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UNIVERSITY *of* NORTHERN COLORADO

Message from President Norton

The University of Northern Colorado is moving forward despite the financial constraints that all Colorado institutions of higher education face. Our primary focus continues to be classroom instruction, even as we adjust to the past two fiscal years' 25-percent drop in state funding.

During the past year, we have taken a critical look at what we do – in the context of decreasing public funding – and created a road map for the future. The university's Charting the Future comprehensive planning process identified priorities to guide us in making decisions about how to invest scant state dollars in educating students.

Our plans for the future recognize that quality academic and academic-support services for students are the touchstone of being a great university. Investments in students, faculty and staff, academics, technology and advancing the university are priorities.

Already, we are seeing the positive results of focusing on excellence. A team of evaluators from the North Central Association of Colleges and Schools recently visited campus and recommended UNC's continued accreditation. The team's report commends our planning work and our resilience in weathering a 25-percent reduction in state funding. Further external validation came when the Monfort College of Business received the Malcolm Baldrige National Quality Award, the nation's top honor for performance excellence.

Our deliberate choices to invest in excellence further our commitment to be good stewards of the investment that students and the public make in UNC. This annual report shares evidence of the sound fiscal policies and practices that back up our commitment.

Sincerely,

Kay Norton
President



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the University of Northern Colorado for the year ended June 30, 2004, were prepared by the management in conformity with generally accepted accounting principles.

The management of the University is responsible for the integrity and objectivity of these financial statements, which are presented on the accrual basis of accounting and, accordingly, include some amounts based upon judgement. Other financial information in the annual report is consistent with that in the financial statements. The system of internal accounting controls is designed to assure that the financial reports and the books of accounts properly reflect the transactions of the institution, in accordance with established policies and procedures as implemented by qualified personnel.

The Board of Trustees of the University of Northern Colorado monitors the financial and accounting operations of the institution, including the review and discussion of periodic financial statements, the evaluation and adoption of budgets and the reporting of independent certified public accountants.



Frances L. Schoneck
Vice President for Administration
and Treasurer to the Board of Trustees



Michelle F. Quinn
Assistant Vice President of Finance

Independent Accountants' Report on Financial Statements and Supplementary Information

Members of the Legislative Audit Committee:

We have audited the accompanying basic financial statements of the University of Northern Colorado (the University) and its aggregate discretely presented component units, collectively a component unit of the State of Colorado, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the University of Northern Colorado Foundation, Incorporated (the Foundation) or the University of Northern Colorado Foundation Student Housing LLC I (the LLC), which collectively comprise the University's aggregate discretely presented component units. Those statements were audited by other accountants whose reports have been furnished to us. Our opinion, insofar as it relates to the amounts included for the Foundation and the LLC, is based solely on the reports of the other accountants. The financial statements of the University as of and for the year ended June 30, 2003, before they were retroactively restated for the matter discussed in Note 2, were audited by other accountants whose report dated September 26, 2003 expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation and the LLC, which were audited by other accountants, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the University did not eliminate internal departmental charges for fringe benefit costs in the previously issued financial statements as of and for the year ended June 30, 2003. The University has changed its method of recording internal departmental charges and has eliminated these internal departmental charges to conform to accounting principles generally accepted in the United States of America and the 2003 financial statements have been retroactively restated.

In our opinion, based on our audit and the report of other accountants, the 2004 financial statements referred to above present fairly, in all material respects, the financial position of the University and its aggregate discretely presented component units, as of June 30, 2004, and their respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 17, in 2004 the University changed its method of determining its financial reporting entity by retroactively restating prior years' financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2004, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

September 10, 2004

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

This discussion presents management's discussion and analysis of the financial operating results of the University of Northern Colorado (the University or UNC), a public comprehensive baccalaureate and specialized graduate research university, for the fiscal year ending June 30, 2004 with prior year data for comparative purposes. The activities of the Student Media Corporation and the Alumni Association, blended component units, have also been incorporated. The statements focus on the financial condition and results of operation for the University as a whole. During 2004, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 39, *Determination Whether Certain Organizations are Component Units*, and as a result, the financial statements for the University of Northern Colorado Foundation, Incorporated and the University of Northern Colorado Student Housing LLC – legally separate organizations whose operations benefit the University – are discretely presented in separate columns, within UNC's financial statements. Unless otherwise noted, the information and financial data included in management's discussion and analysis relate solely to the University.

This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. The discussion and analysis is designed to focus on current activities, resulting changes and currently known facts. The financial statements, footnotes and this discussion are the responsibility of management.

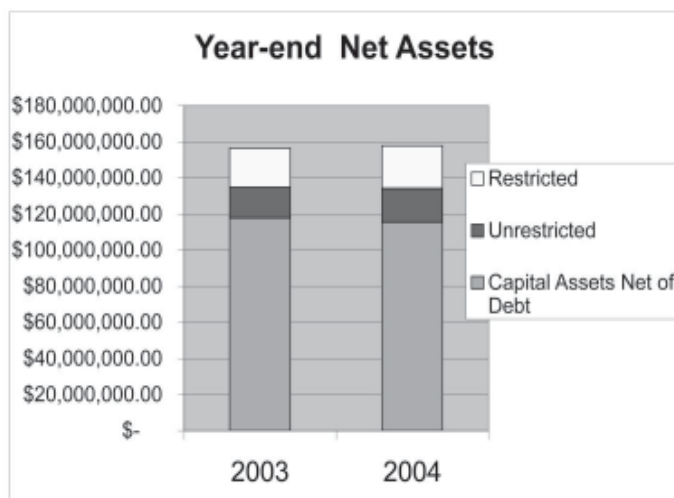
The statements are comprised of: the Statement of Net Assets; the Statement of Revenue, Expenses and Changes in Net Assets; and the Statement of Cash Flows. In addition, the UNC's financial report includes note disclosures and is prefaced by this Management Discussion and Analysis (MD & A). The MD & A is required by GASB standards to provide "an easily readable analysis of financial activities based on currently known facts".

Financial Highlights

The net assets of the University of Northern Colorado increased by \$1.5 million to \$157.9 million during the fiscal year ended June 30, 2004. Growth has declined since fiscal years 2003 and 2002 when net assets increased \$11.8 million and \$32.5 million respectively. This is a result of declines in state support, both in operating and capital appropriations.

Selected financial highlights for the fiscal year ending June 30, 2004 include:

- University assets total \$247.5 million with liabilities of \$89.6 million resulting in net assets of \$157.9 million.
- Capital assets of \$177 million comprise 71% of University assets.
- Total revenue was \$129.4 million including \$91.5 million of Operating Revenue and \$33.6 million in State Appropriation. The total revenue in 2003 was \$140.2 million including \$85.9 million of Operating Revenue and \$37.0 million in State Appropriations
- Operating Expenses for 2004 and 2003 totaled \$125.1 and \$126 million, respectively, including \$82.6 and \$88.2 million in personnel costs (66% and 70%).



MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Net Assets

The Statement of Net Assets is a financial snapshot of the University of Northern Colorado at June 30, 2004. It presents the fiscal resources of the university (assets), the claims against those resources (liabilities) and the residual available for future operations (net assets). Assets and liabilities are classified by liquidity as either current or non-current. Net assets are classified by the ways in which they may be used for future operations.

Condensed Statement of Net Assets At June 30,

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Assets			
Current Assets	\$ 57,929,096	\$ 53,326,416	\$ 44,946,536
Capital Assets	177,153,139	165,163,746	148,633,144
Other Non-current Assets	12,496,121	23,210,782	28,271,291
Total Capital Assets	\$ 247,578,356	\$ 241,700,944	\$ 221,850,971
Liabilities			
Current Liabilities	\$ 22,201,135	\$ 19,867,625	\$ 12,342,086
Bonds Payable	58,210,633	59,177,098	60,132,780
Other Non-current Liabilities	9,216,860	6,225,216	4,785,806
Total Liabilities	\$ 89,628,628	\$ 85,269,939	\$ 77,260,672
Net Assets			
Invested in Capital Assets net of Related Debt	\$ 114,772,936	\$ 117,868,111	\$ 106,985,329
Restricted - Nonexpendable	381,540	381,541	381,541
Restricted - Expendable	23,316,737	21,197,432	18,771,956
Unrestricted	19,478,515	16,983,921	18,451,473
Total Net Assets	\$ 157,949,728	\$ 156,431,005	\$ 144,590,299

Liquid Assets

Unrestricted cash and cash equivalents (\$49.5 million) comprise 20% of the University's assets. The current ratio (current assets over current liabilities) is approximately 2.6, the same as June 30, 2003.

Capital Assets

UNC's single largest fiscal resource is its campus facility. Previously reflected at gross historical cost, public university asset values are now adjusted for depreciation. Capital assets net of \$120.0 million depreciation total \$177 million. This is a \$12.0 million increase from fiscal year 2003 and is primarily attributable to residence hall renovation, the construction of the Ben Nighthorse Campbell Center (cancer rehabilitation), and energy conservation initiatives. The total value of buildings, net of depreciation, was \$137.8 million at June 30, 2004 as compared to \$131.7 million at June 30, 2003.

Capital Assets Net of Depreciation

	<u>June 30, 2004</u>		<u>June 30, 2003</u>	<u>June 30, 2002</u>
Land and Improvements	\$ 17,884,561	10.1%	\$ 12,554,570	\$ 11,672,718
Buildings	137,834,728	77.9%	131,668,618	114,970,972
Construction in Progress	11,040,692	6.1%	10,593,558	11,933,113
Library Books	7,273,533	4.1%	6,983,715	6,645,887
Equipment	2,276,995	1.3%	2,520,655	2,567,824
Art and Historical Treasures	842,630	0.5%	842,630	842,630
Total Capital Assets	\$ 177,153,139	100.0%	\$ 165,163,746	\$ 148,633,144

MANAGEMENT DISCUSSION AND ANALYSIS

Liabilities

The university's commitments of resources include: amounts owed to vendors; leases of equipment; and deferred revenue. Deferred revenues include amounts received for tuition and fees and certain auxiliary activities received by June 30, 2004 but related to services to be provided in fiscal year 2005 and amounts received from grant and contract sponsors that have not yet been earned. Compensated absences (employee accrued vacation) of \$2.8 million is another significant liability. The single largest liability however, is outstanding bonds which totaled \$59.3 million at June 30, 2004 and \$60.2 million at June 30, 2003.

Long-term Debt

In July 2001 UNC issued bonds totaling \$50,000,000 par. These bonds advance refunded the previously issued 1997 bonds and provided funding for west campus dining improvements, parking, and additional auxiliary facility improvements. These projects are not yet completed. Ratings by Moody's Investor Service and Standard & Poor's, based on insured bonds, were Aaa and AAA respectively. The underlying ratings were A2 and A. Other outstanding bonds include 1994 issuance and the 1998 issuance, both of which were for Auxiliary projects and the refunding of prior bonds. Bond maturities range from 2005 to 2031.

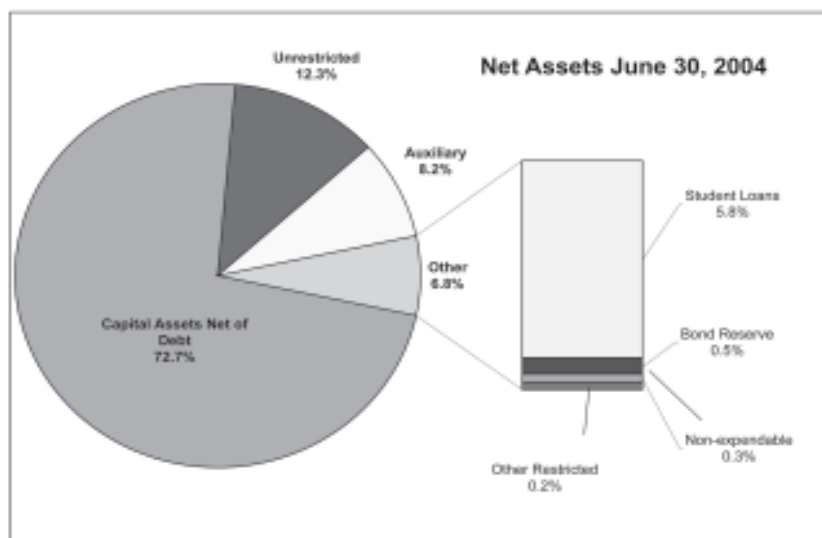
Net Assets

Net assets are the resources available for future operations, that is, assets reduced by liabilities. The university's largest class of assets is its capital assets, net of related debt, which comprises 72.6% of UNC's net assets.

