Sciences Building, and upcoming construction of the Engineering II facility.

2010-11 Undergraduate Tuition and Fees

Board of Governors	In-State			Out-of-State		
	Tuition	Fees	Total	Tuition	Fees	Total
University of California-Davis‡	\$9,402	\$3,678	\$13,080	\$32,281	\$3,678	\$35,959
University of Illinois-Urbana	\$10,386	\$1,627	\$12,013	\$24,528	\$1,627	\$26,155
Washington State University	\$8,592	\$896	\$9,488	\$19,634	\$896	\$20,530
Ohio State University‡			\$9,420			\$23,604
Purdue University	\$8,592	\$478	\$9,070	\$26,144	\$478	\$26,622
Michigan State University**	\$8,922	\$102	\$9,024	\$23,286	\$102	\$23,388
University of Colorado-Boulder	\$7,018	\$1,493	\$8,511	\$28,000	\$1,493	\$29,493
Texas A&M University	\$5,297	\$3,090	\$8,386	\$20,597	\$3,090	\$23,686
Iowa State University	\$6,102	\$895	\$6,997	\$17,668	\$895	\$18,563
Colorado State University	\$5,256	\$1,729	\$6,985	\$21,366	\$1,729	\$23,095
North Carolina State University	\$4,853	\$1,676	\$6,529	\$17,388	\$1,676	\$19,064
Oklahoma State University**	\$3,282	\$2,141	\$5,423	\$11,940	\$2,141	\$14,081
Oregon State University	\$3,840	\$903	\$4,743	\$12,720	\$903	\$13,623
Mean Tuition (excl. CSU, OSU)	\$6,935			\$21,290		
High Tuition (excl. CSU, OSU)	\$10,386			\$32,281		

** Tuition calculated for 12 credit hours

‡ Quarter system. (Ohio State Individual Tuition and Fees unavailable)

Colorado Department of Higher Education	In-State			Out-of-State		
	Tuition	Fees	Total	Tuition	Fees	Total
University of California, Davis	\$9,402	\$3,678	\$13,080	\$32,281	\$3,678	\$35,959
Washington State University	\$8,592	\$896	\$9,488	\$19,634	\$896	\$20,530
Virginia Poly	\$7,309	\$2,150	\$9,459	\$20,498	\$2,719	\$23,217
Purdue University	\$8,592	\$478	\$9,070	\$26,144	\$478	\$26,622
Texas A&M University	\$5,297	\$3,090	\$8,386	\$20,597	\$3,090	\$23,686
Auburn University	\$7,008	\$892	\$7,900	\$21,024	\$892	\$21,916
University of Tennessee	\$6,450	\$932	\$7,382	\$21,488	\$1,232	\$22,720
Iowa State University	\$6,102	\$895	\$6,997	\$17,668	\$895	\$18,563
Colorado State University	\$5,256	\$1,729	\$6,985	\$21,366	\$1,729	\$23,095
North Carolina State University	\$4,853	\$1,676	\$6,529	\$17,388	\$1,676	\$19,064
Kansas State University**	\$5,338	\$704	\$6,042	\$14,160	\$704	\$14,864
Mississippi State University‡			\$5,461			\$13,801
Oklahoma State University	\$3,282	\$2,141	\$5,423	\$11,940	\$2,141	\$14,081
Oregon State University	\$3,840	\$903	\$4,743	\$12,720	\$903	\$13,623
Mean Tuition (excl. MSU)	\$6,339			\$19,628		
High Tuition (excl. MSU)	\$9,402			\$32,281		

** Tuition calculated for 12 credit hours

‡ MSU Individual Tuition and Fees unavailable

Compiled by Institutional Research, 8/9/2010

ECONOMIC IMPACT AND RETURN ON INVESTMENT

Colorado's public research universities, including Colorado State, contribute more than \$9.3 billion to Colorado's economy (FY10). This represents nearly \$30 for every dollar of unrestricted general fund support received from the state. Colorado State has 95,538 active alumni in Colorado, employed in every county and nearly all sectors of Colorado's economy. From 2005-2008 (the most recent data available), CSU graduated more than 4,200 students in the economically critical STEM disciplines. Of the most recent graduating class surveyed, 64 percent reported at the time of graduation that they had found employment or would be continuing on to graduate school.

Colorado State graduates continue to perform well on professional qualifying exams required for essential state industries:

- Colorado State University's pass rate on the PLACE (Program for Licensing Assessments for Colorado Educators) exam was 99 percent for 2008-09, exceeding the statewide rate of 98 percent.
- CSU continuously has one of the best success rates in Colorado on the CPA exam.
- Over the last seven years, CSU students have consistently passed the Fundamentals of Engineering National Examination at higher rates than the national average.

Other indicators of return on the state's investment in CSU include:

- Colorado State University and its 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, CSU alumni earnings generate more than \$130.8 million in annual income tax revenue and \$50.2 million in sales tax revenue.



