

Colorado State University – Global Campus
(A University within the Colorado State University System)
Financial Statements and Independent Auditor’s Reports
Financial Audit
Years Ended June 30, 2015 and 2014

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December 3, 2015

Members of the Legislative Audit Committee:

We have completed the financial statement audit of Colorado State University – Global Campus as of and for the year ended June 30, 2015. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We were engaged to conduct our audit pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct or cause to be conducted audits of all departments, institutions and agencies of state government. The reports which we have issued as a result of this engagement are set forth in the table of contents which follows.

BKD, LLP

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(A University within the Colorado State University System)
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Colorado State University - Global Campus
(A University within the Colorado State University System)

Report Summary

Year Ended June 30, 2015

Purposes and Scope of Audit

The Office of the State Auditor engaged **BKD, LLP** (BKD) to conduct a financial audit of Colorado State University – Global Campus (CSU – Global) for the year ended June 30, 2015. BKD performed the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The purposes and scope of the audit were to:

- Express opinions on the financial statements of CSU – Global as of and for the years ended June 30, 2015 and 2014, including consideration of internal control over financial reporting as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards* for the year ended June 30, 2015.
- Evaluate compliance with certain provisions of laws, regulations, contracts and grants governing the expenditure of federal and state funds for the year ended June 30, 2015.
- Issue a report on CSU – Global’s internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters based on our audits of the financial statements performed in accordance with *Government Auditing Standards* for the year ended June 30, 2015.

Audit Opinions and Reports

The independent auditor’s reports included herein expressed unmodified opinions on CSU – Global’s financial statements as of and for the years ended June 30, 2015 and 2014.

No material weaknesses in internal control over financial reporting were identified.

No instances of noncompliance considered material to the financial statements were disclosed by the audit.

There are no findings and recommendations reported for the year ended June 30, 2015.

Significant Audit Adjustments

There were three proposed audit adjustments identified during the audit for the year ended June 30, 2015. One of these adjustments was made to the financial statements, which is discussed in the Audit Committee Communication on page 47, and two were not recorded. The proposed audit adjustments not recorded were determined by management to be immaterial to the financial statements as a whole. The effect of the uncorrected misstatements, had they been recorded, would have been to increase beginning of year net position by \$15,000, decrease revenue by \$15,000, increase non-current liabilities by \$31,000 and increase expense by \$31,000.

Colorado State University - Global Campus
(A University within the Colorado State University System)
Report Summary
Year Ended June 30, 2015

Summary of Progress in Implementing Prior Audit Recommendations

There were no findings and recommendations reported for the year ended June 30, 2014.

Colorado State University - Global Campus
Description of the Colorado State University-Global Campus
Year Ended June 30, 2015

Organization and Administration

Colorado State University-Global Campus (CSU – Global) is the newest institution in the Colorado State University System (the System), an established university system with a rich 140-year history that evolved from agrarian roots as a land-grant institution. CSU – Global was established on August 24, 2007, by the System Board of Governors with a central goal of meeting the educational needs of adult learners in the State of Colorado and beyond by providing high quality online programs. On May 7, 2008, the System Board of Governors delegated authority to CSU – Global to oversee academic, personnel, and financial matters consistent with powers granted to CSU and CSU-Pueblo. Thereafter, CSU – Global was legally sanctioned as a third, independent University on March 18, 2009, when Colorado’s Governor Ritter signed into law the State of Colorado Senate Bill 09-086 declaring the establishment of the CSU – Global Campus as an online university that is part of the Colorado State University System.

CSU – Global is the first statutorily-defined 100% online public university in the United States. It has a unique focus on the success of adult, nontraditional learners with learning outcomes focused on theory, knowledge, and skills necessary to secure employment and improve job performance. From its first class of nearly 200 students in 2008, CSU – Global has now grown to have a student body of over 13,000 students.

On June 30, 2011, Colorado State University-Global Campus was officially granted independent regional accreditation status by the Higher Learning Commission (HLC) of the North Central Association of Colleges and Schools. CSU – Global is the first public university in Colorado to receive initial HLC accreditation since 1971, a significant achievement for the university, the CSU System, and online education. The role and mission of CSU – Global is established in Title 23, C.R.S.

The Board of Governors of the Colorado State University System (the Board) has control and supervision of CSU – Global. The Board consists of 15 members: Nine voting members appointed by the Governor and confirmed by the Senate for four-year terms and six advisory members representing the student bodies and the faculty councils elected for one-year terms.

The Board is authorized to set tuition, pay expenses, and hire officials. The chief academic and administrative officers are the Chancellor of the Colorado State University System and the President of each institution.

Academic Degree Programs

CSU – Global currently offers 14 online undergraduate programs which lead to Bachelor of Science degrees in the following disciplines:

- Accounting
- Applied Social Sciences
- Business Management
- Communication
- Criminal Justice and Law Enforcement Administration
- Healthcare Administration and Management
- Human Resource Management
- Human Services
- Information Technology
- Management Information Systems and Business Analytics
- Marketing
- Organizational Leadership
- Project Management
- Public Management

Colorado State University - Global Campus
 Description of the Colorado State University-Global Campus
 Year Ended June 30, 2015

CSU – Global also currently offers twelve graduate level degree programs in the following disciplines:

- Master of Science in Management
- Master of Science in Teaching and Learning
- Master of Finance
- Master of Information Technology Management
- Master of Project Management
- Master of Science in Organizational Leadership
- Master of Criminal Justice and Law Enforcement Administration
- Master of Healthcare Administration and Management
- Master of International Management
- Master of Science in Teaching and Learning – Education Leadership Principal Licensure Concentration
- Master of Professional Accounting
- Master of Human Resource Management

Colorado State University-Global Campus

Colorado State University –Global Campus (CSU – Global) was created by the Colorado State University System Board of Governors in 2007, and initiated its student instruction in Fall 2008. Built on a foundation of low cost, accountability, adaptability to marketplace needs, and sensitivity to student needs, CSU – Global is focused on facilitating adult success in a global marketplace through career-relevant education.

CSU – Global’s degree programs and specializations are carefully selected and crafted to prepare students for relevant jobs and careers that have current and forecasted long-term growth. Instructors with industry expertise and top academic credentials lead courses that emphasize not only pertinent professional information, but they also seek to expand vital skills of critical thinking, evaluation, examination, and decision making—all important factors in both securing and keeping desirable jobs.

Mission Statement

CSU – Global Campus is committed to advancing student success in a global society, investing in human capital, expanding the state economy, and enhancing the quality of life for citizens in the state of Colorado and beyond by providing access to dynamic degree programs characterized by academic excellence, innovative delivery technologies, and strong stakeholder engagement.