Net Assets

	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Capital Assets Net of Debt \$	114,772,936	\$ 117,868,111	\$ 106,985,329
Unrestricted	19,478,515	16,983,921	18,451,473
Auxiliary	12,992,845	10,839,279	8,533,059
Student Loans	9,259,012	9,343,496	9,284,250
Bond Reserve	750,000	750,000	750,000
Non-expendable	381,540	381,541	381,541
Other Restricted	314,880	264,657	204,647
	<u>\$ 157,949,728</u>	<u>\$ 156,431,005</u>	<u>\$ 144,590,299</u>

Unrestricted Net Assets of \$19.5 million includes: departmental operating funds, inventory, self-funded operation working capital, reserves, and the net assets of the Student Media Corporation and Alumni Association.



MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the financial activity of the University over the fiscal year. The focus is on operating revenues and expenses and it is important to recognize that GASB standards require state appropriations to be reported as *Non*-operating Revenue.

Condensed Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30,

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating Revenues			
Net Tuition and Fees	\$ 40,019,579	\$ 35,066,370	\$ 32,159,991
Grants and Contracts	20,056,915	20,055,607	19,037,633
Auxiliary	27,876,906	27,328,805	26,346,214
Other	3,568,899	3,478,598	3,159,159
Total Operating Revenues	<u>91,522,299</u>	<u>85,929,380</u>	<u>80,702,997</u>
Operating Expenses			
Education and General	95,595,980	99,012,483	97,506,861
Auxiliary	19,252,529	17,473,903	17,866,440
Depreciation	10,212,966	9,528,353	8,765,627
Total Operating Expenses	<u>125,061,475</u>	<u>126,014,739</u>	<u>124,138,928</u>
Operating Loss	<u>(33,539,176)</u>	<u>(40,085,359)</u>	<u>(43,435,931)</u>
Non-Operating Revenues			
State Appropriations	33,590,909	36,974,939	42,352,302
Other Revenues and Expense	(1,220,499)	2,202,905	2,731,754
Loss Before Other Revenue/Expenses	(1,168,766)	(907,515)	1,648,125
Capital Appropriations	1,821,068	10,475,643	27,372,422
Net Other Items	866,421	2,272,578	1,336,827
Increase in Net Assets	<u>1,518,723</u>	<u>11,840,706</u>	<u>30,357,374</u>
Net Assets - Beginning of Year	<u>156,431,005</u>	<u>144,590,299</u>	<u>112,167,198</u>
Net Assets - End of Year	<u>\$ 157,949,728</u>	<u>\$ 156,431,005</u>	<u>\$ 142,524,572</u>

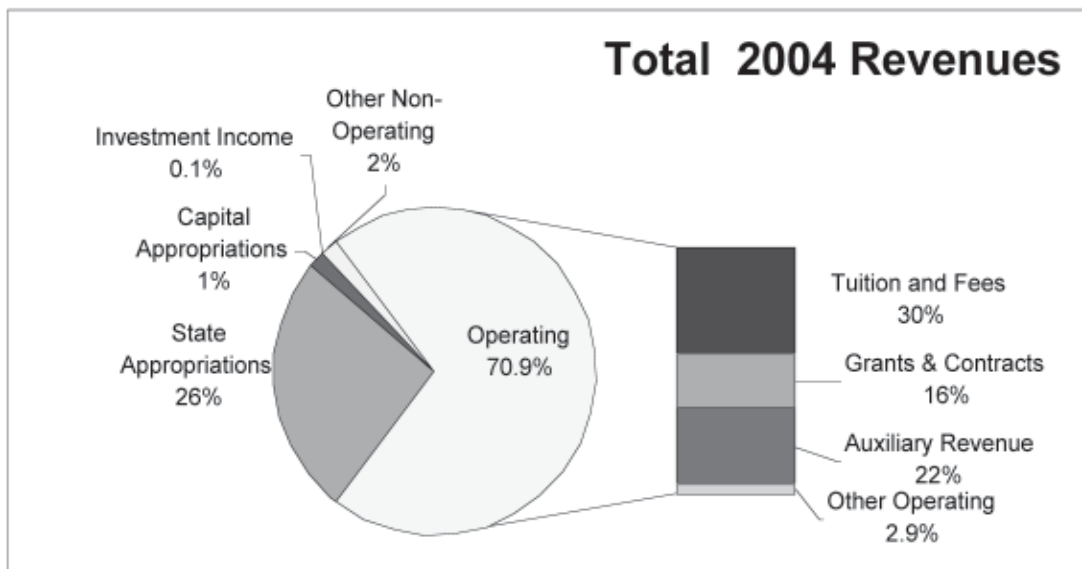


MANAGEMENT DISCUSSION AND ANALYSIS

Total Revenues

Revenue from all sources totals \$129.4 million with \$91.5 million of that being Operating Revenue and an additional \$33.6 million being UNC's general fund appropriation from the State of Colorado. In fiscal year 2003 total revenue was \$140.2 million with \$85.9 million operating revenue and a \$37.0 million general fund appropriation.

State capital appropriations have declined to \$1.8 million in fiscal year 2004 from \$10.5 million in fiscal year 2003.



Operating Revenues

Operating revenue in fiscal year 2004 is derived from tuition and fees - \$40 million; auxiliary activity - \$28 million; grants & contracts - \$20 million and other - \$3.5 million.

Tuition and fees are shown net of \$8.8 million in scholarship allowances. Scholarship allowances are those portions of the University's tuition and fees, which are paid by other revenues, primarily federal and state grants for financial aid, but also general institutional scholarships. In fiscal year 2004 tuition rates increased 10% and on-campus enrollment increased 2% contributing to a \$5 million increase in tuition and fee revenue.

About 55% of the operating grants and contract revenue is federal and state financial aid with an additional 31% coming from federal grants for research, training, etc. Federal financial aid increased by \$627 thousand while state financial aid decreased \$950 thousand.

Grants & Contracts Revenue

	<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Federal Financial Aid	\$ 6,554,461	\$ 5,927,105	\$ 5,707,573
State Financial Aid	4,502,887	5,452,469	5,209,099
Federal Grants	6,293,400	5,805,496	4,974,176
State & Local Grants	96,473	555,999	864,500
UNC Foundation Grants	2,043,377	1,523,284	2,282,285
Other Grants	566,317	791,254	-----
	<u>\$ 20,056,915</u>	<u>\$ 20,055,607</u>	<u>\$ 19,037,633</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Expenses

Operating Expenses of \$125.0 million, \$2.8 million in interest related to bond financing and \$17 thousand in losses on disposal of assets contribute to total expenses and losses of \$127.9 million.

Operating expenses have decreased from fiscal year 2003 by \$1.5 million as the University has adjusted to the realities of decreased state appropriation.

Operating Expense by Function

	<u>2004</u>		<u>2003</u>	
Instruction	\$ 48,942,559	39.2%	\$ 49,988,018	39.7%
Research	2,720,769	2.2%	2,449,785	1.9%
Public Service	1,306,980	1.0%	1,193,638	1.0%
Academic Support	10,901,482	8.7%	11,756,600	9.3%
Student Services	14,391,723	11.5%	14,199,382	11.3%
Institutional Support	5,533,618	4.4%	7,355,922	5.8%
Operation of Plant	8,480,520	6.8%	8,871,396	7.0%
Scholarships & Fellowships	3,318,329	2.6%	3,197,742	2.5%
Auxiliary Operating Expenditures	19,252,529	15.4%	17,473,903	13.9%
Depreciation	10,212,966	8.2%	9,528,353	7.6%
Total Operating Expenses	\$ 125,061,475	100.0%	\$ 126,014,739	100.0%

The single largest category of expense across all university functions is personnel. Employee and personnel services expenses have decreased from 2003 by \$5.5 million as budget realities necessitated the elimination of positions vacated through retirements and other personnel transitions.



Statement of Cash Flows

The Statement of Cash Flows provides information about the cash activity over the past year. A summary is presented here with more detail on the actual statement. Just as the State Appropriation is not part of Operating Revenue on Statement of Revenue, Expenses and Changes in Net Assets, cash flows from the State Appropriation are not considered Operating, but Non-capital Financing on the Statement of Cash Flows.

There were no substantial changes in cash flows from operating activities between fiscal years 2003 and 2004.

Cash Flows provided by noncapital financing activities is almost entirely from the State's general fund appropriation, which decreased by \$3.4 million from fiscal year 2003. During fiscal year 2002 the University issued \$50,000,000 in bonds (July 2001) for construction and advance refunding of previously issued bonds. The proceeds for construction were still being expended in 2004, resulting in net cash provision used in capital and related financing activities.

Cash flows from investing activities have decreased due to reduced returns on the State treasury investments.

**University of Northern Colorado
Condensed Statement of Cash Flows
For the Years Ended June 30,**

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash Flows Provided/(Used) by:			
Operating Activities	\$ (22,013,727)	\$ (21,130,019)	\$ (28,953,657)
Noncapital Financing	33,453,965	37,046,947	42,490,948
Capital and Related Financing	(19,005,348)	(15,126,009)	11,831,494
Investing	<u>417,736</u>	<u>2,728,722</u>	<u>3,194,407</u>
Net Increase in Cash	(7,147,374)	3,519,641	28,563,192
Beginning Cash Balance	<u>60,217,308</u>	<u>56,697,667</u>	<u>28,134,475</u>
Ending Cash Balance	\$ <u>53,069,934</u>	\$ <u>60,217,308</u>	\$ <u>56,697,667</u>

Economic Outlook

As discussed in a September 2003 Colorado legislative Council Staff report, Colorado has unique constitutional budget constraints including the Taxpayer Bill of Rights, which limit revenue growth. This has exacerbated the impact of the recent national recession and permanently "ratcheted down" the State's revenue limit and thus the state budget. Higher education funding in particular has been negatively impacted. The University's fiscal year 2005 general fund appropriation from the state will be \$33.6 million, constant funding from fiscal year 2004, but \$3.4 million less than was appropriated in 2003 (net of rescissions) and \$8.8 million less than was appropriated in 2002. The Colorado Legislative Council Staff's September economic and revenue forecast projects statewide budget reductions of \$263.3 for fiscal year 2006.

Colorado is also the first state in the nation to enact legislation to fund undergraduate college and university student education through a direct stipend (akin to K-12 vouchers) rather than indirectly via appropriations. This legislation, known as the College Opportunity fund (COF) bill, includes a provision for a fee-for-service contract with colleges and universities in addition to the stipend mechanism. When COF is implemented in fiscal year 2006, the legislative intent is that the sum of the stipends and fee-for service would be equivalent to the fiscal year 2005 appropriation (\$33.6 million in the case of UNC). However, given the State's revenue forecast, this level of funding is not guaranteed.

Student Headcount Enrollment

Fiscal Year	On-Campus	Percent Change
2004	13,512	2.3%
2003	13,205	0.9%
2002	13,081	

MANAGEMENT DISCUSSION AND ANALYSIS

Clearly UNC is not anticipating increases in state funding. Therefore, it engaged in a comprehensive planning process intitled "Charting the Future" <http://www.unco.edu/pres/charting/> during fiscal year 2004. The plan outlines reorganization, modifications to program delivery and other changes as a first step toward a renewed focus on accomplishing our educational mission. From a fiscal perspective, one of the first steps toward that end is the current initiative to reevaluate our pricing structure and implement a strategic tuition model. Other steps include realignment of financial and other resources to ensure that UNC lives up to its promise as a great university within the fiscal realities.

