



UNIVERSITY OF COLORADO

Financial and Compliance Audit

Year ended June 30, 2008

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UNIVERSITY OF COLORADO

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UNIVERSITY OF COLORADO

Report Summary

Year ended June 30, 2008

Purpose and Scope

The Office of the State Auditor engaged KPMG LLP (KPMG) to conduct a financial and compliance audit of the University of Colorado (the University) for the year ended June 30, 2008. KPMG performed this 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. We conducted the related fieldwork from May 19, 2008 to November 18, 2008.

The purpose and scope of our audit was to:

- Express an opinion on the basic financial statements of the University as of and for the year ended June 30, 2008. This includes a report on internal control over financial reporting and compliance as required by auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- Evaluate compliance with laws, regulations, contracts, and grants governing the expenditure of federal and state funds.
- Express an opinion on the statement of appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs of the University for the year ended June 30, 2008.
- Evaluate progress in implementing prior audit findings and recommendations.

The University's schedule of expenditures of federal awards and applicable opinions thereon by the Office of the State Auditor, State of Colorado, are included in the June 30, 2008 Statewide Single Audit Report issued under separate cover.

Audit Opinions and Reports

We expressed unqualified opinions on the University's basic financial statements and the statement of appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs for the year ended June 30, 2008.

There were three audit adjustments that were proposed and not made to the basic financial statements:

- An adjustment that would have increased leasehold improvements and capital leases payable by approximately \$5.0 million;
- An adjustment that would have decreased operating revenue and operating expenses by approximately \$3.8 million; and
- An adjustment that would have increased investments and investment income by approximately \$998,000.

We issued a report on the University's compliance and internal control over financial reporting based on an audit of basic financial statements performed in accordance with *Government Auditing Standards*. A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's

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Report Summary

Year ended June 30, 2008

financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted one area where the University could improve its internal control or compliance procedures or achieve other operating efficiencies, which is described in the finding and recommendation section of this report. This is a control deficiency.

Summary of Findings

Tuition and Fee Rate Table Access

During our audit of the University, we reviewed all employees for each of the campuses that had the ability to access and update the tuition and fee rate tables in the billing and receiving system (BRS). Of the 21 employees reviewed, access rights should have been terminated for seven employees as it was determined that their job responsibilities did not necessitate having that access. The University should establish appropriate controls to periodically reevaluate each user who has access rights to update the tuition and fee rate tables to ensure that this access is appropriate for their job function.

Recommendation and the University's Response

A summary of the recommendation for the above finding is included in the Recommendation Locator on page 4. The Recommendation Locator also shows the University's response to the audit recommendation. A discussion of the audit comment and recommendation is contained in the finding and recommendation section of our report.

The University's response to the finding is described in the finding and recommendation section of this report. Its response has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Summary of Progress in Implementing Prior Year Audit Recommendations

The audit report for the year ended June 30, 2007 included four recommendations. The disposition of these audit recommendations as of November 18, 2008 was as follows:

| | |
|-----------------------------------|-------------|
| Implemented | 4 |
| Partially implemented/in progress | — |
| Not implemented | — |
| | <hr/> |
| | 4 |
| | <hr/> <hr/> |

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Report Summary

Year ended June 30, 2008

The 2007 audit report also included five recommendations that were reported as not implemented or partially implemented for the year ended June 30, 2006. The disposition of these recommendations as of November 18, 2008 was as follows:

| | |
|-----------------------------------|-------------|
| Implemented | 5 |
| Partially implemented/in progress | — |
| Not implemented | — |
| | <hr/> |
| | 5 |
| | <hr/> <hr/> |

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Recommendation Locator

Year ended June 30, 2008

| <u>Rec. no.</u> | <u>Page no.</u> | <u>Recommendation summary</u> | <u>University response</u> | <u>Implementation date</u> |
|-----------------|-----------------|---|----------------------------|----------------------------|
| 1 | 7 | Establish appropriate controls to periodically reevaluate each user who has access rights to update the tuition and fee rate tables to ensure that this access is appropriate for his or her job function. This enhanced control should also address access rights for individuals whose job duties change during the year. | Agree | June 30, 2009 |

UNIVERSITY OF COLORADO

Description of the University of Colorado

Year ended June 30, 2008

Organization and Administration

The University of Colorado (the University) was established on November 7, 1861 by Act of the Territorial Government. Upon the admission of Colorado into the Union in 1876, the University was declared an institution of the State of Colorado (the State) and the Board of Regents was established under the State Constitution as its governing authority.

The University consists of the system office and the following three campuses:

- University of Colorado at Boulder (CU – Boulder)
- University of Colorado of Denver (UC – Denver)
- University of Colorado at Colorado Springs (CU – Colorado Springs)

The three campuses comprise 28 schools and colleges, which offer more than 144 fields of study at the undergraduate level and 163 fields at the graduate level. Approximately 250 bachelor and master's degrees, along with 75 doctorates, are offered.

The Board of Regents is charged constitutionally with the general supervision of the University and the exclusive control and direction of all funds of and appropriations to the University, unless otherwise provided by law. The Board of Regents consists of nine members serving staggered six-year terms, one elected from each of the State's seven congressional districts and two elected from the State at large.

The Board of Regents appoints the President of the University. The President is the chief executive officer of the University. The President is responsible for the administration of the University and for compliance of all University matters with applicable regent laws and policies and state and federal constitutions, laws, and regulations. The President is the chief academic officer of the University, responsible for providing academic leadership for the University in meeting the needs of the State, and shall maintain and advance the academic policies of the University. The President is also the chief spokesperson for the University and interpreter of University policy and represents and interprets the roles, goals, and needs of the University throughout the State and elsewhere, as appropriate. The Chancellors are the chief academic and administrative officers at the campus level, responsible to the President for the conduct of the affairs of their respective campuses in accordance with the policies of the Board of Regents.

Enrollment, tuition, and faculty and staff information is presented below. The information was obtained from the Budget Data Book for the respective fiscal years, prepared by the University for the Colorado Department on Higher Education (CDHE).

Full-time equivalent (FTE) student enrollment

| Fiscal years | Undergraduate | | Graduate | | Total |
|--------------|---------------|-------------|----------|-------------|--------|
| | Resident | Nonresident | Resident | Nonresident | |
| 2007 – 2008 | 28,082 | 8,466 | 7,102 | 1,496 | 45,146 |
| 2006 – 2007 | 27,789 | 8,166 | 7,004 | 1,320 | 44,279 |
| 2005 – 2006 | 27,677 | 8,055 | 7,166 | 1,206 | 44,104 |

UNIVERSITY OF COLORADO

Description of the University of Colorado

Year ended June 30, 2008

| FTE faculty and staff | | | |
|------------------------------|----------------------------------|------------------------------------|--------------|
| Fiscal years | Instructional faculty | Other faculty and staff | Total |
| 2007 – 2008 | 4,241 | 9,184 | 13,425 |
| 2006 – 2007 | 4,083 | 9,172 | 13,255 |
| 2005 – 2006 | 3,822 | 9,294 | 13,116 |

UNIVERSITY OF COLORADO

Finding and Recommendation

Year ended June 30, 2008

We have audited the basic financial statements of the University of Colorado (the University) as of and for the year ended June 30, 2008, and have issued our report thereon, dated November 18, 2008. In planning and performing our audit of the basic financial statements, we considered the University's internal control solely to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on internal control. In addition, in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, we also have issued our report dated November 18, 2008 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. We have not considered internal control since the date of that report. We did not audit the financial statements of the University of Colorado Foundation (CU Foundation) or the University of Colorado Real Estate Foundation (CUREF), discretely presented component units. In addition, we did not audit the financial statements of the University Physicians, Inc. (UPI), a blended component unit. Those financial statements were audited by other auditors and were not audited in accordance with *Government Auditing Standards*.

The maintenance of adequate internal control designed to fulfill control objectives is the responsibility of management. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time may later be found deficient because of the performance of those responsible for applying them and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the organization.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as described above.

Although not considered to be a significant deficiency or a material weakness, we noted the following control deficiency during our audit that we would like to bring to management's attention:

UNIVERSITY OF COLORADO

Finding and Recommendation

Year ended June 30, 2008

Tuition and Fee Rate Table Access

During our audit of the University, we reviewed all employees for each of the campuses that had the ability to access and update the tuition and fee rate tables in the billing and receiving system (BRS). We noted that there were 21 employees across the campuses that had such access rights: eight for Boulder, eight for Colorado Springs, and five for UC – Denver. Of the 21 employees reviewed, access rights should have been terminated for seven employees (two at Boulder, four at Colorado Springs, and one at Denver) as it was determined that their job responsibilities did not necessitate having that access. The University has subsequently terminated their access to BRS.

It is important to limit the number of people that have access rights in order to ensure accountability and reduce the risk of unauthorized changes to the tuition and fee rate tables.

Recommendation No. 1

The University should establish appropriate controls to periodically reevaluate each user who has access rights to update the tuition and fee rate tables to ensure that this access is appropriate for his or her job function. This enhanced control should also address access rights for individuals whose job duties change during the year.

University of Colorado Response

Agree. The University will review and strengthen its current controls surrounding access to the tuition and fee rate tables in BRS to ensure that only appropriate employees have access and that such access is reviewed and terminated if job duties change during the year.

Implementation date: June 30, 2009

The University's response to the control deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

UNIVERSITY OF COLORADO

Disposition of Prior Audit Findings and Recommendations

Year ended June 30, 2008

Following are the audit recommendations for the year ended June 30, 2007, and the 2006, 2005, 2004, and 2003 recommendations that had not been fully implemented previously, and their disposition as of November 18, 2008.

| Recommendation | Disposition |
|--|--------------------|
| 2007 Recommendation No. 1 – The University should implement procedures to ensure that deferred revenue and accounts receivable balances related to its sponsored projects are properly recorded. | Implemented |
| 2007 Recommendation No. 2 – The University should implement procedures to ensure that the reviews and approvals of reconciliations and reports are appropriately documented. | Implemented |
| 2007 Recommendation No. 3 – The University should strengthen general controls over IT by ensuring that terminated users’ access to all systems is removed in a timely manner. | Implemented |
| 2007 Recommendation No. 4 – The University should implement procedures to ensure that federal grant reimbursement requests are reviewed by someone other than the preparer prior to submission, and that the University should maintain documentation that the reviews were performed. | Implemented |
| 2006 Recommendation No. 2 – To ensure that an appropriate internal control environment is maintained and monitored, the University should consider implementing the following actions: | Implemented |
| (a) Reemphasize through effective annual communication that an appropriate tone at the top within each college/department of the University is in place and will be maintained through mandatory training for appropriate personnel. | |
| (b) Continue to incorporate the expectations of senior management for strong ethical behavior and proper financial accountability, and highlight the outlets available for communication of potential matters by employees without fear of retribution in employee training events, including new hire | |

UNIVERSITY OF COLORADO

Disposition of Prior Audit Findings and Recommendations

Year ended June 30, 2008

| Recommendation | Disposition |
|--|---|
| orientation sessions. | |
| (c) Continue to encourage business officers within the colleges/departments to ask knowledgeable accounting/procurement officials about questionable transactions or potential financial activities before they are authorized or consummated. | |
| (d) Annually communicate the importance of accurate and timely reporting of conflict of interest and conflict of commitment matters, and consider the extent of faculty and management members required to complete such reporting requirements. | |
| (e) Continue to communicate to employees the importance of their required internal control and financial management responsibilities when they change positions within the University during the year. | |
| 2006 Recommendation No. 4 – The University should implement a more comprehensive and functional capital asset system to track and account for its capital assets. | Implemented Management considered implementation of a third-party asset management system but decided against such an implementation based on a cost benefit analysis. However, the University has determined that the risks outlined in the audit have been appropriately mitigated by implementing improved controls over capital asset tracking spreadsheets. We consider this issue to be adequately resolved. |
| 2005 Recommendation No. 5 – The University should implement changes to its internal processes and related controls to ensure the CU – Boulder Intercollegiate Athletics Department: | Implemented KPMG was not engaged to perform the NCAA agreed-upon procedures for 2008. However, the University’s Internal Audit Department followed up on this recommendation and assessed the status of our recommendations as implemented. We consider this issue to be adequately resolved. |
| (a) Has current job descriptions and salary letters on file; | |
| (b) Better manages its consumable inventories; | |

UNIVERSITY OF COLORADO

Disposition of Prior Audit Findings and Recommendations

Year ended June 30, 2008

| Recommendation | Disposition |
|--|--------------------|
| (c) Adequately documents its billings related to sport camps; and | |
| (d) Provides adequate monitoring of booster organizations. | |
| <p>In addition, the CU – Boulder Intercollegiate Athletics Department should perform a risk-based review of its policies to determine which NCAA requirements may need to be incorporated more specifically. The University should also strengthen its procedures and related controls to ensure audit schedules and underlying reconciliations are adequately prepared and reviewed.</p> | |
| <p>2004 Recommendation No. 2 – Implement procedures to require that a knowledgeable individual, other than the creator, approve all journal entries prior to being posted to the general ledger. Alternatively, the University may consider setting a minimum amount over which journal entries should be approved, thus minimizing the chance that a material error could be posted in the general ledger. Ideally, this control should be designed to be a preventive control rather than a detective control.</p> | <p>Implemented</p> |

UNIVERSITY OF COLORADO

Disposition of Prior Audit Findings and Recommendations

Year ended June 30, 2008

| Recommendation | Disposition |
|--|--------------------|
| <p>2003 Recommendation No. 4 – The University should strengthen controls over capital assets and related accounts by:</p> <ul style="list-style-type: none">(a) Reviewing existing policies and procedures regarding the recording of purchases of capital assets and related accounts to ensure that all aspects of recognition are addressed;(b) Providing additional training to campus personnel regarding these policies; and(c) Periodically reviewing controls over capital assets to ensure that they are in place and functioning as intended. <p>The University should ensure that capital assets policies and procedures specifically address the search for unrecorded liabilities at year-end, as there were two audit adjustments in 2005, which required an increase of approximately \$2.3 million in accounts payable and construction in progress.</p> | <p>Implemented</p> |



KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

Members of the Legislative Audit Committee:

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of the University of Colorado (the University), a component unit of the State of Colorado, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the 2008 or 2007 financial statements of University Physicians, Inc. (UPI), a blended component unit, which represent approximately 5%, 6%, and 14%, respectively, for 2008, and approximately 5%, 6%, and 13%, respectively, for 2007, of the assets, net assets, and revenues of the business-type activities of the University. In addition, we did not audit the 2008 or 2007 financial statements of the University of Colorado Foundation (CU Foundation) and the University of Colorado Real Estate Foundation (CUREF), which represent approximately 100% of the assets, net assets, and revenues of the aggregate discretely presented component units for 2008 and 2007. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for UPI, CU Foundation, and CUREF, are based on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the CU Foundation and CUREF, discretely presented component units, and UPI, a blended component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University of Colorado as of June 30, 2008 and 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in notes 7 and 12 to the basic financial statements, effective June 30, 2008, the University implemented Statement No. 45 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 18, 2008 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the required supplementary information are not a required part of the basic financial statements, but are supplementary information required by U.S. generally accepted accounting principles. 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.

KPMG LLP

November 18, 2008

UNIVERSITY OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007 (unaudited)

We are pleased to present this financial discussion and analysis of the University of Colorado (the University). It is intended to make the University's financial statements easier to understand and communicate our financial situation in an open and accountable manner. It provides an objective analysis of the University's position and results of operations as of and for the years ended June 30, 2008 and 2007 (Fiscal Year 2008 and 2007, respectively), with comparative information for Fiscal Year 2006. University management is responsible for the completeness and fairness of this discussion and analysis and the financial statements, as well as the underlying system of internal controls.

UNDERSTANDING THE UNIVERSITY

The presented information relates to the financial activities of the primary reporting entity of the University, a comprehensive degree-granting research university in the State of Colorado (State). The University comprises the administration, the following three campuses, and blended component units.

- University of Colorado at Boulder (CU-Boulder)
- University of Colorado Denver (UC Denver)
- University of Colorado at Colorado Springs (UCCS)

With more than 54,170 students and 2,610 tenure/tenure track instructional faculty, the University is the largest institution of higher education in Colorado with baccalaureate, graduate, and professional education programs. As discussed in Note 1, each of the three campuses brings a unique character to the system in order to meet the specialized needs of its communities.

In addition, the University has three supporting foundations which are included as discretely presented component units in the University's financial statements (Notes 1 and 18).

UNDERSTANDING THE FINANCIAL STATEMENTS

Financial highlights are presented in this discussion and analysis to help your assessment of the University's financial activities. Since this presentation includes highly summarized data, it should be read in conjunction with the financial statements, which have the following five other parts.

- **Report of Independent Auditors** presents an unqualified opinion prepared by our auditors (an independent certified public accounting firm, KPMG LLP) on the fairness (in all material respects) of our financial statements.
- **Statements of Net Assets** present the assets, liabilities, and net assets of the University at a point in time (June 30, 2008 and 2007). Their purpose is to present a financial snapshot of the University. They aid readers in determining the assets available to continue the University's operations; how much the University owes to employees, vendors, and investors; and a picture of net assets and their availability for expenditure by the University.

- **Statements of Revenues, Expenses, and Changes in Net Assets** present the total revenues earned and expenses incurred by the University for operating, nonoperating, and other related activities during a period of time (the years ended June 30, 2008 and 2007). Their purpose is to assess the University's operating and non-operating operations.
- **Statements of Cash Flows** present cash receipts and payments of the University during a period of time (the years ended June 30, 2008 and 2007). Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.
- **Notes to the Financial Statements** present additional information to support the financial statements and are commonly referred to as Notes. Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found.

We suggest that you combine this financial analysis and discussion with relevant nonfinancial indicators to assess the overall health of the University. Examples of nonfinancial indicators include trend and quality of applicants, freshman class size, student retention, building condition, and campus safety. Information about non-financial indicators is not included in this analysis but may be obtained from the University's Office of Institutional Research (see www.cu.edu/system_info).

FINANCIAL HIGHLIGHTS

Sustained increases in net assets over time are one indicator of financial health. For the past three fiscal years, the University has sustained increases in its net assets. As of June 30, 2008, 2007, and 2006, the University's net assets increased by approximately \$92,264,000, \$259,237,000, and \$132,858,000, respectively. For Fiscal Year 2008, this increase is primarily attributable to capital additions from state contributions, state appropriations, capital student fees, and gifts totaling \$89,575,000. For Fiscal Years 2007 and 2006, the increases are primarily attributable to the increases in investments and capital assets of \$438,426,000 and \$136,896,000, respectively, as offset by the financing of those capital assets (property, plant, and equipment). The following sections provide further explanation of these drivers of the University's financial health.

UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007 (unaudited)

STATEMENT OF NET ASSETS

Figure 1 illustrates the University's condensed statement of net assets and demonstrates that the University has grown over the past three fiscal years. The mix of assets, liabilities, and net assets has remained consistent. The change in net capital asset composition is

related to ongoing capital-related activity. Analysis of the University's capital assets and related debt is included in the section Capital Asset and Debt Management, whereas this section provides analysis of the University's non-capital assets and other liabilities.

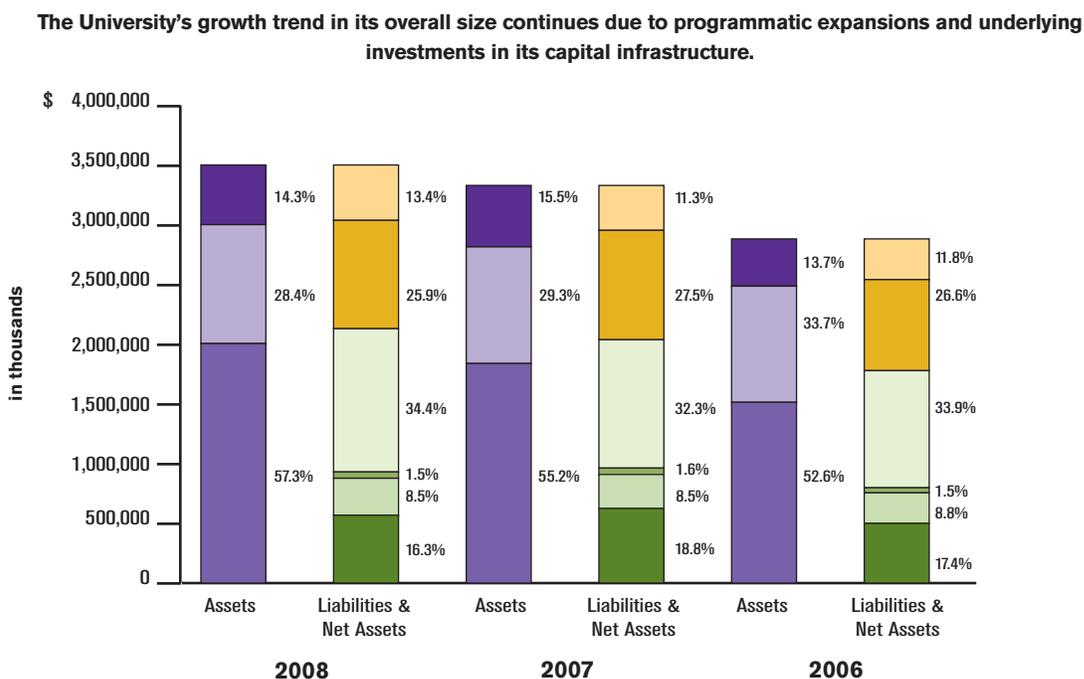


Figure 1. Condensed Statement of Assets, Liabilities, and Net Assets as of June 30, 2008, 2007, and 2006
(all dollars in thousands)

| | 2008 | 2007 | 2006 | Increase (Decrease) | | | |
|--|---------------------|------------------|------------------|---------------------|-------------|-------------------|--------------|
| | | | | 2008 vs 2007 | | 2007 vs 2006 | |
| | | | | Amount | Percent | Amount | Percent |
| Assets | | | | | | | |
| Current Assets | \$ 500,025 | 514,975 | 396,271 | \$ (14,950) | (2.9%) | \$ 118,704 | 30.0% |
| Noncurrent, Noncapital Assets | 996,374 | 977,175 | 972,970 | 19,199 | 2.0% | 4,205 | 0.4% |
| Net Capital Assets | 2,007,618 | 1,840,281 | 1,515,138 | 167,337 | 9.1% | 325,143 | 21.5% |
| Total Assets | \$ 3,504,017 | 3,332,431 | 2,884,379 | \$ 171,586 | 5.1% | \$ 448,052 | 15.5% |
| Liabilities | | | | | | | |
| Current Liabilities | \$ 464,314 | 376,347 | 341,021 | \$ 87,967 | 23.4% | \$ 35,326 | 10.4% |
| Noncurrent Liabilities | 907,945 | 916,590 | 763,101 | (8,645) | (0.9%) | 153,489 | 20.1% |
| Total Liabilities | \$ 1,372,259 | 1,292,937 | 1,104,122 | \$ 79,322 | 6.1% | \$ 188,815 | 17.1% |
| Net Assets | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 1,200,357 | 1,075,948 | 981,247 | \$ 124,409 | 11.6% | \$ 94,701 | 9.7% |
| Restricted for Nonexpendable Purposes | 52,831 | 53,589 | 43,127 | (758) | (1.4%) | 10,462 | 24.3% |
| Restricted for Expendable Purposes | 309,220 | 284,504 | 255,031 | 24,732 | 8.7% | 29,473 | 11.6% |
| Unrestricted | 569,350 | 625,453 | 500,852 | (56,119) | (9.0%) | 124,601 | 24.9% |
| Total Net Assets | \$ 2,131,758 | 2,039,494 | 1,780,257 | \$ 92,264 | 4.5% | \$ 259,237 | 14.6% |
| Total Net Assets and Liabilities | \$ 3,504,017 | 3,332,431 | 2,884,379 | \$ 171,586 | 5.2% | \$ 448,052 | 15.5% |

UNIVERSITY OF COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007 (unaudited)

In analyzing the University's assets, the majority (approximately 80 percent) of the University's non-capital assets are investments, with a balance of \$1,200,738,000 and \$1,210,686,000 at June 30, 2008 and 2007, respectively. The University maximizes earnings through an internal pooling program and targeted rates of returns. The University has leveraged the investment portfolio and earning power, while ensuring safety and liquidity requirements are also met. During the last quarter of Fiscal Year 2008, the national economy slowed and investment markets declined. Consistent with this national trend, the University's investments also had a difficult quarter and underperformed compared to planned targets. This performance resulted in the decrease in investments in Fiscal Year 2008 from prior years (see related revenue discussion in following section).

The University's non-debt-related liabilities are 41 and 36 percent, respectively, of total liabilities, which equal \$560,005,000 and \$468,725,000 at June 30, 2008 and 2007, respectively. These liabilities are comprised of amounts categorized in Figure 2.

The three largest categories of non-debt-related liabilities are accrued salaries and benefits, compensated absences and post-employment benefits, and deferred revenue. For each category, the increase in Fiscal Years 2008 and 2007 is a result of the University's overall programmatic growth. Accrued salaries and benefits represent amounts earned by University employees, primarily for June payroll, but not paid at fiscal year end.

Compensated absences and postemployment benefits estimate the amount payable to employees in the future for their vested rights under the University's various leave and retirement programs. This estimate is based on personnel policies that define the amount of vacation, sick leave, and postemployment benefits to which each employee may be entitled (Note 1). This liability increased in Fiscal Year 2008 by \$18,388,000 primarily due to \$11,456,000 being recorded for postemployment benefits other than pension benefits (OPEB). In accordance with GASB Statement No. 45, beginning with Fiscal Year 2008, the University is required to account and report on OPEB (Notes 7 and 12). Such benefits

The categories and mixes of other liabilities reflect the nature of University operations, which have remained relatively consistent over time. Due to market conditions at 2008 fiscal year end, the University elected not to settle some outstanding security lending agreements, which resulted in a new liability type compared to previous years when all such agreements were fully settled.