CSU – Global reports full-time equivalent (FTE) for student, faculty and staff for three continuous years as follows:

Colorado State University-Global Campus Full-Time Equivalent (FTE) Student Enrollment			
	<u>Resident</u>	<u>Nonresident</u>	<u>Total</u>
Fiscal year:			
2014–2015	2,771	3,323	6,094
2013–2014	2,509	2,453	4,962
2012–2013	2,300	1,407	3,707

Colorado State University - Global Campus
Description of the Colorado State University-Global Campus
Year Ended June 30, 2015

Colorado State University-Global Campus
Full-Time Equivalent (FTE) Faculty and Staff

Fiscal year:	<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
2014–2015	368	143	511
2013–2014	299	134	433
2012–2013	160	94	254

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Colorado State University-Global Campus
Auditor's Findings and Recommendations
Year Ended June 30, 2015

There are no findings and recommendations for the year ended June 30, 2015.

Colorado State University-Global Campus
Disposition of Prior Audit Recommendations
Years Ended June 30, 2014, 2013 and 2012

Summary of Progress in Implementing Prior Audit Recommendations

There were no findings and recommendations reported for the year ended June 30, 2014.

Independent Auditor's Report

Members of the Legislative Audit Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of Colorado State University – Global Campus (CSU – Global), a component unit of Colorado State University System, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise CSU – Global's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Members of the Legislative Audit Committee:

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CSU – Global as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2, the financial statements of CSU – Global, are intended to present the financial position, the changes in financial position and the cash flows of only that portion of the business –type activities of the CSU System that is attributable to the transactions of CSU – Global. They do not purport to, and do not, present fairly the financial position of the CSU System as of June 30, 2015 and 2014, and the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 10 to the financial statements, for Fiscal Year 2015, the System adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise CSU – Global’s basic financial statements. The Description of the Colorado State University-Global Campus listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Members of the Legislative Audit Committee:

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of CSU – Global’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CSU – Global’s internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
December 3, 2015

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Colorado State University - Global Campus
Management's Discussion and Analysis
Years Ended June 30, 2015 and 2014
(Unaudited)

Management's Discussion and Analysis

This section of the financial report presents management's discussion and analysis of the financial performance of Colorado State University-Global Campus (CSU – Global) for the fiscal years ended June 30, 2015 and 2014. CSU – Global began offering classes to students in fiscal year 2009 and achieved a positive net position (total assets in excess of total liabilities) in fiscal year 2012. Management's comments will primarily focus on the periods ending June 30, 2013 through June 30, 2015. This discussion provides an analysis of the university's financial activities based on currently known facts, decisions, or existing conditions, and should be read in conjunction with CSU – Global's financial statements and notes thereto, which are also presented in this document. The analyses in this section of the report are unaudited.

Enrollment and Financial Highlights

The following accomplishments occurred during the fiscal years ended June 30, 2015, 2014 and 2013:

- Student enrollment (unduplicated headcount) increased 26% between fiscal year 2014 and 2015 and increased 28% between fiscal year 2013 and fiscal year 2014.
- Student enrollment (FTE) increased 23% and 34% between fiscal year 2014 and 2015 and between fiscal year 2013 and 2014, respectively.
- Unique course offerings to our students increased 15% and 35% between fiscal year 2014 and 2015 and between fiscal year 2013 and 2014, respectively.
- CSU – Global's net position increased from \$14.9 million at June 30, 2013 to \$48.4 million by June 30, 2015.

The Basic Financial Statements

The enclosed financial statements are designed to provide readers with a broad overview of CSU – Global's financial activities. The statements of net position, statements of revenues, expenses and changes in net position, and the statements of cash flow compose the basic financials of CSU – Global.

Financial Analysis

Statement of Net Position

The statement of net position presents the financial position of CSU – Global and includes all assets and liabilities of the university at a point in time. CSU-Global assets exceeded liabilities resulting in positive net position by \$48,364,321, \$25,410,266, and \$14,874,009 at June 30, 2015, 2014 and 2013, respectively. At June 30, 2015, the majority (94%) of CSU – Global's assets are held as cash and cash equivalents. Surplus reserves or net position is primarily designated to fund strategic initiatives such as enrollment growth and exceptional customer service, to maintain financial stability as required by the

Colorado State University - Global Campus
Management's Discussion and Analysis
Years Ended June 30, 2015 and 2014
(Unaudited)

Board and Higher Learning Accrediting Authorities and for the development of new and maintenance of existing online courses and degree programs.

Summary of Net Position

	June 30		
	2015	2014	2013
Current assets	\$ 54,453,764	\$ 35,081,015	\$ 18,291,358
Capital assets	1,243,564	841,684	177,990
Other assets	1,320,713	-	-
Total assets	<u>\$ 57,018,041</u>	<u>\$ 35,922,699</u>	<u>\$ 18,469,348</u>
Deferred outflows of resources	\$ 419,815	\$ -	\$ -
Total deferred outflows of resources	<u>\$ 419,815</u>	<u>\$ -</u>	<u>\$ -</u>
Current liabilities	\$ 5,819,223	\$ 10,048,980	\$ 3,325,941
Noncurrent liabilities	3,254,107	463,453	269,398
Total liabilities	<u>\$ 9,073,330</u>	<u>\$ 10,512,433</u>	<u>\$ 3,595,339</u>
Deferred inflows of resources	\$ 205	\$ -	\$ -
Total deferred inflows of resources	<u>\$ 205</u>	<u>\$ -</u>	<u>\$ -</u>
Net position:			
Net investment in capital assets	\$ 1,243,564	\$ 841,684	\$ 177,990
Restricted for expendable purposes			
Scholarships	32,093	164,958	15,000
Other	-	16,750	21,750
Unrestricted	<u>47,088,663</u>	<u>24,386,873</u>	<u>14,659,269</u>
Total net position	<u>\$ 48,364,321</u>	<u>\$ 25,410,266</u>	<u>\$ 14,874,009</u>

Continued expansion of new courses and degree programs followed by strong enrollment growth contributed to the increase of CSU – Global assets. Cash and cash equivalents increased \$18.1 million, or 55%, in 2015 over that of 2014. For this same period, net student accounts receivable increased \$934 thousand or 70.94% due to the timing of the tuition bill date of the last term in the fiscal year, federal financial aid disbursements applied to accounts receivable, and the evaluation of the allowance for doubtful accounts. Other accounts receivable, decreased \$97 thousand, or 32% in 2015 over that of 2014 due to the timing difference related to student credit card settlement payments, direct loan disbursement payments received subsequent to year end, and enhanced accounting processes. During the fiscal year ended June 30, 2015, net capital assets increased \$402 thousand, or 48%, over fiscal year 2014 due to the

Colorado State University - Global Campus
Management's Discussion and Analysis
Years Ended June 30, 2015 and 2014
(Unaudited)

increase in furniture and equipment and perpetual software licenses purchases in improving the technological infrastructure of the University. Prepaid expenses increased \$421 thousand, or 154%, in 2015 over that of 2014 due to increased prepayments of licensing and subscriptions.

Cash and cash equivalents increased \$16.9 million or 104% and net student accounts receivable decreased \$600 thousand in 2014 over that of 2013. At June 30, 2015, CSU – Global collected approximately 97% of billable tuition for fiscal year 2014-15 and historically 98% over the last two fiscal years.