- The University annually generates more than \$300 million in research expenditures, which translate to innovation that drives research and technology advances for Colorado business.
- CSU is the largest employer in Northern Colorado, employing about 6,000 workers, who use their income to purchase goods and services.
- Students spend \$168 million annually in Fort Collins, supporting 628 non-University jobs in the city.
- CSU employees generate 11 percent of household income in Fort Collins, which is approximately \$253 million annually.
- CSU employees and students account for 15.8 percent of total tax revenue for the City of Fort Collins.
- The total CSU effect on local Fort Collins tax revenue is \$12.9 million.
- CSU spin-off companies have generated hundreds of private-sector jobs in Colorado in the last 5 years.

EFFICIENCY IN TIGHT BUDGET TIMES

Based on current budgetary projections, from July 1, 2010, through June 30, 2012, Colorado State University will have experienced a total reduction in state funding of approximately \$30M. In addition to these reductions, the University has lost state funding for controlled maintenance as well as funding increases to cover mandatory costs.

To manage these cuts, starting in FY08-09, the University began to reduce its expenses, instituting a freeze on salaries and a commitment to make only those hires that were absolutely critical to the institution. To date (including this year – FY11), CSU has cut about \$30M – around 23 percent – from its expense budgets and reduced its already-lean workforce by more than 5 percent (around 312 positions). This year marks the third consecutive year in which employees have received no salary increase – some CSU employees have actually experienced salary decreases because of changes to the PERA retirement program. On

average, CSU faculty members are paid between 2 percent and 9 percent less than comparable peers; CSU administrators are well below that level.

Such savings and expenditure reductions have helped to balance the University's budgets the past two years, while keeping tuition increases to single-digit percentage increases. Without those expenditure reductions, resident tuition collections would have had to increase by an additional \$30M net, which could have resulted in a rate increase of over 40 percent. CSU was able to avoid such a dramatic tuition increase by gradually decreasing costs and staffing over the past two budget cycles.

Additionally, the University continues to explore and cultivate alternative sources of revenue, including private giving through The Campaign for Colorado State University. *(See page 4 for an update on the Campaign.)*



Certain amounts for 2009 have been restated to reflect the change in methods of reporting for certain Pell grants required by the Governmental Accounting Standards Board (GASB).

Operating and Nonoperating Revenues

(amounts expressed in thousands, as restated)

	2010	2009	2006
Operating revenues			
Student tuition and fees (net of scholarship allowance)	\$202,425	191,400	147,760
State COF tuition stipends	21,926	33,418	38,109
State fee for service contract	35,109	67,201	60,051
Grants and contracts	253,648	267,163	235,822
Sales and service of educational activities	22,926	20,159	18,023
Auxiliary enterprises (net of scholarship allowance)	114,807	115,730	92,331
Other operating revenue	5,156	4,889	4,598
Total operating revenues	\$655,997	699,960	596,694
Nonoperating revenues			
State appropriations	6,300	4,750	-
State fiscal stabilization	72,363	29,290	-
Gifts	22,982	25,630	19,555
Federal nonoperating grants and contracts	17,869	11,742	-
State capital contributions	4,235	30,979	126
Capital gifts and grants	17,923	10,194	13,714
Other nonoperating, net	13,280	12,280	9,297
Total nonoperating revenues	\$154,952	124,865	42,692
Total revenues	\$810,949	824,825	639,386

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 2010 and 2009, the state supplemented state COF stipends and fee-for-service contract revenue with Federal State Fiscal Stabilization Funds in the approximate amount of \$72 million and \$29 million, respectively.

Operating Expenses

(amounts expressed in thousands, as restated)

	2010	2009	2006
Operating expenses			
Instruction	\$204,095	198,990	157,781
Research	175,776	173,975	151,272
Public service	77,731	88,315	65,439
Academic support	47,475	46,956	35,667
Student services	21,692	21,282	19,555
Institutional support	34,958	34,687	19,806
Operation and maintenance of plant	50,537	54,766	42,692
Scholarships and fellowships	9,548	6,349	6,071
Auxiliary enterprises	100,161	104,937	86,264
Depreciation	43,093	40,292	33,975
Other	-	-	-
Total operating expenses	\$765,066	770,549	618,522

The programmatic use of expenses remained relatively consistent from fiscal year 2006 to fiscal year 2010.

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.