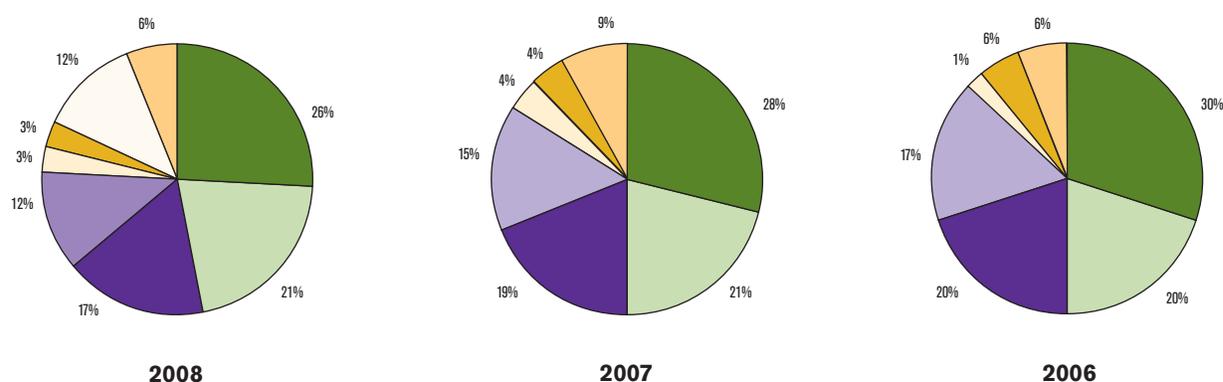


Figure 2. Composition of Other Liabilities (non-debt-related) as of June 30, 2008, 2007, and 2006 (all dollars in thousands)

| | 2008 | 2007 | 2006 | Increase (Decrease) | | | |
|--|-------------------|----------------|----------------|---------------------|--------------|---------------|--------------|
| | | | | 2008 vs 2007 | | 2007 vs 2006 | |
| | | | | Amount | Percent | Amount | Percent |
| Accrued Salaries and Benefits | \$ 143,721 | 130,241 | 124,214 | \$ 13,480 | 10.3% | 6,027 | 4.9% |
| Compensated Absences and Postemployment Benefits | 115,274 | 96,886 | 86,500 | 18,388 | 19.0% | 10,386 | 12.0% |
| Deferred Revenue | 95,222 | 90,806 | 86,150 | 4,416 | 4.9% | 4,656 | 5.4% |
| Accounts Payable to Vendors | 66,800 | 71,159 | 71,678 | (4,359) | (6.1%) | (519) | (0.7%) |
| Contract Retainage | 16,707 | 20,100 | 5,423 | (3,393) | (16.9%) | 14,677 | 270.6% |
| Risk Financing Related | 19,512 | 19,733 | 23,306 | (221) | (1.1%) | (3,573) | (15.3%) |
| Securities Lending | 69,101 | – | – | 69,101 | 100% | – | – |
| Miscellaneous Liabilities | 33,668 | 39,800 | 27,349 | (6,132) | (15.4%) | 12,451 | 45.5% |
| Total Other Liabilities | \$ 560,005 | 468,725 | 424,620 | \$ 91,280 | 19.5% | 44,105 | 10.4% |

UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS

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include health insurance benefits for University retirees and their dependents. The accounting standard requires a liability to be recorded for the cumulative difference between the annual OPEB cost and the employer's contribution to fund the obligation. The university has chosen to fund this liability on a pay-as-you-go basis.

Deferred revenue represents amounts paid by students, auxiliary enterprise customers, grantors, and contractors and the University has not met all of its requirements for earning the amounts (Note 8). These amounts will be recognized as revenue in future periods after all conditions have been satisfied.

In addition to these three categories, the University recorded a securities lending liability of \$69,101,000 (Note 3). The University's general practice is to settle security lending agreements by fiscal year end. However, due to the unfavorable market conditions that existed at the end of Fiscal Year 2008, University management determined it was in the best interest of the University to hold these security contracts at year end. In Fiscal Year 2007, miscellaneous liabilities increased by \$12,451,000 primarily due to the University recording a liability associated with the closing of the UC Denver 9th Avenue location. Also in Fiscal Year 2007, contract retainage increased by \$14,677,000 as a result of the construction activity across all campuses as highlighted in the section Capital Asset and Debt Management. Neither of these liabilities were fully settled in Fiscal Year 2008.

The University's net assets may have restrictions imposed by external parties, such as donors, or by their nature are invested in capital assets (property, plant, and equipment). To help understand these restrictions, the University's net assets are shown in four categories, as displayed in Figure 1.

A portion of net assets are restricted on a global basis for either expendable or nonexpendable purposes and then more specifically by programmatic restrictions. The programmatic category of the restriction is shown on the statement of net assets. A nonexpendable restriction requires the original principal to be set aside for perpetual investment (as an endowment). The majority of the endowment assets benefiting the University are held by the University of Colorado Foundation, Inc., which is a discretely presented component unit in the financial statements (Note 18) and not included in the above amounts. An expendable restriction allows the University to spend the full amount, but only for the purposes identified by the entity providing the money. Unrestricted net assets are usually available for spending for any lawful purpose under the full discretion of management. However, the University has placed some limitations on future use by designating unrestricted net assets for certain purposes (Note 11).

While total net assets increased by \$92,264,000, the ratio between these four categories has remained constant over the past three fiscal years. The most significant changes in Fiscal Year 2008 are the decrease in unrestricted net assets of \$56,103,000 and the increase in capital net assets of \$124,409,000. The change in capital net assets is consistent with prior year and evidences the University's continuing investment in property, plant, and equipment. The corresponding decrease in unrestricted net assets results from the University funding its capital investments from internal resources as opposed to external financing as done in previous years.

Consistent with Figure 1, the University's growth trend continues due to programmatic expansions. The University has experienced fluctuations in the types of nonoperating and other revenues as alternative funding resources continue to be explored.

Figure 3. Condensed Statement of Revenues, Expenses, and Changes in Net Assets for Years Ended June 30, 2008, 2007, and 2006 (all dollars in thousands)

| | 2008 | 2007 | 2006 | Increase (Decrease) | | | |
|---|--------------|-----------|-----------|---------------------|---------|--------------|---------|
| | | | | 2008 vs 2007 | | 2007 vs 2006 | |
| | | | | Amount | Percent | Amount | Percent |
| Operating Revenues | \$ 1,965,508 | 1,847,320 | 1,726,205 | \$ 118,188 | 6.4% | \$ 121,115 | 7.0% |
| Operating Expenses | 2,040,775 | 1,908,312 | 1,762,676 | 132,463 | 6.9% | 145,636 | 8.3% |
| Operating Loss | (75,267) | (60,992) | (36,471) | (14,275) | 23.4% | (24,521) | 67.2% |
| Nonoperating Revenues (net of expenses) | 76,570 | 178,574 | 111,006 | (102,004) | (57.1%) | 67,568 | 60.9% |
| Income before Other Revenues | 1,303 | 117,582 | 74,535 | (116,279) | (98.9%) | 43,047 | 57.8% |
| Other Revenues | 90,961 | 141,655 | 58,323 | (50,694) | (35.8%) | 83,332 | 142.9% |
| Increase in Net Assets | 92,264 | 259,237 | 132,858 | (166,973) | (64.4%) | 126,379 | 95.1% |
| Net Assets, Beginning of Year | 2,039,494 | 1,780,257 | 1,647,399 | 259,237 | 14.6% | 132,858 | 8.1% |
| Net Assets, End of Year | \$ 2,131,758 | 2,039,494 | 1,780,257 | \$ 92,264 | 4.5% | \$ 259,237 | 14.6% |

UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007 (unaudited)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Figure 3 illustrates the University's condensed statement of revenues, expenses, and changes in net assets. A key component of this statement is the differentiation of operating and nonoperating activities. Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University. Nonoperating revenues are received when goods and services are not provided.

Figure 4 provides a graphic display of gross operating and nonoperating revenues by major sources. These sources include both State-appropriated and non-appropriated funds (Note 13). Appropriated funds primarily include tuition, fee-for-service contract revenues, and academic fees. Thus, the ability of the University Board of Regents (the Regents) to increase tuition rates is limited by the State, although the University's operations no longer impact the State's Taxpayer's Bill of Rights (TABOR) spending limits due to the University's enterprise status.

Operating revenues have grown consistently each year. State appropriations in Fiscal Year 2008 were funded from the Tobacco Litigation Settlement agreement. Decrease in investment income is a direct result of the decrease in the financial markets.

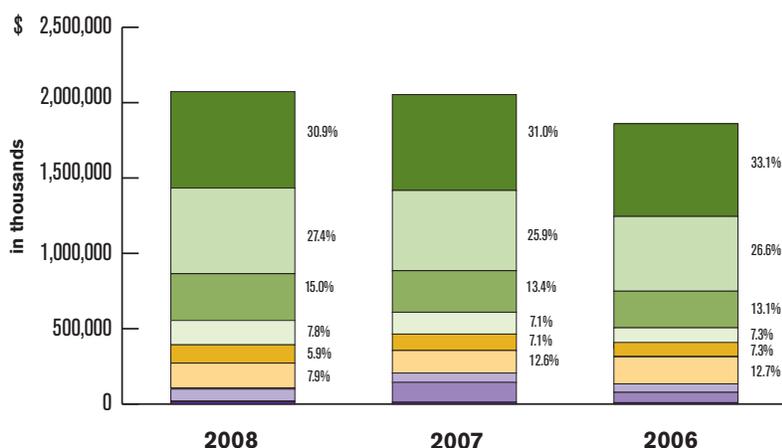


Figure 4. Operating and Nonoperating Revenues for Years Ended June 30, 2008, 2007, and 2006 (all dollars in thousands)

| | 2008 | 2007 | 2006 | Increase (Decrease) | | | |
|------------------------------------|---------------------|------------------|------------------|---------------------|----------------|-------------------|--------------|
| | | | | 2008 vs 2007 | | 2007 vs 2006 | |
| | | | | Amount | Percent | Amount | Percent |
| Operating Revenues | | | | | | | |
| Grants and Contracts | \$ 639,795 | 635,756 | 615,459 | \$ 4,039 | 0.6% | \$ 20,297 | 3.3% |
| Student Tuition and Fees, Net | 568,381 | 532,614 | 495,655 | 35,767 | 6.7% | 36,959 | 7.5% |
| Health Services | 310,038 | 275,675 | 243,169 | 34,363 | 12.5% | 32,506 | 13.4% |
| Auxiliary Enterprises, Net | 161,809 | 145,022 | 135,049 | 16,787 | 11.6% | 9,973 | 7.4% |
| Fee for Service | 121,334 | 108,782 | 95,708 | 12,552 | 11.5% | 13,074 | 13.7% |
| Other Operating | 164,151 | 149,471 | 141,165 | 14,680 | 9.8% | 8,306 | 5.9% |
| Total Operating Revenues | 1,965,508 | 1,847,320 | 1,726,205 | 118,188 | 6.4% | 121,115 | 7.0% |
| Nonoperating Revenues | | | | | | | |
| State Appropriations | 8,512 | — | — | 8,512 | 100.0% | — | 0.0% |
| Gifts | 81,232 | 61,650 | 56,271 | 19,582 | 31.8% | 5,379 | 9.6% |
| Investment Income, Net | 719 | 132,390 | 68,533 | (131,671) | (99.5%) | 63,857 | 93.2% |
| Other Nonoperating, Net | 17,118 | 12,182 | 9,167 | 4,936 | 40.5% | 3,015 | 32.9% |
| Total Nonoperating Revenues | 107,581 | 206,222 | 133,971 | (98,641) | (47.8%) | 72,251 | 53.9% |
| Total Revenues (noncapital) | \$ 2,073,089 | 2,053,542 | 1,860,176 | \$ 19,547 | 1.0% | \$ 193,366 | 10.4% |

UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007 (unaudited)

As illustrated in Figure 4, the University experienced increases in all operating revenue sources in Fiscal Years 2008 and 2007.

Consistent with the University's goal to increase its focus and national role as a research institution, the University's largest source of revenue is grants and contracts revenue, which includes federal, state and local government, and private sources. Grants and contracts revenue from the federal government represents 82 percent of total grants and contract revenues. These sources also benefit the University in that the contracts typically allow for reimbursement of its administrative and facility overhead costs. In Fiscal Years 2008 and 2007, the University received \$126,635,000 and \$123,833,000, respectively, of such administrative and facility overhead cost reimbursements. The University pledges this reimbursement revenue and other auxiliary revenues to satisfy its bond obligations, which are commonly referred to as pledged revenues. In Fiscal Year 2008 and 2007, such reimbursements represented 57 percent and 61 percent, respectively, of its pledged revenues, thus creating a reliance on continued federal research funding.

The increase in tuition and fees revenues reflects a combination of rate increases and increased enrollment. (Trend analyses of both factors are included in Figures 11 and 12 toward the end of this discussion.)

The State's College Opportunity Fund provides stipends to qualified undergraduate students; the receiving students then use the stipends to pay a portion of their tuition. In Fiscal Year 2008 and 2007, the University applied \$73,651,000 and \$70,550,000, respectively, of College Opportunity Fund stipends against student tuition bills (as such this amount is included in tuition revenues). In addition, the Colorado Department of Higher Education (CDHE) purchases graduate and specialized education services, such as law and medicine, from public higher education institutions. In Fiscal Years 2008 and 2007, the University received \$121,334,000 and \$108,782,000, respectively, as fee-for-service contract revenue.

The majority of health services represents medical practice plan revenues earned through University Physicians, Inc. (Note 1), which has experienced steady clinical growth over the last three years. The University has also experienced continued growth in its auxiliary operations serving students, such as housing and bookstores, consistent with the growth in students.

The University received, in Fiscal Year 2008, \$8,512,000 in State appropriations, funded by State of Colorado tobacco litigation settlement monies. This funding was used to support the programs at UC Denver Anschutz Medical Campus. The University recognized no State appropriations revenues in Fiscal Year 2007.

Due to continued donor cultivation efforts, the University experienced an approximate 32 percent growth in gifts between Fiscal Year 2008 and 2007. Gifts include amounts received through distributions from the University of Colorado Foundation and amounts received directly by the University. As discussed previously related to investments, the University experienced mixed investment outcomes. Fiscal year 2008 ended with a decrease in net investment income of \$131,671,000, or 99 percent, compared to an increase of \$63,857,000 or 93 percent, in Fiscal Year 2007. This significant decrease is driven by \$79,709,000 of unrealized losses compared to \$46,702,000 of unrealized gains in Fiscal Year 2007. It is important to note that the unrealized activity was offset by realized investment gains in Fiscal Years 2008 and 2007 of \$88,143,000 and \$92,268,000, respectively.

In addition to operating and nonoperating revenues, the University had capital revenues in the amounts depicted in Figure 5. As noted earlier, the University did not seek new external financing for capital improvements in Fiscal Year 2008 (also see in the Capital Asset and Debt Management section). Capital additions were funded with the capital revenues and other existing resources.

The University continues its investment in capital infrastructure. Fiscal Years 2008 and 2007 revenue growth demonstrates the University's ability to identify resources alternative to external financing.

Figure 5. Capital Revenues for Years Ended June 30, 2008, 2007, and 2006 (all dollars in thousands)

| | Increase (Decrease) | | | | | | | |
|---|---------------------|----------------|---------------|--------------------|----------------|------------------|---------------|--|
| | 2008 | 2007 | 2006 | 2008 vs 2007 | | 2007 vs 2006 | | |
| | | | | Amount | Percent | Amount | Percent | |
| Grants and Gifts | \$ 31,604 | 10,350 | 10,042 | \$ 21,254 | 205.4% | \$ 308 | 3.1% | |
| Capital Student Fee (Net) | 5,045 | 2,550 | – | 2,495 | 97.8% | 2,550 | | |
| Capital Contributions from State Appropriations | 34,088 | 117,721 | 46,451 | (83,633) | (71.0%) | 71,270 | 153.4% | |
| | 18,838 | 7,783 | 1,704 | 11,055 | 142.0% | 6,079 | 356.8% | |
| Total Capital Revenues | \$ 89,575 | 138,404 | 58,197 | \$ (48,829) | (35.3%) | \$ 80,207 | 137.8% | |

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007 (unaudited)

The University's focus on programs (as illustrated by its expense categories) has remained stable over the last three fiscal years as overall the programs have grown.

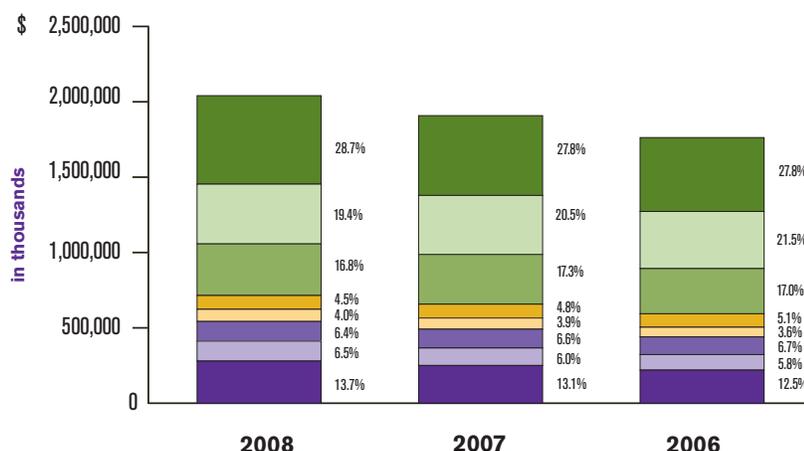


Figure 6. Expense Program Categories for years ended June 30, 2008, 2007, and 2006 (all dollars in thousands)

| | 2008 | 2007 | 2006 | Increase (Decrease) | | | |
|--|---------------------|------------------|------------------|---------------------|-------------|-------------------|-------------|
| | | | | 2008 vs 2007 | | 2007 vs 2006 | |
| | | | | Amount | Percent | Amount | Percent |
| Instruction | \$ 587,143 | 529,648 | 490,277 | \$ 57,494 | 10.9% | \$ 39,371 | 8.0% |
| Research | 396,629 | 391,637 | 378,894 | 4,992 | 1.3% | 12,743 | 3.4% |
| Academic, Institutional, and Plant Support | 342,210 | 329,928 | 300,030 | 12,282 | 3.7% | 29,898 | 10.0% |
| Student Aid and Other Services | 91,520 | 91,823 | 89,277 | (303) | (0.3%) | 2,546 | 2.9% |
| Public Service | 80,958 | 73,914 | 64,187 | 7,044 | 9.5% | 9,727 | 15.2% |
| Total Education and General | 1,498,460 | 1,416,950 | 1,322,665 | 81,509 | 5.8% | 94,285 | 7.1% |
| Depreciation | 130,139 | 125,059 | 117,385 | 5,080 | 4.1% | 7,674 | 6.5% |
| Auxiliary Enterprises | 132,632 | 115,838 | 102,871 | 16,794 | 14.5% | 12,967 | 12.6% |
| Health Services | 279,544 | 250,465 | 219,755 | 29,079 | 11.6% | 30,710 | 14.0% |
| Total Operating Expenses | \$ 2,040,775 | 1,908,312 | 1,762,676 | \$ 132,463 | 6.9% | \$ 145,636 | 8.3% |

This funding strategy resulted in an increase in capital gifts of 205 percent as well as the continuation of the student fee dedicated to buildings which began in Fiscal Year 2007. The primary gift was related to the Law School building at CU-Boulder. Capital contributions are related to the construction of educational buildings at the UC Denver Anschutz Medical Campus for which the financing was provided by the State through the issuance of certificates of participation. In Fiscal Year 2006, the State (not the University) entered into a lease-purchase agreement of \$192,625,000, which is collateralized by these University buildings. As a result of construction of these buildings, the University recognized capital contributions from the State of \$34,088,000 and \$117,721,000 in Fiscal Year 2008 and 2007, respectively. The University also benefited from additional State financing as evidenced by the capital appropriations from the State of \$18,838,000 in Fiscal Year 2008, compared to \$7,783,000 in Fiscal Year 2007. These monies are used for various controlled maintenance and other capital construction activity.

The programmatic uses of resources are displayed in Figure 6, which demonstrates that the focus is basically unchanged over the past three fiscal years while the educational programs overall have grown by 6 and 7 percent in Fiscal Years 2008 and 2007, respectively. Cost management measures in place in Fiscal Years 2006 and 2007 were continued into Fiscal Year 2008. The objectives of such measures are to expand programmatic costs to meet increased demand for services, such as instruction, and provide for targeted increases in support services costs. The decrease in Student Aid and Other Services is not reflective of the actual resources dedicated to student aid which have grown between Fiscal Years 2008 and 2007. The majority of the University's student aid resources are netted against Tuition and Fee revenues as a scholarship allowance (Note 14). The University's scholarship allowance was \$93,420,000 and \$78,462,000 in Fiscal Years 2008 and 2007, respectively.

UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007 (unaudited)

The University has started and completed large construction projects in each of the last three fiscal years, continuing its trend of investment in physical facilities.

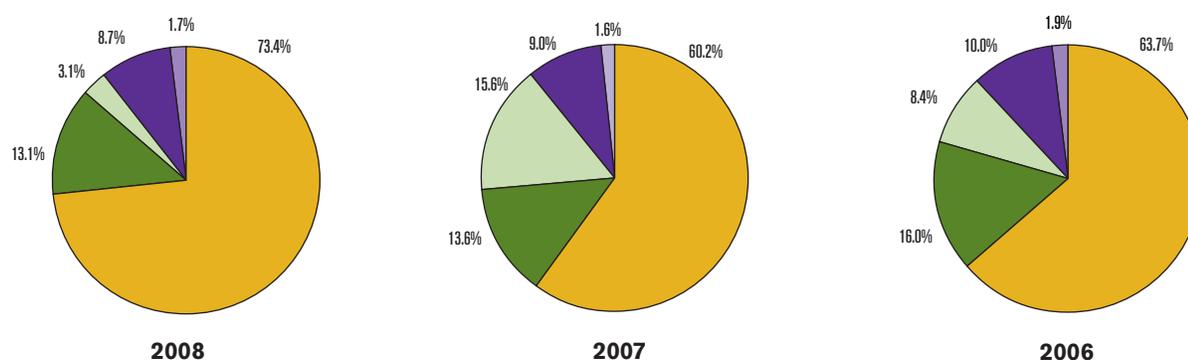


Figure 7. Capital Asset Categories (before depreciation) for Years Ended June 30, 2008, 2007, and 2006
(all dollars in thousands)

| | 2008 | 2007 | 2006 | Increase (Decrease) | | | |
|-------------------------------------|---------------------|------------------|------------------|---------------------|-------------|-------------------|--------------|
| | | | | 2008 vs 2007 | | 2007 vs 2006 | |
| | | | | Amount | Percent | Amount | Percent |
| Buildings and Improvements | \$ 2,322,017 | 1,735,844 | 1,565,017 | \$ 586,173 | 33.8% | \$ 170,827 | 10.9% |
| Equipment | 413,715 | 390,953 | 392,065 | 22,762 | 5.8% | (1,112) | (0.3%) |
| Construction in Progress | 98,159 | 448,790 | 206,603 | (350,631) | (78.1%) | 242,187 | 117.2% |
| Library and Other Collections | 275,585 | 260,252 | 246,062 | 15,333 | 5.9% | 14,190 | 5.8% |
| Land | 53,525 | 46,024 | 46,024 | 7,501 | 16.3% | — | — |
| Total Capital Assets (gross) | \$ 3,163,001 | 2,881,863 | 2,455,771 | \$ 281,138 | 9.8% | \$ 426,092 | 17.4% |

Increases in auxiliary enterprises from 2007 to 2008 are primarily attributable to the expansion of housing operations as student enrollment grows. Also, in Fiscal Year 2007, a one-time charge of \$7,469,000 associated with the purchase of Bear Creek (discussed in the Capital Asset and Debt Management section) was recognized as a housing expense. Increases in expenses related to health services, which are primarily related to University Physicians, Inc., are consistent with the associated increases in health services revenue discussed earlier in this section.

CAPITAL ASSET AND DEBT MANAGEMENT

The University had \$3,163,001,000 and \$2,881,863,000 of plant, property, and equipment at June 30, 2008 and 2007, respectively, offset by accumulated depreciation of \$1,155,383,000 and \$1,041,582,000, respectively. The major categories of plant, property, and equipment at June 30, 2008 and 2007 are displayed in Figure 7. Related depreciation charges of \$130,139,000 and \$125,059,000 were recognized in the Fiscal Years 2008 and 2007, respectively. Detailed financial activity related to the changes in Capital Assets is presented in Note 5.

In Fiscal Years 2008 and 2007, the University put into service capital construction projects of \$557,392,000 and \$112,705,000, respectively. In addition, another \$98,159,000 and \$448,790,000 of construction activity was in progress at June 30, 2008 and 2007, respectively. Major projects are detailed in Figure 8.

In June 2007, the University purchased the student housing property, known as Bear Creek, from the University of Colorado Foundation for \$65,500,000. The purchase was financed by issuing enterprise revenue bonds. The University recorded buildings purchased at the net book value of the assets, equaling \$57,052,000, as of the purchase date. In addition, the University expensed \$979,000 of equipment and supplies and recorded a donation to the Foundation of \$7,469,000.

The University plans to continue its investment in property, plant, and equipment with an approved Fiscal Year 2009 capital projects budget of \$338,453,000 as detailed in Figure 9. This budget includes \$37,232,000 of State support available for controlled maintenance and construction projects, with the remainder being funded by existing resources of the campus or through additional financing to be issued in subsequent years.

UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007 (unaudited)

Figure 8. Current Construction Projects as of June 30, 2008 (in thousands)

| Campus/Project Description | Financing Sources | Value* |
|---|--|-----------|
| CU-Boulder: | | |
| • Information technology upgrade wireless network enhancement | Campus cash resources | \$ 13,525 |
| • Extensive renovation to various student residence halls: | | |
| Center for Community (C4C) formerly New Dining Center | Bond proceeds | 65,596 |
| Cheyenne Arapahoe renovations | Bond proceeds | 4,500 |
| Arnett renovation | Bond proceeds | 12,885 |
| Kittredge/Smith/Andrews/Buckingham renovations | Bond proceeds | 41,295 |
| • Visual Arts Complex, new building to replace Sibell Wolle building | Bond proceeds, campus cash resources, and State appropriations | 63,500 |
| • Norlin Library Renaissance Plan | Campus cash resources | 5,101 |
| • Ekeley Sciences Building | State appropriations | 12,844 |
| • Institute of Behavioral Sciences | Campus cash resources | 13,896 |
| • New Power Plant | Bond proceeds | 75,190 |
| • JILA | Governmental grants and contracts and campus cash resources | 27,500 |
| • Ketchum Arts and Sciences | State appropriations | 8,436 |
| • Biotechnology Building Systems | Bond proceeds | 12,889 |
| UC Denver: | | |
| • Pharmacy Research Building | Campus cash resources | 42,033 |
| • Anschutz Medical Campus—infrastructure development: | | |
| Phase 9 | Campus cash resources | 5,424 |
| Phase 10 | Campus cash resources | 6,631 |
| • Anschutz Medical Campus—Center for Bioethics and Humanities, new building | Private gifts | 5,436 |
| • Building 500 Phase 3 | Campus cash resources | 8,156 |
| UCCS: | | |
| Science and Engineering (Phase I), new building | Campus cash resources and State appropriation | 53,169 |

* Value represents budgeted costs for projects.

Figure 9. Fiscal Year 2009 Capital Projects Budget

(in thousands)

| | |
|--|-------------------|
| Continuing projects | |
| (remaining budgets related to Figure 8) | \$ 291,610 |
| UCCS Events Center | 7,074 |
| UC Denver Renovation of 1475 Lawrence Street | 15,403 |
| UC Denver Lease Purchase of Academic Facilities at Anschutz Medical Campus | 13,143 |
| Various other capital projects and controlled maintenance | 11,223 |
| Total 2009 Capital Projects Budget | \$ 338,453 |

**UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2008 and 2007 (unaudited)

The University's had no new debt offerings or debt refinancings in Fiscal Year 2008 as compared to prior years where debt was issued to finance capital investments.

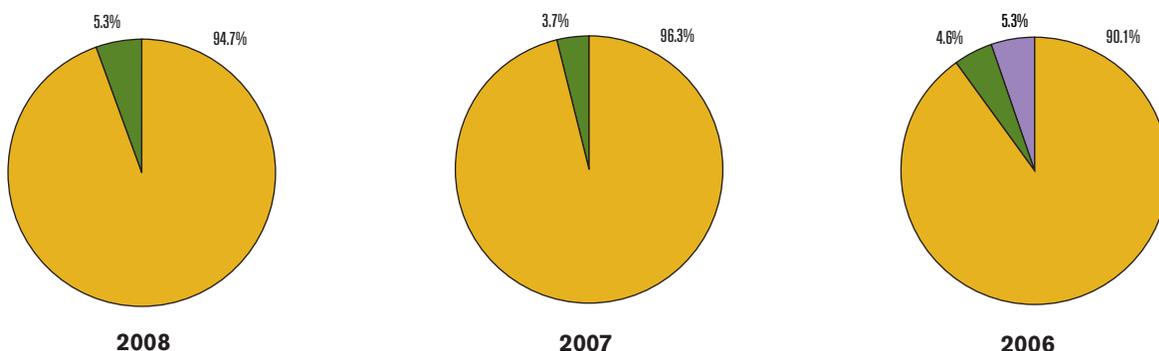


Figure 10. Debt Categories for Years Ended June 30, 2008, 2007, and 2006 (all dollars in thousands)

| | 2008 | 2007 | 2006 | Increase (Decrease) | | | |
|---|-------------------|----------------|----------------|---------------------|---------------|-------------------|--------------|
| | | | | 2008 vs 2007 | | 2007 vs 2006 | |
| | | | | Amount | Percent | Amount | Percent |
| Revenue Bonds | \$ 768,821 | 793,787 | 612,488 | \$ (24,966) | (3.1%) | \$ 181,299 | 29.6% |
| Capital Leases | 43,385 | 30,332 | 31,223 | 13,053 | 43.0% | (891) | (2.9%) |
| Certificates of Participation and Notes Payable | 48 | 93 | 35,791 | (45) | (48.8%) | (35,698) | (99.7%) |
| Total Long-term Debt | \$ 812,254 | 824,212 | 679,502 | \$ (11,958) | (1.5%) | \$ 144,710 | 21.3% |

At June 30, 2008 and 2007, the University had debt (or similar long-term obligations) of \$812,254,000 and \$824,212,000, respectively, in the categories illustrated in Figure 10. The University decreased its outstanding debt in Fiscal Year 2008 by almost 2 percent through normal annual debt service payments. This compares to an increase in outstanding debt in Fiscal Year 2007 by 21 percent. This contrast is reflective of the University's ability to identify alternative resources to financing (as previously discussed under capital revenues). Included in Capital Leases is a \$41,330,000 lease purchase agreement associated with a central utility plant (CUP) located on the UC Denver Anschutz Medical Campus. The CUP delivers steam and chilled water to the campus. During Fiscal Year 2008, the campus expanded the CUP, resulting in an increase in the lease purchase agreement of \$14,700,000. More detailed information about the University's debt is included in Note 9.

The Regents have adopted a debt management policy that includes limitations on the use of external debt. A component of this policy is debt capacity, which is the calculated ratio of our debt service requirement as compared to certain unrestricted revenues. The University maintained its debt capacity limits. The University minimizes financing costs by monitoring current market conditions and by maintaining a bond rating of AA- and Aa3 (Standard & Poors and Moody's, respectively).

WHERE DO WE GO FROM HERE

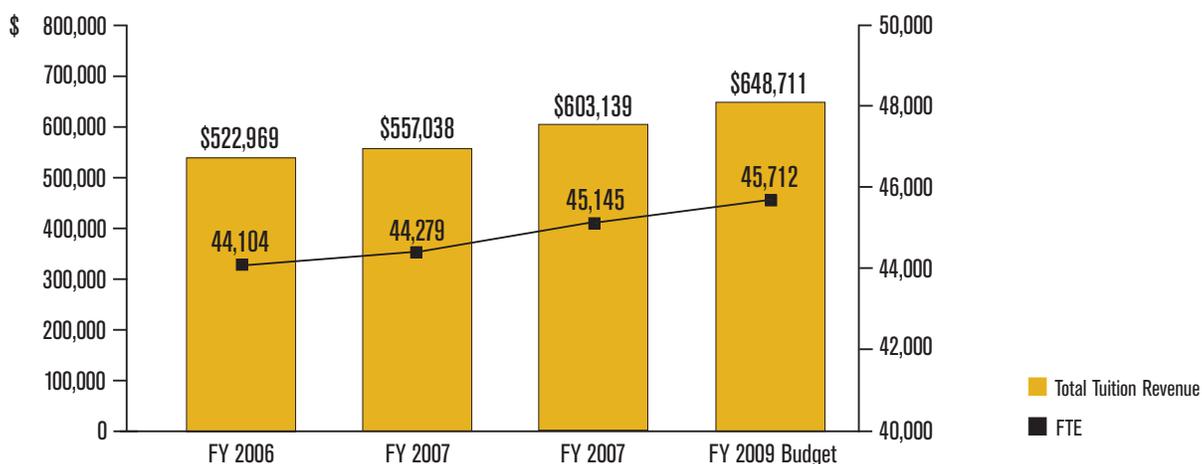
ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's financial (or economic) position is constrained by State legislation, including its ability to raise student tuition and fees, and is impacted by its ability to generate grants and contract revenue. As shown in Figure 11, the University's tuition revenues increased 8 percent from Fiscal Year 2007 to Fiscal Year 2008 and are projected to increase by 8 percent in Fiscal Year 2009. Tuition is derived from the approved tuition rates and rate structure as well as student enrollment for undergraduate resident students. The state authorized a maximum tuition rate increase of almost 10 percent per student if students with financial need received aid to limit the student's rate increase to 5 percent. The State did not constrain tuition rate increases for other students. Recognizing the need for additional resources to maintain a quality program, the Regents authorized the full use of the State's authority to the extent market conditions would allow. Given that actual tuition rates vary by campus, school, and degree level, tuition rates increases varied from no increases to almost 20 percent. The largest increases were in graduate professional programs such as engineering, business and law.

UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007 (unaudited)

Figure 11. Tuition Revenue Compared to Student FTE



Student full-time equivalents (FTE) are projected to increase by 1 percent in Fiscal Year 2009. The changes in student enrollment are shown in Figure 11 using FTE and in Figure 12 using student headcounts. Tuition rate structures are determined based on student FTE, while the cost of educating students is impacted by student headcount.

These figures also demonstrate the University's ability to recruit and retain high-quality students. The University has experienced stable enrollment trends over the past two years. This trend has continued into the first semester of academic year 2009 (2008 Census).

The University expects to receive \$77,526,000 of its tuition revenue in Fiscal Year 2009 from students opting to use the State's College Opportunity Fund. The University's fee-for-service contract with CDHE for graduate educational services for Fiscal Year 2009 provides for \$131,574,000. In total, this represents a growth of 7 percent in funding from the State in Fiscal Year 2009 as compared to Fiscal Year 2008.

In order to stay competitive with peer institutions, the University continues to strategically evaluate its tuition and fee structures as well as explore alternative funding sources with the Regents and the Legislature. One such alternative funding source, a state appropriation from the State's Tobacco Litigation Settlement Fund, was identified in Fiscal Year 2008. The University's appropriation from this Fund will continue in Fiscal Year 2009 with a \$18,944,000 allocation to the UC Denver Anschutz Medical Campus. This represents a 123 percent increase in this funding from Fiscal Year 2008 to Fiscal Year 2009.

Operating revenue sources of the University should remain strong. The University's strong research programs will continue into Fiscal Year 2009. Key awards received recently include NASA funds for CU-Boulder's aerospace engineering program, National Science Foundation funds for UCCS' Bachelor of Innovation program, and National Institute of Health funds for UC Denver's biomedical programs. The University's auxiliary programs will experience growth from the rate increases approved by the Regents as well as the student growth discussed earlier.

These funding sources enabled the Regent's to authorize the continued capital investments described earlier (in the Capital Asset and Debt Management Section) as well as investment in the University's personnel and student aid. Approved compensation increases were approximately 7 percent per employee. Student aid was authorized to increase by 9 percent.

Subsequent to the Regent's approval of the budget, the national economy experienced another downturn in the first quarter of Fiscal Year 2009. Accordingly, the State and University are adjusting its approved plans to ensure the University continues its financial stability through this change in economic climate.

The strongest indicator of this downturn is the University's investments. Through the first quarter of Fiscal Year 2009, the value of the University's investments decreased by \$50,875,000, with the overall fair value of the investments being \$62,018,000 below purchase price. In comparison, through the first quarter of Fiscal Year 2008, the fair value was \$74,919,000 above the purchase price. However, the University maintains a long-term investment strategy that management believes has positioned the University to weather the current market conditions. The University has sufficient liquid resources to meet its Fiscal Year 2009 obligations without a need to liquidate any long-term investments, many of which are currently valued below cost.

UNIVERSITY OF COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 and 2007 (unaudited)

To offset this downturn, management has responded with the following key steps. Originally, the State authorized increases in the University's capital appropriations as illustrated earlier (in Figure 9) for controlled maintenance and other projects. In October 2008, the State stopped funding for all projects for which construction has not begun. This approach has delayed the Norlin Library Renaissance plan and Ekeley Sciences Building at CU-Boulder until alternative funding sources can be identified. To ensure the continuation of the Sciences and Engineering building at UCCS (as well as other key state projects), the State took advantage of a temporary advantage in the national market and authorized external financing in November 2008 (Note 21).

The University President has required that all employee hirings, whether newly created or refilling of existing positions, undergo a mission critical review by the chancellors or himself before being authorized. This approach should ensure that any available vacancy savings can be realized during Fiscal Year 2009. In addition, as demonstrated by the University's financial monitoring processes, management will continue to maintain a close watch over resources to ensure the ability to react to unknown internal and external issues.

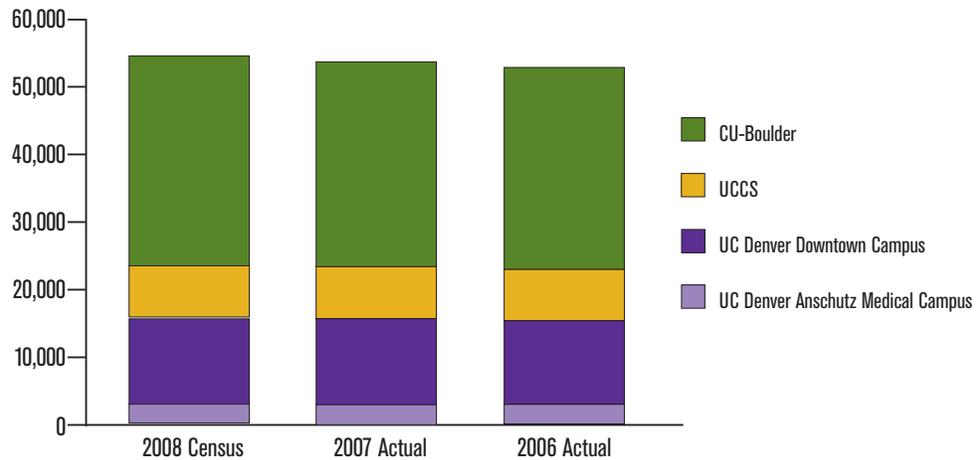


Figure 12. Fall Enrollment Figures

| | 2008 Census | 2007 Actual | 2006 Actual | 2008 Census vs. 2007 Actual | Percentage | 2007 Actual vs. 2006 Actual | Percentage |
|-----------------------------------|----------------|----------------|----------------|--------------------------------|---------------|--------------------------------|-------------|
| Resident | | | | | | | |
| CU-Boulder | 20,038 | 20,285 | 20,416 | (247) | (1.2%) | (131) | (0.6%) |
| CU-Colorado Springs | 7,410 | 7,327 | 7,028 | 83 | 1.1% | 299 | 4.3% |
| UC Denver Downtown Campus | 11,838 | 11,693 | 11,520 | 145 | 1.2% | 173 | 1.5% |
| UC Denver Anschutz Medical Campus | 2,544 | 2,616 | 2,579 | (72) | (2.8%) | 37 | 1.4% |
| Total Resident | 41,830 | 41,921 | 41,543 | (91) | (0.2%) | 378 | 0.9% |
| Nonresident | | | | | | | |
| CU-Boulder | 10,090 | 9,191 | 9,001 | 899 | 9.8% | 190 | 2.1% |
| CU-Colorado Springs | 579 | 388 | 514 | 191 | 49.2% | (126) | (24.5%) |
| UC Denver Downtown Campus | 1,251 | 1,094 | 854 | 157 | 14.4% | 240 | 28.1% |
| UC Denver Anschutz Medical Campus | 424 | 363 | 318 | 61 | 16.8% | 45 | 14.2% |
| Total Nonresident | 12,344 | 11,036 | 10,687 | 1,308 | 11.9% | 349 | 3.3% |
| Total CU | 54,174 | 52,957 | 52,230 | 1,217 | 2.3% | 727 | 1.4% |

UNIVERSITY OF COLORADO
FINANCIAL STATEMENTS

June 30, 2008 and 2007

UNIVERSITY OF COLORADO

STATEMENTS OF NET ASSETS

June 30, 2008 and 2007 *(in thousands)*

| | 2008 | | 2007 | |
|--|---------------------|--------------------|------------------|--------------------|
| | University | Component Units | University | Component Units |
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 45,925 | 16,284 | 42,261 | 25,889 |
| Investments | 253,374 | 2,278 | 281,484 | 2,301 |
| Accounts, contributions, and loans receivable, net | 184,073 | 22,121 | 177,152 | 22,016 |
| Inventories | 11,567 | – | 10,097 | – |
| Other assets | 5,086 | 519 | 3,981 | 450 |
| Total Current Assets | 500,025 | 41,202 | 514,975 | 50,656 |
| Noncurrent Assets | | | | |
| Investments | 947,364 | 992,541 | 929,202 | 907,933 |
| Assets held under split-interest agreements | – | 62,896 | – | 51,143 |
| Accounts, contributions, and loans receivable, net | 34,012 | 28,978 | 36,551 | 28,335 |
| Other assets | 14,998 | 7,339 | 11,422 | 6,352 |
| Capital assets, net | 2,007,618 | 73,194 | 1,840,281 | 74,768 |
| Total Noncurrent Assets | 3,003,992 | 1,164,948 | 2,817,456 | 1,068,531 |
| Total Assets | \$ 3,504,017 | 1,206,150 | 3,332,431 | 1,119,187 |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts payable | \$ 66,800 | 7,230 | 71,159 | 9,058 |
| Accrued expenses | 146,901 | – | 134,184 | – |
| Compensated absences and post-employment benefits | 6,832 | – | 6,578 | – |
| Deferred revenue | 89,371 | 1,314 | 84,700 | 1,674 |
| Security lending | 69,101 | – | – | 22,299 |
| Bonds, leases, and notes payable | 31,278 | 806 | 27,696 | 905 |
| Split-interest agreements | – | 3,960 | – | 3,434 |
| Custodial funds | – | 6,781 | – | 9,396 |
| Other liabilities | 54,031 | – | 52,030 | 88 |
| Total Current Liabilities | 464,314 | 20,091 | 376,347 | 46,854 |
| Noncurrent Liabilities | | | | |
| Compensated absences and post-employment benefits | 108,442 | – | 90,308 | – |
| Deferred revenue | 5,851 | – | 6,106 | 178 |
| Bonds, leases, and notes payable | 780,976 | 72,674 | 796,516 | 73,764 |
| Split-interest agreements | – | 23,809 | – | 26,571 |
| Custodial funds | – | 233,436 | – | 132,174 |
| Other liabilities | 12,676 | 2,528 | 23,660 | 2,842 |
| Total Noncurrent Liabilities | 907,945 | 332,447 | 916,590 | 235,529 |
| Total Liabilities | \$ 1,372,259 | 352,538 | 1,292,937 | 282,383 |

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

STATEMENTS OF NET ASSETS

June 30, 2008 and 2007 *(in thousands)*

| | 2008 | | 2007 | |
|--|---------------------|--------------------|------------------|--------------------|
| | University | Component Units | University | Component Units |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | \$ 1,200,357 | 1,771 | 1,075,948 | (108) |
| Restricted for nonexpendable purposes (endowments) | | | | |
| Instruction | – | 129,590 | – | 118,204 |
| Research | 3,755 | 22,692 | 3,855 | 22,309 |
| Academic support | 20,515 | 14,157 | 20,738 | 15,724 |
| Scholarships and fellowships | 25,821 | 84,108 | 26,142 | 66,860 |
| Capital and other | 2,740 | 5,962 | 2,854 | 6,042 |
| Total restricted for nonexpendable purposes | 52,831 | 256,509 | 53,589 | 229,139 |
| Restricted for expendable purposes | | | | |
| Instruction | 13,851 | 238,801 | 13,646 | 230,059 |
| Research | 27,884 | 48,491 | 29,282 | 54,268 |
| Academic support | 15,801 | 40,494 | 16,180 | 40,124 |
| Student loans and services | 44,265 | – | 43,446 | – |
| Scholarships and fellowships | 17,654 | 112,987 | 17,409 | 131,100 |
| Auxiliary enterprises | 137,781 | – | 134,235 | – |
| Capital | 37,809 | 75,076 | 14,557 | 68,477 |
| Other | 14,175 | 4,576 | 15,749 | 3,790 |
| Total restricted for expendable purposes | 309,220 | 520,425 | 284,504 | 527,818 |
| Unrestricted | 569,350 | 74,907 | 625,453 | 79,955 |
| Total Net Assets | \$ 2,131,758 | 853,612 | 2,039,494 | 836,804 |

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2008 and 2007 *(in thousands)*

| | 2008 | | 2007 | |
|---|--------------------|-----------------|------------------|-----------------|
| | University | Component Units | University | Component Units |
| Operating Revenues | | | | |
| Student tuition (net of scholarship allowances of \$82,890 in 2008 and \$69,439 in 2007; pledged revenues of \$52,025 in 2008 and \$48,760 in 2007) | \$ 520,249 | – | 487,599 | – |
| Student fees (net of scholarship allowances of \$7,980 in 2008 and \$6,666 in 2007; pledged revenues of \$7,083 in 2008 and \$4,959 in 2007) | 48,132 | – | 45,015 | – |
| Fee-for-service contract | 121,334 | – | 108,782 | – |
| Federal grants and contracts (pledged revenues of \$105,279 in 2008 and \$102,340 in 2007) | 525,595 | – | 532,751 | – |
| State and local grants and contracts (pledged revenues of \$8,704 in 2008 and \$8,053 in 2007) | 44,480 | – | 41,586 | – |
| Nongovernmental grants and contracts | 69,720 | – | 61,419 | – |
| Sales and services of educational departments (pledged revenues of \$7,045 in 2008 and \$6,540 in 2007) | 120,433 | – | 111,811 | – |
| Auxiliary enterprises (net of scholarship allowances of \$1,852 in 2008 and \$2,036 in 2007; pledged revenues of \$39,198 in 2008 and \$30,205 in 2007) | 161,809 | – | 145,022 | – |
| Health services | 310,038 | – | 275,675 | – |
| Contributions | – | 122,790 | – | 107,415 |
| Other operating revenues (pledged revenues of \$2,090 in 2008 and \$2,170 in 2007) | 43,718 | 16,894 | 37,660 | 27,969 |
| Total Operating Revenues | 1,965,508 | 139,684 | 1,847,320 | 135,384 |
| Operating Expenses | | | | |
| Education and General | | | | |
| Instruction | 587,143 | – | 529,648 | – |
| Research | 396,629 | – | 391,637 | – |
| Public service | 80,958 | – | 73,914 | – |
| Academic support | 111,374 | – | 100,611 | – |
| Student services | 74,936 | – | 71,433 | – |
| Institutional support | 119,789 | 123,215 | 117,728 | 85,247 |
| Operation and maintenance of plant | 111,047 | – | 111,589 | – |
| Student aid | 16,584 | – | 20,390 | – |
| Total Education and General Expenses | 1,498,460 | 123,215 | 1,416,950 | 85,247 |
| Depreciation | 130,139 | 2,827 | 125,059 | 4,613 |
| Auxiliary enterprises | 132,632 | – | 115,838 | – |
| Health services, net | 279,544 | – | 250,465 | – |
| Total Operating Expenses | 2,040,775 | 126,042 | 1,908,312 | 89,860 |
| Operating Income (Loss) | \$ (75,267) | 13,642 | (60,992) | 45,524 |

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Years Ended June 30, 2008 and 2007 *(in thousands)*

| | 2008 | | 2007 | |
|---|---------------------|-----------------|------------------|-----------------|
| | University | Component Units | University | Component Units |
| Nonoperating Revenues (Expenses) | | | | |
| State appropriations | \$ 8,512 | – | – | – |
| Gifts | 81,232 | – | 61,650 | 6,231 |
| Investment income (net of investment expenses of \$7,715 in 2008 and \$6,580 in 2007; pledged revenues of \$1 in 2008 and \$29 in 2007) | 719 | 6,012 | 132,390 | 133,343 |
| Royalty income (net of royalty expense of \$1,921 in 2008 and \$6,140 in 2007; pledged revenues of \$127 in 2008 and \$83 in 2007) | 5,534 | – | 756 | – |
| Loss on disposal of capital assets | (2,407) | – | (5,258) | – |
| Interest expense on capital asset-related debt | (28,604) | (2,846) | (22,116) | (3,584) |
| Other nonoperating revenues (net of expenses of \$22 in 2008 and \$275 in 2007; pledged revenues of \$52 in 2008 and \$45 in 2007) | 11,584 | – | 11,152 | – |
| Net Nonoperating Revenues | 76,570 | 3,166 | 178,574 | 135,990 |
| Income Before Other Revenues | 1,303 | 16,808 | 117,582 | 181,514 |
| Capital contributions from state | 34,088 | – | 117,721 | – |
| Capital student fee (net of scholarship allowance of \$698 in 2008 and \$321 in 2007) | 5,045 | – | 2,550 | – |
| Capital appropriations | 18,838 | – | 7,783 | – |
| Capital grants and gifts | 31,604 | – | 10,350 | – |
| Additions to permanent endowments | 1,386 | – | 3,251 | – |
| Total Other Revenues | 90,961 | – | 141,655 | – |
| Increase in Net Assets | 92,264 | 16,808 | 259,237 | 181,514 |
| Net Assets, Beginning of Year | 2,039,494 | 836,804 | 1,780,257 | 655,290 |
| Net Assets, End of Year | \$ 2,131,758 | 853,612 | 2,039,494 | 836,804 |

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS

Years Ended June 30, 2008 and 2007 *(in thousands)*

| | 2008 | 2007 |
|---|------------------|------------------|
| | University | |
| Cash Flows from Operating Activities | | |
| Tuition and fees | \$ 565,637 | 533,560 |
| Grants and contracts | 768,002 | 736,641 |
| Payments to suppliers | (494,271) | (452,218) |
| Payments for utilities | (46,505) | (49,480) |
| Payments to employees | (1,072,959) | (988,170) |
| Payments for benefits | (254,446) | (231,313) |
| Payments for scholarships and fellowships | (15,451) | (19,010) |
| Loans issued to students and employees | (6,863) | (7,042) |
| Collection of loans to students | 10,746 | 10,629 |
| Auxiliary enterprise charges | 160,344 | 158,076 |
| Sales and services of educational departments | 124,717 | 111,034 |
| Health services | 297,625 | 274,108 |
| Other receipts | 53,863 | 44,846 |
| Total Cash Flows Provided by Operating Activities | 90,439 | 121,661 |
| Cash Flows from Noncapital Financing Activities | | |
| State appropriations | 8,512 | - |
| Gifts and grants for other than capital purposes | 74,492 | 51,586 |
| Endowment additions | 1,386 | 3,251 |
| William D. Ford direct lending receipts | 64,818 | 59,387 |
| William D. Ford direct lending disbursements | (63,975) | (60,179) |
| PLUS loans receipts | 48,849 | 51,679 |
| PLUS loans disbursements | (48,849) | (52,361) |
| School as lender receipts | 57,878 | 62,156 |
| School as lender disbursements | (57,878) | (62,156) |
| Agency transactions | (1,232) | 1,505 |
| Total Cash Flows Provided by Noncapital Financing Activities | 84,001 | 54,868 |
| Cash Flows from Capital and Related Financing Activities | | |
| Proceeds from capital debt | - | 99,939 |
| Capital grants and gifts received | 35,562 | 12,046 |
| State capital contributions | 34,088 | 117,721 |
| Proceeds from sale of capital assets | 481 | 764 |
| Purchases and construction of capital assets | (258,906) | (373,091) |
| Principal paid on capital debt | (25,673) | (25,425) |
| Interest paid on capital debt | (41,837) | (43,395) |
| Total Cash Flows Used for Capital and Related Financing Activities | (256,285) | (211,441) |
| Cash Flows from Investing Activities | | |
| Proceeds from sales and maturities of investments | 3,738,749 | 3,174,774 |
| Purchase of investments | (3,812,247) | (3,241,355) |
| Securities lending transaction | 69,101 | - |
| Interest on investments | 92,087 | 102,658 |
| Royalty income | 7,455 | 6,896 |
| Royalty fees paid | (1,921) | (6,140) |
| Investment management fees paid | (7,715) | (6,580) |
| Total Cash Flows Provided by Investing Activities | 85,509 | 30,253 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 3,664 | (4,659) |
| Cash and Cash Equivalents, Beginning of Year | 42,261 | 46,920 |
| Cash and Cash Equivalents, End of Year | \$ 45,925 | 42,261 |

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO
STATEMENTS OF CASH FLOWS

Years Ended June 30, 2008 and 2007 *(in thousands)*

| | 2008 | 2007 |
|---|------------------|----------------|
| | University | |
| Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities: | | |
| Operating loss | \$ (75,267) | (60,992) |
| Adjustments to reconcile operating loss to net cash used by operating activities | | |
| Depreciation expense | 130,139 | 125,059 |
| Provision for doubtful receivables | 3,769 | 2,211 |
| Receipts of items classified as nonoperating revenues | 11,584 | 11,462 |
| Other non-cash expenses | - | 8,448 |
| Changes in assets and liabilities | | |
| Receivables | (10,016) | (1,113) |
| Notes receivable | 1,470 | (648) |
| Inventories | (2,309) | 1,595 |
| Other assets | (2,089) | (1,258) |
| Accounts payable | 12,973 | 7,897 |
| Accrued expenses | 4,417 | 6,709 |
| Deferred revenue | 18,388 | 4,655 |
| Compensated absences and post-employment benefits | (5,200) | 10,386 |
| Other liabilities | 2,580 | 7,250 |
| Net Cash Provided by Operating Activities | \$ 90,439 | 121,661 |
| Noncash Transactions | | |
| Donations, lease-financed acquisitions, state-funded acquisitions of capital assets | \$ 35,414 | 9,600 |
| Unrealized gains (losses) on investments | (79,709) | 46,702 |
| Refunding bonds | - | 195,015 |
| Debt-funded acquisition of capital assets | - | 66,001 |

See accompanying notes to financial statements.