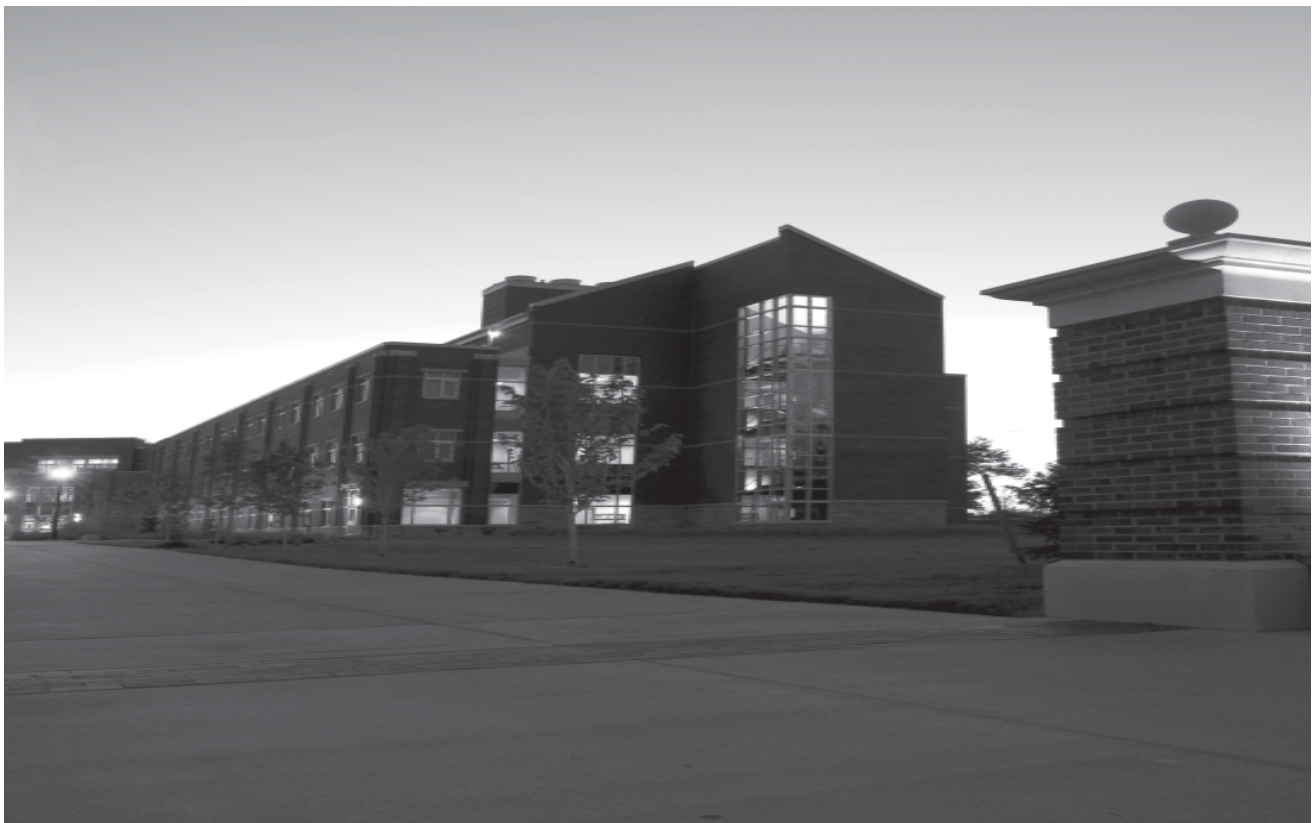
Resident FTE Enrollment

Fiscal Year	On-Campus	Percent Change
2004	9,598	1.7%
2003	9,441	3.9%
2002	9,088	

One testamtent to the University's strength is that student enrollment continues to be strong. Fiscal year 2004 headcount was up 2.3% and preliminary numbers for fall 2004 (fiscal 2005) indicate that on-campus enrollment continues to rise.

Resident enrollment in particular, as measured by full-time equivalency (FTE) or 30 academic credit hours, remains strong.

Financial challenges for higher education continue to be very real, but the University has become a leader in proactively addressing these issues as evidenced by the fall 2004 decennial accreditation visit. The team commended the University's Charting the Future initiative and process. Team members said Charting the Future was instrumental in demonstrating that the University is able to plan for the future and weather tough financial times.



FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

June 30, 2004

ASSETS

Current Assets:

	UNIVERSITY OF NORTHERN COLORADO	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
Cash and cash equivalents	\$ 49,452,907	\$ 22,649	\$ 175,817
Funds held in trust	---	---	1,507,754
Student accounts receivable, net of allowance of \$1,175,709	4,492,652	---	---
Contributions receivable, net	---	1,043,086	---
Other receivables, net	1,445,220	393,637	4,474
Investments	---	42,006,733	---
Inventories	750,133	---	---
Loans to Students, net	1,533,225	---	---
Other current assets	254,959	62,197	28,811
Total Current Assets	<u>57,929,096</u>	<u>43,528,302</u>	<u>1,716,856</u>

Noncurrent Assets

Restricted cash and cash equivalents	3,617,027	---	---
Restricted investments	683,967	---	---
Contributions receivable, net	---	978,967	---
Loans to students, net	6,808,693	---	---
Other non current assets	1,386,434	---	5,647,352
Other long-term investments	---	483,141	---
Investments restricted for endowment	---	41,803,226	---
Capital assets, net	<u>177,153,139</u>	<u>344,999</u>	<u>16,338,205</u>
Total Noncurrent Assets	<u>189,649,260</u>	<u>43,610,333</u>	<u>21,985,557</u>

TOTAL ASSETS

<u>247,578,356</u>	<u>87,138,635</u>	<u>23,702,413</u>
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LIABILITIES and NET ASSETS

Current liabilities:

Accounts payable and accrued liabilities	15,302,545	558,809	666,498
Deferred revenue	3,954,347	---	47,515
Bonds/notes payable, current portion	1,066,978	---	55,000
Capital leases payable, current portion	310,325	---	---
Funds held for the University of Northern Colorado	---	718,488	---
Other current liabilities	<u>1,566,940</u>	<u>---</u>	<u>120,875</u>
Total Current Liabilities	<u>22,201,135</u>	<u>1,277,297</u>	<u>889,888</u>

Noncurrent liabilities:

Bonds/notes payable	58,210,633	---	23,944,320
Capital lease payable	4,528,658	---	---
Other long term liabilities	2,527,089	---	---
Annuity obligations	---	154,393	---
Compensated absence liabilities	<u>2,161,113</u>	<u>---</u>	<u>---</u>
Total Noncurrent Liabilities	<u>67,427,493</u>	<u>154,393</u>	<u>23,944,320</u>

Total Liabilities

<u>89,628,628</u>	<u>1,431,690</u>	<u>24,834,208</u>
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NET ASSETS

Invested in capital assets, net of related debt	114,772,936	344,999	---
Restricted for:			
Nonexpendable purposes			
Scholarships/fellowships	380,140	41,803,226	---
Academic support	1,400	---	---
Expendable purposes			
Auxiliary Expenditures	12,992,845	---	---
Scholarships/fellowships	196,312	35,808,501	---
Loans	9,259,012	---	---
Bond reserve	750,000	---	---
Other	118,568	---	---
Unrestricted	<u>19,478,515</u>	<u>7,750,219</u>	<u>(1,131,795)</u>
Total Net Assets	<u>157,949,728</u>	<u>85,706,945</u>	<u>(1,131,795)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 247,578,356</u>	<u>\$ 87,138,635</u>	<u>\$ 23,702,413</u>

* See accompanying notes to financial statements

STATEMENT OF NET ASSETS

June 30, 2003

ASSETS

Current Assets:

	UNIVERSITY OF NORTHERN COLORADO (RESTATED-NOTE 2)	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
Cash and cash equivalents	\$ 45,777,639	\$ 25,081	\$ 157,341
Funds held in trust	---	---	1,595,140
Student accounts receivable, net of allowance of \$1,122,797	4,483,972	---	---
Contributions receivable, net	---	984,339	---
Other receivables, net	530,962	459,690	1,296
Investments	---	28,767,430	---
Inventories	766,200	---	---
Property held for sale	---	5,000,000	---
Loans to Students, net	1,427,153	---	---
Other current assets	340,490	48,700	16,660
Total Current Assets	<u>53,326,416</u>	<u>35,285,240</u>	<u>1,770,437</u>

Noncurrent Assets

Restricted cash and cash equivalents	14,439,669	---	---
Restricted investments	691,950	---	---
Contributions receivable, net	---	1,361,426	---
Loans to students, net	6,648,104	---	---
Other non current assets	1,431,059	---	5,685,542
Other long-term investments	---	381,278	---
Investments restricted for endowment	---	45,299,407	---
Capital assets, net	<u>165,163,746</u>	<u>324,279</u>	<u>16,849,263</u>
Total Noncurrent Assets	<u>188,374,528</u>	<u>47,366,390</u>	<u>22,534,805</u>

TOTAL ASSETS

<u>241,700,944</u>	<u>82,651,630</u>	<u>24,305,242</u>
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LIABILITIES and NET ASSETS

Current liabilities:

Accounts payable and accrued liabilities	12,954,141	525,167	666,883
Deferred revenue	4,029,146	---	73,231
Bonds/notes payable, current portion	1,083,436	---	---
Capital leases payable, current portion	151,298	---	35,000
Funds held for the University of Northern Colorado	---	1,384,375	---
Other current liabilities	<u>1,649,604</u>	<u>---</u>	<u>100,060</u>
Total Current Liabilities	<u>19,867,625</u>	<u>1,909,542</u>	<u>875,174</u>

Noncurrent liabilities:

Bonds/notes payable	59,177,098	---	23,986,267
Capital lease payable	1,490,172	---	---
Other long term liabilities	2,516,351	---	---
Annuity obligations	---	114,158	---
Compensated absence liabilities	<u>2,218,693</u>	<u>---</u>	<u>---</u>
Total Noncurrent Liabilities	<u>65,402,314</u>	<u>114,158</u>	<u>23,986,267</u>

Total Liabilities

<u>85,269,939</u>	<u>2,023,700</u>	<u>24,861,441</u>
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NET ASSETS

Invested in capital assets, net of related debt	117,868,111	324,279	---
Restricted for:			

Nonexpendable purposes			
Scholarships/fellowships	380,141	45,299,407	---
Academic support	1,400	---	---
Expendable purposes			
Auxiliary Expenditures	10,839,279	---	---
Scholarships/fellowships	203,739	29,495,473	---
Loans	9,343,496	---	---
Bond reserve	750,000	---	---
Other	60,918	---	---
Unrestricted	<u>16,983,921</u>	<u>5,508,771</u>	<u>(556,199)</u>

Total Net Assets

<u>156,431,005</u>	<u>80,627,930</u>	<u>(556,199)</u>
<u>\$ 241,700,944</u>	<u>\$ 82,651,630</u>	<u>\$ 24,305,242</u>

TOTAL LIABILITIES AND NET ASSETS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2004

	Component Units		
	University of Northern Colorado	University of Northern Colorado Foundation, Inc.	University of Northern Colorado Foundation Student Housing LLC I
OPERATING REVENUES			
Student tuition and fees	\$ 40,019,579	\$ ---	\$ ---
Contributions	---	4,169,585	---
Contributed services	---	43,387	---
Rental incomes and fees	---	---	1,845,084
Federal grants and contracts	12,847,861	---	---
State and Local grants and contracts	4,599,360	---	---
Nongovernmental grants and contracts	2,609,694	---	---
Sales and services of educational activities	2,778,486	---	---
Auxiliary operating revenue	27,876,906	---	---
Management fees	---	---	---
Interest and dividends	---	2,055,666	---
Net realized and unrealized gains	---	9,396,614	---
Loss on sale of building	---	(2,150,000)	---
Other operating revenue	790,413	1,346,227	---
Total operating revenues	91,522,299	14,861,479	1,845,084
OPERATING EXPENSES			
Educational and general			
Instruction	48,942,559	---	---
Research	2,720,769	---	---
Public service	1,306,980	---	---
Academic support	10,901,482	---	---
Student services	14,391,723	---	---
Institutional support	5,533,618	---	---
Operation of plant	8,480,520	---	---
Scholarships & fellowships	3,318,329	---	---
Program	---	8,134,898	---
Management and general	---	1,103,988	---
Fund raising	---	543,578	---
Auxiliary operating expenditures	19,252,529	---	---
Operating expenses	---	---	662,108
Ground lease with UNC	---	---	61,571
Depreciation and amortization	10,212,966	---	596,008
Total operating expenses	125,061,475	9,782,464	1,319,687
Operating income (loss)	(33,539,176)	5,079,015	525,397
NONOPERATING REVENUES (EXPENSES)			
State appropriations	33,590,909	---	---
Investment income (net of investment expense)	254,084	---	104,299
Interest on capital asset related debt	(2,837,025)	---	(1,205,292)
Other nonoperating revenues	1,362,442	---	---
Net nonoperating revenues	32,370,410	---	(1,100,993)
Income (loss) before other revenues, (expenses) gains, or (losses)	(1,168,766)	5,079,015	(575,596)
Capital appropriations	1,821,068	---	---
Capital grants and gifts	883,476	---	---
Loss on disposal of capital asset	(17,055)	---	---
Increase (Decrease) in Net Assets	1,518,723	5,079,015	(575,596)
Net Assets, Beginning of Period	156,431,005	80,627,930	(556,199)
Net Assets, End of Period	\$ 157,949,728	\$ 85,706,945	\$ (1,131,795)