In 2015, total liabilities decreased \$1.4 million. Current liabilities decreased \$4.2 million due to the payment of \$5.4 million relating to transfers and payments to CSU-Pueblo. Noncurrent liabilities increased \$2.8 million due to the recognition of net pension liability per GASB 68 – Change in Accounting Principle. Due to limited pension plan data, it is not possible to entirely restate fiscal year 2014 and prior data.

In 2014, total liabilities increased \$6.9 million. Current liabilities increased \$6.7 million due to higher payroll accruals, the increase of unearned revenue, and timing of accounts payable. Noncurrent liabilities increased \$194 thousand due to unamortized rent.

Statement of Revenues, Expenses and Changes in Net Position

The statement of revenues, expenses and changes in net position presents the financial operating results of CSU – Global for the reporting period. Operating and nonoperating revenues and expenses and the resulting increase/decrease (changes in net position) during the year are shown in this statement.

Colorado State University - Global Campus
Management's Discussion and Analysis
Years Ended June 30, 2015 and 2014
(Unaudited)

Summary of Revenues, Expenses and Changes in Net Position

	Year Ended June 30		
	2015	2014	2013
Operating revenues			
Student tuition and fees	\$ 63,603,436	\$ 48,454,218	\$ 34,683,974
Nongovernmental grants	-	-	36,750
Other operating revenue	1,843,092	1,192,425	452,281
Total operating revenues	<u>65,446,528</u>	<u>49,646,643</u>	<u>35,173,005</u>
Operating expenses			
Instruction	12,605,994	10,232,984	6,769,971
Academic support	4,457,086	2,960,592	2,598,913
Student services	16,905,263	13,196,369	7,303,544
Institutional support	6,306,771	5,274,946	5,820,294
Operation and maintenance of plant	491,710	418,996	182,158
Depreciation	287,116	93,291	-
Scholarships and fellowships	8,474,220	6,551,036	4,728,181
Total operating expenses	<u>49,528,160</u>	<u>38,728,214</u>	<u>27,403,061</u>
Operating income	<u>15,918,368</u>	<u>10,918,429</u>	<u>7,769,944</u>
Nonoperating revenues (expenses)			
Investment income	332,273	247,931	7,707
State nonoperating grants and contracts	(161,250)	(168,750)	-
Federal nonoperating grants and contracts	8,474,220	6,551,036	4,728,181
Net nonoperating revenues	<u>8,645,243</u>	<u>6,630,217</u>	<u>4,735,888</u>
Income before other revenues (expenses) or transfers	<u>24,563,611</u>	<u>17,548,646</u>	<u>12,505,832</u>
Other revenues (expenses) or transfers			
Payments to governing boards or other institutions	547,235	(7,012,389)	(543,835)
Total other revenues, (expenses) or transfers	<u>547,235</u>	<u>(7,012,389)</u>	<u>(543,835)</u>
Increase in net position	25,110,846	10,536,257	11,961,997
Net Position			
Net position, beginning of year	25,410,266	14,874,009	2,912,012
Change in accounting principle	(2,156,791)	-	-
Net position, beginning of year, as adjusted	<u>23,253,475</u>	<u>14,874,009</u>	<u>2,912,012</u>
Net position, end of year	<u>\$ 48,364,321</u>	<u>\$ 25,410,266</u>	<u>\$ 14,874,009</u>

Colorado State University - Global Campus
Management's Discussion and Analysis
Years Ended June 30, 2015 and 2014
(Unaudited)

The introduction of new courses and degree programs combined with strong enrollment growth led to significant increases in operating revenues and expenses. CSU – Global offers fixed tuition pricing. Once a student enrolls in a degree program, the tuition rate is locked as long as the student remains in classes and in good academic standing. From June 30, 2013 through June 30, 2015, total student enrollment increased 64%. During this same period, tuition and fee revenue grew from \$34.7 million to \$63.6 million, an increase of 83%. Undergraduate and graduate tuition rates were unchanged between the period of June 30, 2013 and June 30, 2015.

As the interest and demand grew for CSU – Global online course offerings, so did its operating costs. From June 30, 2013 through June 30, 2015, the number of instructors (full-time equivalent) increased 130%. The number of non-teaching or support staff employees (full-time equivalent) increased 52% during this same period. CSU – Global invests approximately 42% of its operating budget on academic related activities such as online instruction, course design, maintenance and development. Between fiscal years 2013 and 2015, an average of 32.3% of CSU – Global's operating costs was spent on student enrollment and retention services, while an average of 16.0% was spent on administration, technology and facilities.

Nonoperating revenues increased to \$8.6 million in 2015 from \$4.7 million in 2013, or 83% and from \$4.7 million in 2013 to \$6.6 million in 2014, or 40%. This increase is attributable to the increased number of undergraduate students eligible for federal grants. Nonoperating revenues for CSU – Global primarily consist of federal Pell Grant awards received on behalf of students. Reporting standards require the receipt of these resources to be recognized as nonoperating revenue while the actual disbursement to students is reported as an operating expense.

CSU – Global's change in net position amounted to \$25.1 million and \$10.5 million for the fiscal years ended June 30, 2015 and June 30, 2014, respectively, as the result of increased revenues in excess of costs.

Statement of Cash Flows

The statement of cash flows provides information about CSU – Global's operating results by reporting sources and uses of cash. The basis of presentation for this statement is the direct method, which illustrates cash flows from operating, non-capital financing, capital and related financing, and investing activities.

Economic Outlook for Colorado State University-Global Campus

Quality, convenience, flexibility and affordability are the growing demands of the educational consumer, particularly among the adult nontraditional students that CSU – Global's mission is focused. The university's data-driven approach to all university activities, its introduction of market relevant courses and degree programs, its emphasis on student and graduate workplace success, and its dedication to student retention and degree completion are expected to continue to fuel the university's growth and reputation.

Colorado State University - Global Campus

Management's Discussion and Analysis

Years Ended June 30, 2015 and 2014

(Unaudited)

Management believes CSU – Global will experience strong enrollment growth as new accredited programs and student experience enhancements are introduced across the nation, and as students continue to demand educational opportunities that provide access, affordability, and high academic quality. Although CSU – Global is a Colorado public university under the governance of the CSU System Board of Governors, it receives no state funding but instead relies on its own operational excellence and efficiencies to achieve its mission. Therefore, the threat of reduced or limited state support will not encumber the operational abilities of CSU – Global. It is the intent of management, as evidenced by its strong and favorable net position on June 30, 2015, to employ a fiscal policy of adding to its cash reserves while maintaining minimal long-term debt. Given CSU – Global's mission and focused initiatives, its leadership position in higher education innovation, and its understanding of the educational market, management believes that the University's financial position will remain strong.

CSU – Global is a young university that is rising up in a time that its industry is rapidly filling with competitive private equity players, for-profit publishers & businesses, large well-funded non-profit organizations, innovative upstarts and new public university online options. As in any industry, there are uncertain economic and political factors that may restrict the growth and threaten the financial viability of an organization. With CSU – Global's streamlined operational models that afford it flexibility and scalability, minimal long-term debt load, and low operating costs, and with its revenue diversification abilities, management believes that it is well-positioned for adverse and unforeseeable events.