UNIVERSITY OF COLORADO

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

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

GOVERNANCE

The University of Colorado (the University) is a comprehensive degree-granting research university in the State of Colorado (the State). It is governed by a nine-member Board of Regents (the Regents) elected by popular vote in the State's general elections. Serving staggered six-year terms, one member is elected from each of the State's seven congressional districts with two Regents elected from the State at large. The University comprises the system offices and the following three accredited campuses, each with its unique mission as detailed below:

- University of Colorado at Boulder (CU-Boulder)
Established in 1861, CU-Boulder is a comprehensive graduate research university (with selective admission standards) offering a comprehensive array of undergraduate, master's, and doctoral degree programs.
- University of Colorado Denver (UC Denver)
Originally operated as two separate campuses, the Health Sciences Center and the Denver campus were established in 1883 and 1974, respectively. In 2004, the two campuses were merged into the single campus operation. UC Denver is an urban comprehensive research university offering a full range of undergraduate, graduate, and professional degree programs in life sciences, professional programs, and liberal arts.
- University of Colorado at Colorado Springs (UCCS)
Established as a separate campus in 1965, UCCS is a comprehensive graduate university (with selective admission standards) offering a comprehensive array of undergraduate, master's, and doctoral degree programs.

To accomplish its mission, more than 2,610 tenure/tenure track instructional faculty serve more than 54,170 students through 250 degree programs in 28 schools and colleges.

BASIS OF PRESENTATION AND FINANCIAL REPORTING ENTITY

BLENDED COMPONENT UNITS

The University's financial reporting entity includes the operations of the University and all related entities for which the University is financially accountable and that provide services entirely to the University, referred to as blended component units. Financial accountability may stem from the University's ability to appoint a majority of the governing board of the related organization, its ability to impose its will on the related organization, its ability to access assets, or its responsibility for debts of the related organization. The University has the following blended component units:

- Buffalo Power Corporation
Established in 1991, Buffalo Power is a Colorado nonprofit corporation organized to facilitate the construction and financing of a cogeneration plant project (plant). Buffalo Power Corporation's directors are appointed by the Regents. The plant is designed to supply steam and electric power to CU-Boulder. Excess electricity produced by the plant is sold to third parties.
- The University of Colorado Finance Corporation
Established in 1998, the Finance Corporation is a Colorado nonprofit corporation organized to facilitate the acquisition of personal and real property for the University.
- University of Colorado Insurance Pool (UCIP)
Established in 1993, UCIP is a public entity insurance pool operated for the benefit of the University and the University of Colorado Hospital Authority that insures property, liability, and workers' compensation risks under the regulatory authority of the Colorado Division of Insurance. Effective September 30, 1996, the University discontinued utilizing UCIP for its insurance and began utilizing a protected self-insurance program (Note 10). UCIP is responsible for claims covered under the terms of its policies. When all of UCIP's liabilities are discharged, UCIP will be legally dissolved. Detailed financial information may be obtained directly from UCIP at 1800 Grant St., Suite 700, Denver, Colorado 80203.
- University License Equity Holding, Inc. (ULEHI)
Originally established in 1992, with a significant reorganization in 2001, ULEHI facilitates certain licensing activities for the University. ULEHI is a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code. Detailed financial information may be obtained directly from ULEHI at 4740 Walnut St., Boulder, Colorado 80301.
- University Physicians, Inc. (UPI)
Established in 1982, UPI performs the billing, collection, and disbursement services for the professional health services rendered for UC Denver as authorized in Section 23-20-114, Colorado Revised Statutes. UPI, a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code, collects patient and other revenues generated from professional activities by over 1,000 member physicians of the faculty of the School of Medicine. Medical care is provided to patients throughout the Rocky Mountain region through a statewide and regional network of services with over 160 sites of practice. In 1997, UPI acquired a 30 percent interest in the University of Colorado Hospital Authority's investment in TriWest Healthcare Alliance Corp. (TriWest). TriWest was formed to deliver health care services to eligible beneficiaries of the Civilian Health and Medical Program of the Uniformed Services within certain specified geographic regions. UPI accounts for its participation in TriWest on the cost basis. Detailed financial information may be obtained directly from UPI at P.O. Box 876, Aurora, Colorado 80040.

UNIVERSITY OF COLORADO

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

DISCRETELY PRESENTED COMPONENT UNITS

The University's financial statements include certain supporting organizations as discretely presented component units (DPCU) of the University (labeled component units). The majority of the resources, or income thereon that the supporting organizations hold and invest, are restricted to the activities of the University by the donors. Because these restricted resources held by the supporting organizations can only be used by, or for the benefit of, the University, the following supporting organizations are considered discretely presented component units (DPCU) of the University:

- Coleman Colorado Foundation (Coleman Foundation)
Established in August 2001, the Coleman Foundation is a nonprofit entity under Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code and was established to support the University's operational unit, the University of Colorado Coleman Institute for Cognitive Disabilities, and related activities and professorships. A five-member board of directors governs the Coleman Foundation.

- University of Colorado Foundation (CU Foundation)
Established in 1967, the CU Foundation solicits, receives, holds, invests, and transfers funds for the benefit of the University. The CU Foundation, a nonprofit entity under Section 501(c)(3) of the Internal Revenue Code, has a 15-member board of directors, of which a member of the Regents and the president of the University serve as ex-officio non-voting members.

The Alumni Association of the University of Colorado at Boulder (Boulder Alumni Association) was a division of the Foundation until September 1, 2007, at which point the Foundation transferred the operations of the Boulder Alumni Association to the University.

In June 2002, the CU Foundation established Bear Creek, a Colorado limited liability company, whose sole member is the CU Foundation. Bear Creek was established for the purpose of financing, developing, and operating a student residence center on land located at CU-Boulder. In May 2007, the assets and liabilities of Bear Creek were sold to the University. Bear Creek owns no other properties.

In October 2007, the Foundation established University Summit I, LLC (University Summit), a Colorado limited liability company, whose sole member is the Foundation. University Summit was established for the purpose of purchasing property adjacent to UCCS, which plans to purchase this property from the Foundation in the next fiscal year.

In January 2008, the Foundation established 1475 Lawrence Street I, LLC, (1475 Lawrence), a Colorado limited liability company, whose sole member is the Foundation. 1475 Lawrence was established for the purpose of purchasing property adjacent to the UC Denver downtown campus. This property was sold to UC Denver in June 2008.

Under an agreement between the CU Foundation and the University, the CU Foundation provides development and investment services to the University in exchange for a fee.

Detailed financial information may be obtained directly from the CU Foundation at 4740 Walnut Street, Boulder, Colorado 80301.

- The University of Colorado Real Estate Foundation (CUREF)
Established in August 2002, CUREF solicits and manages real estate investments for the sole benefit of the University. CUREF, a nonprofit entity under Section 501(c)(3) and 509(a)(3) of the Internal Revenue Code, has up to a 14-member board of directors. Nine are voting members, of which four are appointed by the University. There are up to five ex-officio non-voting members.

In May 2005, Campus Village Apartments, LLC (Campus Village) was formed with CUREF as the sole member to promote the general welfare, development, growth, and well-being of the University, specifically by acquiring, constructing, improving, equipping, and operating a new student housing facility located in Denver, Colorado.

Detailed financial information may be obtained directly from CUREF at 1800 Grant Street, Suite 250, Denver, CO 80203.

JOINT VENTURES AND RELATED ORGANIZATIONS

The University has associations with the following organizations for which it is not financially accountable, nor has primary access to the resources. Accordingly, these organizations have not been included in the University's financial statements. Information regarding the nature of the relationships is included in Note 19.

- University of Colorado Hospital Authority (Hospital Authority)
- Auraria Higher Education Center (AHEC)

RELATIONSHIP TO STATE OF COLORADO

The University of Colorado is an institution of higher education of the State of Colorado (the State). Thus, for financial reporting purposes, the University is included as part of the State's primary government.

TAX-EXEMPT STATUS

The income generated by the University, as an instrumentality of the State, is generally excluded from federal income taxes under Section 115 of the Internal Revenue Code. The University also has a determination letter from the Internal Revenue Service stating it is exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Income generated from activities unrelated to the University's exempt purpose is subject to tax under Internal Revenue Code Section 511(a)(2)(B). There was no tax liability related to income generated from activities unrelated to the University's exempt purpose as of June 30, 2008 and 2007.

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BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

The University applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. In addition, the University has chosen to apply only Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with, or contradict, GASB pronouncements.

ACCOUNTING POLICIES

Cash and Cash Equivalents are defined for the purposes of reporting cash flows as cash on hand and deposit accounts. Investments in mutual funds and deposits with the State Treasurer are presented as investments. UPI and the DPCU consider money market accounts with a maturity, when acquired, of three months or less to be cash equivalents.

Investments reported in the financial statements are at fair value, which is determined primarily based on quoted market prices as of June 30, 2008 and 2007. Amortized costs (which approximate fair value) are used for money market investments.

The classification of investments as current or noncurrent is based on the underlying nature and restricted use of the asset. Current investments are those without restrictions imposed by third parties that can be used to pay current obligations of the University. Noncurrent investments include restricted investments and those investments designated to be used for long-term obligations.

The University's investment policies permit investments in fixed-income and equity securities. These policies are implemented using individual securities, mutual funds, commingled funds, and alternative investments for the endowments.

Investments of the DPCU are comprised of marketable securities and alternative investments such as interest in private equity partnerships and real estate. All investments are stated at fair value based upon quoted market prices, professional appraisals, other readily determinable information, and information reported by investment managers and reviewed by DPCU management.

Endowments and similar gift instruments owned by the University and the DPCU are primarily recorded as investments in the accompanying financial statements. True endowment funds are subject to the restrictions of donor gift instruments requiring the principal to be invested in perpetuity. Life income funds are used to account for cash or other property contributed to the University subject to the requirement that the University periodically pay the income earned on such assets to a designated beneficiary. The assets of life income funds become the property of the University or DPCU upon the death of the designated beneficiary. Annuity funds are used to account for property contributed to the University or DPCU in exchange for a promise to pay a fixed amount to the donor for a specified period of time. In addition, certain funds have been established by the Regents to function as endowment funds until the restrictions are lifted by the Regents and are referred to as quasi-endowments.

Accounts, Contributions, and Loans Receivable are recorded net of estimated uncollectible amounts, which approximate anticipated losses.

Contributions receivable for the DPCU are unconditional promises to give. Promises to give to CUREF are recorded at net realizable value if expected to be collected within one year and at fair value if expected to be collected in more than one year. The DPCUs use the allowance method to determine the uncollectible portion of the unconditional contributions receivable. The allowance is based on management's analysis of the historical collectibility of contributions pledged. These promises to give are recorded at the net present value of the expected future cash flows using a risk-free interest rate.

For all other receivables, individual accounts are written off against the allowance when collection of the account appears doubtful. Bad debts substantially consist of write offs for uncollectible balances on self-pay patients and contributions receivable.

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Inventories are primarily accounted for using the consumption method and are stated at the lower of cost or market. Cost is determined using either first-in, first-out, average cost, or retail method.

Capital Assets are stated at cost at the date of acquisition or at fair value at the date of donation. For equipment, the capitalization policy includes all items with a value of \$5,000 or more and an estimated useful life of greater than one year.

Renovations to buildings and other improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense. Major outlays for capital assets and improvements are capitalized as construction in progress throughout the building project. Interest incurred during the construction phase is included as part of the value of the construction in progress.

All collections, such as works of art and historical artifacts, have been capitalized at cost at the date of acquisition or fair value at the date of donation. The nature of certain collections is such that the value and usefulness of the collections does not decrease over time. These collections have not been depreciated in the accompanying financial statements.

Assets under capital leases are recorded at the present value of future minimum lease payments and are amortized using the straight-line method over the shorter of the lease term or the estimated useful life. Such amortization is included as depreciation expense in the accompanying financial statements.

Depreciation is computed using the straight-line method and monthly convention over the estimated useful lives of the assets as displayed in Table 1.1, Asset Useful Lives.

Compensated Absences and related personnel expenses are recognized based on estimated balances due to employees upon termination or retirement. The limitations on such payments are defined by the rules associated with the personnel systems at the University. Employees accrue and vest in vacation and sick leave earnings based on their hire date and length of service. Professional exempt and faculty employees accrue sick leave with pay at the rate of 10 hours per month with a maximum accrual of 960 hours while classified employees earn 6.67 hours per month with a maximum accrual of 360 hours for employees hired after June 30, 1988. Employees hired before June 30, 1988 can accrue up to 360 hours in excess of amount of sick leave earned as of June 30, 1988. Employees earn and accrue vacation leave per the rates in Table 1.2, Compensated Absence Accrual Rates for Vacation. Vacation accruals are paid in full upon separation, whereas only a portion of sick leave is paid upon specific types of separation, such as retirement.

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

Postemployment Benefits consist of University-provided post-retirement healthcare and life insurance benefits for retired employees in accordance with the Regents' authority, as a single-employer plan. Substantially all of the University's employees may become eligible for those benefits if they reach normal retirement age while working for the University. The University's contributions are made on a pay-as-you-go basis. The University's annual OPEB expense is calculated based on the annual required contribution (ARC) of the University, an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) of the plan over a period not to exceed 30 years.

Deferred Revenue consists of amounts received from the provision of educational, research, auxiliary goods and services, and royalties that have not yet been earned.

Capital Leases consist of various lease-purchase contracts and other lease agreements. Such contracts provide that any commitments beyond the current year are contingent upon funds being appropriated for such purposes by the Regents. It is reasonably assured that such leases will be renewed in the normal course of business and, therefore, they are treated as non-cancelable for financial reporting purposes.

Split-interest Agreements are beneficial interests in various agreements, which include gift annuities, charitable remainder annuity trusts and unitrusts, and pooled income funds. The DPCU typically serves as trustee of these agreements, although certain trusts are administered by outside trustees.

TABLE 1.1 Asset Useful Lives

| Asset Class | Years |
|-----------------------------------|----------|
| Buildings | 20 – 50* |
| Improvements other than buildings | 10 – 40 |
| Equipment | 3 – 20 |
| Library and other collections | 6 – 15 |

*Certain buildings are componentized and the components may have useful lives similar to Improvements or Equipment.

TABLE 1.2 Compensated Absence Accrual Rates for Vacation

| Years of Service | Days Earned per Month* | Maximum Accrual |
|--|------------------------|-----------------|
| Classified employees hired before January 1, 1968 | 1.25–1.75 days | 30–42 days |
| Classified employees hired on or after January 1, 1968 | 1.00–1.75 days | 24–42 days |
| Professional exempt and faculty employees | 1.83 days | 44 days** |

*Rates are for full-time employees; part-time employees earn pro-rata based on percentage of appointment.

**Effective September 1, 1976, vacation accrual in excess of 44 days, earned in accordance with prior policies, will be carried forward; however, persons with unused vacation in excess of 44 days may not accumulate additional vacation time by failure to use vacation earned after that date.

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For trusts administered by the DPCU, specified earnings are typically paid to a named beneficiary. After termination of the trusts, the assets revert to the DPCU to create an endowment to support University activities or to be temporarily restricted for other purposes at the University. Assets received under such agreements are typically marketable equity and fixed-income securities, are recorded at their market value, and are included in investments in the accompanying financial statements. The estimated net present value of the obligation to named beneficiaries is recorded as split-interest agreements liability. A risk-free rate, using U.S. Treasury bonds at the date of the gift, was used in conjunction with actuarially determined life expectancies to calculate present values. The fair value of assets received in excess of the obligation is recognized as contribution revenue at the date of the gift. Changes in the value of the investments are combined with the changes in the estimated liability and are recorded as contributions in the accompanying financial statements.

In cases where a split-interest agreement is administered by an outside trustee, the DPCU records the estimated fair value of future cash flows from the trust as a contribution receivable from charitable remainder trusts at the point at which the DPCU becomes aware of its interest in the trust. Under certain circumstances, the DPCU accepts and manages trust funds for which the DPCU or University has beneficial interest but is not the sole beneficiary of the trust. Funds received for which the DPCU or the University is not the ultimate beneficiary are included as other liabilities in the accompanying financial statements and are not included in contributions revenue.

Custodial Funds consist of funds held by the DPCU for endowments legally owned by other entities, including the University.

Net Assets are classified in the accompanying financial statements as follows:

Invested in capital assets, net of related debt represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted for nonexpendable purposes consists of true endowments and similar instruments in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted for expendable purposes represents net resources in which the University or DPCU is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets represent net resources derived from student tuition and fees, fee-for-service contracts, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the Regents to meet current expenses for any purpose. These resources also include those from auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Internal Transactions occur between University operating units, including its formal self-funded internal service units and blended component units. Examples of self-funded operating units are telecommunications, cogeneration, and storerooms. Transactions include the recognition of revenues, expenses, receivables, and payables in the appropriate accounts of the operating units. To accommodate external financial reporting, the internal revenues and receivables are netted against expenses and payables, respectively.

Classification of Revenues and Expenses in the accompanying financial statements has been made according to the following criteria:

Operating revenues are derived from activities associated with providing goods and services for instruction, research, public service, health services, or related support to entities separate from the University and that are exchange transactions. Examples include student tuition and fees, fee-for-service contracts, sales and services of auxiliary enterprises, healthcare and patient services, grants, contracts, and interest on student loans. Operating revenues also include contributions to DPCU, which are derived from their fundraising mission.

Operating expenses are paid to acquire or produce goods and services provided in return for operating revenues and to carry out the mission of the University.

Nonoperating revenues and expenses include all revenues and related expenses that do not meet the definition of operating revenues, capital revenues, or endowment additions. They are primarily derived from activities that are non-exchange transactions (e.g., gifts) from activities defined as such by the GASB cash flow standards (e.g., investment income).

Scholarship Allowances are the difference between the stated charge for the goods and services provided by the University and the amount that is paid by the students or by other third parties making payments on the students' behalf. Student tuition and fee revenues and certain other auxiliary enterprise revenues are reported net of scholarship allowance in the accompanying financial statements. Certain grants from external governmental and private programs are recorded as either operating or non-operating revenues in the accompanying financial statements. To the extent that such grant revenues are used to satisfy tuition and fees and other student charges, the University records scholarship allowances. Any excess grant revenues are recorded as student aid operating expense.

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Health Service Revenue from Contractual Arrangements is recognized by UPI as a result of providing care to patients covered under various third parties such as Medicare and Medicaid, private insurance companies, and managed care programs, primarily from fixed-rate agreements. The federal and state governments update annually fixed-rate agreements for Medicare and Medicaid, respectively. In addition to the standard Medicaid program, UPI provides substantial care to Medicaid patients under the Colorado Access program. Contractual arrangements with insurance companies and managed care plans are negotiated periodically for future years.

Health services revenue is reported at the estimated net realizable amounts due from third-party payers and others for services rendered. Net patient service revenue includes care provided to patients who meet certain criteria under UPI's medically indigent care policy as reimbursed with funds provided by the State processed by the Hospital Authority and co-payments made by care recipients. In accordance with UPI's mission and philosophy, UPI members annually provide substantial levels of charity care to patients who meet certain defined criteria. Charity care relates to services rendered for which no payment is expected.

Donor Restricted Endowment disbursements of the net appreciation (realized and unrealized) of investments of endowment gifts are permitted by state law, except where a donor has specified otherwise. The amount of earnings and net appreciation available for spending by the University and the CU Foundation is based on a spending rate set by the CU Foundation board on an annual basis. For the years ended June 30, 2008 and 2007, the authorized spending rate was equal to the greater of 4 percent of the prior month's market value or 4.5 percent of the prior 36-month average market value of endowment investments. Earnings in excess of the amount authorized for spending are available in future years and are included in the value of the related investment. Earnings authorized to be spent are recognized in the University's financial statements as investment or gift revenue for University- or CU Foundation-owned endowments, respectively.

Application of Restricted and Unrestricted Resources is made on a case-by-case basis by management depending on overall program resources. Generally, management applies unrestricted resources then restricted resources when both restricted and unrestricted resources are available to pay an expense.

Use of Estimates is made in order to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ significantly from those estimates.

Reclassifications of certain prior year balances have been made to conform to the current year's financial statement presentation.

NOTE 2-CASH AND CASH EQUIVALENTS

The University's and DPCUs' cash and cash equivalents are detailed in Table 2.1, Cash and Cash Equivalents.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. To manage custodial credit risk, deposits with U.S. and foreign financial institutions are made in accordance with University and State policy, including the Public Deposit Protection Act (PDPA). PDPA requires all eligible depositories holding public deposits to pledge designated eligible collateral having market value equal to at least 102 percent of the deposits exceeding those amounts insured by federal depository insurance. Deposits collateralized under the PDPA are considered to be collateralized with securities held by the pledging institution in the University's name. Deposits with foreign financial institutions are not PDPA-eligible deposits and thus are exposed to custodial credit risk and require separate authorization as depositories by the State. During the years ended June 30, 2008 and 2007, all deposits with foreign financial institutions were authorized. Of the University's total cash and cash equivalents, approximately \$70,000 and \$111,000 related to deposits in foreign institutions are subject to custodial credit risk at June 30, 2008 and 2007, respectively. Custodial credit risk information is not available for the DPCU.

NOTE 3-INVESTMENTS

The University's investments generally include direct obligations of the U.S. Government and its agencies, commercial paper, corporate bonds, asset-backed securities, mortgage-backed securities, money market funds, commingled and mutual funds, repurchase agreements, guaranteed investment contracts, and equities. DPCU's investments are similar to the University's but also include alternative non-equity securities. Endowments are pooled to the extent possible under gift agreements. The CU Foundation manages certain of these endowments for the

TABLE 2.1 Cash and Cash Equivalents (in thousands)

| | 2008 | 2007 |
|---|------------------|---------------|
| University | | |
| Cash on hand (petty cash and change funds) | \$ 319 | 302 |
| Deposits with U.S. financial institutions | 45,536 | 41,848 |
| Deposits with foreign financial institutions | 70 | 111 |
| Total Cash and Cash Equivalents—University | \$ 45,925 | 42,261 |
| Discretely Presented Component Units | | |
| Deposits with U.S. financial institutions | 16,284 | 25,889 |
| Total Cash and Cash Equivalents—DPCU | \$ 16,284 | 25,889 |

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University in accordance with their investment policy. Details of investments by type for both the University and DPCUs are included in Table 3.1, Investments.

To the extent permitted, and excepting the University's blended entities, the University pools cash balances for investment purposes. An investment policy statement approved by the Regents directs the treasurer of the University to meet the following investment objectives:

- liquidity for daily operations,
- protection of the nominal value of assets, and
- generation of distributable earnings at a level commensurate with the time horizon of the investments.

For financial statement purposes, investment income is reported on a total return basis and is allocated among operational units based on average daily balances, using amortized costs. Average daily balances approximated \$903,978,000 and \$798,145,000 for the years ended June 30, 2008 and 2007, respectively. The total return on this pool was -1.5 and 11.5 percent for the years ended June 30, 2008 and 2007, respectively.

CUSTODIAL CREDIT RISK

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Therefore, exposure arises if the securities are uninsured, not registered in the University's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not in the University's name. Open-ended mutual funds and certain other investments are not subject to custodial risk because ownership of the investment is not evidenced by a security. The University does not have a policy concerning custodial credit risk. None of the University's investments are subject to custodial risk. The DCPU does not have a policy concerning custodial credit risk.