* See accompanying notes to financial statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the year ended June 30, 2003

	University of Northern Colorado (Restated-Note 2)	University of Northern Colorado Foundation, Inc.	Component Units University of Northern Colorado Foundation, Student Housing LLC 1
OPERATING REVENUES			
Student tuition and fees	\$ 35,066,370	\$ ---	\$ ---
Contributions	---	4,969,372	---
Contributed services	---	342,372	---
Rental incomes and fees	---	---	1,795,992
Federal grants and contracts	11,732,601	---	---
State and Local grants and contracts	6,008,468	---	---
Nongovernmental grants and contracts	2,314,538	---	---
Sales and services of educational activities	2,734,549	---	---
Auxiliary operating revenue	27,328,805	---	---
Management fees	---	---	---
Interest and dividends	---	2,279,362	---
Net realized and unrealized gains	---	829,407	---
Loss on sale of building	---	(5,750,000)	---
Other operating revenue	744,049	740,944	---
Total operating revenues	<u>85,929,380</u>	<u>3,411,457</u>	<u>1,795,992</u>
OPERATING EXPENSES			
Operating expenses:			
Educational and general			
Instruction	49,988,018	---	---
Research	2,449,785	---	---
Public service	1,193,638	---	---
Academic support	11,756,600	---	---
Student services	14,199,382	---	---
Institutional support	7,355,922	---	---
Operation of plant	8,871,396	---	---
Scholarships & fellowships	3,197,742	---	---
Program	---	5,579,107	---
Management and general	---	1,055,633	---
Fund raising	---	486,557	---
Auxiliary operating expenditures	17,473,903	---	---
Operating expenses	---	---	583,502
Ground lease with UNC	---	---	61,571
Depreciation and amortization	<u>9,528,353</u>	<u>---</u>	<u>529,008</u>
Total operating expenses	<u>126,014,739</u>	<u>7,121,297</u>	<u>1,174,084</u>
Operating income (loss)	<u>(40,085,359)</u>	<u>(3,709,840)</u>	<u>621,911</u>
NONOPERATING REVENUES (EXPENSES)			
State appropriations	36,974,939	---	---
Investment income (net of investment expense)	2,825,428	---	132,951
Interest on capital asset related debt	(2,342,929)	---	(1,225,251)
Other nonoperating revenues	<u>1,720,406</u>	<u>---</u>	<u>---</u>
Net nonoperating revenues	<u>39,177,844</u>	<u>---</u>	<u>(1,092,300)</u>
Income (loss) before other revenues, (expenses) gains, or (losses)	(907,515)	(3,709,840)	(470,389)
Capital appropriations	10,475,643	---	---
Capital grants and gifts	2,290,977	---	---
Loss on disposal of capital asset	<u>(18,399)</u>	<u>---</u>	<u>---</u>
Increase (Decrease) in Net Assets	<u>11,840,706</u>	<u>(3,709,840)</u>	<u>(470,389)</u>
Net Assets, Beginning of Period, as previously reported	142,524,572	84,337,770	(85,810)
Adjustments Applicable to Prior Periods	<u>2,065,727</u>	<u>---</u>	<u>---</u>
Net Assets, Beginning of Period Restated	144,590,299	84,337,770	(85,810)
Net Assets, End of Period	<u>\$ 156,431,005</u>	<u>\$ 80,627,930</u>	<u>\$ (556,199)</u>

STATEMENT OF CASH FLOWS

For the years ended June 30, 2004 and 2003

	YEAR ENDED JUNE 30, 2004	YEAR ENDED JUNE 30, 2003 (Restated-Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received:		
Tuition and fees	\$ 40,029,369	\$ 34,904,102
Sales of services	29,508,325	31,086,948
Grants and contracts	19,408,585	19,746,844
Student loans collected	2,318,646	2,241,411
Other receipts	1,852,852	2,133,839
Cash Payments:		
Payments to or for employees	(85,116,888)	(79,913,054)
Payments to suppliers	(24,678,157)	(26,613,950)
Scholarships disbursed	(3,054,018)	(2,742,845)
Student loans disbursed	(2,282,441)	(1,973,314)
Net cash provided (used) by operating activities	(22,013,727)	(21,130,019)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations, noncapital	33,590,909	36,974,939
Agency inflows	40,295,169	32,465,493
Agency outflows	(40,432,113)	(32,393,485)
Net cash provided (used) by noncapital financing activities	33,453,965	37,046,947
CASH FLOWS FROM CAPITAL and RELATED FINANCING ACTIVITIES:		
State appropriations, capital	1,821,068	10,475,644
Capital grants, contracts & gifts	883,476	2,290,977
Proceeds from sale of capital assets	3,000	---
Proceeds from capital debt	---	1,557,418
Acquisition or construction of capital assets	(17,043,450)	(26,077,353)
Principal paid on capital debt	(1,389,544)	(1,051,645)
Interest paid on capital debt	(3,279,898)	(2,321,050)
Net cash provided (used) by capital financing activities	(19,005,348)	(15,126,009)
CASH FLOWS FROM INVESTING ACTIVITIES :		
Investment earnings	417,736	2,728,722
Net cash provided (used) by investing activities	417,736	2,728,722
Increase (Decrease) in Cash and Cash Equivalents	(7,147,374)	3,519,641
Cash and Cash Equivalents, Beginning of Year	60,217,308	56,697,667
Cash and Cash Equivalents, End of Year	53,069,934	60,217,308
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	(33,539,176)	(40,085,359)
Depreciation expense	10,212,966	9,528,353
Other revenues and additions	1,362,442	1,720,406
Changes in operating assets and liabilities		
Cash invested with custodian	7,983	(956)
Receivables, net	(1,162,934)	(423,106)
Inventories & prepaid expenses	148,981	665,347
Accounts payable	729,334	(458,239)
Accrued payroll	222,370	7,531,838
Deferred revenues	(2,663)	404,857
Other liabilities	25,862	(103,322)
Compensated absences	(18,892)	90,162
Net cash provided (used) by operating activities	(22,013,727)	(21,130,019)
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and cash equivalents	49,452,907	45,777,639
Restricted cash and case equivalents	3,617,027	14,439,669
Total cash and cash equivalents	\$ 53,069,934	\$ 60,217,308
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	1,718,538	350,795
Capital lease obligation incurred for equipment	3,604,134	1,530,179

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The University of Northern Colorado (the University) is a public institution of higher education with a broad general curriculum as well as preparation for selected professions within the fields of business, education, health services, music and related areas; and pre-professions such as pre-law, pre-medicine and others. The University is an institution of the State of Colorado with operations funded largely through student tuition and fees and through annual state appropriations. Funds are augmented by private support from alumni and through the University of Northern Colorado Foundation, Inc. The University extends unsecured credit to its students.

As an Institution of the State of Colorado, the University's operations and activities are funded in part through state appropriations. In accordance with Section 23-1-104, C.R.S., unspent revenues earned by the University in excess of appropriated amounts are retained by the University for future use.

Reporting Entity and Component Units

The financial statements of the University include all of the integral parts of the University's operations. The University applied various criteria to determine if it is financially accountable for any organization that would require that organization to be included in the University's reporting entity. These criteria include fiscal dependency, financial benefit/burden relationship, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

In accordance with accounting principles generally accepted in the United States of America, the financial statements present the University (primary government), its discretely presented component units - the University of Northern Colorado Foundation, Incorporated (see Note 7) and the University of Northern Colorado Foundation Student Housing LLC I (see Note 8), and its blended component units - the Student Media Corporation and the Alumni Association of the University of Northern Colorado (see Note 9). The component units are included in the University's reporting entity because of the significance of their operational and financial relationships with the University in accordance with Statement No. 39 of the Governmental Accounting Standards Board *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14*. Financial statements of the Student Media Corporation, Alumni Association of the University of Northern Colorado, the University of Northern Colorado Foundation, Incorporated and the University of Northern Colorado Foundation Student Housing LLC I can be obtained from their respective administrative offices.

Basis of Accounting and Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally certain federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions.

Government-mandated nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The University first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTES TO FINANCIAL STATEMENTS

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements that were issued after November 30, 1989, unless the FASB pronouncement conflicts with or contradicts a GASB pronouncement. The University has elected not to apply FASB pronouncements issued after the applicable date.

The University of Northern Colorado Foundation, Incorporated and the University of Northern Colorado Foundation Student Housing LLC I report under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's or the LLC's financial

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2004 and 2003, cash equivalents consisted primarily of funds invested through the State Treasurer's Cash Management Program.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include amounts restricted for project construction and bond debt service reserves.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also includes amounts due from the Federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.



Inventories

Inventories are carried at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) basis.

Investments and Investment Income

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

NOTES TO FINANCIAL STATEMENTS

Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$1,102,517 and \$1,002,975 at June 30, 2004 and 2003, respectively.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 20 years for land improvements, 10 years for library books and 3 to 10 years for equipment.

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized was:

	2004	2003
Total interest expense incurred on borrowing for projects	\$ 442,873	\$ 933,575
Interest income for investment of proceeds of borrowings for projects	(235,788)	(750,482)
Net interest cost capitalized	<u>207,085</u>	<u>183,093</u>
Interest capitalized	207,085	183,093
Interest charged to expense	<u>2,837,025</u>	<u>2,342,929</u>
Total interest incurred	<u>\$ 3,044,110</u>	<u>\$ 2,526,022</u>

Compensated Absences

University policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits and are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the financial statements date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

NOTES TO FINANCIAL STATEMENTS

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, (3) contracts and grants for research activities and (4) interest on student loans.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances

Student tuition, fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees and housing were \$8,811,974 and \$8,307,402 for the years ended June 30, 2004 and 2003, respectively.

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

Reclassifications

Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 financial statement presentation. These reclassifications had no effect on change in net assets.

Note 2: Restatement of Prior Year's Financial Statements

The University historically has not eliminated internal departmental charges for fringe benefit costs, which in practice does not conform to accounting principles generally accepted in the United States of America. The University has retroactively changed its accounting method to eliminate the internal departmental charges. This change increased 2003 change in net assets by \$712,584 and decreased deferred revenues by \$2,778,311. Adjustments of \$2,065,727 applicable to 2002 and prior have been included in the restated 2003 beginning net asset balance.

NOTES TO FINANCIAL STATEMENTS

Note 3: Deposits and Investments

Deposits

At June 30, the University had bank balances as follows:

	2004	2003
Uninsured and uncollateralized	\$ 187,271	\$ —
Insured by federal depository insurance (FDIC)	100,000	100,000
Uninsured and collateral held by pledging financial institution's trust department or agent in the institution's name or in the name of the public deposit pool	3,815,695	1,096,561
Change funds	<u>31,272</u>	<u>32,203</u>
	<u>4,134,238</u>	<u>1,228,764</u>
Carrying value	<u>\$ 1,233,176</u>	<u>\$ 838,013</u>

At June 30, 2004 and 2003, the University had \$51,836,758 and \$59,347,092, respectively, on deposit with the State Treasurer. Detailed information on the Treasurer's pool may be obtained in the State of Colorado's Comprehensive Annual Financial Report. The University deposits cash with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities approved by CRS 24-75-601.1. The University reports its share of the Treasurer's unrealized gains or losses based on its participation in the State Treasurer's pool. The State Treasurer does not invest any of the pool resources in any external investment pool, and there is no assignment or income related to participation in the pool.

Investments

The University has authority to invest institutional funds in any investment deemed advisable by the governing board per section 15-1-1106, C.R.S. The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest, to a limited extent, in equity securities.