Requests for Information

The financial report is designed to provide a general overview of the Colorado State University-Global Campus's finances for all those with an interest in CSU – Global's finances and to demonstrate CSU – Global's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the attention of the Controller, Colorado State University-Global Campus, 7800 East Orchard Road, Suite 200, Greenwood Village, Colorado 80111.

Colorado State University-Global Campus

Statements of Net Position

June 30, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 51,297,195	\$ 33,180,810
Student accounts receivable, net	2,249,805	1,316,173
Grant and other accounts receivable, net	207,673	304,709
Inventories	4,416	5,953
Prepaid expenses	694,675	273,370
Total current assets	54,453,764	35,081,015
Capital assets		
Furniture and equipment, net	\$ 768,056	\$ 465,068
Software, net	371,155	243,804
Leasehold improvements, net	104,353	132,812
Total capital assets	1,243,564	841,684
Other assets		
Long term intra fund receivable	\$ 1,320,713	\$ -
Total other assets	1,320,713.00	-
Total assets	\$ 57,018,041	\$ 35,922,699
Deferred Outflows of Resources	\$ 419,815	\$ -
Liabilities		
Current liabilities		
Accounts payable	\$ 1,182,552	\$ 5,879,132
Accrued liabilities	2,112,697	2,041,118
Unearned revenue	2,154,566	1,761,484
Deposits held for others	310,838	272,642
Other noncurrent liabilities, current portion	45,116	45,116
Compensated absences, current portion	13,454	49,488
Total current liabilities	5,819,223	10,048,980
Noncurrent liabilities		
Net pension liability	2,769,722	-
Compensated absence liabilities	360,316	294,269
Other noncurrent liabilities	124,069	169,184
Total noncurrent liabilities	3,254,107	463,453
Total liabilities	\$ 9,073,330	\$ 10,512,433
Deferred Inflows of Resources	\$ 205	\$ -
Net Position		
Net investment in capital assets	\$ 1,243,564	\$ 841,685
Restricted for expendable purposes		
Scholarships and grants	32,093	164,958
Other	-	16,750
Unrestricted	47,088,663	24,386,873
Total net position	\$ 48,364,321	\$ 25,410,266

Colorado State University-Global Campus
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues		
Student tuition and fees, net	\$ 63,603,436	\$ 48,454,218
Other operating revenue	1,843,092	1,192,425
Total operating revenues	<u>65,446,528</u>	<u>49,646,643</u>
Operating expenses		
Instruction	12,605,994	10,232,984
Academic support	4,457,086	2,960,592
Student services	16,905,263	13,196,369
Institutional support	6,306,771	5,274,946
Operation and maintenance of plant	491,710	418,996
Depreciation	287,116	93,291
Scholarships and fellowships	8,474,220	6,551,036
Total operating expenses	<u>49,528,160</u>	<u>38,728,214</u>
Operating income	<u>15,918,368</u>	<u>10,918,429</u>
Nonoperating revenues (expenses)		
Investment income	332,273	247,931
Grant to community colleges	(161,250)	(168,750)
Federal nonoperating grants and contracts	8,474,220	6,551,036
Net nonoperating revenues	<u>8,645,243</u>	<u>6,630,217</u>
Income before other revenues, expenses or transfers	<u>24,563,611</u>	<u>17,548,646</u>
Other revenues (expenses), or transfers		
Payments from (to) governing boards or other institutions	547,235	(7,012,389)
Total other revenues, (expenses), or transfers	<u>547,235</u>	<u>(7,012,389)</u>
Increase in net position	25,110,846	10,536,257
Net position, beginning of year, as previously reported	25,410,266	14,874,009
Adjustment for change in accounting principle	(2,156,791)	-
Net position, beginning of year, as restated	<u>23,253,475</u>	<u>14,874,009</u>
Net position, end of year	<u>\$ 48,364,321</u>	<u>\$ 25,410,266</u>

Colorado State University System-Global Campus

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Cash received		
Tuition and fees	\$ 63,101,081	\$ 49,893,540
Other operating receipts	1,940,128	924,181
Cash payments		
Scholarships disbursed	(8,474,220)	(6,551,036)
Payments to employees	(23,948,781)	(15,634,296)
Payments to suppliers	(16,411,167)	(15,953,945)
Net cash provided by operating activities	16,207,041	12,678,444
Cash flows from noncapital financing activities		
Gifts and grants for other than capital purposes	(161,250)	(168,750)
Agency (direct lending inflows)	65,123,080	50,943,173
Agency (direct lending outflows)	(65,123,080)	(50,943,173)
Other agency (inflows)	789,546	618,308
Other agency (outflows)	(789,546)	(618,308)
Payments to governing boards or other institutions	(6,173,478)	(1,612,389)
Other nonoperating revenues	8,474,220	6,551,036
Net cash provided by noncapital financing activities	2,139,492	4,769,897
Cash flows from capital financing activities		
Acquisition of capital assets	(562,421)	(756,986)
Net cash used in capital financing activities	(562,421)	(756,986)
Cash flows from investing activities		
Investment earnings	332,273	247,931
Net cash provided by investing activities	332,273	247,931
Net increase in cash and cash equivalents	18,116,385	16,939,286
Cash and cash equivalents, beginning of the year	33,180,810	16,241,524
Cash and cash equivalents, end of the year	\$ 51,297,195	\$ 33,180,810

Colorado State University System-Global Campus

Statements of Cash Flows

Years Ended June 30, 2015 and 2014

Reconciliation of operating income to net cash provided by (used in) operating activities

Operating income	\$ 15,918,368	\$ 10,918,429
Adjustments		
Depreciation expense	287,116	93,291
Noncash operating transactions	(19,378)	1,252,290
Decrease (increase) in assets		
Receivables, net	(817,218)	(921,752)
Inventories and prepaids	(419,768)	(180,909)
Increase (decrease) in liabilities		
Accounts payable	576,846	(7,771)
Accrued liabilities	71,579	415,166
Unearned revenue	393,082	803,018
Deposits held for others	38,196	37,520
Compensated absences liabilities	30,016	54,862
Other liabilities	148,202	214,300
Net cash provided by operating activities	<u>\$ 16,207,041</u>	<u>\$ 12,678,444</u>
Noncash activities		
Accounts payable incurred for capital assets	\$ 126,574	\$ -

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

(1) Governance and Reporting Entity

Governance

Colorado State University-Global Campus (CSU – Global) is a Colorado public institution and one of three universities within the Colorado State University System (the CSU System). The CSU System is an institution of higher education of the State of Colorado. The Board of Governors (the Board) is the governing board of the CSU System. The Board consists of nine members appointed by the Governor of the State of Colorado and four nonvoting representatives from the institutions. In addition to these financial statements, CSU – Global’s financial activity is also included in the basic financial statements of the Colorado State University System.