INTEREST RATE RISK

Interest rate risk is the risk that changes in the market rate of interest will adversely affect the value of an investment. Interest rate risk only applies to debt investments. The University, except for UPI, manages interest rate risk in its investment portfolios by managing the duration, the maximum maturity, or both. University investment policies establish duration and maturity guidelines for each portfolio. The duration method uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. UPI manages interest rate risk using weighted average maturity. Weighted average maturity is a measure of the time to maturity in years that has been weighted to reflect the dollar size of the individual investment within an investment type. The University's investment policy mitigates interest rate risk through the use of maturity limits for each of the investment segment pools. The DCPU does not have a policy concerning interest rate risk.

A summary of the fair value of the University's debt investments and interest rate risk as of June 30, 2008 and 2007 is shown in Table 3.2, Debt Investments and Interest Rate Risk.

As disclosed in Table 3.2, Debt Investments and Interest Rate Risk, the University has investments in asset-backed securities. The securities consist mainly of mortgages, home equity loans, student loans, automobile loans, equipment trusts, and credit card receivables. These securities are based on cash flows from

TABLE 3.1 Investments (in thousands)

| Investment Type | 2008 | 2007 |
|---|--------------------|------------------|
| <i>University</i> | | |
| U.S. government and agency securities | \$ 86,195 | 93,021 |
| Municipal bonds | 124 | 69 |
| Corporate equity securities | 74,840 | 54,009 |
| International equities | 49,340 | 33,691 |
| Corporate bonds and commercial paper | 123,348 | 103,702 |
| Repurchase agreements | 15,196 | 68,329 |
| Asset-backed securities | 169,716 | 143,909 |
| Open-ended mutual funds | 491,361 | 650,817 |
| Fixed-income securities | 18,645 | 10,345 |
| Alternative non-equity securities: | | |
| Real estate | 1,639 | 1,042 |
| Private equity | 40,539 | 21,370 |
| Hedge fund | 10,842 | 5,439 |
| Absolute return funds | 30,908 | 15,851 |
| Venture capital | 5,846 | 1,948 |
| Oil and gas | 9,382 | 4,966 |
| Treasury inflation-protected securities | 1,349 | - |
| Other | 3,705 | 2,178 |
| Investments held under security loans | | |
| Bond mutual funds | 67,763 | - |
| Total Investments—University | \$1,200,738 | 1,210,686 |
| <i>Discretely Presented Component Units</i> | | |
| Cash equivalents | \$ 4,268 | 1,693 |
| Equity securities: | | |
| Domestic | 225,682 | 220,671 |
| International | 187,780 | 202,354 |
| Fixed-income securities | 161,119 | 125,067 |
| Alternative non-equity securities: | | |
| Real estate | 15,711 | 14,692 |
| Private equity | 154,285 | 142,015 |
| Hedge funds | 41,264 | 32,698 |
| Absolute return funds | 117,629 | 96,049 |
| Treasury inflation-protected securities | 18,635 | - |
| Venture capital | 22,360 | 12,727 |
| Oil and gas | 35,708 | 29,873 |
| Other | 4,827 | 4,522 |
| Investments held under security loans | - | 22,299 |
| Guaranteed investment contracts | 5,551 | 5,574 |
| Total Investments—DPCU | \$ 994,819 | 910,234 |

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TABLE 3.2 Debt Investments and Interest Rate Risk (amounts in thousands and duration in years)

| Investment Type | 2008 | | 2007 | |
|---|-------------------|-------------------------|-------------------|-------------------------|
| | Amount | Duration | Amount | Duration |
| University | | | | |
| U.S. government and agency securities | \$ 81,883 | 4.95 | \$ 87,580 | 5.53 |
| Municipal bonds | 124 | 2.45 | 69 | 1.80 |
| Corporate bonds | 68,072 | 5.88 | 52,133 | 5.41 |
| Asset-backed securities | | | | |
| Fixed-rate securities | 199,703 | — | 191,297 | — |
| Variable-rate securities | 27,180 | — | 34,609 | — |
| Collateralized mortgage obligations | 30,421 | — | 12,290 | — |
| Total asset-backed securities | 257,304 | 3.79 | 238,196 | 3.59 |
| Bond mutual funds | 102,807 | 1.16 | 34,066 | 2.76 |
| | | <i>Weighted Average</i> | | <i>Weighted Average</i> |
| | <i>Amount</i> | <i>Maturity</i> | <i>Amount</i> | <i>Maturity</i> |
| U.S. government and agency securities–UPI | \$ 954 | 1.62 | \$ 1,967 | 1.55 |
| Federal agency paper–UPI | 2,730 | 3.45 | 5,165 | 2.18 |
| Corporate bonds–UPI | 55,820 | 2.87 | 50,104 | 2.41 |
| Asset-backed securities–UPI | 1 | 1.00 | 1 | 1.00 |
| Total Debt Investments–University | \$ 569,695 | | \$ 469,281 | |
| | <i>Amount</i> | <i>Duration</i> | <i>Amount</i> | <i>Duration</i> |
| Discretely Presented Component Units | | | | |
| U.S. government agencies | \$ 45,520 | 10.34 | \$ 24,850 | 10.51 |
| Bond mutual funds | 25,440 | 4.64 | 37,290 | 4.76 |
| Money market mutual funds | 3,610 | 0.13 | 1,410 | 0.20 |
| Total Debt Investments–DPCU | \$ 74,570 | | \$ 63,550 | |

principal and interest payments on the underlying securities. An asset-backed security has repayments that are expected to significantly vary with interest rate changes. The variance may present itself in terms of variable repayment amounts and uncertain early or extended repayments.

CREDIT QUALITY RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk only applies to debt investments. This risk is assessed by national rating agencies, which assign a credit quality rating for many investments. The University's investment policies for the Treasury pool do not permit investments in debt securities that are below investment grade at the time the security is purchased. University policy allows no more than 20 percent of investments to be rated below A (Standard and Poor's) or A3 (Moody's). There are two other investment policies tailored to non-pooled investments. Those policies do not restrict investments to a particular credit quality standard. Credit quality ratings are not required for obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government. The DPCU does not have a policy concerning credit quality risk. A summary of the University's debt investments and credit quality risk as of June 30, 2008 and 2007 is shown in Table 3.3, Debt Investments and Credit Quality Risk.

SECURITY LENDING

The University treasurer, under the authority granted by the Regents, enters into an agreement with the trust department of its custodial bank to lend its fixed-income and equity securities to certain qualified borrowers. Loans can be terminated on demand by either the University or the borrowers. The loans consist of two types: term and open. A term loan is for a fixed number of days, while an open loan may be renewed by both parties daily.

The custodian, acting as lending agent, lends the University's securities for collateral of 102 percent to broker-dealers and other entities (borrowers) with a simultaneous agreement to return the collateral for the same security in the future. Acceptable forms of collateral are cash, irrevocable standby letters of credit, and obligations issued or guaranteed by the U.S. Government or its agencies. If the fair value of a loaned security increases, the borrower is required to deliver additional collateral to the custodian to protect the University. For both term and open loans collateralized by cash from the borrower, the collateral is invested in high-quality, U.S. dollar-denominated, short-term money market instruments that can have fixed, variable, or floating rates of interest. Collateral is invested in diversified instruments to provide adequate liquidity and to avoid concentration by issuer or industry except that no concentration limits are set for obligations of the U.S. Government or

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Table 3.3 Debt Investments and Credit Quality Risk (fair value in thousands)

| Investment Type | 2008 | | | 2007 | | |
|---|-------------------|----------------|--|-------------------|----------------|--|
| | Unrated | Rated | | Unrated | Rated | |
| | Fair Value | Fair Value | % of Rated Value by Credit Rating | Fair Value | Fair Value | % of Rated Value by Credit Rating |
| University | | | | | | |
| U.S. government agencies | \$ 5,194 | 27,968 | 98% AAA 2% AA | \$ 7,060 | 28,335 | 96% AAA 4% AA |
| Municipal bonds | 124 | – | N/A | – | 69 | 72% AAA 28% AA |
| Corporate bonds | 2,117 | 121,232 | 11% AAA 32% AA 34% A 20% BBB/Baa 3% BB/B/Caa | 1,255 | 101,949 | 15% AAA 31% AA 31% A 20% BBB/Baa 3% BB/B/Caa |
| Repurchase agreements | 15,196 | – | N/A | 68,329 | – | N/A |
| Asset-backed securities | 72,175 | 97,540 | 95% AAA/Aaa 5% AA/BB | 44,788 | 99,121 | 95% AAA/Aaa 5% AA/BB |
| Bond mutual funds | 102,807 | – | N/A | 34,847 | – | N/A |
| Money market mutual funds | 100,925 | 130,738 | 100% Aaa | 65,329 | 296,823 | 100% Aaa |
| Total Debt Investments–University | \$ 298,538 | 377,478 | | \$ 221,608 | 526,297 | |
| Discretely Presented Component Units | | | | | | |
| U.S. government agencies | \$ – | 45,520 | 100% AAA | \$ – | 24,850 | 100% AAA |
| Bond mutual funds | 25,440 | – | | 37,290 | – | |
| Guaranteed investment contracts | – | 3,273 | 100% AAAM/Aaa | – | 3,273 | 100% AAAM/Aaa |
| Money market mutual funds | – | 5,888 | 41% AA–/Aa 59% A1/P1 | – | 3,711 | 66% AA/Aa1 30% A1/P1 4% A |
| Total Debt Investments–DPCU | \$ 25,440 | 54,681 | | \$ 37,290 | 31,834 | |

its agencies. The University does not have the ability to pledge or sell securities under a security lending agreement unless the borrower defaults. As of June 30, 2008, the University had approximately \$69,101,000 securities on loan. No securities were on loan as of June 30, 2007.

The custodian provides indemnification to protect against a borrower's failure to perform or a borrower's default on a loan. There were no violations of legal or contractual provisions and no borrower or custodian has defaulted.

The Foundation has participated in the Securities Lending Program maintained by its custodian bank, under which securities held by the Foundation are loaned by the custodian bank, as agent of the Foundation, to certain brokers and other financial institutions (Borrowers). The Borrowers provide cash, U.S. government securities, or letters of credit as value of the loaned international or domestic securities, respectively, when the loan is initiated, and are required to maintain the collateral at not less than 105 percent and 102 percent of the market value of the international or domestic securities, respectively. The Foundation invests cash collateral in a short-term investment vehicle maintained by the custodian bank. At June 30, 2008, the Foundation was no longer participating in this program. At June 30, 2007,

the market value of securities loaned by the Foundation was \$21,138,060 against which the Borrowers provided cash collateral of \$19,725,235 and U.S. government debt collateral of \$2,573,381.

SPLIT-INTEREST AGREEMENTS

Assets held by the DPCU under split-interest agreements are included in investments and consisted of the following as of June 30, 2008 and 2007, as shown in Table 3.4, DPCU Investments Held Under Split-interest Agreements.

TABLE 3.4 DPCU Investments Held Under Split-interest Agreements (in thousands)

| Type | 2008 | 2007 |
|---|------------------|---------------|
| Beneficial interests in perpetual trusts held by others | \$ 217 | 198 |
| Charitable remainder trusts | 62,616 | 50,804 |
| Charitable gift annuities and pooled income funds | 280 | 339 |
| Total Investments Held Under Split-interest Agreements | \$ 63,113 | 51,341 |

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NOTE 4—ACCOUNTS, CONTRIBUTIONS, AND LOANS RECEIVABLE

Table 4.1, Accounts, Contributions, and Loans Receivable, segregates receivables as of June 30, 2008 and 2007, by type.

CONCENTRATION OF CREDIT RISK

UPI grants credit without collateral to its patients. The mix of gross receivables from patients and third-party payers as of June 30, 2008 and 2007 is detailed in Table 4.2, UPI Concentration of Credit Risk.

TABLE 4.1 Accounts, Contributions, and Loans Receivable (in thousands)

| Type of Receivable | 2008 | | | |
|---|----------------------|----------------|--------------------|------------------------|
| | Gross Receivables | Allowance | Net Receivables | Net Current Portion |
| University | | | | |
| Student accounts | \$ 27,967 | 9,789 | 18,178 | 18,178 |
| Federal government | 41,435 | – | 41,435 | 41,435 |
| Other governments | 25,579 | – | 25,579 | 25,579 |
| Private sponsors | 24,310 | – | 24,310 | 24,310 |
| Patient accounts | 53,246 | 4,873 | 48,373 | 48,373 |
| DPCU | 11,284 | – | 11,284 | 11,284 |
| Interest | 3,916 | – | 3,916 | 3,797 |
| Other | 13,211 | 1,164 | 12,047 | 11,117 |
| Total accounts receivable | 200,948 | 15,826 | 185,122 | 184,073 |
| Student loans | 35,690 | 2,727 | 32,963 | – |
| Total loans receivable | 35,690 | 2,727 | 32,963 | – |
| Total Receivable—University | \$ 236,638 | 18,553 | 218,085 | 184,073 |
| Discretely Presented Component Units | | | | |
| Contributions * | \$ 300,091 | 253,694 | 46,397 | 21,144 |
| Interest | 93 | – | 93 | 93 |
| Other | 4,609 | – | 4,609 | 884 |
| Total Receivable—DPCU | \$ 304,793 | 253,694 | 51,099 | 22,121 |
| Type of Receivable | 2007 | | | |
| | Gross Receivables | Allowance | Net Receivables | Net Current Portion |
| University | | | | |
| Student accounts | \$ 25,479 | 9,366 | 16,113 | 16,112 |
| Federal government | 37,402 | – | 37,402 | 37,402 |
| Other governments | 30,061 | – | 30,061 | 30,061 |
| Private sponsors | 27,128 | – | 27,128 | 27,128 |
| Patient accounts | 40,832 | 4,876 | 35,956 | 35,956 |
| DPCU | 11,950 | – | 11,950 | 11,950 |
| Interest | 5,046 | – | 5,046 | 4,642 |
| Other | 15,410 | 1,162 | 14,248 | 13,901 |
| Total accounts receivable | 193,308 | 15,404 | 177,904 | 177,152 |
| Student loans | 38,270 | 2,471 | 35,799 | – |
| Total loans receivable | 38,270 | 2,471 | 35,799 | – |
| Total Receivable—University | \$ 231,578 | 17,875 | 213,703 | 177,152 |
| Discretely Presented Component Units | | | | |
| Contributions * | \$ 297,439 | 251,924 | 45,515 | 21,185 |
| Interest | 152 | – | 152 | 152 |
| Other | 4,709 | 25 | 4,684 | 679 |
| Total Receivable—DPCU | \$ 302,300 | 251,949 | 50,351 | 22,016 |

*The allowance on the contributions receivable is comprised of uncollectible and unamortized discounts of \$251,152,000 and \$2,542,000, as of June 30, 2008, respectively, and \$248,747,000 and \$ 3,178,000 as of June 30, 2007, respectively.

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TABLE 4.2 UPI Concentration of Credit Risk

| Category | 2008 | 2007 |
|--------------------------|---------------|---------------|
| Managed care | 51.5% | 55.1% |
| Medicare | 11.9 | 14.3 |
| Medicaid | 16.0 | 13.6 |
| Other third-party payers | 12.3 | 5.8 |
| Self-pay | 8.3 | 11.2 |
| Total | 100.0% | 100.0% |

NOTE 5—CAPITAL ASSETS

Table 5, Capital Assets, presents changes in capital assets and accumulated depreciation by major asset category for the years ended June 30, 2008 and 2007.

The total interest expense related to capital asset debt incurred by the University during the years ended June 30, 2008 and 2007 approximated \$39,973,000 and \$42,342,000, respectively. Of this amount, approximately \$11,369,000 and \$20,226,000,

TABLE 5 Capital Assets (in thousands)

| Category | Balance 2007 | Additions | Retirements | Transfers | Balance 2008 |
|---|---------------------|----------------|--------------|-----------|------------------|
| <i>University</i> | | | | | |
| Nondepreciable capital assets | | | | | |
| Land | \$ 46,024 | 7,501 | — | — | 53,525 |
| Construction in progress | 448,790 | 206,761 | — | (557,392) | 98,159 |
| Collections | 8,779 | 397 | — | — | 9,176 |
| Total nondepreciable capital assets | 503,593 | 214,659 | — | (557,392) | 160,860 |
| Depreciable capital assets | | | | | |
| Buildings | 1,611,432 | 32,162 | 4,243 | 540,414 | 2,179,765 |
| Improvements other than buildings | 124,412 | 1,145 | 85 | 16,780 | 142,252 |
| Equipment | 390,953 | 36,497 | 13,933 | 198 | 413,715 |
| Library and other collections | 251,473 | 15,294 | 358 | — | 266,409 |
| Total depreciable capital assets | 2,378,270 | 85,098 | 18,619 | 557,392 | 3,002,141 |
| Less accumulated depreciation | | | | | |
| Buildings | 559,555 | 73,505 | 3,265 | — | 629,795 |
| Improvements other than buildings | 52,715 | 6,936 | 37 | — | 59,614 |
| Equipment | 268,010 | 37,494 | 12,679 | — | 292,825 |
| Library and other collections | 161,302 | 12,204 | 357 | — | 173,149 |
| Total accumulated depreciation | 1,041,582 | 130,139 | 16,338 | — | 1,155,383 |
| Net depreciable capital assets | 1,336,688 | (45,041) | 2,281 | 557,392 | 1,846,758 |
| Total Net Capital Assets—University | \$ 1,840,281 | 169,618 | 2,281 | — | 2,007,618 |
| <i>Discretely Presented Component Units</i> | | | | | |
| Nondepreciable capital assets | | | | | |
| Land | \$ 16,862 | — | — | — | 16,862 |
| Construction in progress | 207 | — | 207 | — | — |
| Total nondepreciable capital assets | 17,069 | — | 207 | — | 16,862 |
| Depreciable capital assets | | | | | |
| Buildings | 59,955 | 1,155 | 294 | — | 60,816 |
| Improvements other than buildings | 772 | 190 | 194 | — | 768 |
| Equipment | 5,903 | 619 | 446 | — | 6,076 |
| Total depreciable capital assets | 66,630 | 1,964 | 934 | — | 67,660 |
| Less accumulated depreciation | | | | | |
| Buildings | 4,878 | 2,194 | — | — | 7,072 |
| Improvements other than buildings | 334 | 95 | 124 | — | 305 |
| Equipment | 3,719 | 538 | 306 | — | 3,951 |
| Total accumulated depreciation | 8,931 | 2,827 | 430 | — | 11,328 |
| Net depreciable capital assets | 57,699 | (863) | 504 | — | 56,332 |
| Total Net Capital Assets—DPCU | \$ 74,768 | (863) | 711 | — | 73,194 |

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TABLE 5 Capital Assets (continued) (in thousands)

| Category | Balance 2006 | Additions | Retirements | Transfers | Balance 2007 |
|---|---------------------|----------------|---------------|-----------|------------------|
| <i>University</i> | | | | | |
| Nondepreciable capital assets | | | | | |
| Land | \$ 46,024 | – | – | – | 46,024 |
| Construction in progress | 206,603 | 354,892 | – | (112,705) | 448,790 |
| Collections | 8,298 | 481 | – | | 8,779 |
| Total nondepreciable capital assets | 260,925 | 355,373 | – | (112,705) | 503,593 |
| Depreciable capital assets | | | | | |
| Buildings | 1,445,472 | 57,819 | 124 | 108,265 | 1,611,432 |
| Improvements other than buildings | 119,545 | 639 | 212 | 4,440 | 124,412 |
| Equipment | 392,065 | 29,108 | 30,220 | – | 390,953 |
| Library and other collections | 237,764 | 14,023 | 314 | – | 251,473 |
| Total depreciable capital assets | 2,194,846 | 101,589 | 30,870 | 112,705 | 2,378,270 |
| Less accumulated depreciation | | | | | |
| Buildings | 489,923 | 69,669 | 37 | – | 559,555 |
| Improvements other than buildings | 46,229 | 6,599 | 113 | – | 52,715 |
| Equipment | 254,748 | 36,908 | 23,646 | – | 268,010 |
| Library and other collections | 149,733 | 11,883 | 314 | – | 161,302 |
| Total accumulated depreciation | 940,633 | 125,059 | 24,110 | – | 1,041,582 |
| Net depreciable capital assets | 1,254,213 | (23,470) | 6,760 | 112,705 | 1,336,688 |
| Total Net Capital Assets–University | \$ 1,515,138 | 331,903 | 6,760 | – | 1,840,281 |
| <i>Discretely Presented Component Units</i> | | | | | |
| Nondepreciable capital assets | | | | | |
| Land | \$ 13,421 | 3,741 | 300 | – | 16,862 |
| Construction in progress | 31,188 | 207 | – | (31,188) | 207 |
| Total nondepreciable capital assets | 44,609 | 3,948 | 300 | (31,188) | 17,069 |
| Depreciable capital assets | | | | | |
| Buildings | 71,737 | 19,869 | 62,205 | 30,554 | 59,955 |
| Improvements other than buildings | 731 | 43 | 2 | – | 772 |
| Equipment | 6,475 | 953 | 2,159 | 634 | 5,903 |
| Total depreciable capital assets | 78,943 | 20,865 | 64,366 | 31,188 | 66,630 |
| Less accumulated depreciation | | | | | |
| Buildings | 6,685 | 3,429 | 5,236 | – | 4,878 |
| Improvements other than buildings | 254 | 81 | 1 | – | 334 |
| Equipment | 3,804 | 1,103 | 1,188 | – | 3,719 |
| Total accumulated depreciation | 10,743 | 4,613 | 6,425 | – | 8,931 |
| Net depreciable capital assets | 68,200 | 16,252 | 57,941 | 31,188 | 57,699 |
| Total Net Capital Assets–DPCU | \$ 112,809 | 20,200 | 58,241 | – | 74,768 |

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respectively, was capitalized as part of the value of construction in progress. Interest expense incurred by the DPCU and capitalized for the year ended June 30, 2008 and 2007 was \$2,664,000 and \$2,721,000 respectively.

NOTE 6—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Table 6.1, Accounts Payable and Accrued Expenses, details the accounts payable and accrued expenses as of June 30, 2008 and 2007, by type.

OPERATING LEASES

The University leases various buildings and equipment under operating lease rental agreements. Operating leases do not give rise to property rights or meet other capital lease criteria and, therefore, the related assets and liabilities are not recorded in the accompanying financial statements. For the years ended June 30, 2008 and 2007, total rental expense under these agreements approximated \$8,536,000 and \$6,837,000 for the University, respectively. Future minimum payments for these operating leases are shown in Table 6.2, Operating Leases Minimum Lease Obligations.

TABLE 6.1 Accounts Payable and Accrued Expenses
(in thousands)

| Type | 2008 | 2007 |
|---|-------------------|----------------|
| University | | |
| Accounts payable—vendors | \$ 66,033 | 71,014 |
| Accounts payable—DPCU | 767 | 145 |
| Accrued salaries and benefits | 143,722 | 130,241 |
| Accrued interest payable | 1,822 | 2,080 |
| Other accrued expenses | 1,357 | 1,863 |
| Total Accounts Payable and Accrued Expenses—University | \$ 213,701 | 205,343 |
| Discretely Presented Component Units | | |
| Accounts payable—vendors | \$ 3,812 | 2,853 |
| Accounts payable—University | 3,418 | 6,205 |
| Total Accounts Payable—DPCU | \$ 7,230 | 9,058 |

TABLE 6.2 University Operating Leases Minimum Lease Obligations
(in thousands)

| Years Ending June 30 | Minimum Lease Obligation |
|--|--------------------------|
| 2009 | \$ 7,147 |
| 2010 | 5,501 |
| 2011 | 5,198 |
| 2012 | 3,780 |
| 2013 | 2,837 |
| 2014–2016 | 7,243 |
| Total Operating Lease Obligations | \$ 31,706 |

NOTE 7—COMPENSATED ABSENCES AND POSTEMPLOYMENT BENEFITS

Table 7, Compensated Absences and Postemployment Benefits, presents changes in compensated absences and post-employment benefits other than pension benefits for the years ended June 30, 2008 and 2007.

POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

During the years ended June 30, 2008 and 2007, approximately 3,600 and 3,400 retirees, respectively, met the eligibility requirements and are receiving benefits under the University's post-employment benefit (non-pension) program. Under this program, the University subsidizes a portion of healthcare and life insurance premiums by charging them as a current expense. These costs approximated \$7,249,000 and \$6,997,000 during the years ended June 30, 2008 and 2007, respectively.

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$195,972,000, and the actuarial value of assets were zero, resulting in an

TABLE 7 Compensated Absences and Postemployment Benefits
(in thousands)

| | 2008 | 2007 |
|---|-------------------|---------------|
| Compensated Absences: | | |
| Beginning of the year | \$ 96,886 | 86,500 |
| Additions | 110,655 | 76,511 |
| Adjustments/reductions | (103,723) | (66,125) |
| End of the year | 103,818 | 96,886 |
| Postemployment Benefits: | | |
| Beginning of the year | | |
| Annual required contribution | 9,428 | — |
| Interest on net obligation | 532 | — |
| Adjustment to annual required contribution | 12,141 | — |
| Annual OPEB cost (expense) | 22,101 | — |
| Contributions made during the year | (10,645) | — |
| End of the year | 11,456 | — |
| Total Compensated Absences and Postemployment Benefits | \$ 115,274 | 96,886 |

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unfunded actuarial accrued liability (UAAL) of \$195,972,000. The covered payroll (annual payroll of active employees covered by the plan) was \$201,899,000, and the ratio of the UAAL to the covered payroll was 97.1 percent. The University contributed 48.2 percent of the annual required contribution.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial-acrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the unit credit actuarial cost method was used. The healthcare trend assumption reflects healthcare cost inflation expected to impact the plan based on forecast information in published papers from industry experts (actuaries, health economists, etc.). This information suggests an 11 percent long-term average increase for all healthcare benefits, trending down to an ultimate 5 percent increase for 2014 and later years. Expected medical claims are assumed to increase 2 percent, on average, as participant's age. It was assumed that all members would be entitled to the maximum life insurance benefit amount, therefore no salary increase rate is assumed. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008 was 29 years.

PERA POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

In addition to the postemployment (non-pension) benefits provided by the University, employees that participate in the PERA pension plan (Note 16) receive postemployment benefits from PERA.