Investments with custodian consist principally of U.S. Treasury securities with a fair market value of \$526,711 and \$549,321 at June 30, 2004 and 2003, respectively.



NOTES TO FINANCIAL STATEMENTS

Note 4: Capital Assets

Capital assets activity for the year ended June 30 was: 2004

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 5,798,559	\$ 2,272,785	\$ ---	\$ ---	\$ 8,071,344
Land improvements	8,069,007	128,817	---	886,827	9,084,651
Non-depreciable land improve- ments	2,603,326	966,870	---	1,401,243	4,971,439
Buildings and improvements	207,273,320	3,594,164	---	10,257,352	221,124,836
Equipment and vehicles	11,357,710	688,240	(963,825)	---	11,062,125
Library materials	29,053,833	1,598,981	(229,842)	---	30,422,972
Non-depreciable art/historical	842,630	---	---	---	842,630
Leasehold improvements	495,403	---	---	---	495,403
Construction in progress	10,593,557	12,992,557	---	(12,545,422)	11,040,692
	<u>276,087,345</u>	<u>22,222,414</u>	<u>(1,193,667)</u>	<u>---</u>	<u>297,116,092</u>
Less accumulated depreciation					
Land improvements	3,916,323	326,551	---	---	4,242,874
Buildings and improvements	75,604,702	7,685,406	---	---	83,290,108
Equipment and vehicles	8,837,053	891,847	(943,770)	---	8,785,130
Library materials	22,070,118	1,309,162	(229,842)	---	23,149,438
Leasehold improvements	495,403	---	---	---	495,403
	<u>110,923,599</u>	<u>10,212,966</u>	<u>(1,173,612)</u>	<u>---</u>	<u>119,962,953</u>
Net capital assets	\$ <u>165,163,746</u>	\$ <u>12,009,448</u>	\$ <u>(20,055)</u>	\$ <u>0</u>	\$ <u>177,153,139</u>

2003

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 4,848,368	\$ 950,191	\$ ---	\$ ---	\$ 5,798,559
Land improvements	7,953,866	17,568	---	97,573	8,069,007
Non-depreciable land improve- ments	2,488,526	64,945	---	49,855	2,603,326
Buildings and improvements	183,731,402	3,576,567	---	19,965,351	207,273,320
Equipment and vehicles	11,130,517	1,098,142	(870,949)	---	11,357,710
Library materials	27,703,898	1,596,716	(246,781)	---	29,053,833
Non-depreciable art/historical	842,630	---	---	---	842,630
Leasehold improvements	495,403	---	---	---	495,403
Construction in progress	11,933,113	18,773,223	---	(20,112,779)	10,593,557
	<u>251,127,723</u>	<u>26,077,352</u>	<u>(1,117,730)</u>	<u>---</u>	<u>276,087,345</u>
Less accumulated depreciation					
Land improvements	3,618,042	298,281	---	---	3,916,323
Buildings and improvements	68,760,430	6,844,272	---	---	75,604,702
Equipment and vehicles	8,562,693	1,126,910	(852,550)	---	8,837,053
Library materials	21,058,011	1,258,889	(246,782)	---	22,070,118
Leasehold improvements	495,403	---	---	---	495,403
	<u>102,494,579</u>	<u>9,528,352</u>	<u>(1,099,332)</u>	<u>---</u>	<u>110,923,599</u>
Net capital assets	\$ <u>148,633,144</u>	\$ <u>16,549,000</u>	\$ <u>(18,398)</u>	\$ <u>0</u>	\$ <u>165,163,746</u>

NOTES TO FINANCIAL STATEMENTS

Note 5: Long-term Liabilities

The following is a summary of long-term liabilities for the University for the year ended June 30:

	2004				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases					
Revenue bonds payable	\$ 60,233,294	\$ ---	\$ (974,485)	\$ 59,258,809	\$ 1,060,000
Notes payable	27,240	---	(8,438)	18,802	6,978
Capital leases payable	1,641,470	3,604,134	(406,621)	4,838,983	310,325
Total bonds and capital leases	<u>61,902,004</u>	<u>3,604,134</u>	<u>(1,389,544)</u>	<u>64,116,594</u>	<u>1,377,303</u>
Other liabilities					
Other long-term liabilities	4,165,955	---	(71,926)	4,094,029	1,566,940
Accrued compensated absences	2,837,686	---	(18,892)	2,818,794	657,681
Total other liabilities	<u>7,003,641</u>	<u>---</u>	<u>(90,818)</u>	<u>6,912,823</u>	<u>2,224,621</u>
	<u>\$68,905,645</u>	<u>\$ 3,604,134</u>	<u>\$ (1,480,362)</u>	<u>\$ 71,029,417</u>	<u>\$ 3,601,924</u>

	2003				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds, notes and capital leases					
Revenue bonds payable	\$ 61,162,780	\$ ---	\$ (929,486)	\$ 60,233,294	\$ 1,075,000
Notes payable	---	27,240	---	27,240	8,436
Capital leases payable	208,726	1,530,179	(97,435)	1,641,470	151,298
Total bonds and capital leases	<u>61,371,506</u>	<u>1,557,419</u>	<u>(1,026,921)</u>	<u>61,902,004</u>	<u>1,234,734</u>
Other liabilities					
Other long-term liabilities	4,218,024	232,956	(285,025)	4,165,955	1,649,604
Accrued compensated absences	2,747,524	446,753	(356,591)	2,837,686	618,993
Total other liabilities	<u>6,965,548</u>	<u>679,709</u>	<u>(641,616)</u>	<u>7,003,641</u>	<u>2,268,597</u>
Total long-term liabilities	<u>\$68,337,054</u>	<u>\$2,237,128</u>	<u>\$ (1,668,537)</u>	<u>\$68,905,645</u>	<u>\$3,503,331</u>

NOTES TO FINANCIAL STATEMENTS

Bonds Payable

Bonds payable consisted of the following at June 30:

	2004	2003
3.40 %-6.00% Auxiliary Facilities System Revenue		
Refunding and Improvement Bonds issued April 1, 1994 in the original amount of \$17,150,000 and maturing in varying annual amounts to June 1, 2008	\$ 2,410,000	\$3,100,000
Less: unamortized discount	<u>(17,399)</u>	<u>(23,198)</u>
	<u>2,392,601</u>	<u>3,076,802</u>
3.50%-6.00% Auxiliary Facilities System Revenue		
Refunding Bonds, issued April 1, 1998 in the original amount of \$10,630,000 and maturing in varying annual amounts through June 1, 2024	10,090,000	10,150,000
Less: unamortized discount	<u>(109,085)</u>	<u>(114,903)</u>
	<u>9,980,915</u>	<u>10,035,097</u>
3.00%-5.50% Auxiliary Facilities System Revenue		
Refunding and Improvement Bonds, issued July 31, 2001 in the original amount of \$50,000,000 and maturing in varying amounts through June 1, 2031	48,665,000	48,990,000
Less: unamortized discount	<u>(339,688)</u>	<u>(352,791)</u>
Less: unamortized loss on refunding	<u>(1,440,019)</u>	<u>(1,518,814)</u>
	<u>46,885,293</u>	<u>47,121,395</u>
Total Bonds Payable less unamortized discount and loss on refunding	<u>\$ 59,258,809</u>	<u>60,233,294</u>



The bonds are secured by certain student fees and a first lien on the University Auxiliary Facilities System, but not necessarily an exclusive first lien and a pledge of the net revenues derived from the University Auxiliary Facilities System.

Bond provisions require the establishment of renewal and replacement funds of \$750,000 and require the University to maintain compliance with certain rate covenants related to the bonds.

NOTES TO FINANCIAL STATEMENTS

The annual requirements to amortize these bonds as of June 30, 2004 are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	1,125,000	3,065,954	4,190,954
2006	1,180,000	3,012,944	4,192,944
2007	1,240,000	2,954,195	4,194,195
2008	1,300,000	2,891,660	4,191,660
2009	1,360,000	2,831,198	4,191,198
2010-2014	7,820,000	13,146,415	20,966,415
2015-2019	9,985,000	10,981,375	20,966,375
2020-2024	12,890,000	8,072,850	20,962,850
2025-2029	16,465,000	4,499,750	20,964,750
2030-2031	<u>7,800,000</u>	<u>589,750</u>	<u>8,389,750</u>
Total	<u>\$ 61,165,000</u>	<u>\$ 52,046,091</u>	<u>\$113,211,091</u>

Defeased Bonds

In August 1986, the Board of Trustees of the University in-substance defeased the Colorado State College Housing System Revenue Bonds of 1966 and the University of Northern Colorado Facilities Revenue Bonds Series 1972 by placing a portion of the proceeds of the Auxiliary System Refunding and Construction Revenue Bonds Series 1986 in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the in-substance defeased bonds are not included in the University's financial statements. At June 30, 2004, \$1,175,000 of these outstanding bonds are considered in-substance defeased.

In July 2001, the Board of Trustees of the University in-substance defeased the Auxiliary Facilities System Revenue Bonds Series 1997 by placing a portion of the proceeds of the Auxiliary Facilities System Revenue Refunding and Improvement Bonds Series 2001 in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability of the in-substance defeased bonds are not included in the University's financial statements. At June 30, 2004, \$26,155,000 of these outstanding bonds are considered in-substance defeased.

Capital Lease Obligations

The University is obligated under leases accounted for as capital leases. Assets under capital leases at June 30, 2004 and 2003 include equipment totaling \$5,240,368 and \$1,842,078, respectively. These agreements provide that any obligations payable after the current fiscal year are contingent upon funds for that purpose being available. The following is a schedule by year of future minimum lease payments including interest together with the present value of the future minimum lease payments as of June 30, 2004.

2005	\$ 494,038
2006	605,632
2007	551,347
2008	490,189
2009	488,323
2010-2014	2,441,616
2015-2019	<u>1,137,591</u>
Total minimum lease payments	6,208,736
Less amount representing interest	<u>1,369,753</u>
Present value of future minimum lease payments	<u>\$ 4,838,983</u>

NOTES TO FINANCIAL STATEMENTS

Other Long-Term Liabilities

On August 1, 2001, the University entered into a ground lease agreement with the University of Northern Colorado Foundation Student Housing LLC I for \$2,655,000 over a 46-year period. The University received \$2,155,000 as an advance lease payment directly from the proceeds of the debt issued by the LLC to finance the LLC's student housing facility. The advance was initially recorded as deferred revenue. The University recognized \$54,263 in rental revenue for fiscal year 2004 and 2003 and will recognize an equal amount annually for the next 44 years. Deferred revenue under this lease agreement was approximately \$2,000,000 and \$2,100,000 as of June 30, 2004 and 2003, respectively.

Note 6: Operating Leases

The University leases property and equipment under operating leases expiring in various years through 2008.

Future minimum lease payments under noncancelable operating leases as of June 30, 2004 are as follows:

2005	\$ 70,766
2006	34,709
2007	18,027
2008	2,884
2009	<u>453</u>
Total minimum lease payments	<u>\$ 126,839</u>

Rental expense under these agreements, for the years ended June 30, 2004 and 2003 was \$92,577 and \$85,384, respectively. Of this amount, all was paid to the State of Colorado.

Note 7: The University of Northern Colorado Foundation, Incorporated

The University of Northern Colorado Foundation, Incorporated (the Foundation) is a legally separate, tax-exempt component unit of the University incorporated under Article 40, Title 7 of the Colorado Revised Statutes of 1973. The Foundation was established in February 1996 to promote the welfare, development and growth of the University and also to permit the Foundation to engage in activities as may be beyond the scope of the Trustees of the University. Although the University does not control

the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

The Foundation had payables to the University of approximately \$315,000 at June 30, 2004 and 2003, respectively.