Reporting Entity

The accompanying financial statements present the operations of CSU – Global. As a higher education institution of the State of Colorado, the income of CSU – Global is generally exempt from income taxes under Section 115 of the Internal Revenue Code (IRC). However, income unrelated to the exempt purpose of CSU – Global would be subject to tax under IRC Section 511(a)(2)(B). CSU – Global had no material unrelated business income for the years ended June 30, 2015 and 2014.

(2) Basis of Presentation

The financial statements of CSU – Global, are intended to present the financial position, the changes in financial position and the cash flows of only that portion of the business –type activities of the CSU System that is attributable to the transactions of CSU – Global. They do not purport to, and do not, present fairly the financial position of the CSU System as of June 30, 2015 and 2014, and the changes in its financial position, or where applicable, its cash flows for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Any effort to reconcile this report with presentations made for other purposes, such as data submitted with the legislative budget request of CSU – Global, must take into consideration the differences in the basis of accounting and other requirements for the presentation of such information.

(3) Measurement Focus, Basis of Accounting, and Summary of Significant Accounting Policies

For financial reporting purposes, CSU – Global is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the basic financial statements of CSU – Global have been presented using the economic resources measurement focus and the accrual basis of accounting. Presentation is also in accordance with the State of Colorado Higher Education Accounting Standard No. 17. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when incurred.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, pooled cash with the State Treasurer, and all highly liquid investments with an original maturity when purchased of three months or less.

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

Student Receivables

Student receivables are carried at cost, less an allowance for doubtful accounts. Management believes that the allowance for doubtful accounts is adequate. Management uses available information to recognize losses on student receivables. Future additions to the allowance may be necessary based on changes in economic conditions and other factors.

Inventories

Inventories, consisting of school store merchandise, are carried at cost.

Capital Assets

Capital assets are stated at cost. Depreciation on furniture, fixtures, equipment and improvements is provided on a straight-line basis over the estimated useful lives as described in the table below:

<u>Asset Class</u>	<u>Useful Life</u>
Furniture and Other Equipment	5–7 years
Computer Hardware and Software	3–5 years
Leasehold Improvements	Shorter of term of lease or useful life

Amounts spent for repairs and maintenance are charged to expense as incurred. When assets are sold or retired, the associated cost and accumulated depreciation are removed. Any gain or loss from such disposition is recorded as a component of other non-operating revenues and expenses on the Statements of Revenues, Expenses and Changes in Net Position.

Deferred Outflows and Inflows of Resources

With the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, the System now reports a deferred outflow and a deferred inflow of resources related to pensions.

Compensated Absence Liabilities

The amount of compensated absence liabilities that are recorded as a current liability on the statements of net position are the known amount of separation payouts at June 30. The remaining balance of the compensated absence liabilities is recorded as a noncurrent liability on the statements of net position.

Net Position

Net positions of CSU – Global are classified as follows:

Net investment in capital assets – This represents the total investment in capital assets, net of accumulated depreciation and outstanding debt obligations, if any, related to those capital assets.

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

Restricted net position – nonexpendable – Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing future income, which may either be expended or added to principal. CSU – Global has no non-expendable assets as of June 30, 2015 or 2014.

Restricted net position – expendable – Restricted expendable net positions in which CSU – Global is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties or debt agreements.

Unrestricted net position – Unrestricted net position represents resources derived from student tuition and fees, state fee for service reserves, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of CSU – Global and may be used to meet current expenses for any purpose. Unrestricted net assets may be designated by actions of the Board.

Classification of Revenues

CSU – Global has classified revenues as either operating or nonoperating according to the following criteria:

- Operating revenues consist of services related to teaching, including tuition and application fees from students (after reduction for bad debt and scholarship allowances provided with institutional funds).
- Operating expenses represent the full cost of providing the services and goods associated with operating revenues. These expenses are accrued when incurred and measurable and reported using functional classifications.
- Non-operating revenues and expenses consist primarily of investment income that are relied upon and budgeted for support of operating expenses. Also included in non-operating revenues are Federal Pell Grants.

Unearned Revenue

CSU – Global defers a portion of the tuition revenue for courses whose duration span two fiscal years. The unearned amount is based on the number of calendar days that occur after June 30.

Application of Restricted and Unrestricted Resources

This application is made on a case-by-case basis by management depending on overall program requirements and resources. Generally, management applies restricted resources then unrestricted resources when both restricted and unrestricted resources are available to pay an expense.

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

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(4) Cash and Cash Equivalents

CSU – Global deposits cash and cash equivalents with the Colorado State Treasurer as required by Colorado Revised Statutes (CRS). The State Treasurer pools these deposits and invests them in securities as prescribed by CRS 24-75-601.1. The State Treasury acts as a bank for all state agencies and institutions of higher education, with the exception of the University of Colorado. Monies deposited in the Treasury are invested until the cash is needed. As of June 30, 2015, CSU – Global had cash on deposit with the State Treasurer of approximately \$46 million, which represented approximately .60 percent of the total \$7.7 billion of fair value of deposits in the State Treasurer’s Pool (Pool). As of June 30, 2014, CSU – Global had cash on deposit with the State Treasurer of \$26.0 million, which represented approximately 0.35 percent of the total \$7.46 billion of fair value of deposits in the State Treasurer’s Pool (Pool).

For financial reporting purposes all of the Treasurer’s investments are reported at fair value, which is determined based on quoted market prices at fiscal year-end. On the basis of CSU – Global’s participation in the Pool, CSU – Global reports as an increase or decrease in cash and cash equivalents its share of the Treasurer’s unrealized gains and losses on the Pool’s underlying investments. The State Treasurer does not invest any of the Pool’s resources in any external investment pool and there is no assignment of income related to participation in the Pool. The unrealized gains or losses included in income reflect only the change in fair value for the fiscal year.

The difference between CSU – Global’s cash carrying value, deposits with the State Treasurer and balances at other banks is due to outstanding checks and deposits in transit. CSU – Global earned interest of \$297,097 for the fiscal year ended June 30, 2015 and \$146,663 for the fiscal year ended June 30, 2014. However, CSU – Global recognized the occurrence of increases in cash and cash equivalents and increases or decreases in investment income as a result of unrealized gains or losses on deposits with the State Treasurer. CSU – Global reflected an unrealized gain of \$35,245 and \$101,000 in cash and cash equivalents on deposit with the State Treasurer for fiscal years ended June 30, 2015 and 2014, respectively. The unrealized gain on investment income for the fiscal year ended June 30, 2015 was \$35,245 and the unrealized loss on investment income for June 30, 2014 was \$101,000. Detailed information on the State Treasurer’s pooled cash and cash equivalents and investments is available from the State Treasurer’s office.

Investments in the Treasurer’s Pool are exposed to custodial credit risk if the securities are uninsured, are not registered in the State’s name, and are held by either the counterparty to the investment purchase or the counterparty’s trust department or agent but not in the State’s name. As of June 30, 2015, none of the investments in the State Treasurer’s Pool are subject to custodial credit risk.