Health Care Program

PERACare (formerly know as the PERA Health Care Program) began covering benefit recipients and qualified dependents on July 1, 1986. This benefit was developed after legislation in 1985 established the PERACare and the Health Care Fund. This benefit was developed after legislation in 1985 established the

Program and the Health Care Fund; the program was converted to a trust fund in 1999. 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 the years ended June 30, 2008 and 2007, the premium subsidy was \$115 for those with 20 years of service credit (\$230 for members under age 65 and not eligible for Medicare), and it was reduced by 5 percent for each year of service fewer than 20.

The Health Care Trust Fund is maintained by an employer's contribution (Note 16).

Monthly premium costs for participants depend on the health care plan selected, the number of persons covered, Medicare eligibility, and the number of years of service credit. 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, 2007, there were approximately 42,430 enrollees in the plan.

LIFE INSURANCE PROGRAM

During Fiscal Years ended June 30, 2008 and 2007, PERA provided its members access to a group decreasing term life insurance plan offered by UnumProvident in which 41,101 members participated. Active members may join the Unum-Provident Plan and continue coverage into retirement. Premiums are collected by monthly payroll deductions or other means. In addition, PERA maintained coverage for 12,790 members under closed group plans underwritten by Anthem Life, Prudential, and New York Life.

NOTE 8—DEFERRED REVENUE

As of June 30, 2008 and 2007, the types and amounts of deferred revenue are shown in Table 8, Deferred Revenue.

TABLE 8 Deferred Revenue (in thousands)

| Type | 2008 | | 2007 | |
|---|------------------|-----------------|---------------|-----------------|
| | Total | Current Portion | Total | Current Portion |
| <i>University</i> | | | | |
| Tuition and fees | \$ 17,210 | 17,210 | 16,869 | 16,869 |
| Auxiliary enterprises | 19,647 | 13,796 | 19,684 | 13,578 |
| Grants and contracts | 50,971 | 50,971 | 46,266 | 46,266 |
| Miscellaneous | 7,394 | 7,394 | 7,987 | 7,987 |
| Total Deferred Revenue— | | | | |
| University | \$ 95,222 | 89,371 | 90,806 | 84,700 |
| <i>Discretely Presented Component Units</i> | | | | |
| Miscellaneous | \$ 1,314 | 1,314 | 1,852 | 1,674 |
| Total Deferred Revenue— | | | | |
| DPCU | \$ 1,314 | 1,314 | 1,852 | 1,674 |

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NOTE 9—BONDS, LEASES, AND NOTES PAYABLE,

As of June 30, 2008 and 2007, the categories of long-term obligations are detailed in Table 9.1, Bonds, Leases Payable, and Notes.

Table 9.2, Changes in Bonds, Notes, and Leases Payable, presents changes in bonds, notes, and leases payable for the years ended June 30, 2008 and 2007.

REVENUE BONDS

A general description of each revenue bond issue, original issuance amount, and the amount outstanding as of June 30, 2008 and 2007 is detailed in Table 9.3, Revenue Bonds Detail.

The University's revenue bonds are payable semiannually, have serial maturities, contain sinking fund requirements, and contain optional redemption provisions. The optional redemption provisions allow the University to redeem, at various dates, portions of the outstanding revenue bonds at prices varying from 100 to 101 percent of the principal amount of the revenue bonds redeemed.

The Enterprise System Revenue Bonds are secured by a pledge of all net revenues of certain auxiliary enterprise facilities. As of June 30, 2008 and 2007, total net pledged revenues approximate \$221,604,000 and \$203,184,000, respectively.

All University revenue bonds are special limited obligations of the Regents and are payable solely from the pledged revenues (or the net income of the facilities as defined in the bond resolution). The revenue bonds are not secured by any encumbrance, mortgage, or other pledge of property, except pledged revenues, and do not constitute general obligations of the Regents.

The University revenue bonds contain provisions to establish and maintain reasonable fees, rates, and other charges to ensure gross revenues are sufficient for debt service coverage. The University is also required to comply with various other covenants while the bonds are outstanding. These covenants, among other things, restrict the disposition of certain assets, require the Regents to maintain adequate insurance, and require the Regents to continue to operate the underlying programs. Management believes the University has met all debt service coverage ratios and has complied with all bond covenants.

TABLE 9.1 Bonds, Leases, and Notes Payable (in thousands)

| Type | Interest Rates | Final Maturity | Balance 2008 | Balance 2007 |
|--|----------------|----------------|-------------------|----------------|
| University | | | | |
| Revenue Bonds | | | | |
| Enterprise System (including premium of \$28,405 in 2008 and \$30,836 in 2007 and deferred loss of \$8,309 in 2008 and \$9,134 in 2007) | 2.25%–5.75% | 6/1/39 | \$ 749,931 | 774,497 |
| UPI Variable Demand Bonds | 3.50%* | 1/1/25 | 18,890 | 19,290 |
| Total Revenue Bonds | | | 768,821 | 793,787 |
| Capital Leases | | | | |
| Central Utility Plant | 6.00% | 12/31/22 | 41,330 | 28,145 |
| Other Capital Lease Obligations | 2.87–13.95% | Various | 2,055 | 2,187 |
| Total Other Capital Leases | | | 43,385 | 30,332 |
| Notes Payable | 5.00–6.00% | 12/31/09 | 48 | 93 |
| Total Bonds, Leases, and Notes Payable—University | | | \$ 812,254 | 824,212 |
| * Interest on the UPI Variable Rate Demand Bonds is set at an adjustable rate as discussed below under Revenue Bonds. The rates reflected in this table are as of June 30, 2008. | | | | |
| Discretely Presented Component Units | | | | |
| Revenue Bonds | | | | |
| Student Housing Facility Series 2005 | 3.21%* | 7/1/37 | \$ 50,365 | 50,365 |
| Total Revenue Bonds | | | 50,365 | 50,365 |
| Capital Leases | 7.50% | 9/1/14 | 4,205 | 4,585 |
| Notes Payable | 6.37–6.6%** | 9/10/16 | 18,910 | 19,719 |
| Total Bonds, Leases, and Notes Payable—DPCU | | | \$ 73,480 | 74,669 |

*Interest on the Student Housing Faculty Series 2005 Bonds are set at an adjustable rate as discussed below under Revenue Bonds and Certificates of Participation, respectively. The rates reflected in this table are as of June 30, 2008.

**98 Inverness LLC. Variable interest rate of 1-month LIBOR plus 2.156 adjusted monthly

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TABLE 9.2 Changes in Bonds, Leases, and Notes Payable (in thousands)

| Type | Balance 2007 | Additions | Retirements | Balance 2008 | Current Portion |
|--|-------------------|----------------|----------------|-----------------|--------------------|
| University | | | | | |
| Revenue Bonds | \$ 772,085 | – | 23,360 | 748,725 | 26,575 |
| Plus unamortized premiums | 30,836 | – | 2,431 | 28,405 | 2,092 |
| Less deferred loss | 9,134 | – | 825 | 8,309 | – |
| Net Revenue Bonds | 793,787 | – | 24,966 | 768,821 | 28,667 |
| Capital Leases | 30,332 | 15,321 | 2,268 | 43,385 | 2,563 |
| Notes Payable | 93 | – | 45 | 48 | 48 |
| Total Bonds, Leases, and Notes Payable–University | \$ 824,212 | 15,321 | 27,279 | 812,254 | 31,278 |
| Discretely Presented Component Units | | | | | |
| Revenue Bonds | \$ 50,365 | – | – | 50,365 | – |
| Capital Leases | 4,585 | – | 380 | 4,205 | 415 |
| Notes Payable | 19,719 | – | 809 | 18,910 | 391 |
| Total Bonds, Leases, and Notes Payable–DPCU | \$ 74,669 | – | 1,189 | 73,480 | 806 |
| Type | Balance 2006 | Additions | Retirements | Balance 2007 | Current Portion |
| University | | | | | |
| Revenue Bonds | \$ 596,775 | 349,480 | 174,170 | 772,085 | 23,360 |
| Plus unamortized premiums | 15,713 | 17,840 | 2,717 | 30,836 | 2,433 |
| Less deferred loss | – | 9,480 | 346 | 9,134 | – |
| Net Revenue Bonds | 612,488 | 357,840 | 176,541 | 793,787 | 25,793 |
| Certificates of Participation | 35,655 | – | 35,655 | – | – |
| Capital Leases | 31,223 | 595 | 1,486 | 30,332 | 1,858 |
| Notes Payable | 136 | – | 43 | 93 | 45 |
| Total Bonds, Leases, and Notes Payable–University | \$ 679,502 | 358,435 | 213,725 | 824,212 | 27,696 |
| Discretely Presented Component Units | | | | | |
| Revenue Bonds | \$ 118,255 | – | 67,890 | 50,365 | – |
| Plus unamortized premiums | 140 | – | 140 | – | – |
| Net Revenue Bonds | 118,395 | – | 68,030 | 50,365 | – |
| Capital Leases | 4,836 | 30 | 281 | 4,585 | 346 |
| Notes Payable | – | 19,772 | 53 | 19,719 | 559 |
| Total Bonds, Leases, and Notes Payable–DPCU | \$ 123,231 | 19,802 | 68,364 | 74,669 | 905 |

On January 9, 2007, the University issued \$184,180,000 of University Enterprise Refunding Revenue Bonds, Series 2007A, and used the proceeds to in-substance defease all or a portion of existing enterprise revenue and refunding bonds and certificates of participation. The old debt and certificates of participation had interest rates ranging from 3.125 percent to 5.50 percent, and the new debt has interest rates ranging from 3.625 percent to 5.0 percent. The refunding resulted in an economic gain of \$7,336,000 and an accounting loss of \$9,480,000, which is deferred and amortized over the life of the new bonds. The debt service cash flows decreased by \$11,028,000.

UPI variable rate demand bonds, Series 2002, were issued on behalf of UPI by the Anschutz Redevelopment Authority. The bonds bear interest at a variable municipal bond interest rate that is reset weekly. In addition, UPI has entered into a five-year renewable letter of credit agreement with Allied Irish Bank allowing the bonds to be remarketed using Allied Irish Bank's national credit rating. UPI is required to carry an annual \$28,000,000 unrestricted operating reserve, and UPI management believes it has met all of the financial ratio requirements.

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TABLE 9.3 Revenue Bonds Detail (in thousands)

| Issuance Description | Original Issuance Amount | Outstanding Balance 2008 | Outstanding Balance 2007 |
|--|--------------------------------|--------------------------------|--------------------------------|
| University | | | |
| Enterprise System Revenue Bonds: | | | |
| Refunding Series 1995A– Used to refund all of the Refunding Series 1986, 1989, 1990, and 1992B | \$ 32,940 | 5,350 | 5,975 |
| Refunding and Improvement Series 1997– Used to refund all of the Series 1986 and fund capital improvements at CU-Boulder and UCCS | 12,760 | 965 | 1,050 |
| Refunding Series 2001A– Used to refund all of the Student Recreation Center and Refunding Series 1989, Auxiliary Facilities System Refunding Series 1992A, Research Building Revolving Fund (RBRF) Series 1989, RBRF Series 1992, and a portion of the Enterprise System Tax Exempt Commercial Paper | 34,840 | 9,985 | 14,092 |
| Refunding and Improvement Series 2001B– Used to refund all of the Tax Exempt Commercial Paper and fund capital improvements at CU-Boulder (includes premium) | 51,320 | 7,704 | 9,471 |
| Series 2002A– Used to fund capital improvements at UC Denver (includes premium) | 101,875 | 36,251 | 39,060 |
| Series 2002B– Used to fund capital improvements at CU-Boulder (includes premium) | 40,055 | 7,441 | 7,443 |
| Series 2002C– Used to fund capital improvements at CU-Boulder (includes premium) | 5,670 | 1,005 | 2,140 |
| Series 2003A– Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver | 64,260 | 56,843 | 58,877 |
| Series 2004– Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver | 24,360 | 21,565 | 22,435 |
| Series 2005A– Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver and to refund 1995 RBRF Bonds (includes premium) | 230,025 | 231,048 | 235,895 |
| Series 2005B– Used to fund capital improvements at UCCS and UC Denver | 25,225 | 24,653 | 25,200 |
| Series 2006A– Used to fund capital improvements at CU-Boulder, UCCS, and UC Denver | 101,425 | 103,171 | 104,085 |
| Refunding Series 2007A– Used to refund all of the revenue bond Refunding Series 1999A and Certificates of Participation Series 2003A and 2003B and a portion of revenue bond Refunding Series 1995A, Refunding and Improvement Series 2001B, Series 2002A, and 2002B | 184,180 | 179,371 | 182,774 |
| Series 2007B– Used to fund acquisition and capital improvements at CU-Boulder, Williams Village | 63,875 | 64,579 | 66,000 |
| Total Enterprise System Revenue Bonds | | 749,931 | 774,497 |
| Series 2002–UPI Variable Rate Demand Bonds– Used to finance construction of UPI's administrative office building | 20,500 | 18,890 | 19,290 |
| Total Revenue Bonds | | 768,821 | 793,787 |
| Less Premium | | 28,405 | 30,836 |
| Plus Deferred Loss | | 8,309 | 9,134 |
| Total Outstanding Revenue Bond Principal–University | | 748,725 | 772,085 |
| Discretely Presented Component Units | | | |
| Student Housing Facility Series 2005– Used to finance construction of housing facility adjacent to Auraria Higher Education Center | 50,365 | 50,365 | 50,365 |
| Total Outstanding Revenue Bond Principal–DPCU | \$ | 50,365 | 50,365 |

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Colorado Educational and Cultural Facilities Authority (the Authority) issued \$69,090,000 of Series 2002 Student Housing Revenue Bonds. The Authority then loaned the proceeds of the bonds to Bear Creek. Proceeds of the Bonds were used (i) to construct, equip, and furnish a student housing facility and related facilities, (ii) to construct and equip a portion of a community center, (iii) to fund interest during the construction period, and (iv) to pay the costs of the bond issuance. In June 2007, Bear Creek sold the student housing and related facilities to the University for \$65,500,000 (Note 18). In connection with the sale, Bear Creek defeased all remaining outstanding bonds totaling \$66,890,000 and had a cost of defeasance of \$1,247,306.

The Authority also issued \$50,365,000 of Series 2005 Variable Rate Student Housing Facility Revenue Bonds. The Authority then loaned these bond proceeds to Campus Village. The assets of Campus Village are not available to satisfy the claims of creditors of any affiliate of Campus Village, including CUREF, and the assets of any affiliate of Campus Village, including CUREF, are not available to satisfy the claims of any creditors of Campus Village.

The Series 2005 Variable Rate Student Housing Facility Revenue Bonds are payable annually, commencing July 1, 2008, with interest payments due monthly at a variable rate established by the remarketing agent. The bonds payable are secured by a letter of credit held with Citibank, N.A. The letter of credit expires on May 25, 2010, and provides for the renewal or replacement of such upon that date. Under the letter of credit agreement, Campus Village is required to pay annual letter of credit fees and quarterly remarketing fees equal to 1.24 and 0.125 percent, respectively, of the outstanding principal balance.

Future minimum payments for revenue bonds are detailed in Table 9.4, Revenue Bonds Future Minimum Payments.

CERTIFICATES OF PARTICIPATION

Certificates of participation were issued to finance lease purchase agreements for the acquisition and refinancing of equipment (1998A Series) and finance capital improvements and acquisitions (2003A and 2003B Series). The certificates were secured by the buildings or equipment acquired with the lease proceeds and any unexpended lease proceeds. As of June 30, 2007, the certificates of participation were redeemed in full.

OTHER CAPITAL LEASES

The University has a capital lease agreement to lease purchase a central utility plant (CUP) to deliver steam and chilled water to the UC Denver Anschutz Medical Campus. As of June 30, 2008 and 2007, the CUP capital lease had an outstanding liability approximating \$41,330,000 and \$28,145,000 respectively, with underlying gross capitalized asset cost approximating \$47,385,000 and \$32,685,000, respectively. The CUP capital lease agreement provides for biannual payments through December 2022 with an effective interest rate of 6 percent. Beginning in 2011, the University has the ability to purchase the CUP from the lessor in accordance with an established purchase price schedule.

As of June 30, 2008 and 2007, the University had an outstanding liability for all other capital leases approximating \$2,055,000 and \$2,187,000, respectively, with underlying gross capitalized asset cost approximating \$4,988,000 and \$6,784,000, respectively.

At June 30, 2008 and 2007, the DPCU had an outstanding liability for capital leases approximating \$4,205,000 and \$4,584,000 respectively, with underlying gross capitalized asset cost approximating \$5,750,000.

Future minimum payments for capital lease obligations are detailed in Table 9.6, Capital Leases.

TABLE 9.4 Revenue Bonds Future Minimum Payments (in thousands)

| Years Ending June 30 | University | | | Discretely Presented Component Units | | |
|----------------------|------------|----------|-----------|--------------------------------------|----------|--------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2009 | \$ 26,575 | 35,333 | 61,908 | 325 | 1,610 | 1,935 |
| 2010 | 26,885 | 34,131 | 61,016 | 420 | 1,590 | 2,010 |
| 2011 | 27,040 | 32,919 | 59,959 | 520 | 1,574 | 2,094 |
| 2012 | 27,385 | 31,727 | 59,112 | 630 | 1,554 | 2,184 |
| 2013 | 28,545 | 30,483 | 59,028 | 740 | 1,530 | 2,270 |
| 2014–2018 | 146,825 | 131,543 | 278,368 | 5,150 | 7,175 | 12,325 |
| 2019–2023 | 175,980 | 94,525 | 270,505 | 6,640 | 6,205 | 12,845 |
| 2024–2028 | 180,205 | 50,210 | 230,415 | 8,420 | 4,975 | 13,395 |
| 2029–2033 | 94,395 | 16,875 | 111,270 | 10,685 | 3,415 | 14,100 |
| 2034–2038 | 14,165 | 1,475 | 15,640 | 16,835 | 1,330 | 18,165 |
| 2039 | 725 | 33 | 758 | – | – | – |
| Total | \$ 748,725 | 459,254 | 1,207,979 | 50,365 | 30,958 | 81,323 |

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TABLE 9.5 Notes Payable Future Minimum Payments *(in thousands)*

| Years Ending June 30 | University | | | Discretely Presented Component Units | | |
|----------------------|--------------|----------|-----------|--------------------------------------|--------------|---------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2009 | \$ 48 | 2 | 50 | 392 | 1,281 | 1,673 |
| 2010 | — | — | — | 441 | 1,270 | 1,711 |
| 2011 | — | — | — | 2,639 | 1,169 | 3,808 |
| 2012 | — | — | — | 217 | 1,006 | 1,223 |
| 2013 | — | — | — | 232 | 991 | 1,223 |
| 2014—2018 | — | — | — | 14,989 | 3,670 | 18,659 |
| Total | \$ 48 | 2 | 50 | 18,910 | 9,387 | 28,297 |

NOTES PAYABLE

As of June 30, 2008 and 2007, the University had outstanding notes payable issued for the acquisition of land for the site of student housing known as Williams Village at CU-Boulder with amounts outstanding of \$48,000 and \$93,000, respectively. The notes payable are payable from student housing revenue.

At June 30, 2008 and 2007, the DPCU had outstanding notes payable totaling approximately \$18,910,000 and \$19,719,000. The notes are payable to National Life Insurance Company with interest computed at 6.6 percent per annum, Midland Loan Services, with interest computed at 6.37 percent per annum and First Bank of Littleton with variable interest computed at London Inter-Bank Offer Rate (LIBOR) + 2.15 percent per annum, adjusted monthly. These notes are secured by various land and buildings.

Future minimum payments of the notes payable are detailed in Table 9.5, Notes Payable Future Minimum Payments.

STATE OF COLORADO CERTIFICATES OF PARTICIPATION

On December 14, 2005, the State, acting by and through the Regents, issued certificates of participation with an approximate par value of \$192,625,000 and a premium of \$7,600,600. The certificates have interest rates ranging from 3.75 to 5.25 percent and mature in November 2030. Annual lease payments are made

by the State and are subject to annual appropriations by the Legislature. As a result, this liability is recognized by the State and not included in the University's financial statements.

The certificates are secured by the buildings or equipment acquired with the lease proceeds and any unexpended lease proceeds. The proceeds are being used to finance the costs of acquisition, construction, improvement, and equipping of seven academic buildings on the UC Denver Anschutz Medical Campus. The underlying capitalized assets are contributed to the University from the State. The University has recognized capital contributions from the State and related capital assets of approximately \$34,088,000 and \$117,721,000 during the years ended June 30, 2008 and 2007, respectively. As of June 30, 2008 and 2007, the University had underlying gross capitalized asset costs approximating \$187,897,000 and \$2,762,024, respectively.

EXTINGUISHMENT OF DEBT

Previous revenue bond issues and certificates of participation, considered to be extinguished through in-substance defeasance under generally accepted accounting principles, are not included in the accompanying financial statements. The amount of debt in this category, covered by assets placed in trust to be used solely for future payments, amounted to approximately \$170,490,000 and \$171,865,000 as of June 30, 2008 and 2007, respectively.

TABLE 9.6 Capital Leases *(in thousands)*

| Years Ending June 30 | University | | | Discretely Presented Component Units | | |
|----------------------|------------------|---------------|---------------|--------------------------------------|--------------|--------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2009 | \$ 2,563 | 2,231 | 4,794 | 415 | 454 | 869 |
| 2010 | 2,521 | 2,107 | 4,628 | 497 | 404 | 901 |
| 2011 | 2,507 | 1,983 | 4,490 | 589 | 343 | 932 |
| 2012 | 2,440 | 1,860 | 4,300 | 693 | 271 | 964 |
| 2013 | 2,551 | 1,734 | 4,285 | 811 | 186 | 997 |
| 2017–2023 | 14,479 | 6,571 | 21,050 | 1,200 | 93 | 1,293 |
| 2024–2026 | 16,324 | 2,282 | 18,606 | — | — | — |
| Total | \$ 43,385 | 18,768 | 62,153 | 4,205 | 1,751 | 5,956 |

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NOTE 10—OTHER LIABILITIES

Table 10.1, Other Liabilities, details other liabilities as of June 30, 2008 and 2007.

RISK FINANCING-RELATED LIABILITIES

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; medical malpractice; employee occupational injuries; graduate medical student health; and natural disasters. The University finances these risks through various self-insurance programs. The University finances cost and risks associated with employee health benefit programs through the purchase of commercial insurance.

The University utilizes a protected self-insurance program for its property, liability, and workers' compensation risks. The University has established a separate self-insurance program for the purpose of providing professional liability coverage for UC Denver and the Hospital Authority (Note 19). A separate self-insurance program has also been established to provide health insurance for graduate medical students and eligible dependents at UC Denver.

All self-insurance programs assume losses up to certain limits and purchase a defined amount of excess insurance for losses over those limits. These limits range from \$100,000 to \$1,000,000 per occurrence.

Reserves for unpaid claims under these programs are actuarially reviewed and evaluated for adequacy each year and are reported on an undiscounted basis. Settlements have not exceeded coverages for each of the past three fiscal years. There were no significant reductions or changes in insurance coverage from the prior year.

The amount recorded as risk financing-related liabilities represents reserves based upon the annual actuarial valuation and includes reserves for incurred but not reported claims. Such liabilities depend on many factors, including claims history,

inflation, damage awards, investment return, and changes in legal doctrine. Accordingly, computation of the claims liabilities requires an annual estimation process. Claims liabilities are reevaluated on a periodic basis and take into consideration recently settled claims, frequency of claims, and other relevant factors.

Changes in the balances of risk financing-related liabilities for the years ended June 30, 2008 and 2007 are presented in Table 10.2, Risk Financing-related Liabilities.

DIRECT LENDING

The University participates in two student lending programs operated by the federal government, Direct Student Loan and the State School as Lender. These programs enable eligible students or parents to obtain a loan to pay for the student's cost of attendance directly through the university rather than through a private lender. The University is responsible for handling the complete loan process, including funds management as well as promissory note functions.

For the Direct Student Loan program, the University is not responsible for collection of these loans or for defaults by borrowers; therefore these loans are not recognized as receivables in the accompanying financial statements. Direct lending activity during the years ended June 30, 2008 and 2007 was \$112,824,000 and \$112,540,000, respectively.

For the State School as Lender program, it is the intent of the University to sell the loans back to the State prior to the end of the fiscal year. As of June 30, 2007, the University recognized a receivable of \$2,131 with an offsetting liability in the accompanying financial statements for the loans that were not sold by year end. As of June 30, 2008, there is no longer a receivable or offsetting liability. Activity during the years ended June 30, 2008 and 2007 was \$57,878,000 and \$62,156,000, respectively.

TABLE 10.1 Other Liabilities (in thousands)

| Type | 2008 | | 2007 | |
|---|------------------|-----------------|---------------|-----------------|
| | Total | Current Portion | Total | Current Portion |
| University | | | | |
| Risk financing | \$ 19,512 | 7,037 | 19,733 | 6,906 |
| Construction contract retainage | 16,707 | 16,707 | 20,100 | 10,419 |
| Funds held for others | 22,368 | 22,368 | 22,758 | 22,758 |
| Miscellaneous | 8,120 | 7,919 | 13,099 | 11,947 |
| Total Other Liabilities—University | \$ 66,707 | 54,031 | 75,690 | 52,030 |
| Discretely Presented Component Units | | | | |
| Funds held for others | \$ 2,528 | — | 2,930 | 88 |
| Total Other Liabilities—DPCU | \$ 2,528 | — | 2,930 | 88 |

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TABLE 10.2 Risk Financing-related Liabilities (in thousands)

| | Property, General Liability, and Workers' Compensation | UC Denver Professional Liability | Graduate Medical Student Health Benefits | Total |
|---------------------------------|--|-------------------------------------|---|----------|
| Balance 2006 | \$ 15,721 | 6,561 | 1,024 | 23,306 |
| Fiscal Year 2007: | | | | |
| Claims and changes in estimates | 4,700 | (767) | 6,196 | 10,129 |
| Claim payments | (7,072) | (548) | (6,082) | (13,702) |
| Balance 2007 | \$ 13,349 | 5,246 | 1,138 | 19,733 |
| Fiscal Year 2008: | | | | |
| Claims and changes in estimates | 7,004 | 350 | 6,403 | 13,757 |
| Claim payments | (6,274) | (1,421) | (6,283) | (13,978) |
| Balance 2008 | \$ 14,079 | 4,175 | 1,258 | 19,512 |

NOTE 11—UNRESTRICTED NET ASSETS

In addition to external restrictions, the University has many activities that require a certain level of reserves to be maintained. Examples of this include working capital reserves for auxiliary operations, internal service centers, and continuing education activities; loss reserves for risk financing activities; and capital reserves for planned construction efforts.