NOTES TO FINANCIAL STATEMENTS

Contributions Receivable

Contributions receivable as of June 30 are as follows:

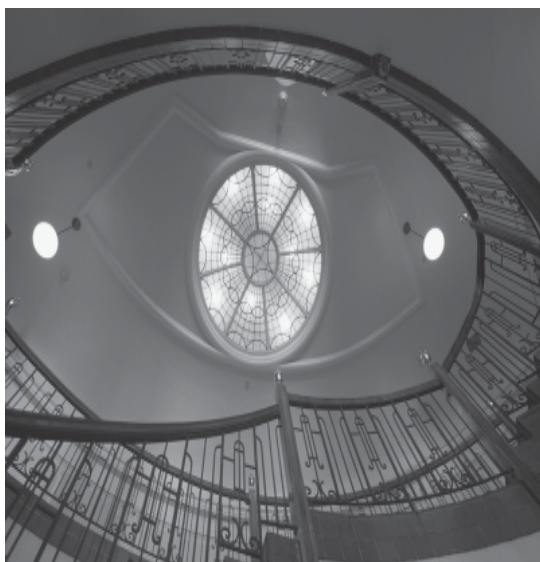
	2004	2003
Due in less than one year	\$ 1,043,086	\$ 984,339
Due in one to five years	1,371,354	1,719,750
	<u>2,414,440</u>	<u>2,704,089</u>
Less present value discount	(392,387)	(358,324)
	<u>\$ 2,002,053</u>	<u>\$ 2,345,765</u>

Approximately 76% and 71% of the Foundation's contributions receivable as of June 30, 2004 and 2003, respectively, consist of pledges from five donors.

Investments

Investments at June 30 consisted of the following:

	2004		2003	
	Cost	Fair Market Value	Cost	Fair Market Value
Fixed Income				
Corporate Notes	\$ 16,705,029	\$ 17,346,320	\$ 16,841,094	\$ 18,206,629
U.S. Treasury Bonds and Notes	3,854,643	3,940,644	5,335,215	5,849,862
U.S. Government Agency Obligations	1,472,609	1,487,572	2,064,646	2,125,747
	<u>22,032,281</u>	<u>22,774,536</u>	<u>24,240,955</u>	<u>26,182,238</u>
Equity Securities	46,513,949	54,072,353	40,246,381	43,583,560
Other Investments	7,015,148	7,446,211	4,633,964	4,682,317
	<u>\$ 75,561,378</u>	<u>\$ 84,293,100</u>	<u>\$ 69,121,300</u>	<u>\$ 74,448,115</u>



Property Held for Sale

Property held for sale includes a regional office building in Evans, Colorado. As a result of current commercial real estate market conditions, the Foundation re-evaluated the carrying value of the facility. As a result, the carrying value was reduced from its original appraisal value at donation in September 2000 of \$11,720,000 by \$520,000 during 2002 and an additional \$5,570,000 during 2003. In November 2003, the Foundation accepted a sale price of \$2,850,000, resulting in a realized loss of \$2,150,000.

NOTES TO FINANCIAL STATEMENTS

Note 8: The University of Northern Colorado Foundation Student Housing LLC I

The University of Northern Colorado Foundation Student Housing LLC I (the LLC) is a legally separate component unit of the University that was established as a Colorado limited liability company in May 2001 to construct and operate a 396-bed student housing facility for the University. The Foundation is the sole member of the LLC, however, the results of the LLC's operations do not accrue to the Foundation. The LLC has a 46-year ground lease with the University under which "net available cash flows" from the operations, as defined in the lease agreement, is paid to the University as rent (see Note 4). At the end of the ground lease in 2047, or upon earlier retirement of the bond issue, title to the housing facility is transferred to the University. As the majority of the LLC's available resources are paid to the University through the ground lease, the LLC is considered a component unit of the University and is discretely presented in the University's financial statements.

Long-Term Debt

The Colorado Educational and Cultural Facilities Authority (the Authority), a political sub-division of the State of Colorado, loaned the proceeds of a \$24,320,000 bond issue to the LLC to finance the construction of the LLC's student housing facility. The loan is payable in amounts sufficient to provide for the debt service of the bond issue. Interest rates on the bonds range from 3.375% to 5.375% and are payable semi-annually. The loan is collateralized by the revenues generated by the facility. At June 30, 2004, the balance outstanding on the loan was \$23,999,320, which is net of an original issue discount of \$285,680.

The annual debt service requirements as of June 30, 2004 are as follows:

Year-Ending June 30,	Principal	Interest	Total
2005	\$ 55,000	\$ 1,203,780	\$ 1,258,780
2006	105,000	1,199,593	1,304,593
2007	140,000	1,194,467	1,334,467
2008	180,000	1,188,643	1,368,643
2009	225,000	1,180,880	1,405,880
2010-2014	1,900,000	5,705,798	7,605,798
2015-2019	2,690,000	5,153,778	7,843,778
2020-2024	3,430,000	4,385,690	7,815,690
2025-2029	4,385,000	3,413,312	7,798,312
2030-2034	5,585,000	2,170,100	7,755,100
2035-2038	5,590,000	590,911	6,180,911
	<u>\$ 24,285,000</u>	<u>\$ 27,386,952</u>	<u>\$ 51,671,952</u>

Note 9: Blended Component Units

Student Media Corporation

The Student Media Corporation (Media Corporation) was organized under state law with a primary objective to publish the official school newspaper of the University. The Media Corporation is governed by a Board of Directors comprised of various University administrators, certain student members, and members of the community. The Media Corporation is reported as if it were a part of the University due to the financial dependency of the Media Corporation on the University and because its main objective is to provide the University's official newspaper.

NOTES TO FINANCIAL STATEMENTS

Alumni Association of the University of Northern Colorado

The Alumni Association of the University of Northern Colorado (Alumni Association) was organized under state law with a purpose of facilitating broad support for the University among alumni. The Alumni Association is governed by a Board of Directors consisting of 23 members of the Association. The Alumni Association is reported as if it were a part of the University due to financial dependency of the Alumni Association on the University

Note 10: Pension Plans

Plan Description

A significant portion of the institution's employees participate in a defined benefit pension plan. The plan's purpose is to provide 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 the Public Employee's Retirement Association (PERA). PERA was established by state statute in 1931. Responsibility for the organization and administration of the plan is placed with the Board of Trustees of PERA. Changes to the plan require 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 1300 Logan Street, Denver, Colorado 80203, by calling PERA at 303-832-9550 or 1-800-729-PERA (7372), or by visiting www.copera.org.

Plan members vest after five years of service and most are eligible for retirement benefits at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with five years of service. Members are also eligible for retirement benefits without a reduction for early retirement if they are at least 55 and have a minimum of 5 years of service credit, and their age plus years of service equals 80 or more. State troopers and judges comprise a small percentage of plan members but have higher contribution rates and are eligible for retirement benefits at different ages and years of service. Monthly benefits are calculated as a percentage of highest average salary (HAS). HAS is 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.

Members disabled, who have five or more years of service credit, six months of which has been earned since the most recent period of membership, may receive retirement benefits if determined to be permanently disabled. If a member dies before retirement, their spouse or their eligible children under the age of 18 (23 if a full time student) are entitled to monthly benefit payments. If there is no eligible spouse, financially dependent parents will receive a survivor's benefit.

Funding Policy

Most employees contribute 8.0% (10.0% for state troopers) of their gross covered wages to an individual account in the plan. During fiscal year 2003-2004, the state contributed 10.15% (12.85% for state troopers and 12.66% for the judicial branch) of the employee's gross covered wages. Effective January 1, 2003, 1.1% was allocated to the Health Care Trust Fund. Throughout the fiscal year, the amount needed to meet the match requirement established by the PERA Board was allocated to the Matchmaker Program (See Note 11). The balance remaining after allocations to the Matchmaker Program and the Health Care Trust Fund was allocated to the defined benefit plan.

The annual gross covered wages subject to PERA is the 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. The contribution requirements of plan members and their employers are established, and may be amended, by the General Assembly.

The institution's contributions to the three programs described above for the fiscal years ending June 30, 2004, 2003 and 2002 were \$3,111,948, \$3,654,031, and \$3,563,991, respectively. These contributions met the contribution requirement for each year.

NOTES TO FINANCIAL STATEMENTS

Optional Retirement Plan

On March 1, 1993, the Board of Trustees adopted an Optional Retirement Plan (ORP) for faculty and exempt-administrative staff. On the date of adoption, eligible University employees were offered the choice of remaining in PERA or participating in the ORP. New faculty and administrative staff members are required to enroll in the ORP unless they have one year or more service credit with PERA at the date of hire.

The ORP is a defined contribution plan with three vendors, Travelers/CitiStreet, TIAA-CREF, and VALIC, providing a range of investment accounts for participants. For 2003-2004 and 2002-2003, the employees contributed 8 percent and the University contributed 11.5 percent. The University's contribution to the ORP for the year ended June 30, 2004, and June 30, 2003 was \$3,231,036 and \$3,034,324, respectively. All contributions are immediately invested in the employee's account. Normal retirement age for the ORP is age 65 with early retirement permitted at age 55. Benefits available to the employee at retirement are not guaranteed and are determined by contributions and the decisions made by participants for their individual investment accounts.

Note 11: Voluntary Tax-Deferred Retirement Plans

Beginning on January 1, 2001, the Matchmaker Program established a state match for PERA member's voluntary contributions to tax-deferred retirement plans. For calendar years 2001 and 2002, the match was 100% of up to 3% of the employee's gross covered wages paid during the month (7% for judges in the judicial branch). For calendar year 2003, the match was 100% of up to 2% of employee's gross covered wages paid during the month (6% for judges in the judicial branch). For calendar year 2004, the match was 100% of up to 1% of the employee's gross covered wages paid during the month (5% for judges in the judicial branch). The PERA Board sets the level of the match with 2% of gross salary plus 50% of any reduction in the overall contribution rate due to over funding of the pension plan was available for the match. While the plan was not over-funded in the current year, the maximum one year change in the match rate is statutorily limited to 1%, and therefore, the match changed from 2% to 1% on January 1, 2004. Legislation passed in the 2004 session of the General Assembly terminated the match for pay-periods ending after May 31, 2004. The match will resume when the actuarial value of the defined benefit plan assets are 110% of actuarially accrued plan liabilities.

PERA 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 a 403(b) plan. Members who contribute to any of these plans also receive the state match.

Note 12: Postretirement Healthcare and Life Insurance Benefits

Health Care Program

PERACare (formerly known as the PERA Health Care Program) (the Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the Program and the Health Care Fund. Under this Program, PERA subsidizes a portion of the monthly premium for health care coverage. The benefit recipient pays any remaining amount of that premium through an automatic deduction from the monthly retirement benefit. During fiscal year 2003-2004, the premium subsidy was \$115.00 for those with 20 years of service credit (\$230.00 for members under age 65 and not eligible for Medicare), and it was reduced by 5% for each year of service fewer than 20.

The Health Care Trust Fund is maintained by an employer's contribution as discussed above in Note 10.

NOTES TO FINANCIAL STATEMENTS

Monthly premium costs for participants depend on the health care plan selected, the number of persons being covered, Medicare eligibility, and the number of years of service credit a retiree has. PERA contracts with a major medical indemnity carrier to administer claims for self-insured plans, and with health maintenance organizations providing services within Colorado. As of December 31, 2003, there were 37,067 participants, including spouses and dependents, from all contributors in the plan.

Life Insurance Program

PERA provides its members access to two group life insurance plans offered by Prudential and Anthem Life (formerly known as Rocky Mountain Life). Members may join one or both plans, and they may continue coverage into retirement. Premiums are paid monthly by payroll deduction or other means.

Note 13: Natural Classifications with Functional Classifications

For the years ended June 30, the following tables represent operating expenses within both natural and functional classifications.