Custodial credit risk for deposits is the risk that in the event of a bank failure, CSU – Global’s deposits may not be returned to it. To manage custodial risk, deposits with financial institutions are made in accordance with the Colorado Public Deposit Protection Act (PDPA) of 1975. PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having a market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under PDPA are considered to be collateralized with securities held by the pledging institutions in CSU – Global’s name. Deposits held in money market funds are not PDPA

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

eligible deposits.

At June 30, 2015 and 2014, CSU – Global’s book and bank balance value of cash not on deposit with the State Treasurer was \$4.8 million and \$7.2 million, respectively. Cash includes petty cash or cash on hand and cash in bank accounts. Bank account balances per the bank at June 30, 2015 and 2014, are \$3.4 million and \$6.2 million, respectively. Of the June 30, 2015 deposits, \$250,000 were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$3.1 million were collateralized with securities held by the pledging institution’s trust department. Of the June 30, 2014 deposits, \$250,000 were covered by depository insurance and were not exposed to custodial credit risk, and the remaining \$6.0 million were collateralized with securities held by the pledging institution’s trust department.

Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligations. This risk is assessed by national rating agencies which assign a credit quality rating for many investments. Credit quality ratings for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not reported; however, credit quality ratings are reported for obligations of U.S. government agencies that are not explicitly guaranteed by the U.S. government. Based on these parameters, as of June 30, 2015, approximately 88.0 percent of investments of the Treasurer’s Pool are subject to credit quality risk reporting. Except for \$87.4 million of corporate bonds rated lower medium, and \$25.0 million of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has a strong capability to pay principal and interest when due. As of June 30, 2014, approximately 87 percent of investments of the Treasurer’s Pool are subject to credit quality risk reporting. Except for \$15.2 million of corporate bonds rated lower medium, and \$25.4 million of corporate bonds rated very speculative, these investments are rated from upper medium to the highest quality, which indicates that the issuer has a strong capability to pay principal and interest when due.

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. In addition to statutory limitations on types of investments, the State Treasurer’s investment policy mitigates interest rate risk through the use of maturity limits set to meet the needs of the individual fund if the Treasurer is investing for a specific fund rather than the Pool. The Treasurer actively manages the time to maturity in reacting to changes in the yield curve, economic forecasts, and liquidity needs of the participating funds. The Treasurer further limits investment risk by setting a minimum/maximum range for the percentage of investments subject to interest rate risk and by laddering maturities and credit ratings. As of June 30, 2015, the weighted average maturity of investments in the Treasurer’s Pool was 0.063 years for Commercial Paper (6.3 percent of the Pool), 1.33 years for U.S. Government Securities (47.5 percent of the Pool), 2.53 years for Asset Backed Securities (18.5 percent of the Pool), and 2.20 years for Corporate Bonds (22.9 percent of the Pool). As of June 30, 2014, the weighted average maturity of investments in the Treasurer’s Pool was 0.043 years for Commercial Paper (1.0 percent of the Pool), 1.424 years for U.S. Government Securities (55.8 percent of Pool), 3.033 years for Asset Backed Securities (19.9 percent of the Pool), and 2.766 years for Corporate Bonds (23.3 percent of the Pool).

The Treasurer’s Pool was not subject to foreign currency risk or concentration of credit risk in fiscal years ended June 30, 2015 or 2014.

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

Additional information on investments of the State Treasurer’s Pool may be obtained in the State’s Comprehensive Annual Financial Report for the fiscal years ended June 30, 2015 and 2014.

(5) Accounts Receivable

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying statements of net position.

	June 30	
	2015	2014
Student accounts receivable	\$ 5,058,730	\$ 4,432,470
Less: allowance for doubtful accounts	(2,808,925)	(3,116,297)
Student accounts receivable, net	\$ 2,249,805	\$ 1,316,173
Other accounts receivable, net	\$ 207,673	\$ 304,709

(6) Capital Assets

Capital assets as of June 30, 2015 and 2014, consist of the following:

	Balance 6/30/2014	Additions	Deletions	Transfers	Balance 6/30/2015
Depreciable capital assets					
Furniture and equipment	\$ 514,100	\$ 434,671	\$ -	\$ -	\$ 948,771
Software	268,030	254,325	-	-	522,355
Leasehold improvements	152,845	-	-	-	152,845
	934,975	688,996	-	-	1,623,971
Less accumulated depreciation					
Furniture and equipment	(49,032)	(131,682)	-	-	(180,714)
Software	(24,226)	(126,974)	-	-	(151,200)
Leasehold improvements	(20,033)	(28,460)	-	-	(48,493)
	(93,291)	(287,116)	-	-	(380,407)
Total capital assets, net	\$ 841,684	\$ 401,880	\$ -	\$ -	\$ 1,243,564

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

	Balance 6/30/2013	Additions	Deletions	Transfers	Balance 6/30/2014
Depreciable capital assets					
Furniture and equipment	\$ -	\$ 384,735	\$ -	\$ 129,365	\$ 514,100
Software	38,875	229,155	-	-	268,030
Leasehold improvements	139,115	143,095	-	(129,365)	152,845
Total capital assets	177,990	756,985	-	-	934,975
Less accumulated depreciation					
Furniture and equipment	-	(49,032)	-	-	(49,032)
Software	-	(24,226)	-	-	(24,226)
Leasehold improvements	-	(20,033)	-	-	(20,033)
Total accumulated depreciation	-	(93,291)	-	-	(93,291)
Total capital assets, net	\$ 177,990	\$ 663,694	\$ -	\$ -	\$ 841,684

(7) Accrued Liabilities

The current accrued liabilities balances as of June 30, 2015 and 2014, were composed of:

	June 30,	
	2015	2014
Accrued payroll and benefits	\$ 1,467,331	\$ 1,377,653
Other accrued liabilities	645,366	663,465
Total current accrued liabilities	\$ 2,112,697	\$ 2,041,118

(8) Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 6/30/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
Accrued compensated absences	\$ 343,757	\$ 144,220	\$ 114,207	\$ 373,770	\$ 13,454
Other	214,300	-	45,115	169,185	45,116
Net pension liability	-	2,769,722	-	2,769,722	-
	\$ 558,057	\$ 2,913,942	\$ 159,322	\$ 3,312,677	\$ 58,570

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/2013	Additions	Reductions	Balance 6/30/2014	Amounts due within one year
Accrued compensated absences	\$ 288,895	\$ 205,350	\$ 150,488	\$ 343,757	\$ 49,488
Other	-	221,820	7,520	214,300	45,116
	\$ 288,895	\$ 427,170	\$ 158,008	\$ 558,057	\$ 94,604

(9) Operating Lease Commitment

The following is a schedule of CSU – Global’s aggregate minimum rental commitments for operating leases of real and personal property for each of the five subsequent fiscal years.