As of June 30, 2008 and 2007, all of the University's unrestricted net assets have been designated by management for the following purposes and amounts detailed in Table 11, Designations of Unrestricted Net Assets.

TABLE 11 Designations of Unrestricted Net Assets
(in thousands)

| Designation Description | 2008 | 2007 |
|--|-------------------|----------------|
| Accounts receivable | \$ 17,750 | 23,171 |
| Accumulated unrealized gain (loss) on investments | — | 40,569 |
| Auxiliary facilities operating reserves | 65,052 | 58,554 |
| Capital-related activities | 137,275 | 205,108 |
| Faculty start-up and research initiatives | 113,165 | 90,099 |
| Inventories and prepaids | 5,895 | 2,234 |
| Investment pool | 40,478 | 31,909 |
| Quasi-endowments | 26,130 | 26,676 |
| Risk financing activities | 29,001 | 30,396 |
| Service center reserves | 12,449 | 4,792 |
| Technology transfer office | 16,275 | 17,849 |
| University Physicians, Inc. | 105,880 | 94,096 |
| Total Designated Unrestricted Net Assets | \$ 569,350 | 625,453 |

**NOTE 12—CHANGES IN ACCOUNTING
POSTEMPLOYMENT BENEFITS**

For the year ended June 30, 2008, the University implemented *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions* (GASB Statement 45). This standard changed the accounting and reporting of post-employment benefits other than pension plans (Note 7).

NOTE 13—SPENDING LIMITATIONS

In November 1992, Colorado voters passed Section 20, Article X of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations that apply to the all local governments and the State of Colorado, including the University. In fiscal year 2005, the Colorado State Legislature determined that in Section 23-5-101.7 of the Colorado Revised Statutes an institution of higher education may be designated as an enterprise for the purposes of TABOR so long as the institution's governing board retains authority to issue revenue bonds on its behalf and the institution receives less than 10 percent of its total annual revenues in grants as defined by TABOR. Further, so long as it is so designated as an enterprise, the institution shall not be subject to any of the provisions of TABOR.

In July 2005, the Regents designated the University as a TABOR enterprise pursuant to the statute. During the years ended June 30, 2008, and 2007, the University believes it has met all requirements of TABOR enterprise status. Specifically, the Regents retain the authority to issue revenue bonds and the amount of State grants received by the University was 1.88 and 1.00 percent during the years ended June 30, 2008 and 2007, respectively, as shown in Table 13.1, TABOR Enterprise State Support Calculation.

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TABLE 13.1 TABOR Enterprise State Support Calculation (in thousands)

| | 2008 | 2007 |
|---|------------------|---------------|
| Capital appropriations | \$ 18,838 | 7,783 |
| Tobacco Litigation Settlement | | |
| Appropriation | 8,512 | – |
| State appropriations for Anschutz | | |
| Certificate of Participation annual | | |
| payments for debt service | 13,131 | 13,130 |
| Total State TABOR Grants | \$ 40,481 | 20,913 |
| Total TABOR Enterprise Revenues | \$ 2,153,000 | 2,101,000 |
| Ratio of State Grants to Total Revenues | 1.88% | 1.00% |

TABLE 13.2 Appropriated Funds (in thousands)

| Description | 2008 | 2007 |
|---|------------|---------|
| Total appropriation | \$ 709,540 | 653,258 |
| Actual appropriated revenues | \$ 707,798 | 650,081 |
| Actual appropriated expenditures | | |
| and transfers | 707,798 | 649,851 |
| Net increase in appropriated net assets | \$ – | 230 |

A portion of the University is subject to revenue and expense limitations imposed by the Colorado State Legislature through the annual appropriation process. For years ended June 30, 2008 and 2007, respectively, the University's appropriated funds included \$73,651,000 and \$70,550,000 received from students that qualified for stipends from the College Opportunity Fund and \$121,334,000 and \$108,782,000 as fee-for-service contract revenue, as well as certain cash funds as specified in the State's annual appropriations bill.

Appropriated cash funds include tuition, certain fees, and certain other revenue sources, which are recognized in various revenue lines, as appropriate, in the accompanying financial statements.

All other revenues and expenses reported by the University represent non-appropriated funds and are excluded from the annual appropriations bill. Non-appropriated funds include certain grants and contracts, gifts, indirect cost recoveries, certain auxiliary revenues, and other revenue sources.

For the years ended June 30, 2008 and 2007, appropriated expenses were within the authorized spending authority. Table 13.2, Appropriated Funds, details the related activities for the years ended June 30, 2008 and 2007.

NOTE 14—SCHOLARSHIP ALLOWANCES

During the years ended June 30, 2008 and 2007, scholarship allowances were provided by the following funding sources in amounts detailed in Table 14, Scholarship Allowances.

TABLE 14 Scholarship Allowances (in thousands)

| Funding Source Description | 2008 | | | 2007 | | |
|---|------------------|-------------------------------|---------------|------------------|-------------------------------|---------------|
| | Tuition and Fees | Auxiliary Enterprise Revenues | Total | Tuition and Fees | Auxiliary Enterprise Revenues | Total |
| University general resources | \$ 34,244 | 854 | 35,098 | 26,047 | 810 | 26,857 |
| University auxiliary resources | 6,307 | 201 | 6,508 | 5,390 | 228 | 5,618 |
| Colorado Commission on Higher Education | | | | | | |
| financial aid program | 14,166 | 181 | 14,347 | 11,354 | 213 | 11,567 |
| Federal programs, including Pell grants | 27,067 | 426 | 27,493 | 24,260 | 555 | 24,815 |
| Other State of Colorado programs | 108 | 3 | 111 | 83 | 1 | 84 |
| Private programs | 9,676 | 187 | 9,863 | 9,292 | 229 | 9,521 |
| Total Scholarship Allowances | \$ 91,568 | 1,852 | 93,420 | 76,426 | 2,036 | 78,462 |

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NOTE 15—HEALTH SERVICES REVENUE

Health services revenue is recorded net of contractual adjustments approximating \$320,623,000 and \$273,014,000 and bad debt expense on uncollectible patient account receivables approximating \$9,880,000 and \$10,740,000 as of June 30, 2008 and 2007, respectively. Charity care provided during the years ended June 30, 2008 and 2007, for which no reimbursement was received, measured at established rates, totaled approximately \$14,990,000 and \$14,100,000, respectively.

NOTE 16—RETIREMENT PLANS AND INSURANCE PROGRAMS

Employees of the University eligible for retirement benefits participate in one of four retirement plans. Eligible student employees participate in a student retirement plan that is funded solely by contributions from the student employees. The student retirement plan is a defined contribution plan administered by a consortium of higher educational institutions in the State. All other eligible employees of the University participate in one of the three additional plans, the Public Employees' Retirement Association (PERA) plan, the University's optional retirement plan, and UPI's retirement plan. The CU Foundation and CUREF offer a retirement plan for certain of their employees.

PERA-DEFINED BENEFIT PENSION PLAN

The PERA plan provides income to members and their families at retirement or in case of death or disability. The plan is a cost-sharing multiple-employer plan administered by PERA. PERA was established by State statute in 1931. Responsibility for the organization and administration of the plan is placed with the board of trustees of PERA. Changes to the plan require an actuarial assessment and legislation by the General Assembly. The State plan and other divisions' plans are included in PERA's financial statements, which may be obtained by writing PERA at P.O. Box 5800, Denver, Colorado 80217, by calling PERA at 1-800-759-PERA (7372), or by visiting www.copera.org.

Prior to legislation passed during the 2006 session, higher education employees may have participated in Social Security, PERA's defined benefit plan, or the institution's optional retirement plan. Currently, higher education employees, except for community college employees, are required to participate in their institution's optional plan, if available, unless they are active or inactive members of PERA with at least one year of service credit. In that case they may elect either PERA or their institution's optional plan.

PERA members electing the defined contribution plan are allowed an irrevocable election between the second and fifth year to use their defined contribution account to purchase service credit and be covered under the defined benefit retirement plan. However, making this election subjects the member to the rules in effect for those hired on or after January 1, 2007, as discussed below. Employer contributions to both defined contribution plans are the same as the contributions to the PERA-defined plan.

Plan members vest after five years of service and are eligible for retirement benefits based on their hire dates as follows; hired before 7/1/2005, at age 50 with 30 years of service, age 60 with 20 years of service, or at age 65 with five years of service; hired between July 1, 2005 and December 31, 2006, any age with 35 years of service, age 55 with 30 years of service, age 60 with 20 years of service, or age 65 with 5 years of service; hired on or after January 1, 2007, any age with 35 years of service, age 55 with 30 years of service, age 60 with 25 years of service, or age 65 with 5 years of service. Members are also eligible for retirement benefits without a reduction for early retirement based on their original hire date as follows; hired before January 1, 2007, age 55 with a minimum of 5 years of service credit and age plus years of service equals 80 or more; hired on or after January 1, 2007, age 55 with a minimum of 5 years of service credit and age plus years of service equals 85 or more. Members automatically receive the higher of the defined retirement benefit or money purchase benefit at retirement. Defined benefits are calculated as 2.5 percent times the number of years of service times the highest average salary (HAS). For retirements before January 1, 2009, HAS is calculated as one-twelfth of the average of the highest salaries on which contributions were paid, associated with three periods of 12 consecutive months of service credit and limited to a 15 percent increase between periods. For retirements after January 1, 2009 or persons hired on or after January 1, 2007, more restrictive limits are placed on salary increases between periods used in calculating HAS.

Retiree benefits are increased annually based on their original hire dates as follows:

- Hired before July 1, 2005 – 3.5 percent, compounded annually.
- Hired between July 1, 2005 and December 31, 2006 – the lesser of 3 percent or the actual increase in the national Consumer Price Index.
- Hired on or after January 1, 2007 – the lesser of 3 percent or the actual increase in the national Consumer Price Index, limited to a 10 percent reduction in a reserve established for cost of living increases related strictly to those hired on or after January 1, 2007. (The reserve is funded by 1 percent of the employer contributions for this population.)

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TABLE 16 University Contributions to PERA *(in thousands)*

| Program | Basis | 2008 | 2007 | 2006 |
|--------------------------------------|--------------------------|------------------|---------------|---------------|
| Health Care Trust Fund | 1.02% after July 1, 2004 | \$ 302 | 260 | 239 |
| Defined Benefit Plan | The balance remaining | 29,570 | 25,502 | 23,174 |
| Total University Contribution | | \$ 29,872 | 25,762 | 23,413 |

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.

The total payroll of employees covered by PERA was approximately \$ 254,932,000 and \$233,928,000 for the years ended June 30, 2008 and 2007, respectively. Employees contribute 8 percent of their salary, as defined in State statute, to an individual account in the plan. During the years ended June 30, 2008, 2007, and 2006, the University contributed a total of 11.60, 11.01, and 10.66 percent, respectively, of the employee's gross covered wages to PERA in accordance with the following allocations and amounts detailed in Table 16, University Contributions to PERA. These contributions met the contribution requirement for each year.

The annual gross covered wages subject to PERA are the gross earnings less any reduction in pay to offset employer contributions to the State-sponsored 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.

Per State statute, an amortization period of 30 years is deemed actuarially sound. At December 31, 2005, the division of PERA in which the State participates was underfunded with an infinite amortization period, which means that the unfunded actuarially accrued liability would never be fully funded at the current contribution rate.

In the 2004 legislative session, the General Assembly authorized an Amortization Equalization Disbursement (AED) to address a pension-funding shortfall. The AED requires PERA employers to pay an additional .5 percent of salary beginning January 1, 2006, another .5 percent of salary in 2007, and subsequent year increases of .4 percent of salary until the additional payment reaches 3.0 percent in 2012.

In the 2006 legislative session, the General Assembly authorized a Supplemental Amortization Equalization Disbursement (SAED) that requires PERA employers to pay an additional one-half percentage point of total salaries paid beginning January 1,

2008. The SAED is scheduled to increase by one-half percentage point through 2013, resulting in a cumulative increase of three percentage points. For State employers, each year's one-half percentage point increase in the SAED will be deducted from the amount of changes to State employees' salaries, and used by the employer to pay the SAED. Both the AED and SAED will terminate when funding levels reach 100 percent.

Historically, members have been allowed to purchase service credit at reduced rates. However, legislation passed in the 2006 session required that future agreements to purchase service credit be sufficient to fund the related actuarial liability.

VOLUNTARY TAX-DEFERRED RETIREMENT PLANS

PERA offers a voluntary 401K plan entirely separate from the defined benefit pension plan. The State offers a 457 deferred compensation plan and certain agencies and institutions of the State offer 403(b) or 401(a) plans.

UNIVERSITY OPTIONAL RETIREMENT PLAN

Under the University's optional retirement plan, certain members of the University participate in a defined contribution retirement plan administered by the University for the benefit of full-time faculty and unclassified staff members. The State constitution assigns the authority to establish and amend plan provisions to the Regents. The contribution requirements of plan members and the University are established and may be amended by the Regents. For the years ended June 30, 2008 and 2007, the University's contribution to the defined contribution retirement plan was equal to 10 percent of covered payroll, and the employee contribution was equal to 5 percent of covered payroll. The University's contribution under the optional retirement plan during the years ended June 30, 2008 and 2007 approximated \$57,033,000 and \$53,181,000, respectively. The employees' contribution under the optional retirement plan approximated \$28,373,000 and \$26,450,000 during the years ended June 30, 2008 and 2007, respectively.

Participants in the University's optional retirement plan choose to invest all contributions with one or more of three designated vendors. In addition, participants in the University's optional retirement plan are covered under federal Social Security. Federal Social Security regulations required both the employer and employee to contribute 6.2 percent of covered payroll to the plan during the years ended June 30, 2008 and 2007.

UNIVERSITY OF COLORADO

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

UPI RETIREMENT PLAN

UPI sponsors a defined contribution retirement plan for its permanent employees that is administered by the Teachers Insurance Annuities Association's College Retirement Equities Fund. The board of directors for UPI has the authority to amend plan provisions. Employees are eligible for participation in the plan after completing one year of service. UPI contributed an amount equal to 7 percent of eligible employees' salaries for the years ended June 30, 2008 and 2007. UPI's contributions for covered payroll to the retirement plan for the years ended June 30, 2008 and 2007 approximated \$1,592,000 and \$1,508,000, respectively.

CU FOUNDATION RETIREMENT PLAN

The CU Foundation sponsors a 401(k) plan for the benefit of its employees. Under the 401(k) plan, the CU Foundation matches employee contributions up to 6 percent of the employee's salary. For the years ended June 30, 2008 and 2007, the CU Foundation's matching contributions approximated \$522,000 and \$462,000, respectively.

CUREF RETIREMENT PLAN

Starting July 1, 2005, CUREF established a 401(k) safe-harbor plan for the benefit of substantially all full-time employees. Under the 401(k) plan, CUREF matches employee contributions up to 6 percent of the employee's salary. Participating employees immediately vest in employer contributions. For the years ended June 30, 2008, and 2007, CUREF's matching contributions approximated \$31,194 and \$29,000 respectively.

HEALTH INSURANCE PROGRAMS

The University's contributions to its various health insurance programs approximated \$63,374,000 and \$54,045,000 during the years ended June 30, 2008 and 2007, respectively.

NOTE 17—SEGMENT INFORMATION

As of June 30, 2008 and 2007, the University has one segment, UPI.

UPI has identifiable activities for which UPI Variable Rate Demand bonds approximating \$18,890,000 and \$19,290,000 are outstanding as of June 30, 2008 and 2007, respectively. The activities of this segment include all the UC Denver School of Medicine's faculty practice plan.

Summary financial information as of and for the years ended June 30, 2008 and 2007, respectively, is presented in Table 17, Segment Financial Information.

NOTE 18—DISCRETELY PRESENTED COMPONENT UNITS

Summary financial information as of and for the years ended June 30, 2008 and 2007, respectively, for the University's DPCU are presented in Table 18, DPCU Summary Financial Statements.

COLEMAN COLORADO FOUNDATION

The Coleman Foundation received a January 2001 private donor pledge of \$250,000,000 benefiting the University's Coleman Institute for Cognitive Disabilities. The ultimate timing to be contributed to the Coleman Foundation can be altered by the donors. As of June 30, 2008 and 2007, the donor deferred all scheduled payments, except the initial payment, and as a result, the pledge receivable has been recorded with a full allowance.

Distributions made by the Coleman Foundation to the University during the years ended June 30, 2008 and 2007 were approximately \$1,000,000 and \$1,000,000, respectively. All contributions have been recorded as University gift revenue and DPCU operating expense in the accompanying financial statements. The CU Foundation received a partial pledge contribution, which created an endowment fund. As of June 30, 2008 and 2007, this related endowment was valued at approximately \$12,044,000 and \$12,522,000, respectively.

UNIVERSITY OF COLORADO FOUNDATION

Distributions made by the CU Foundation to the University during the years ended June 30, 2008 and 2007 were approximately \$92,487,000 and \$50,632,000, respectively. This amount has been recorded as University gift revenue and DPCU operating expense in the accompanying financial statements and does not include undistributed income on University endowments. As of June 30, 2008 and 2007, the University has recorded an accounts receivable from the CU Foundation of \$10,596,000 and \$11,950,000, respectively. As of June 30, 2008 and 2007, the University recorded an accounts payable to the CU Foundation of \$767,000 and \$145,000, respectively. Beginning July 1, 2007, the University also contracts with the CU Foundation to manage a portion of its investments. As of June 30, 2008, \$100,000,000 is being managed by the CU Foundation.

The University is the ultimate beneficiary of substantially all restricted and trust funds held by the CU Foundation and is income beneficiary of a significant portion of endowment funds held by the CU Foundation. In addition, the University contracts with the CU Foundation to manage its endowments. The University has endowments and other assets held by the CU Foundation approximating \$127,003,000 and \$129,455,000 as of June 30, 2008 and 2007, respectively. The CU Foundation retained an investment management fee equal to one percent. The University pays a fee to the CU Foundation for development services approximating \$5,190,000 and \$6,568,000 during the years ended June 30, 2008 and 2007, respectively.

UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

TABLE 17 Segment Financial Information (in thousands)

| As of and for the year ended June 30 | 2008 | 2007 |
|---|-------------------|----------------|
| Condensed Statement of Net Assets | UPI | UPI |
| Assets | | |
| Cash, and cash equivalents | \$ 37,693 | 31,572 |
| Short-term investments | 19,057 | 17,489 |
| Other current assets | 47,962 | 35,940 |
| Total current assets | 104,712 | 85,001 |
| Investments | 49,717 | 51,776 |
| Capital assets, net | 16,330 | 16,320 |
| Other noncurrent assets | 1,354 | 1,371 |
| Total noncurrent assets | 67,401 | 69,467 |
| Total Assets | \$ 172,113 | 154,468 |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 20,748 | 19,983 |
| Bonds, notes, and leases payable | 511 | 453 |
| Total current liabilities | 21,259 | 20,436 |
| Bonds, notes, and leases payable | 18,461 | 18,968 |
| Total noncurrent liabilities | 18,461 | 18,968 |
| Total Liabilities | \$ 39,720 | 39,404 |
| Net Assets | | |
| Invested in capital assets, net of related debt | \$ (2,618) | (3,040) |
| Unrestricted | 135,011 | 118,104 |
| Total Net Assets | \$ 132,393 | 115,064 |
| Condensed Statement of Revenues, Expenses, and Changes in Net Assets | | |
| Operating revenues | \$ 301,348 | 269,550 |
| Operating expenses | | |
| Depreciation expense | (1,297) | (1,423) |
| Other operating expenses | (287,245) | (257,924) |
| Operating income | 12,806 | 10,203 |
| Nonoperating revenue (expenses) | | |
| Investment income | 6,014 | 5,542 |
| Interest expense on capital asset-related debt | (653) | (683) |
| Other nonoperating expenses | (838) | (1,792) |
| Total nonoperating revenue (expenses) | 4,523 | 3,067 |
| Increase in Net Assets | 17,329 | 13,270 |
| Net Assets, Beginning of Year | 115,064 | 101,794 |
| Net Assets, End of Year | \$ 132,393 | 115,064 |
| Condensed Statement of Cash Flows | | |
| Net cash flows provided by (used for) | | |
| Operating activities | \$ 2,846 | 8,813 |
| Non-capital financing activities | (839) | (1,820) |
| Capital and related financing activities | (2,392) | (1,110) |
| Investing activities | 6,506 | (11,610) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 6,121 | (5,727) |
| Cash and Cash Equivalents, Beginning of Year | 31,572 | 37,299 |
| Cash and Cash Equivalents, End of Year | \$ 37,693 | 31,572 |

UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

TABLE 18 DPCU Summary Financial Statements (in thousands)

| Condensed Statement of Net Assets | As of and for the year ended June 30, 2008 | | | |
|---|--|------------------|----------------|------------------|
| | Coleman Foundation | CU Foundation | CUREF | Total |
| Assets | | | | |
| Current assets | | | | |
| Cash, and cash equivalents | \$ 59 | 8,420 | 7,805 | 16,284 |
| Investments | – | – | 2,278 | 2,278 |
| Accounts and contributions receivable, net | – | 21,681 | 347 | 22,028 |
| Other assets | | 463 | 149 | 612 |
| Total current assets | 59 | 30,564 | 10,579 | 41,202 |
| Noncurrent assets | | | | |
| Investments | – | 1,052,164 | 3,273 | 1,055,437 |
| Contributions receivable, net | – | 25,824 | 3,154 | 28,978 |
| Other assets | – | – | 7,339 | 7,339 |
| Capital assets, net | – | 4,061 | 69,133 | 73,194 |
| Total noncurrent assets | – | 1,082,049 | 82,899 | 1,164,948 |
| Total Assets | \$ 59 | 1,112,613 | 93,478 | 1,206,150 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ – | 2,396 | 1,416 | 3,812 |
| Account payable–University | – | 3,418 | – | 3,418 |
| Deferred revenue | – | 541 | 773 | 1,314 |
| Bonds and leases payable | – | 415 | 391 | 806 |
| Split-interest agreements | – | 3,960 | – | 3,960 |
| Custodial funds | – | 6,781 | – | 6,781 |
| Total current liabilities | – | 17,511 | 2,580 | 20,091 |
| Noncurrent liabilities | | | | |
| Bonds and leases payable | – | 3,790 | 68,884 | 72,674 |
| Split-interest agreements | – | 23,852 | – | 23,852 |
| Custodial funds | – | 233,393 | – | 233,393 |
| Other liabilities | – | 2,241 | 287 | 2,528 |
| Total noncurrent liabilities | – | 263,276 | 69,171 | 332,447 |
| Total Liabilities | \$ – | 280,787 | 71,751 | 352,538 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | \$ – | 1,771 | – | 1,771 |
| Restricted for nonexpendable purposes | – | 256,509 | – | 256,509 |
| Restricted for expendable purposes | – | 515,735 | 4,690 | 520,425 |
| Unrestricted | 59 | 57,811 | 17,037 | 74,907 |
| Total Net Assets | \$ 59 | 831,826 | 21,727 | 853,612 |
| Statements of Revenue, Expenses, and Changes in Net Assets | | | | |
| Operating revenues | | | | |
| Contributions | \$ 1,017 | 120,169 | 1,604 | 122,790 |
| University support | – | 6,306 | – | 6,306 |
| Other revenue | – | 2,088 | 8,500 | 10,588 |
| Total operating revenues | 1,017 | 128,563 | 10,104 | 139,684 |
| Operating expenses | | | | |
| Institutional support | | | | |
| Gifts and income distributed to University and related parties | 1,000 | 93,657 | 1,255 | 95,912 |
| Other program services | – | 8,982 | 5,327 | 14,309 |
| Support services | 6 | 12,536 | 452 | 12,994 |
| Depreciation | – | 771 | 2,056 | 2,827 |
| Total operating expenses | 1,006 | 115,946 | 9,090 | 126,042 |
| Operating Income | 11 | 12,617 | 1,014 | 13,642 |
| Nonoperating revenues (expenses) | | | | |
| Investment income | (13) | 5,525 | 500 | 6,012 |
| Interest expense on capital asset-related debt | – | – | (2,846) | (2,846) |
| Increase (Decrease) in Net Assets | (2) | 18,142 | (1,332) | 16,808 |
| Net Assets, Beginning of Year | 61 | 813,684 | 23,059 | 836,804 |
| Net Assets, End of Year | \$ 59 | 831,826 | 21,727 | 853,612 |

UNIVERSITY OF COLORADO
NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

TABLE 18 (continued) DPCU Summary Financial Statements (in thousands)

| Condensed Statement of Net Assets | As of and for the year ended June 30, 2007 | | | |
|---|--|------------------|---------------|------------------|
| | Coleman Foundation | CU Foundation | CUREF | Total |
| Assets | | | | |
| Current assets | | | | |
| Cash, cash equivalents, and investments | \$ 61 | 17,080 | 8,748 | 25,889 |
| Investments | – | – | 2,301 | 2,301 |
| Accounts and contributions receivable, net | 500 | 20,719 | 797 | 22,016 |
| Other assets | – | 328 | 122 | 450 |
| Total current assets | 561 | 38,127 | 11,968 | 50,656 |
| Noncurrent assets | | | | |
| Investments | – | 955,803 | 3,273 | 959,076 |
| Contributions receivable, net | – | 25,447 | 2,888 | 28,335 |
| Other assets | – | – | 6,352 | 6,352 |
| Capital assets, net | – | 4,477 | 70,291 | 74,768 |
| Total noncurrent assets | – | 985,727 | 82,804 | 1,068,531 |
| Total Assets | \$ 561 | 1,023,854 | 94,772 | 1,119,187 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ – | 1,589 | 1,264 | 2,853 |
| Accounts payable–University | – | 6,205 | – | 6,205 |
| Deferred revenue | – | 1,097 | 577 | 1,674 |
| Bonds and leases payable | 500 | 346 | 59 | 905 |
| Split-interest agreements | – | 3,434 | – | 3,434 |
| Custodial funds | – | 9,396 | – | 9,396 |
| Security lending | – | 22,299 | – | 22,299 |
| Other liabilities | – | 88 | – | 88 |
| Total current liabilities | 500 | 44,454 | 1,900 | 46,854 |
| Noncurrent liabilities | | | | |
| Deferred revenue | – | 178 | – | 178 |
| Bonds and leases payable | – | 4,239 | 69,525 | 73,764 |
| Split-interest agreements | – | 26,571 | – | 26,571 |
| Custodial funds | – | 132,174 | – | 132,174 |
| Other liabilities | – | 2,554 | 288 | 2,842 |
| Total noncurrent liabilities | – | 165,716 | 69,813 | 235,529 |
| Total Liabilities | \$ 500 | 210,170 | 71,713 | 282,383 |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | \$ – | (108) | – | (108) |
| Restricted for nonexpendable purposes | – | 229,139 | – | 229,139 |
| Restricted for expendable purposes | 61 | 523,106 | 4,651 | 527,818 |
| Unrestricted | – | 61,547 | 18,408 | 79,955 |
| Total Net Assets | \$ 61 | 813,684 | 23,059 | 836,804 |
| Statements of Revenue, Expenses, and Changes in Net Assets | | | | |
| Operating revenues | | | | |
| Contributions | \$ 1,000 | 102,489 | 3,926 | 107,415 |
| University support | – | 6,892 | – | 6,892 |
| Other revenue | – | 13,838 | 7,239 | 21,077 |
| Total operating revenues | 1,000 | 123,219 | 11,165 | 135,384 |
| Operating expenses | | | | |
| Institutional support | | | | |
| Gifts and income distributed to University and related parties | 1,000 | 50,798 | 835 | 52,633 |
| Other program services | – | 8,354 | 7,709 | 16,063 |
| Support services | 3 | 16,177 | 371 | 16,551 |
| Depreciation | – | 2,846 | 1,767 | 4,613 |
| Total operating expenses | 1,003 | 78,175 | 10,682 | 89,860 |
| Operating Income (Loss) | (3) | 45,044 | 483 | 45,524 |
| Nonoperating revenues (expenses) | | | | |
| Gifts | – | 6,231 | – | 6,231 |
| Investment income | 3 | 132,501 | 839 | 133,343 |
| Interest expense on capital asset-related debt | – | (3,584) | – | (3,584) |
| Increase in Net Assets | – | 180,192 | 1,322 | 181,514 |
| Net Assets, Beginning of Year | 61 | 633,492 | 21,737 | 655,290 |
| Net Assets, End of Year | \$ 61 | 813,684 | 23,059 | 836,804 |

UNIVERSITY OF COLORADO

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

BEAR CREEK

During the year ended June 30, 2002, CU-Boulder and Bear Creek entered into an operating agreement whereby Bear Creek would construct and operate a student residence center on certain campus land, commonly referred to as Williams Village. The terms of the operating agreement provide the CU Foundation with the use of the University's land in exchange for net cash flow of the housing project as defined in the agreement. As discussed in Note 9, the University purchased Bear Creek in June 2007. The University recorded the purchase at the net book value of the assets of \$57,052,000. The Regent-approved purchase price was \$65,500,000. The difference between the purchase price and the net book value of the assets was recorded as equipment and donation expense of \$979,000 and \$7,469,000, respectively.