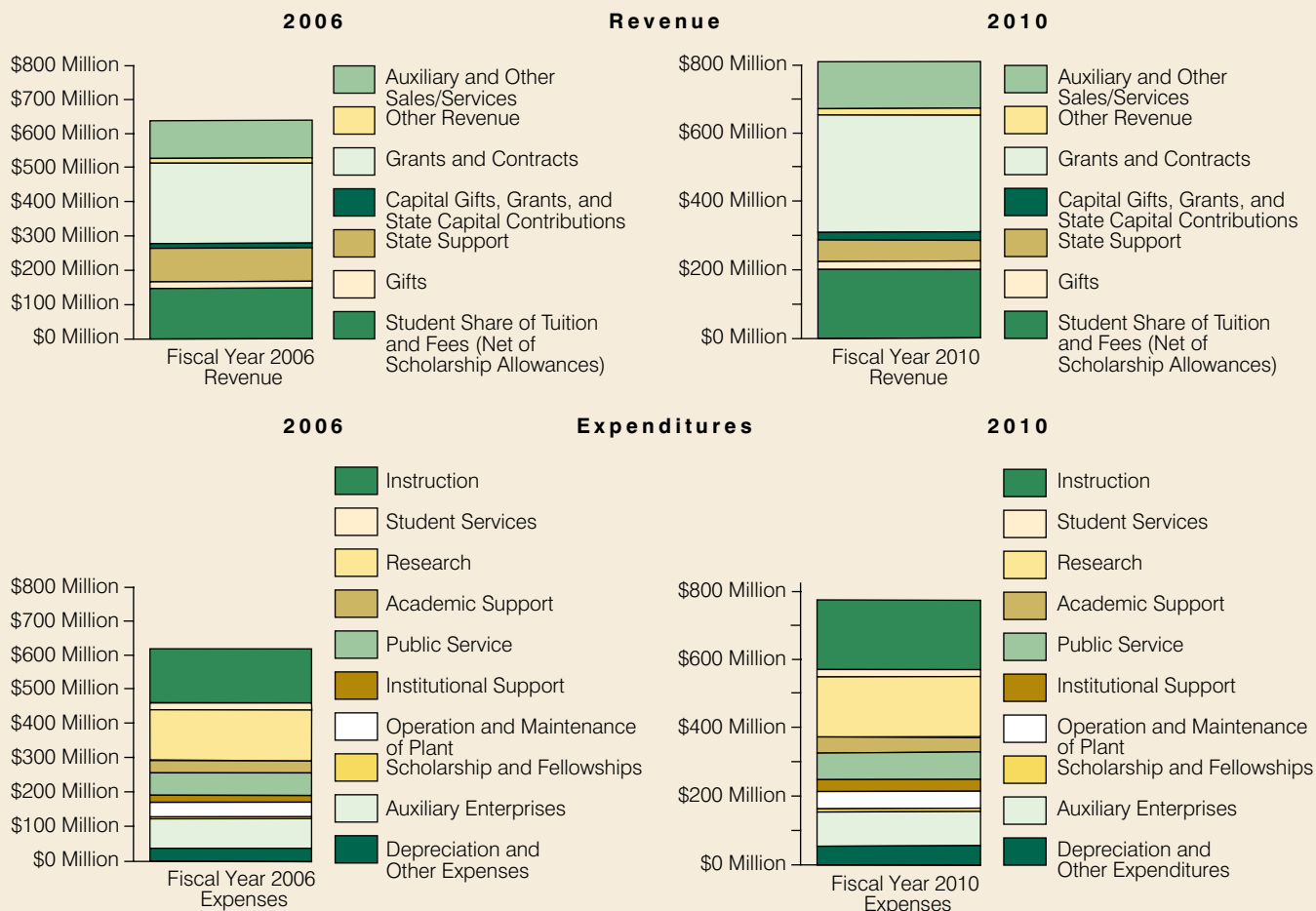
Condensed Statement of Revenues, Expenses and Change in Net Assets

(amounts expressed in thousands, as restated)

	2010	2009	2006
Operating revenues	\$655,997	699,960	596,694
Operating expenses	765,066	770,549	618,522
Operating loss	(109,069)	(70,589)	(21,828)
Nonoperating revenues (net of expenses)	123,348	80,560	24,360
Income (loss) before other revenues (net of expenses)	14,279	9,971	2,532
Other revenues	19,394	35,019	15,276
Increase in Net Assets	33,673	44,990	17,808
Net Assets, beginning of year	653,388	608,398	534,544
Net Assets, end of year	\$687,061	653,388	552,352

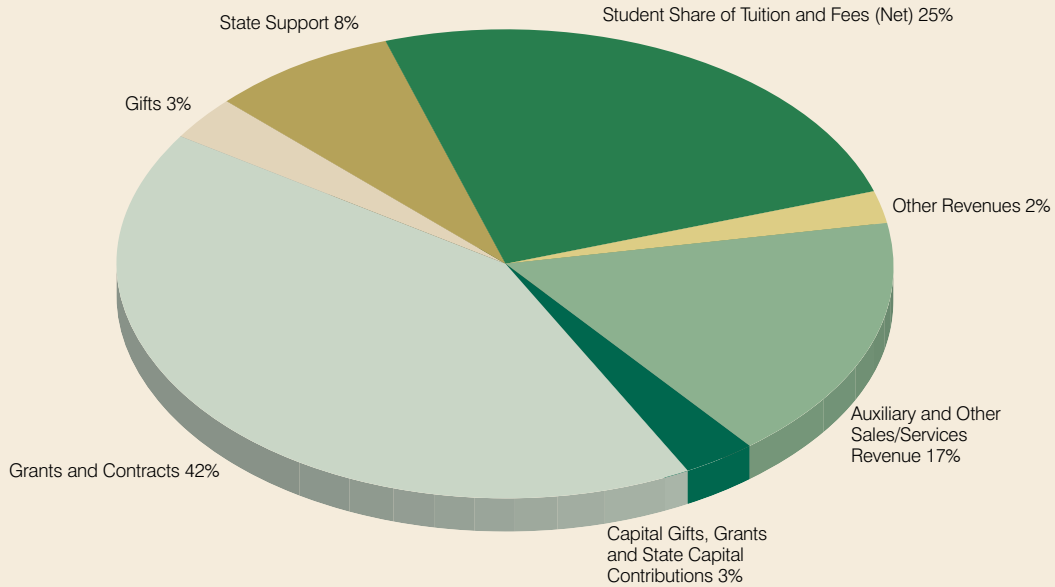
Revenues and Expenditures

The following charts provide a comparison between revenue and expenditures by category for fiscal year 2006 and fiscal year 2010.