Fiscal year ending June 30:	
2016	\$ 466,625
2017	468,456
2018	474,177
2019	358,551
Total	\$ 1,767,809

In May 2013 CSU – Global entered into a new five-year lease for office space, with a commencement date of October 18, 2013. The lease provides an option to renew the terms of the lease for two consecutive additional periods of five years each. The lease agreement also includes a stipulation for rent holidays, which are recognized on a straight-line basis over the life of the lease. The lease includes base rent payable, net of property tax credits of \$2,345,770 beginning in March 2014. CSU – Global receives a monthly property tax credit in the amount of \$2,594 that began March 1, 2014 and continues through the duration of the lease.

Total rent expense for the years ended June 30, 2015 and 2014 was \$418,269 and \$374,811, respectively.

(10) Net Position

During the year ended June 30, 2015, CSU – Global implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. As a result CSU – Global had a change in accounting principle. The cumulative effect of the change to the new accounting principle was applied to the carrying amounts of deferred outflows, deferred inflows, and in noncurrent liabilities of the Statements of Net Position (SNP) as of July 1, 2014. An offsetting adjustment was made to the beginning balance of net position for that period. The financial statements for the period ended June 30, 2014 were not restated because it was impractical to do so due to a lack of comparable information.

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

Impact of Adoption:

Net Position, beginning of year, as previously reported	25,410,266
Cumulative effect of change in accounting principle	<u>(2,156,791)</u>
Net Position, beginning of year, as restated	<u><u>23,253,475</u></u>

(11) Employment Benefits

CSU – Global employees who are eligible for retirement benefits participate in either the State Division Trust Fund (SDTF), a defined benefit pension fund, administered by the Public Employees’ Retirement Association Defined Benefit Plan (PERA) or an Optional Retirement Plan (ORP), subject to eligibility criteria defined by PERA and CSU – Global for each separate governing entity.

CSU – Global’s total payroll for the fiscal years ended June 30, 2015 and 2014 was approximately \$19.6 million and \$15.7 million, respectively. Payroll for employees covered by the SDTF plan and the optional defined contribution plan was approximately \$941,312 and \$597,000 for the fiscal years ended June 30, 2015 and 2014, respectively.

(a) PERA Defined Benefit Pension Plan

Plan Description

CSU – Global provides certain of its employees with pension benefits through the State’s PERA defined benefit retirement program.

Summary of Significant Accounting Policies

CSU – Global participates in the State Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension fund administered by PERA. The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

Eligible employees of CSU – Global are provided with pensions through the State Division Trust Fund (SDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provision of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

Benefits Provided

PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, receive an annual increase of two percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of two percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007, receive an annual increase of the lesser of two percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

Contributions

Eligible employees and CSU – Global are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees are summarized in the table below:

	<u>Fiscal Year 2014</u>		<u>Fiscal Year 2015</u>	
	<u>CY13</u>	<u>CY14</u>		<u>CY15</u>
	<u>7/1 to 12/31</u>	<u>1/1 to 6/30</u>	<u>7/1 to 12/31</u>	<u>1/1 to 6/30</u>
Employer contribution rate	10.15%	10.15%	10.15%	10.15%
Apportioned to the Health Care Trust Fund ¹	-1.02%	-1.02%	-1.02%	-1.02%
Apportioned to the SDTF	9.13%	9.13%	9.13%	9.13%
Amortization Equalization Disbursement (AED) ²	3.40%	3.80%	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) ²	3.00%	3.50%	3.50%	4.00%
Total employer contribution rate to the SDTF	<u>15.53%</u>	<u>16.43%</u>	<u>16.43%</u>	<u>17.33%</u>

¹ As specified in C.R.S. Section 24-51-208(1)(f)

² As specified in C.R.S. Section 24-51-411

Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and CSU - Global is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from CSU - Global were \$169,316, \$101,758 and \$94,558 for the years ended June 30, 2015, 2014 and 2013, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, CSU - Global reported a liability of \$2,769,722 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. CSU – Global’s proportion of the net pension liability was based on CSU - Global contributions to the SDTF for the calendar year 2014 relative to the total contributions of participating employers to the SDTF.

At December 31, 2014, CSU - Global proportion was 0.0294 percent, which was an increase of 0.0045% from its proportion measured as of December 31, 2013.

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

	December 31	
	2014	2013
Proportionate share of net pension liability:	2,769,722	2,221,821
Proportion percentage:	0.0294%	0.0249%
Proportion percentage increase/(decrease):	0.0045%	

For the year ended June 30, 2015, CSU - Global recognized pension expense of \$368,628. CSU - Global reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$205
Net difference between projected and actual earnings on pension plan investments	56,475	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	261,348	-
Contributions subsequent to the measurement date	<u>101,992</u>	<u>N/A</u>
Total	<u><u>\$ 419,815</u></u>	<u><u>\$ 205</u></u>

\$101,992 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending June 30:	
2016	\$ 153,767
2017	135,613
2018	14,119
2019	14,119
Total	<u><u>\$ 317,618</u></u>

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

Actuarial Assumptions

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 %
Real wage growth	1.10 %
Wage inflation	3.90 %
Salary increases, including wage inflation	3.90 – 9.57 %
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 %
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00 %
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back one year, and Females set back two years.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

The SDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of CSU – Global Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 3,551,454	2,769,722	2,112,182

Pension Plan Fiduciary Net Position

Detailed information about the SDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

(b) University Optional Retirement Plan -The Defined Contribution Plan for Retirement (DCP)

Under the University’s optional retirement plan, all Academic Faculty, and Administrative Professionals are required as a condition of employment under Colorado law to participate in either the University’s Defined Contribution Plan (DCP) for Retirement or, in very limited cases, in the PERA Defined Benefit plan (as eligibility permits). DCP participants may select from two investment companies as follows:

1. Teachers Insurance and Annuity Association (TIAA)
2. Variable Annuity Life Insurance Corporation (VALIC)

The defined contribution retirement plans are established pursuant to state statute (24-54.5-101 to 24-54.5-107 CRS). As a university of the Board of Governors for the Colorado State University System, CSU – Global employees are eligible to participate in CSU – Global’s retirement plan. The Defined Contribution Retirement Plan is a qualified plan under Section 401(a) of the IRC. CSU – Global participants contribute the required 8 percent of eligible salary. CSU – Global provides a matching contribution of 11.1 percent, as required, of eligible salary for all nonstudent employees, including those employees at less than half-time and nonstudent temporary, hourly employees. Both employee and employer contributions are vested immediately. Investments are participant-directed within the funds available through the authorized investment companies. CSU – Global’s aggregate contribution to the above two vendors was equal to 11.1 percent and 11.1 percent of covered payroll or approximately \$2.0 million and \$1.6 million for the fiscal years ended June 30, 2015 and 2014, respectively. The employee aggregate contribution to the above two vendors was equal to 8.0 percent and 8.0 percent of covered payroll or approximately \$1.5 million and \$1.2 million for the fiscal years ended June 30, 2015 and 2014, respectively.

(c) Health and Life Insurance Programs

CSU – Global’s contribution to the various health insurance programs was approximately \$1.4 million and \$1.1 million for the fiscal years ended June 30, 2015 and 2014, respectively.