2004							
Functional Classifications	Employee and Personal Services	Operating and Travel	Cost of Goods Sold	Depreciation	Intergovernmental Distributions	Prizes and Awards	Total Operating Expenses
Instruction	\$ 43,727,636	\$ 5,013,191	\$ 165	\$ ---	\$ 200,934	\$ 633	\$ 48,942,559
Research	1,900,449	659,155	---	---	154,547	6,618	2,720,769
Public Service	787,747	385,553	129,977	---	---	3,703	1,306,980
Academic Support	8,535,526	2,355,791	6,511	---	3,546	108	10,901,482
Student services	9,533,914	4,650,064	196,145	---	---	11,600	14,391,723
Institutional Support	7,235,143	(5,665,814)	3,961,672	---	---	2,617	5,533,618
O & M of Plant	4,268,278	4,212,032	---	---	---	210	8,480,520
Scholarship/Fellowship	---	3,318,329	---	---	---	---	3,318,329
Auxiliaries	6,707,334	8,885,905	3,658,030	---	---	1,260	19,252,529
Depreciation	---	---	---	10,212,966	---	---	10,212,966
TOTAL	<u>\$ 82,696,027</u>	<u>\$ 23,814,206</u>	<u>\$ 7,952,500</u>	<u>\$ 10,212,966</u>	<u>\$ 359,027</u>	<u>\$ 26,749</u>	<u>\$ 125,061,475</u>

2003							
Functional Classifications	Employee and Personal Services	Operating and Travel	Cost of Goods Sold	Depreciation	Intergovernmental Distributions	Prizes and Awards	Total Operating Expenses
Instruction	\$ 44,492,494	\$ 5,372,506	\$ 221	\$ ---	\$ 121,913	\$ 884	\$ 49,988,018
Research	1,523,723	760,944	---	---	155,161	9,957	2,449,785
Public Service	658,332	409,298	123,744	---	---	2,264	1,193,638
Academic Support	9,422,400	2,293,198	(10)	---	40,062	950	11,756,600
Student services	9,514,369	4,448,054	227,115	---	---	9,844	14,199,382
Institutional Support	7,864,671	(6,024,755)	5,513,829	---	---	2,177	7,355,922
O & M of Plant	7,653,300	1,217,997	---	---	---	99	8,871,396
Scholarship/Fellowship	---	3,197,742	---	---	---	---	3,197,742
Auxiliaries	7,079,806	7,920,713	2,472,613	---	---	771	17,473,903
Depreciation	---	---	---	9,528,353	---	---	9,528,353
TOTAL	<u>\$ 88,209,095</u>	<u>\$ 19,595,697</u>	<u>\$ 8,337,512</u>	<u>\$ 9,528,353</u>	<u>\$ 317,136</u>	<u>\$ 26,946</u>	<u>\$ 126,014,739</u>

NOTES TO FINANCIAL STATEMENTS

Note 14: Legislative Appropriations

Appropriated Funds

The Colorado State Legislature establishes spending authority for the University in its annual Long Appropriations Bill. Appropriated funds include an amount from the State of Colorado's General Fund, as well as certain cash funds. Cash funds include tuition, certain fees and certain other revenue sources.

For the years ended June 30, 2004 and 2003, appropriated expenditures were within the authorized spending authority of \$77,935,035 and \$77,027,449, respectively. Actual appropriated revenues earned totaled \$68,753,689 and \$69,409,986, respectively. Actual appropriated expenditures and transfers totaled \$69,654,320 and \$69,654,320, respectively. The net decrease in appropriated fund balance was \$326,675 and \$244,334, respectively.

Capital Construction State Appropriations

Capital Construction State Appropriations are recognized only to the extent of current expenditures of \$1,821,068. At June 30, 2004, there were unexpended Capital Construction State Appropriations of \$462,843.

Controlled Maintenance Projects

The Colorado Department of Personnel and Administration makes expenditures on behalf of the University for various controlled maintenance projects. There were three completed controlled maintenance projects added to the University for the year ended June 30, 2004. These projects included the repair and replacement of campus building roofs, the replacement of deteriorated stairs/walkways and the ceiling repair of Frasier Hall Theater.

Note 15: Commitments and Contingencies

Construction Commitments

As of June 30, 2004, the University has construction commitments of \$388,373 for "smart" classrooms, theatre ceiling repair, parking improvements and faculty apartment renovations.

Guarantee Agreement with the University of Northern Colorado Foundation Student Housing LLC

Effective August 1, 2001, the Board of Trustees of the University entered into an agreement with the University of Northern Colorado Foundation Student Housing LLC I guaranteeing the timely payment of debt service on the Colorado Educational and Cultural Facilities Authority Student Housing Revenue Bonds Series 2001A and Taxable Series 2001B. The obligation of the University to pay the guaranteed amount shall remain in effect until the first to occur of (a) a date that is 12 months after the last planned unit of the Facilities is completed and approved for occupancy and leasing, (b) the Facilities achieves 95% occupancy (excluding rooms for managers, resident assistants and discounted rooms) and/or (c) the University assumes the obligation for the debt service payments on the Series 2001 Bonds. The University has estimated that the total liability will not exceed \$740,000.

NOTES TO FINANCIAL STATEMENTS

Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Note 16: Risk Management

The University is subject to risks of loss from liability for accident, property damage and personal injury. These risks are managed by the State Division of Risk Management, an agency formed by statute and funded by the Long Appropriations Bill. Therefore, the University is not required to purchase insurance for such risk of loss. Commercial insurance coverage is purchased for employee health benefits. There has been no reduction in coverage nor have any settlements exceeded coverage in any of the three preceding years. The University does not retain risk of loss except for damage incurred to property belonging to the State, limited to a \$1,000 deductible per incident.

The State Division of Risk Management is deemed to be a public entity risk pool; therefore, under the Governmental Immunity Act, the University is protected from suit by the Doctrine of Sovereign Immunity except under certain circumstances in which immunity is waived.

Note 17: Change in Accounting Principle

During 2004, the University retroactively changed its method of determining its financial reporting entity by adopting the provisions of Governmental Accounting Standards Board Statement No. 39, *Determination Whether Certain Organizations are Component Units*. This standard requires certain organizations be reported as component units of a primary government based on the nature and significance of that organization's relationship to the primary government. Application of this statement resulted in presenting the Foundation and the LLC as a discretely presented component units of the University.



OTHER FINANCIAL, ENROLLMENT AND BUDGET DATA

STATE APPROPRIATED BUDGET REQUEST MANDATED ITEMS, UNIVERSITY PRIORITIES AND BUDGET REDUCTIONS

Base Budget	
Fee Shift	\$ 69,601,265
	1,989,714
New Revenue	
03-04 Excess Tuition	
New Tuition	1,451,474
Adjust Interest Income	2,042,925
Sub-Total New Revenue	(95,000)
	<u>3,399,399</u>
Other Resources	
Salary Savings	
Sub-Total Other Resources	(104,087)
	<u>(104,087)</u>
External Mandates/University Priorities	
Eliminate Challenge Recovery	314,013
Summer Share of Tuition	334,939
Communications Center	375,000
Insurance/Risk Management	200,000
Utilities	500,275
Fund PVA Position	54,000
Talent Scholarships	225,000
CPI Increase to Fees	26,013
Need Based Financial Aid	220,000
CTF Investment	303,564
CTF Investment (Faculty and Exempt Salary Supplements)	363,148
Sub-Total External Mandates/University Priorities	<u>2,915,952</u>
Compensation	
Classified Mandated	485,200
Faculty Promotions	47,240
GA/TA Tuition Increases	55,094
Sub-Total Compensation	<u>587,534</u>
Total State Appropriated Fund Budget Proposal	<u><u>\$ 74,990,378</u></u>

ACTUAL AND PROJECTED REVENUES AND EXPENDITURES*

Auxiliary Revenue, Student Recreation Center, Women's Resource Center, Health and Counseling Center Projects

	Actual FY 2001-02	Actual FY 2002-03	Actual FY 2003-04
Operating Revenues:			
Housing and Food Contracts	\$ 16,238,039	\$ 17,232,675	\$ 18,428,395
Short Term Room and Board	956,626	1,047,648	1,121,028
Student Fees	3,259,926	3,334,075	3,433,064
Parking Fees	1,289,919	1,427,216	1,514,278
Other Auxiliary Sales and Services	5,632,376	4,878,225	4,784,322
Gross Revenues	\$ 27,376,886	\$ 27,919,839	\$ 29,281,087
Expenditures:			
Cost of Sales	\$ 2,938,398	\$ 2,624,485	\$ 2,683,584
Personal Services	7,949,823	8,475,527	8,102,389
Other Current Expenses	6,099,204	5,767,718	6,343,165
Utilities	2,008,080	2,071,600	2,526,139
Travel and Subsistence	31,889	33,353	16,955
Capital Outlay, Operations	112,183	67,702	164,246
Current Expenses	\$ 19,139,577	\$ 19,040,385	\$ 19,836,478
NET REVENUES:	\$ 8,237,309	\$ 8,879,454	\$ 9,444,609
Transfers: (or available for transfer)			
Debt Service	\$ 4,193,980	\$ 4,191,859	\$ 4,190,828
Capital Maintenance	3,293,226	3,899,553	3,924,516
Administrative Overhead	750,103	788,042	1,329,265
Total Transfers	\$ 8,237,309	\$ 8,879,454	\$ 9,444,609
NET REVENUE/DEBT SERVICE	1.96	2.12	2.25

Budget FY 2004-05	Estimated FY 2005-06	Estimated FY 2006-07	Estimated FY 2007-08	Estimated FY 2008-09	
\$ 18,900,000	\$ 19,561,500	\$ 20,246,153	\$ 20,954,768	\$ 21,688,185	(1)
1,359,240	1,406,813	1,456,051	1,507,013	1,559,758	(1)
3,734,820	3,855,943	3,981,065	4,110,320	4,243,847	(1)
1,649,720	1,748,703	1,792,421	1,837,232	1,883,163	(3)
4,300,531	4,539,044	4,673,519	4,811,357	4,952,641	(1)
\$ 29,944,311	\$ 31,112,003	\$ 32,149,209	\$ 33,220,690	\$ 34,327,594	
\$ 2,766,906	\$ 2,836,079	\$ 2,906,981	\$ 2,979,655	\$ 3,054,146	(1)
9,456,122	9,928,928	10,425,374	10,946,642	11,493,974	(2)
7,605,706	7,795,849	7,990,745	8,190,513	8,390,471	(1)
2,697,475	2,764,913	2,834,036	2,904,886	2,977,509	(1)
70,021	100,000	100,000	101,500	101,500	(1)
115,224	197,500	197,500	197,500	197,500	(1)
\$ 22,711,454	\$ 23,623,269	\$ 24,454,636	\$ 25,320,696	\$ 26,215,100	
\$ 7,232,857	\$ 7,488,734	\$ 7,694,573	\$ 7,899,994	\$ 8,112,494	
\$ 4,190,954	\$ 4,192,944	\$ 4,194,195	\$ 4,191,660	\$ 4,191,198	(3)
1,712,686	1,841,584	1,996,047	2,152,183	2,311,575	
1,329,217	1,454,206	1,504,331	1,556,151	1,609,721	(2)
\$ 7,232,857	\$ 7,488,734	\$ 7,694,573	\$ 7,899,994	\$ 8,112,494	
1.73	1.79	1.83	1.88	1.94	

*Assumptions

(1) Estimated using a 2.5% growth rate.

(2) Estimated using a 5% growth rate.

(3) Parking Debt Service begins 02-03

Parking Revenue increases \$120K in 02-03 and \$160K in 03-04 for debt service coverage. Impact of Auxiliary System series 2001 Revenue Bonds is reflected.

AUXILIARY SERVICES

BUDGET REQUEST SUMMARY - FY 2004-2005

REVENUE, EXPENSE, TRANSFERS:

	(1) 2002-03 Actual	2003-04 Approved Budget	2004-05 Operating Changes	2004-05 Requested Budget
<i>Revenue</i>				
Revenue	\$ 23,671,992	\$ 24,069,134	\$ 1,175,724	\$ 25,244,858
Less: Cost of Sales	2,472,614	2,629,611	28,594	2,658,205
<i>Adjusted Gross Revenue</i>	\$ 21,199,378	\$ 21,439,523	\$ 1,147,130	\$ 22,586,653
<i>Expense</i>				
Total Professional Services	\$ 865,710	\$ 1,278,890	\$ 7,025	\$ 1,285,915
Total Support Services	5,866,917	5,989,251	146,070	6,135,321
Total Personnel	6,732,627	7,268,141	153,095	7,421,236
Total OCE and Travel	7,444,417	9,355,566	641,213	9,996,779
Total Capital Outlay	65,443	112,724	0	112,724
<i>Total Expenses</i>	\$ 14,242,487	\$ 16,736,431	\$ 794,308	\$ 17,530,739
<i>Adjusted Gross Revenue Over/(Under) Expense</i>	\$ 6,956,891	\$ 4,703,092	\$ 352,822	\$ 5,055,914
<i>Mandatory Transfers</i>				
*Debt Service	3,135,071	3,186,843	(6,055)	3,180,788
<i>Non-Mandatory Transfers</i>				
Deferred Maintenance Transfers	1,442,000	1,516,249	358,877	1,875,126
<i>Total Transfers</i>	\$ 4,577,071	\$ 4,703,092	\$ 352,822	\$ 5,055,914
<i>Balance</i>	\$ 2,379,820	\$ 0	\$ 0	\$ 0

*Based on Pledged Net Revenue.