CSU Revenue

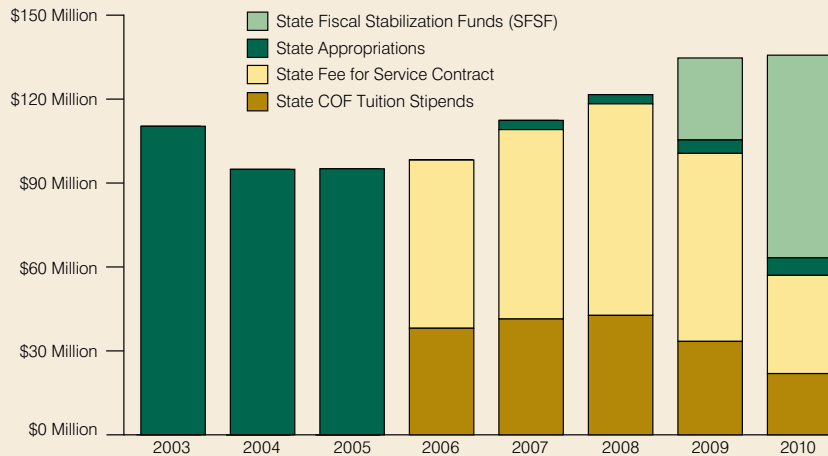
FISCAL YEAR 2010



CSU Schedule of State Support

FISCAL YEARS 2003-2010

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



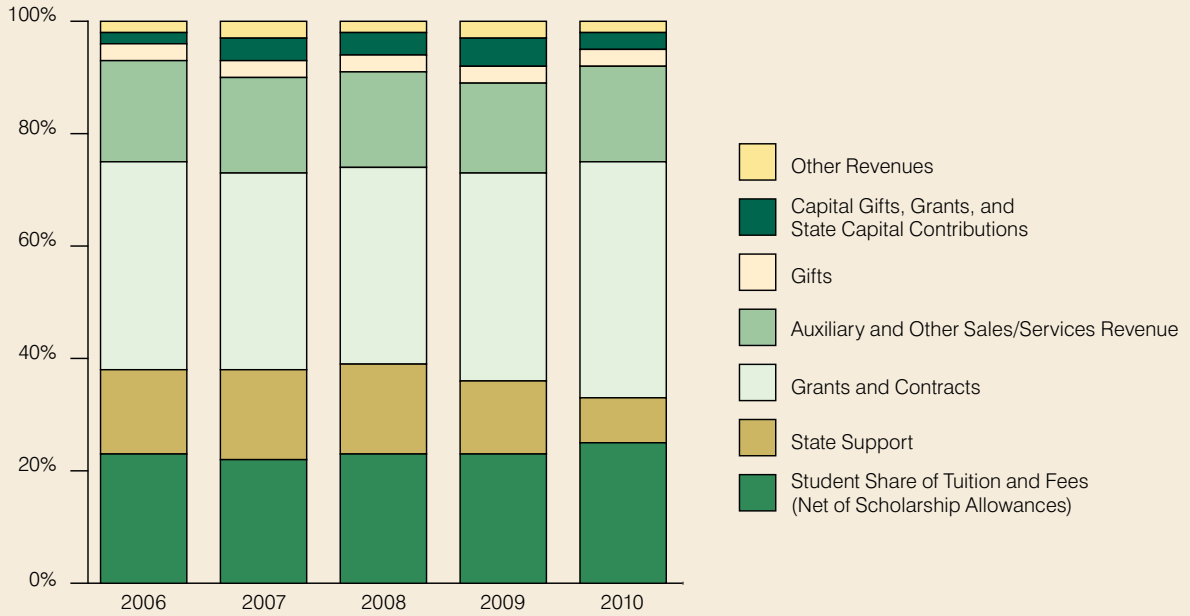
The funding mechanism for higher education in Colorado changed in fiscal year 2006. Prior to this time the University received state support in the form of a general fund appropriation directly from the state. In fiscal year 2006 and thereafter, state support was provided to the University in the form 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 and 2010, due to the economic downturn, the state supplemented \$29 and \$72 million, respectively, 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