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

(12) Compensated Absences Liability

CSU – Global employees may accrue annual and sick leave based on the length of service and subject to certain limitations regarding the amount that will be paid upon termination. The estimated liability of compensated absences for which employees are vested as of June 30, 2015 and 2014 was \$374 thousand and \$344 thousand, respectively.

Overall, net expenses increased by \$30 thousand for the fiscal year ended June 30, 2015 and \$55 thousand for the fiscal year ended June 30, 2014, for the estimated compensated absences liabilities.

(13) Direct Student Financial Aid Reporting

During the fiscal years ended June 30, 2015 and 2014, CSU – Global participated in the federal government's Direct Loan Program. This program provides loans from the federal government to qualifying students and their families for educational purposes. While CSU – Global helps students obtain these loans, the University is not a party to the loans and is not responsible for collection of monies owed or for defaults by borrowers.

The gross amounts of Direct Loans disbursed during the fiscal years ended June 30, 2015 and 2014 were \$65.1 million and \$50.9 million, respectively.

(14) Scholarship Allowance

Tuition and fees revenues and the related scholarship and bad debt allowances for the year ended June 30, 2015 and 2014 were as follows:

	Tuition and Fees	
	2015	2014
Gross revenue	\$ 64,392,524	\$ 50,195,762
Bad debt allowance	(19,378)	1,252,290
Scholarship allowances		
Institutional	808,466	489,254
Total allowances	789,088	1,741,544
Net revenue	\$ 63,603,436	\$ 48,454,218

(15) Commitments and Contingencies

In June 30, 2015, CSU-Global recorded a \$200,730 liability relating to a late 1098-T filing during the tax year 2012. Form 1098-T reports qualified tuition and related expenses that might entitle the taxpayer an adjustment to taxable income or an income tax credit. CSU-Global received a Notice of Proposed Penalty from the IRS dated August 25, 2014 proposing the set fee amount of \$200,730. Management is reviewing the information from the IRS, but has recorded a liability for the \$200,730 as of June 30, 2015.

Colorado State University – Global Campus

Notes to Basic Financial Statements

Years Ended June 30, 2015 and 2014

(16) Related-Party Transactions

In February and June 2014, the Colorado State University Board of Governors approved resolutions to transfer monies from the funds of the Board to balance the CSU-Pueblo budget for fiscal year 2014 with the intent that such funds would be transferred from CSU - Global to CSU-Pueblo. As such, at June 30, 2014, accounts payable included \$5.4 million as an obligation to CSU-Pueblo. In August 2014 the funds were transferred and subsequent to the issuance of the fiscal year 2014 audit financial report, it was determined that \$1.3 million of the \$5.4 million transferred was a note receivable from CSU - Pueblo. Therefore, CSU-Global recorded a long-term receivable in that amount, identified as an interest-free note with no minimum monthly payments, maturing June 30, 2018. This note is included in the "long term intra fund receivable" line on the Statement of Net Position.

(17) Risk Management

CSU – Global is exposed to various risks of loss related to torts; theft of damage to and destruction of assets or information; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Insurance coverage for claims arising from such matters including those related to workers' compensation and natural disasters is purchased from the State of Colorado's Risk Management program. Settled claims have not exceeded this coverage in 2015 or 2014. Claims are administered by the Colorado Division of Risk Management.

(18) Subsequent Events

Subsequent events have been evaluated through December 3, 2015, which is the date the financial statements were available to be issued.

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Required Supplementary Information

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Colorado State University – Global Campus

Required Supplemental Information
 Schedule of Proportionate Share of the Net Pension Liability and
 Schedule of Contributions
 (Unaudited)
 June 30, 2015

Schedule of Proportionate Share of the Net Pension Liability

	2015	2014
Proportion of the net pension liability	0.029%	0.025%
Proportionate share of the net pension liability	2,769,722	2,221,821
Covered-employee payroll	792,808	642,148
Proportionate share of the net pension liability as a percentage of covered-employee payroll	28.62%	28.90%
Plan fiduciary net position as a percentage of the total pension liability	59.80%	61.08%

Schedule of Contributions

	2015	2014
Contractually required contributions	\$ 169,316	\$ 101,758
Contributions in relation to the contractually required contribution	(169,316)	(101,758)
Contribution deficiency/(excess)	\$ -	\$ -
Covered-employee payroll	\$ 941,312	\$ 597,298
Contributions as a percentage of covered-employee payroll	18.0%	17.0%

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**Independent Auditor’s Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards**

Members of the Legislative Audit Committee:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Colorado State University – Global Campus (CSU – Global), a university within the Colorado State University System, State of Colorado (the CSU System) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise CSU – Global’s basic financial statements and have issued our report thereon dated December 3, 2015, which contained “Emphasis of Matters” paragraphs regarding a change in accounting principles as well as indicating the financial statements do not purport to, and do not, present the CSU System’s financial position, changes in financial position, or, where applicable, cash flows.

Internal Control Over Financial Reporting

Management of CSU – Global is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered CSU – Global’s internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CSU – Global’s internal control. Accordingly, we do not express an opinion on the effectiveness of CSU – Global’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of CSU – Global’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Members of the Legislative Audit Committee

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CSU – Global’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to CSU – Global’s management in a separate letter dated December 3, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CSU – Global’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
December 3, 2015

Independent Auditor's Audit Committee Communication

Members of the Legislative Audit Committee:

As part of our audit of the financial statements of Colorado State University – Global Campus (CSU – Global), a university within the Colorado State University System (the CSU System) as of and for the year ended June 30, 2015, we wish to communicate the following to you.

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America and the Standards Applicable to Financial Audits Contained in Government Auditing Standards Issued by the Comptroller General of the United States

An audit performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

CSU – Global's significant accounting policies are described in Note 3 of the audited financial statements.

Alternative Accounting Treatments

- No matters are reportable.

Members of the Legislative Audit Committee:

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Allowance for doubtful accounts
- Scholarship allowance
- Compensated absences

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Related-party transactions

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- Allowance for doubtful accounts

Proposed Audit Adjustments Not Recorded

- The proposed audit adjustment not recorded was determined by management to be immaterial to the financial statements as a whole. The effect of the uncorrected misstatement, had it been recorded, would have been to increase beginning of the year net position by \$15,000 as of June 30, 2014 and decrease revenues for the year ended June 30, 2015 by \$15,000.

Auditor's Judgments About the Quality of CSU – Global's Accounting Principles

During the course of the audit, we made the following observations regarding the Company's application of accounting principles:

- No matters are reportable.

Members of the Legislative Audit Committee:

Other Material Written Communications

Listed below are other material written communications between management and us related to the audit:

- Management representation letter
- Management letter

* * * * *

This letter is intended solely for the information and use of the Legislative Audit Committee, the Office of the State Auditor, the Colorado State University Board of Governors, the Colorado State University Board of Governors' Audit Committee and Colorado State University – Global's management and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

December 3, 2015

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