(1) Restated to show Student Fees Separated from the Auxiliary Services Operations

INSTITUTIONAL INFORMATION

FACULTY AND OTHER EMPLOYEES

Faculty members are encouraged and expected to take an active part in all aspects of college life and governance. The University faculty interacts with the Board of Trustees in establishing courses of study, requirements for admission, and conditions for graduation. Table 1 provides information about the full-time teaching faculty of the University for the Fall semester, 2004.

The University employs 14 professional librarians, 58 executive, administrative, or managerial staff, 159 full-time clerical and technical staff, 192 custodial, service and maintenance staff, 237 other professional support services staff and 271 teaching, research and graduate assistants.

FULL TIME TEACHING FACULTY			
	Total	Doctorate	Tenured
Full Professors	161	150	155
Associate Professors	86	76	74
Assistant Professors	86	64	0
Instructors/Lecturers	79	29	0
TOTAL	412	319	229

TABLE 1

MATRICULATION AND RETENTION RATE

The matriculation rate is the ratio of newly enrolled freshmen to newly admitted freshmen. This ratio has been relatively constant since 1994. The fluctuations in the matriculation rate are due to increased competition among Colorado institutions for new freshmen, and increases in non-resident freshmen admissions which typically have lower matriculation rates than resident freshmen. The retention rate is the proportion of new freshmen who return to UNC for a second year, and the retention rates for new freshmen are summarized in Table 2. The increased retention rates for new freshmen, since 1998, are due to greater emphasis in recruiting students with better academic preparation and providing improved student support programs.

FRESHMAN MATRICULATION AND RETENTION RATE		
Year	Matriculation	Retention
2004	43.3%	N/A
2003	42.0%	71.9%
2002	39.5%	69.9%
2001	40.9%	69.2%
2000	38.9%	69.5%
1999	41.2%	67.5%
1998	39.7%	67.2%

TABLE 2

TUITION AND FEES

A major source of revenue to the University is student tuition and fees. Tuition at the University is divided into two basic categories, depending upon residency in the State. The University's undergraduate tuition for the 2003-04 academic year is \$2,732 for residents, and \$11,859 for non-residents. Graduate tuition for the 2003-04 academic year was \$3,193 for residents and \$12,609 for non-residents. Table 3 provides information as to the annual tuition and fees for undergraduates and graduates at the University since the 1998-1999 academic year.

ANNUAL TUITION AND FEES FOR UNDERGRADUATES AND GRADUATES					
Fiscal Year	Resident Undergrad/Grad		Non-Resident Undergrad/Grad		Fees*
2003-04	\$2,732	\$3,193	\$11,859	\$12,609	\$509
2002-03	\$2,290	\$2,708	\$10,584	\$11,268	\$661
2001-02	\$2,155	\$2,549	\$9,825	\$10,459	\$687
2000-01	\$2,072	\$2,451	\$9,357	\$9,961	\$710
1999-00	\$2,014	\$2,382	\$8,997	\$9,578	\$740
1998-99	\$1,967	\$2,327	\$8,997	\$9,578	\$740

*Health Insurance optional and not included.

TABLE 3

STATE APPROPRIATIONS

The appropriation to the University is provided by the Colorado General Assembly from its General Fund pursuant to a budget process and request by the University. Table 4 shows State appropriations in terms of dollars and percentage of total revenues to the University for fiscal years ending 1999 through 2004.

STATE APPROPRIATIONS		
Fiscal Year	State Appropriations	Percent of Revenues
FY ended 6/30/04	\$33,590,909	30.15%
FY ended 6/30/03	\$36,974,939	26.39%
FY ended 6/30/02	\$42,352,302	25.56%
FY ended 6/30/01	\$46,733,469	33.99%
FY ended 6/30/00	\$43,950,093	33.10%
FY ended 6/30/99	\$41,065,785	33.44%

TABLE 4

STUDENT HOUSING OCCUPANCY

Recent Student housing occupancy is summarized in Table 5 for academic years 1998-1999 through 2003-04.

STUDENT HOUSING OCCUPANCY		
Academic Year	Design Capacity	Occupancy Rate
2003-04	3,101	94.94%
2002-03	3,029	94.89%
2001-02	3,029	95.12%
2000-01	3,056	90.56%
1999-00	3,023	99.08%
1998-99	2,930	102.44%

TABLE 5

FALL 2004 FACT BOOK

New Freshman Trends
Fall 2000 - Fall 2004

	Fall 2000	Fall 2001	Fall 2002	Fall 2003	Fall 2004
Applicants	6,901	6,709	6,961	7,172	6,953
Admits	5,479	5,229	5,002	5,063	5,632
% Accepted	79.4%	77.9%	71.9%	70.6%	81.0%
Enrolled	2,133	2,140	1,974	2,128	2,436
% Yield	38.9%	40.9%	39.5%	42.0%	43.3%
GENDER					
Male	881	816	701	791	964
Female	1,252	1,324	1,273	1,337	1,472
ETHNICITY					
Native American	14	15	10	25	35
African American	43	36	37	48	69
Asian American	92	72	82	69	110
Hispanic	148	131	121	155	218
Total Minorities	297	254	250	297	432
White	1,767	1,769	1,652	1,753	1,925
International	3	4	3	4	2
Uncoded	66	113	69	74	77
Total Non-Minorities	1,836	1,886	1,724	1,831	2,004
RESIDENCY					
Residents	1,875	1,845	1,738	1,880	2,172
Non-Residents	258	295	236	248	264
AGE					
Less than 18	127	103	115	111	137
18	1,705	1,725	1,589	1,725	2,001
19	250	248	215	229	253
20-24	34	40	28	38	34
Total Traditional	2,116	2,116	1,947	2,103	2,425
Total Non-Traditional (25+)	17	24	27	25	11
COLLEGE					
Arts & Sciences	808	824	731	782	757
Education	N/A	N/A	4	18	96
Monfort College of Business	190	162	174	155	232
Health & Human Sciences	194	196	225	277	394
Performing & Visual Arts	256	266	235	221	236
Undeclared	685	692	605	675	721
AVERAGES					
CCHE Index	99.2	100.3	101.2	102.1	103.7
ACT - Composite	21.8	22.1	22.5	22.4	22.0
SAT - Combined	1024	1041	1046	1048	1035
High School GPA	3.20	3.23	3.25	3.32	3.20
High School Rank	62.2	62.8	62.5	63.3	59.7

FALL 2004 FACT BOOK

New Transfers Trends
Fall 2000 - Fall 2004

	Fall 2000	Fall 2001	Fall 2002	Fall 2003	Fall 2004
Applicants	1,846	1,975	1,996	2,159	2,066
Admits	1,400	1,511	1,478	1,585	1,539
% Accepted	75.8%	76.5%	75.2%	73.4%	74.5%
Enrolled	822	868	846	953	905
% Yield	58.7%	57.4%	57.2%	60.1%	58.8%

GENDER

Male	311	317	350	398	372
Female	511	551	496	555	533

ETHNICITY

Native American	7	11	11	14	25
African American	28	23	25	29	27
Asian American	22	21	16	19	32
Hispanic	76	52	77	86	70
Total Minorities	133	107	129	148	154
White	650	697	662	740	657
International	6	17	3	5	10
Uncoded	33	47	52	60	84
Total Non-Minorities	689	761	717	805	751

RESIDENCY

Residents	702	728	744	831	755
Non-Residents	120	140	102	122	150

AGE

Less than 19	12	26	17	24	21
19	187	201	200	229	257
20	216	214	215	222	195
21	115	114	123	137	109
22-24	125	126	121	142	149
Total Traditional	655	681	676	754	731
Total Non-Traditional (25+)	167	187	170	199	174

COLLEGE

Arts & Sciences	379	409	352	432	340
Education	N/A	N/A	10	11	57
Monfort College of Business	89	80	77	73	78
Health & Human Sciences	144	143	140	190	197
Performing & Visual Arts	46	81	75	55	54
Undeclared	164	155	192	192	179

AVERAGES

Transfer GPA	2.88	2.95	2.93	2.92	2.97
Transfer Hours	42.1	41.7	38.5	41.1	40.6
Age	23.1	23.0	23.1	23.1	22.9

FALL 2004 FACT BOOK

New Graduate Student Trends
Fall 2000 - Fall 2004

	FY 99/00	FY 00/01	FY 01/02	FY 02/03	FY 03/04
Applicants	1,819	1,808	1,825	2,019	1,968
Admits	1,374	1,364	1,422	1,476	1,358
% Accepted	75.5%	75.4%	77.9%	73.1%	69.0%
Enrolled	900	899	972	1,023	931
% Yield	65.5%	65.9%	68.4%	69.3%	68.6%

DEGREE LEVEL

Licensure	93	79	113	65	106
Master's	676	681	728	824	696
Specialist	38	43	53	38	32
Doctoral	93	96	78	96	97

GENDER

Male	245	252	269	269	237
Female	655	647	703	754	694

ETHNICITY

Native American	8	5	8	14	13
African American	13	12	10	18	19
Asian American	16	15	14	17	17
Hispanic	49	46	40	38	40
Total Minorities	86	78	72	87	89
White	755	750	784	814	731
International	36	45	37	43	29
Uncoded	23	26	79	79	82
Total Non-Minorities	814	821	900	936	842

RESIDENCY

Residents	706	694	793	814	756
Non-Residents	194	205	179	209	175

COLLEGE

Arts & Sciences	88	93	92	114	123
Education	546	551	627	681	567
Health & Human Sciences	201	197	202	164	178
Performing & Visual Arts	59	57	43	57	42
Graduate Interdisciplinary	6	1	8	7	21

FALL 2004 FACT BOOK

Total Enrollment Trends
Fall 2000 - Fall 2004

Total Enrollment	Fall 2000 11,039	Fall 2001 10,983	Fall 2002 10,982	Fall 2003 11,380	Fall 2004 11,851
CLASSIFICATION					
Freshman	3,384	3,239	3,075	3,242	3,615
Sophomores	2,025	2,036	1,989	1,973	2,128
Juniors	1,917	1,991	2,005	2,013	1,966
Seniors	2,133	2,169	2,289	2,365	2,385
Total Undergraduates	9,459	9,435	9,358	9,593	10,094
Undeclared	189	175	168	198	171
Teacher Licensure	69	82	91	128	101
Master's	915	908	985	1,047	1,050
Specialist	37	33	34	36	29
Doctoral	273	270	266	302	345
Total Graduate Students	1,483	1,468	1,544	1,711	1,696
Non-Degree	97	80	80	76	61
GENDER					
Male	4,342	4,278	4,187	4,320	4,592
Female	6,697	6,705	6,795	7,060	7,259
ETHNICITY					
Native American	59	71	70	94	133
African American	230	216	211	229	252
Asian American	466	419	395	359	392
Hispanic	851	788	774	807	869
Total Minorities	1,606	1,494	1,450	1,489	1,646
White	9,069	8,962	8,971	9,232	9,472
International	142	157	134	123	122
Uncoded	222	370	427	536	611
Total Non-Minorities	9,433	9,489	9,532	9,891	10,205
COLLEGE					
Arts & Sciences	4,548	4,765	4,806	4,905	4,278
Monfort College of Business	1,335	1,302	1,174	1,069	1,116
Education	700	717	816	1,001	1,560
Health & Human Sciences	1,635	1,593	1,670	1,772	2,276
Performing & Visual Arts	1,097	1,151	1,127	1,100	1,114
Graduate Interdisciplinary	5	4	7	20	38
Undeclared	1,719	1,451	1,382	1,513	1,469
RESIDENCY					
Residents	9,662	9,637	9,711	10,153	10,588
Non-Residents	1,377	1,346	1,271	1,227	1,263
FTE STUDENTS					
Residents	8,446	8,396	8,475	8,782	9,139
Non-Residents	1,268	1,215	1,157	1,107	1,138
Total FTE Students	9,714	9,611	9,632	9,889	10,278

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AS OF
JUNE 30, 2004**

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Student Representative Council
University of Northern Colorado
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AS OF JUNE 30, 2004**

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