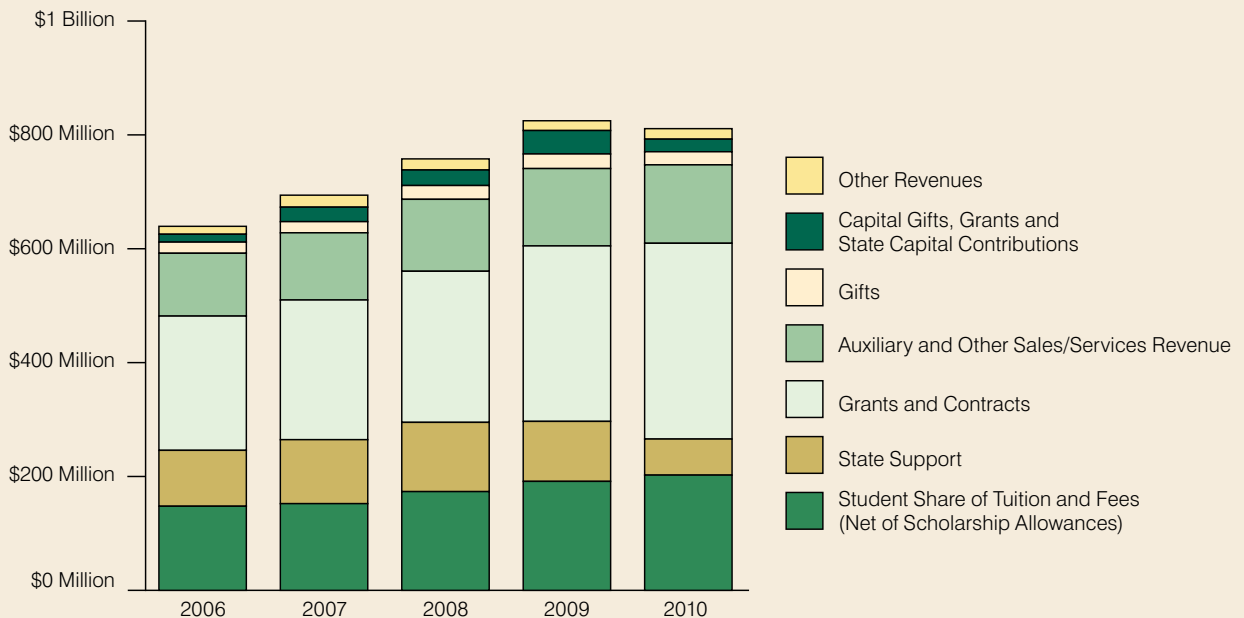
FISCAL YEARS 2006-2010

Although the revenue base is growing, as demonstrated by the chart "Revenue by Amount" below, the distribution among the categories has remained relatively consistent through 2008. However, as discussed on page 5, in 2009 the state began changing the nature of the funding it provided to the University which is reflected below.



CSU Revenue by Amount

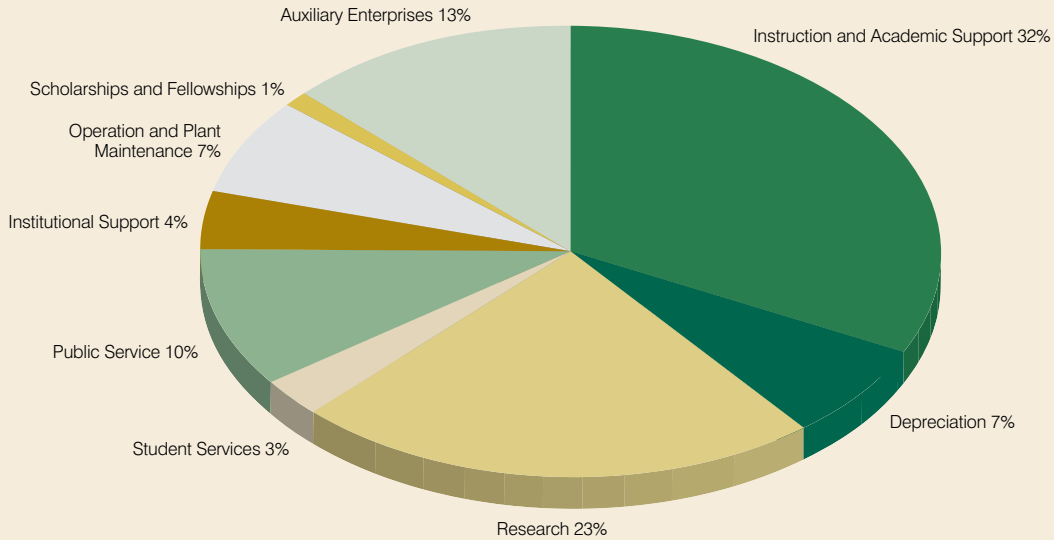
FISCAL YEARS 2006-2010



CSU Expenditures

FISCAL YEAR 2010

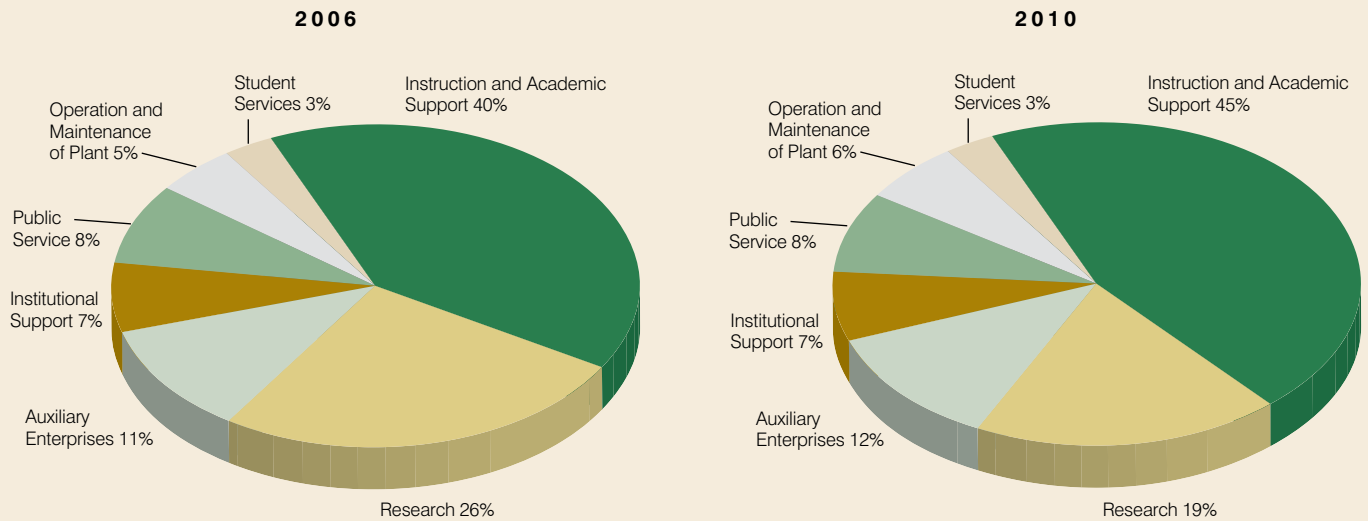
Colorado State University utilizes the revenues it receives to support the education, research, and public service missions of the institution. These expenditures are tracked by functional categories which designate the primary purpose for which the expenditure occurred. As the University has grown over 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 \$618.5 million to \$765.1 million, an overall increase of 24 percent from fiscal year 2006 to fiscal year 2010.



CSU Salary Expenditures by Functional Area

FISCAL YEAR 2006 AND 2010

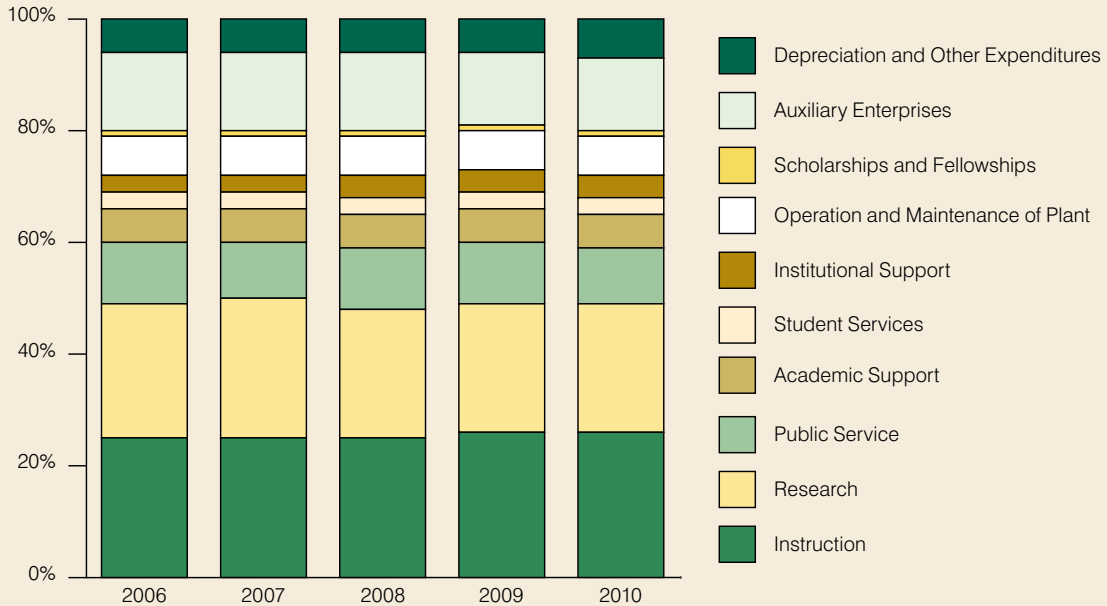
The data demonstrate that total salary expenditures, as a part of the total expenditures, have remained relatively consistent between fiscal year 2006 and fiscal year 2010, with the largest increases occurring in the category of salary expenditures for Instruction and Academic Support.



CSU Expenditures by Percentage

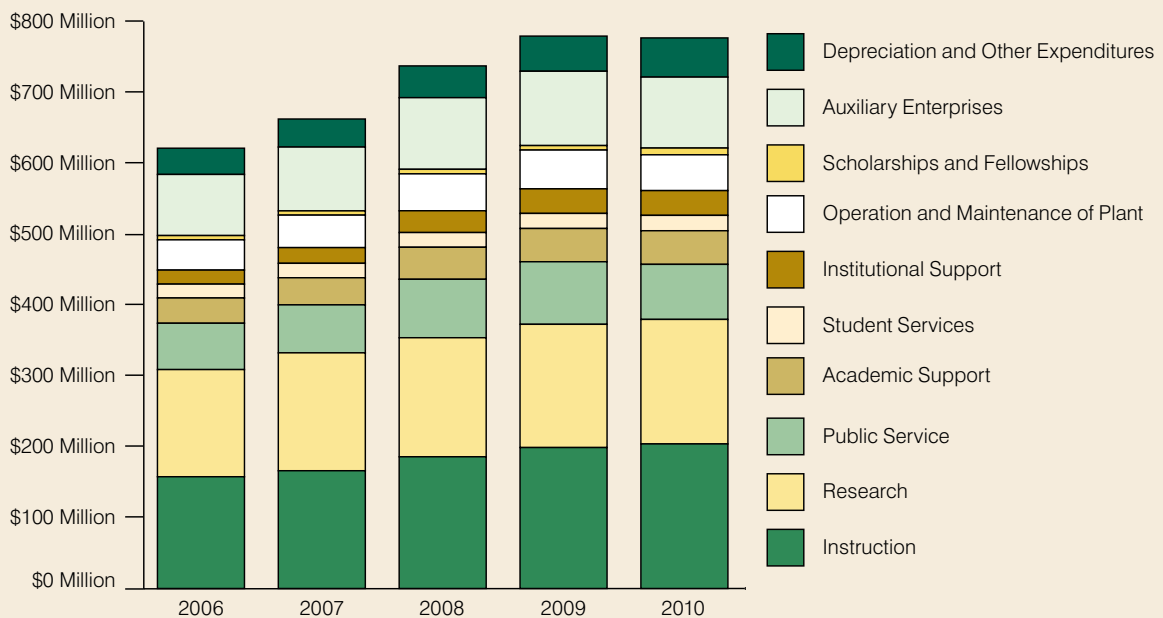
FISCAL YEARS 2006-2010

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 2006 to 2010.



CSU Expenditures by Amount

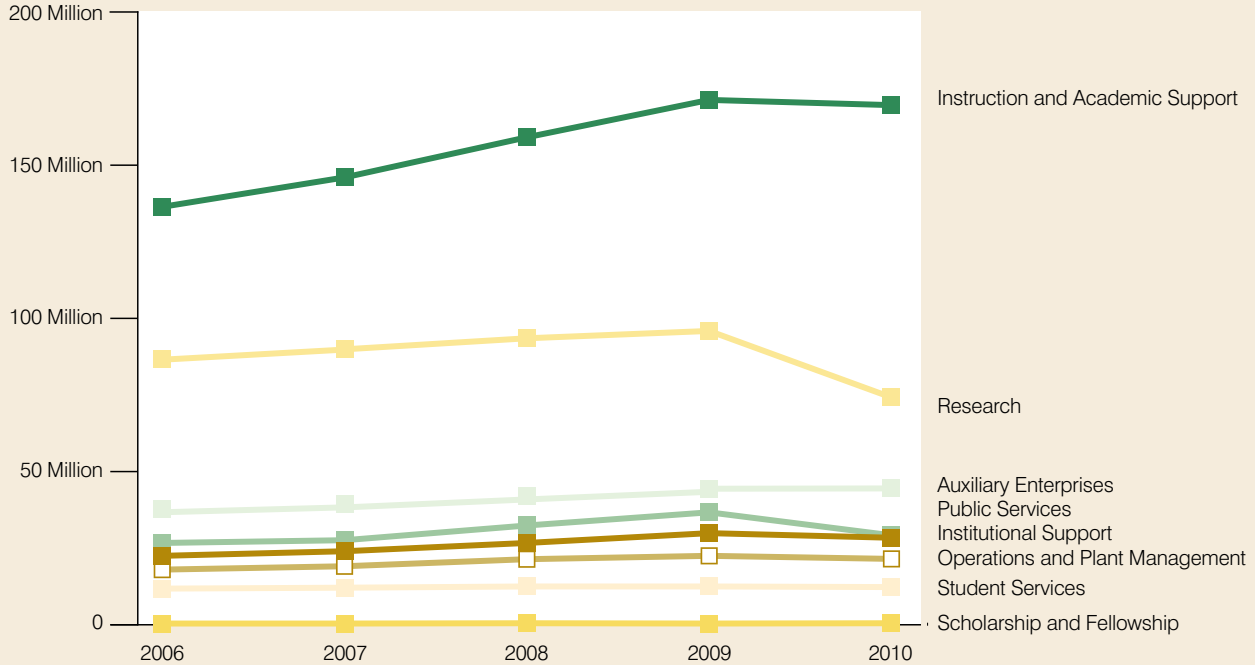
FISCAL YEARS 2006-2010



CSU Salary Trends

FISCAL YEARS 2006-2010

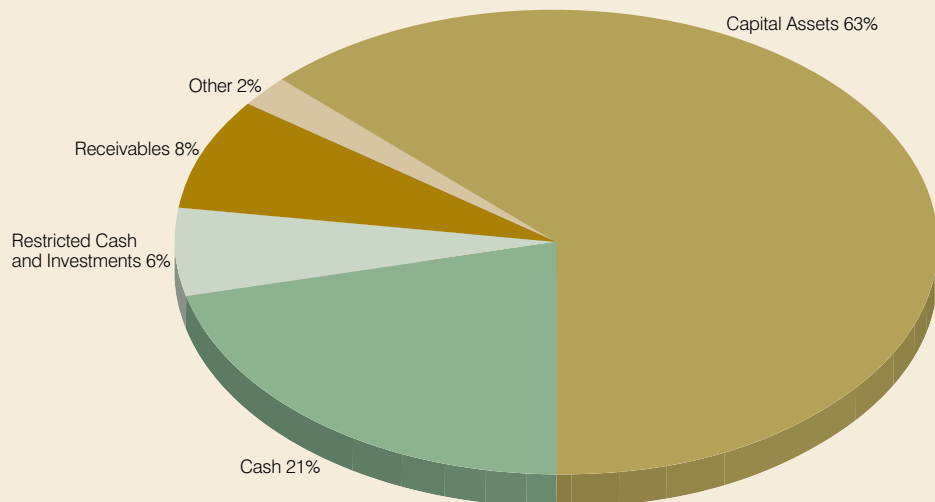
As the University has grown, total salary expense (net of fringe) has also increased. The following table illustrates the salary expenditure trends.



CSU Total Assets

FISCAL YEAR 2010

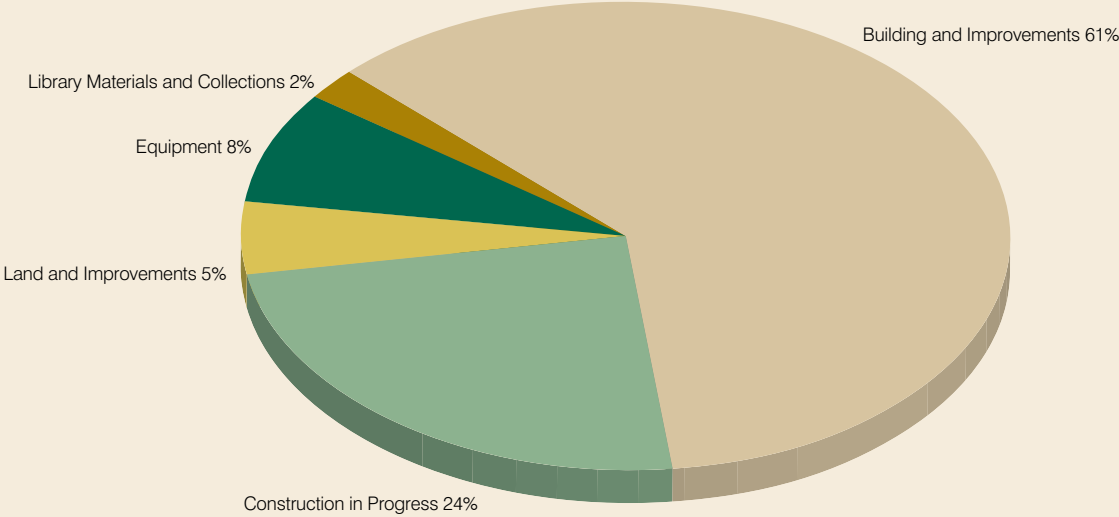
The chart below demonstrates the University's breakdown of its total assets with capital assets composing the majority of the assets at 63 percent.



CSU Capital Assets

FISCAL YEAR 2010

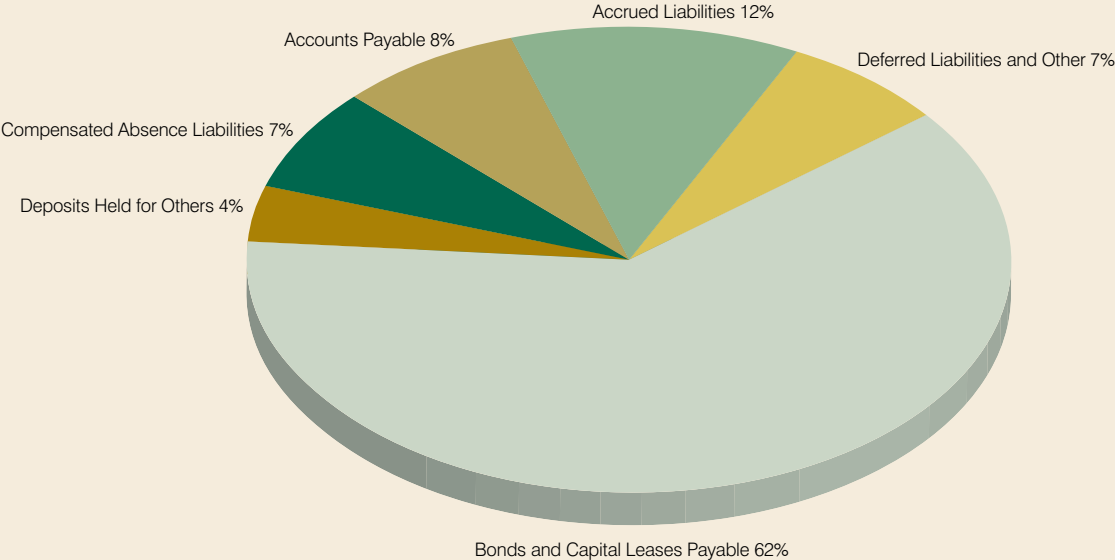
The chart below provides a distribution of the University's capital assets.



CSU Liabilities

FISCAL YEAR 2010

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





Colorado
State
University

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