THE UNIVERSITY OF COLORADO REAL ESTATE FOUNDATION

For the years ended June 30, 2008 and 2007, CUREF distributed approximately \$1,255,000 and \$835,000, respectively, reported as operating expense, to the University, which recognized an equal amount of gift revenue. CUREF has a \$7,000,000 line of credit with an interest rate that is determined at the time a draw on the line of credit is made with the University. Amounts drawn and repaid during the year ended June 30, 2007 totaled approximately \$7,000,000. No activity was conducted during the year ended June 30, 2008.

CUREF has a long-term agreement with the University to rent portions of a building owned by CUREF. For the years ended June 30, 2008 and 2007, the University paid approximately \$1,468,000 and \$650,000, respectively, in rent of which approximately \$307,000 is prepaid at June 30, 2008 to CUREF, which recognized an equal amount of other operating revenues. As of June 30, 2008, the University has recorded an accounts receivable from CUREF of \$688,000.

NOTE 19-RELATED ORGANIZATIONS AND JOINT VENTURES

UNIVERSITY OF COLORADO HOSPITAL AUTHORITY

In accordance with 1991 State legislation, the Hospital Authority was established as a separate and distinct entity. Detailed financial information may be obtained directly from the Hospital Authority at Mail Stop F-401, P.O. Box 6506, Aurora, Colorado 80045.

UC Denver and UPI have several types of financial transactions with the Hospital Authority. On an annual basis, UC Denver or UPI and the Hospital Authority enter into agreements specifying the fees to be charged for services and the allocation of expenses between the two organizations. In certain circumstances, UC Denver may bear the entire cost of certain services in exchange for educational or other services provided by the Hospital Authority. In some instances, the fee charged by UC Denver, UPI, or the Hospital Authority is a set amount for specific services to be provided. In other circumstances, the fee charged is based upon the amount or type of services requested by either UC Denver or the Hospital Authority.

Examples of services provided by UC Denver to the Hospital Authority include telecommunications services, rental of office space, and resident doctors. Examples of services provided by the Hospital Authority to UC Denver include shipping and receiving services and student health services. In general, amounts receivable from, or payable to, the Hospital Authority are settled within the following calendar quarter.

Total payments issued by the Hospital Authority to UC Denver approximated \$29,594,000 and \$30,490,000 for years ended June 30, 2008 and 2007, respectively. Total payments issued by UC Denver to the Hospital Authority for the years ended June 30, 2008 and 2007 approximated \$11,647,000 and \$10,366,000, respectively.

During the years ended June 30, 2008 and 2007, UPI recognized approximately \$22,332,000 and \$19,995,000, respectively, in health services revenue from the Hospital Authority in support of clinical and academic missions. UPI also received approximately \$27,242,000 and \$27,980,000 during the years ended June 30, 2008 and 2007, respectively, from the Hospital Authority for amounts earned for services performed by UPI faculty members but required to be processed through the Hospital Authority (such as the State of Colorado medically indigent program, Ryan White, and other miscellaneous programs).

In 1997, UPI assumed from the Hospital Authority a 30 percent participation in the Hospital Authority's investment in TriWest Healthcare Alliance Corp. (TriWest) for \$994,000. The Hospital Authority originally purchased the minority interest in TriWest for approximately \$3,300,000. UPI received \$1,171,000 and \$839,000 in dividends from TriWest during the years ended June 30, 2008 and 2007, respectively. UPI has also signed an agreement to assume the Hospital Authority's network management commitment to TriWest for a fee and has also signed a provider service agreement with TriWest.

UNIVERSITY OF COLORADO

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

AURARIA HIGHER EDUCATION CENTER

The Auraria Higher Education Center (AHEC), established by legislation in 1974, is jointly governed and utilized by UC Denver Downtown Campus, the Community College of Denver, and Metropolitan State College of Denver. The institutions share the costs of operating common educational, library, and other auxiliary facilities. Costs of the common facilities are shared in accordance with an operating agreement between AHEC and the respective institutions. During the years ended June 30, 2008 and 2007, the University incurred expenses related to the common facilities approximating \$5,743,000 and \$5,469,000, respectively, for payments to AHEC.

NOTE 20—COMMITMENTS AND CONTINGENCIES

Contracts have been entered into for the purpose of planning, acquiring, constructing, and equipping certain building additions and other projects with outstanding amounts totaling approximately \$87,271,000 and \$139,287,000, as of June 30, 2008 and 2007, respectively. These additions will be funded or financed by donor contributions, appropriations from the State, issuance of revenue bonds, and other financings. As of June 30, 2008 and 2007, the amount of capital construction appropriations authorized from the State for these projects approximated \$31,767,000 and \$11,597,000, respectively.

The University is in the process of closing and selling UC Denver's 9th Avenue and Colorado Boulevard location. As part of this process, the University entered into a sales agreement with a third party in June 2006. In connection with the sales agreement, the University has agreed to environmentally remediate the property. In addition, to complete the sale of the property, the University must relieve the property of two long-term commitments and a possible reversionary interest. The University has begun legal condemnation process to relieve these commitments. As of June 30, 2008, the University recorded a contingent liability as an other current liability in the accompanying financial statements for the anticipated cost of resolving these commitments. As the final outcome of the sales process is uncertain, management does not know whether the sales proceeds will cover the costs of remediation and the release of the existing commitments.

Substantial amounts are received and expended by the University under federal and State grants and contracts and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, and other programs. University management believes that any liabilities arising from such audits will not have a material effect on the University's financial position or operations.

UPI, as a member of the healthcare industry, is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements; reimbursement for patient services; and Medicare and Medicaid fraud and abuse. Government activity has continued to increase with respect to investigations and allegations concerning possible violations of fraud and abuse of statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. UPI management believes that UPI is in substantial compliance with fraud and abuse statutes as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The University is a defendant in a number of legal actions. While the final outcome of many of these legal actions cannot be determined at this time, management is of the opinion that the ultimate liability not covered by insurance, if any, for these legal actions will not have a material effect on the University's financial position or operations.

NOTE 21 SUBSEQUENT EVENT

On November 6, 2008, the State issued \$230,845,000 of certificates of participation (Certificates) on behalf of several of its higher education institutions. These Certificates will be repaid from the State's resources and not resources of the benefitting institutions. As a result, this liability is recognized by the State and not included in the benefitting institutions' financial statements. The proceeds are being used to finance the costs of acquisition, construction, improvement, and equipping of numerous buildings at the benefitting institutions. The Certificates are secured by the buildings or equipment acquired with the lease proceeds, or other buildings and equipment agreed to by the institutions, and any unexpended lease proceeds. The Certificates have a weighted average maturity of 11.2 years. The State will allocate \$17,085,000 of the proceeds to the University to renovate the science building on the UCCS campus. As collateral, the University agreed to assign interest rights in a second building on the UCCS campus to the Certificates' trustee as long as the Certificates are outstanding. The trustee leased the building to the State which in turn subleased the building back to the University at no cost. The State is responsible for making the annual lease payments to the trustee for the leased building. The lease payments will be counted as State support under TABOR as they are made.

UNIVERSITY OF COLORADO
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008 and 2007

Required Supplementary Information

UNIVERSITY OF COLORADO
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008 and 2007

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Actuarial Accrued Liability (AAL)-Entry Age (B) | Unfunded AAL (UAAL) (B-A) | Funded Ratio (A/B) | Covered Payroll (C) | UAAL as Percentage of Covered Payroll (B-A/C) |
|--------------------------------|--|---|---------------------------------|--------------------------|---------------------------|---|
| July 1, 2007 | - | \$195,972,332 | \$195,972,332 | 0.00% | \$201,898,779 | 97.06% |



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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the Legislative Audit Committee:

We have audited the basic financial statements of the business-type activities and aggregate discretely presented component units of the University of Colorado (the University), a component unit of the State of Colorado, as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated November 18, 2008, which included a reference to the reports of the other auditors and reference to the adoption of Statement No. 45 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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. The financial statements of University Physicians, Inc., a blended component unit, and the University of Colorado Foundation and the University of Colorado Real Estate Foundation, discretely presented component units, were audited by other auditors and not audited in accordance with *Government Auditing Standards*.

Our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants and other matters did not include the entities audited by the other auditors referred to in the previous paragraph. The findings, if any, of those other auditors are not included herein.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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 an additional matter that we reported to management of the University in the findings and recommendations section of this report. The University's response to the finding identified is described in the finding and recommendation section of this report. We did not audit the University's response and, accordingly, we express no opinion on it.

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

KPMG LLP

November 18, 2008



KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

November 18, 2008

Members of the Legislative Audit Committee:

We have audited the basic financial statements of the University of Colorado (the University) as of and for the year ended June 30, 2008, and have issued our report thereon dated November 18, 2008, which included a reference to the reports of the other auditors and reference to the adoption of Statement No. 45 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Under our professional standards, we are providing you with the following information related to the conduct of our audit.

Our Responsibility under Professional Standards

We have a responsibility to conduct our audit of the financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the basic financial statements are detected.

In addition, in planning and performing our audit of the financial statements, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements. An audit of the financial statements does not include examining the effectiveness of internal control and does not provide assurance on internal control. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting.

We are responsible for forming and expressing an opinion about whether the financial statements, which have been prepared by management with the oversight of the Board of Regents, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles. We have a responsibility to perform our audit of the financial statements in accordance with professional standards. In carrying out this responsibility, we planned and performed the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Because of the nature of audit evidence and the characteristics of fraud, we are to obtain reasonable, not absolute, assurance that material misstatements are detected. We have no responsibility to plan and perform the audit to obtain reasonable assurance that misstatements, whether caused by error or fraud, that are not material to the financial statements are detected. Our audit does not relieve management or the Board of Regents of its responsibilities.

Members of the Legislative Audit Committee
November 18, 2008

In addition, in planning and performing our audit of the financial statements, we considered internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control. However, during the course of our audit, we identified a deficiency in internal control that we consider to be a control deficiency. Our required communications to you in writing, under professional standards, of all deficiencies in internal control identified during our audit is on page 7.

We also have a responsibility to communicate significant matters related to the financial statement audit that are, in our professional judgment, relevant to the responsibilities of the Board of Regents in overseeing the financial reporting process. We are not required to design procedures for the purpose of identifying other matters to communicate to you.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the University's financial statements and our auditors' report thereon does not extend beyond the financial information identified in our auditors' report, and we have no obligation to perform any procedures to corroborate other information contained in these documents, for example, management's discussion and analysis. We have, however, read the other information included in the University's report, and no matters came to our attention that cause us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

Significant Accounting Policies

The significant accounting policies used by the University are described in note 1 to the basic financial statements. As described in notes 7 and 12 to the basic financial statements, effective June 30, 2008, the University implemented Statement No. 45 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The GASB's *Implementation Guide* issued in 2008 clarified that Pell Grants should be recorded as nonoperating revenues since they are nonexchange revenues and entities generally have only administrative requirements for these funds. Historically, the University has recorded Pell Grant activity as operating revenue as has many similar institutions across the country. The Colorado State Controller's Office recommended that public institutions in the state continue to reflect Pell Grant activity as operating revenue. Since the *Implementation Guide* and industry practice are both level D in the GAAP hierarchy, the University has decided to continue reporting Pell Grant activity as operating revenue in its 2008 financial statements.

Unusual Transactions

We noted no unusual transactions entered into by the University, which were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance.

Management Judgments and Accounting Estimates

The preparation of the financial statements requires management of the University to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The significant accounting estimates included in the University's basic financial statements are the allowance for uncollectible receivables, the period to depreciate capital assets owned by the University, the incurred but not reported self-insured liability, scholarship allowances, accrued compensated absences, contractual allowances under third-party reimbursement programs, the liability for environmental remediation, and net patient service revenue. We and other auditors evaluated the key factors and assumptions in determining that these estimates are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments and Uncorrected Misstatements

Audit Adjustments

In connection with our audit of the University's financial statements, we have not identified any significant financial misstatements requiring adjustment by the University's management.

Uncorrected Misstatements

In connection with our audit of the University's basic financial statements, we have discussed with management certain financial statement misstatements that have not been corrected in the University's books and records as of and for the year ended June 30, 2008:

- An adjustment that would have increased leasehold improvements and capital leases payable by approximately \$5.0 million;
- An adjustment that would have decreased operating revenue and operating expenses by approximately \$3.8 million; and,
- An adjustment that would have increased investments and investment income by approximately \$998,000.

We have reported such misstatements to management on a summary of audit differences and have received written representations from management that management believes that the effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole. Page 75 includes a copy of the schedule that has been provided to, and discussed with, management.

Disagreements with Management

There were no disagreements with management on financial and reporting matters that, if not satisfactorily resolved, would have caused modification of our auditors' report on the University's basic financial statements.

Members of the Legislative Audit Committee
November 18, 2008

Consultation with Other Accountants

To the best of our knowledge, management has neither consulted with nor obtained opinions, written or oral, from other independent accountants during the year ended June 30, 2008.

Significant Issues Discussed, or Subject to Correspondence, with Management

Major Issues Discussed with Management prior to Retention

We discussed a variety of matters, including the application of accounting principles and auditing standards, with management prior to appointment as the University's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our appointment.

Material Written Communications

Management has been provided copies of the following material written communications between management and us:

- 1) Management representation letter
- 2) Internal control deficiencies letter (finding and recommendation included in this report)

Significant Difficulties Encountered during the Audit

We encountered no difficulties in dealing with management in performing our audit.

Independence

Our professional standards and other regulatory requirements specify that we communicate to you in writing, at least annually, all independence-related relationships between our firm and the University and provide confirmation that we are independent accountants with respect to the University. We are not aware of any independence-related relationships between our firm and the University.

Confirmation of Audit Independence

We hereby confirm that, as of November 18, 2008, we are independent accountants with respect to the University under all relevant professional and regulatory standards.

* * * * *

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

Very truly yours,

KPMG LLP

UNIVERSITY OF COLORADO

Summary of Audit Differences

Year ended June 30, 2008

| Adjustments on financial statement captions | | | | | | | | | |
|--|---|---|-------------------------|------------------|----------------------|---------------------------|------------------------------|--------------------------------|-----------------------------------|
| Adj. no. | Description | Change in net assets unadjusted audit differences arising in | | | Balance sheet | | | | |
| | | Current period | Prior period | Total | Net assets | Current assets | Noncurrent assets | Current liabilities | Noncurrent liabilities |
| 1 | Leasehold improvements | \$ — | — | — | — | — | 5,158,000 | — | — |
| | Depreciation expense | 236,000 | — | 236,000 | — | — | — | — | — |
| | Bond/note/COP interest expense | 279,000 | — | 279,000 | — | — | — | — | — |
| | Capital lease payable – current | — | — | — | — | — | — | (229,000) | — |
| | Capital lease payable – noncurrent | — | — | — | — | — | — | — | (4,731,000) |
| | Rental of buildings expense | (477,000) | — | (477,000) | — | — | — | — | — |
| | <i>To record a capital lease that was inappropriately expensed.</i> | | | | | | | | |
| 2 | Operating revenue | 3,769,000 | — | 3,769,000 | — | — | — | — | — |
| | Operating expense | (3,769,000) | — | (3,769,000) | — | — | — | — | — |
| | <i>To reclassify bad debt expense to a contra-revenue account.</i> | | | | | | | | |
| 3 | Investments | — | — | — | — | — | 998,000 | — | — |
| | Investment income | (998,000) | — | (998,000) | (998,000) | — | — | — | — |
| | <i>To record gains on investments held by the Foundation.</i> | | | | | | | | |
| | Total | \$ (960,000) | — | (960,000) | (998,000) | — | 6,156,000 | (229,000) | (4,731,000) |

UNIVERSITY OF COLORADO

State-Funded Student Financial Assistance Programs

Introduction

Year ended June 30, 2008

The University of Colorado (the University) is governed by the University of Colorado Board of Regents. The University is a state-supported institution of higher education comprised of the system office and the following three campuses:

- University of Colorado at Boulder (CU – Boulder)
- University of Colorado at Denver (UC – Denver)
- University of Colorado at Colorado Springs (CU – Colorado Springs)

UC – Denver receives state-funded student financial assistance at both the Downtown Campus and the Anschutz Medical Campus.

Our financial and compliance examination of the various state-funded student financial assistance programs at the University for the year ended June 30, 2008 was directed toward the objectives and criteria set forth in the Colorado Commission on Higher Education's (CCHE) Financial Aid Policy, adopted September 2007. The state-funded student financial assistance programs were examined simultaneously with the federal financial aid programs for the year ended June 30, 2008.

State-Funded Student Financial Assistance Programs

The University's various state-funded student financial assistance programs include the following:

- Colorado Need-Based Grants awards comprise:
 - Colorado Student Grant
 - Colorado Graduate Grant
 - Colorado Leveraging Educational Assistance Partnership (CLEAP) (reported separately on the accompanying statement of appropriations, expenditures, transfers, and reversions)
 - Supplemental Leveraging Assistance Partnership (SLEAP) (reported separately on the accompanying statement of appropriations, expenditures, transfers, and reversions)
- Colorado Merit Scholarships (or merit-based awards) comprise:
 - Colorado Undergraduate Merit scholarships
 - Colorado Graduate Fellowship
- Colorado Work-Study
- Governor's Opportunity Scholarships
- Precollegiate Scholarships Program

UNIVERSITY OF COLORADO

State-Funded Student Financial Assistance Programs

Introduction

Year ended June 30, 2008

The director of financial aid at each campus is responsible for administration of these programs. This responsibility includes application processing, eligibility determination, and financial aid packaging, as well as ensuring compliance with regulations governing the participation of the University in federal- and state-funded student financial aid programs. The campus controller's office at each campus is responsible for the programs' financial management, general ledger accounting, payments, and collections.

The total state-funded student financial assistance programs expenditures made by the University were approximately \$18.6 million during the year ended June 30, 2008.

Authorizations and expenditures for state-funded student financial programs assistance are detailed by program in the accompanying statement of appropriations, expenditures, transfers, and reversions for the year ended June 30, 2008. The University also obtained authorizations for federal student financial aid funds as follows:

| | | |
|--|----|-------------|
| Pell Grants | \$ | 21,791,072 |
| Direct Loan | | 118,763,804 |
| Federal Family Education Loans | | 139,033,502 |
| Supplemental Educational Opportunity Grant | | 1,535,241 |
| College Work-Study | | 2,758,644 |
| National Smart Grant | | 1,407,224 |
| Academic Competiveness Grant | | 978,946 |



KPMG LLP
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**Independent Auditors' Report on the Statement of Appropriations,
Expenditures, Transfers, and Reversions of the State-Funded
Student Financial Assistance Programs**

Members of the Legislative Audit Committee:

We have audited the accompanying statement of appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs (the Statement) of the University of Colorado (the University), a component unit of the State of Colorado, for the year ended June 30, 2008. The Statement is the responsibility of the University's management. Our responsibility is to express an opinion on the Statement based on our audit.

We conducted our 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the notes to the Statement, the Statement was prepared in accordance with the format set forth in the Colorado Department of Higher Education (CDHE) Audit Guide, and in conformity with the provisions of the Colorado Commission on Higher Education (CCHE) Financial Aid Policy. The Statement is a summary of cash activity of the state-funded student financial assistance programs with the exception of the Colorado Work-Study program, and does not present certain transactions that would be included in the statement of the state-funded student financial assistance programs if it was presented on the accrual basis of accounting, as prescribed by U.S. generally accepted accounting principles.

Because the Statement presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position or changes in financial position of the University in conformity with U.S. generally accepted accounting principles.

In our opinion, the Statement referred to above presents fairly the appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs of the University for the year ended June 30, 2008, in accordance with the format set forth in the CDHE Audit Guide, and in conformity with the provisions of the CCHE Financial Aid Policy, as described in note 1 to the Statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2008 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Statement in accordance with the format set forth in the CDHE Audit Guide, and in conformity with the provisions of the CCHE Financial Aid Policy. The accompanying schedule of appropriations, expenditures, transfers, and reversions of the University by campus (the Schedules) are presented for purposes of additional analysis and are not a required part of the Statement. The Schedules have been subjected to the auditing procedures applied in the audit of the Statement and, in our opinion, are fairly stated, in all material respects, in relation to the Statement taken as a whole.

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

KPMG LLP

November 18, 2008

UNIVERSITY OF COLORADO
 State-Funded Student Financial Assistance Programs
 Statement of Appropriations, Expenditures, Transfers, and Reversions
 Year ended June 30, 2008

| | <u>Total financial aid</u> | <u>Colorado Need-Based Grants</u> | <u>CLEAP</u> | <u>SLEAP</u> | <u>Colorado Merit Scholarships</u> | <u>Colorado Work-Study</u> | <u>Governor's Opportunity Scholarships</u> | <u>Precollegiate Scholarships</u> | <u>Loan match</u> |
|---|------------------------------------|---|----------------|----------------|--|--------------------------------|--|---------------------------------------|-----------------------|
| Appropriations: | | | | | | | | | |
| Original official allocation notice | \$ 18,209,658 | 13,230,491 | 307,790 | 240,114 | 373,706 | 2,508,219 | 1,322,739 | 226,599 | — |
| Additional funds reallocated by CDHE | 366,723 | 233,109 | — | — | — | 84,762 | 45,159 | — | 3,693 |
| Funds released to CDHE | (17,257) | — | — | — | — | — | (17,257) | — | — |
| Total appropriations | <u>\$ 18,559,124</u> | <u>13,463,600</u> | <u>307,790</u> | <u>240,114</u> | <u>373,706</u> | <u>2,592,981</u> | <u>1,350,641</u> | <u>226,599</u> | <u>3,693</u> |
| Total expenditures | \$ 18,559,124 | 13,463,600 | 307,790 | 240,114 | 373,706 | 2,592,981 | 1,350,641 | 226,599 | 3,693 |
| Reversions | — | — | — | — | — | — | — | — | — |

See accompanying notes to statement of appropriations, expenditures, transfers, and reversions.

UNIVERSITY OF COLORADO

State-Funded Student Financial Assistance Programs

Notes to Statement of Appropriations, Expenditures, Transfers, and Reversions

Year ended June 30, 2008

(1) **Basis of Presentation**

The University of Colorado (the University) is governed by the University's Board of Regents. The University comprises the system office and the following three campuses:

- University of Colorado at Boulder (CU – Boulder)
- University of Colorado at Denver (UC – Denver)
- University of Colorado at Colorado Springs (CU – Colorado Springs)

The accompanying statement of appropriations, expenditures, transfers, and reversions of state-funded student financial assistance programs (the Statement) has been prepared in accordance with the format as prescribed by the Colorado Department of Higher Education (CDHE) Audit Guide, and in conformity with the provision of the Colorado Commission on Higher Education (CCHE) Financial Aid Policy. The purpose of the Statement is to present, in summary form, the state-funded student financial assistance activities of the University's three campuses for the year ended June 30, 2008.

Because the Statement presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position or changes in financial position of the University in conformity with U.S. generally accepted accounting principles.

(2) **Basis of Accounting**

All state-funded student financial assistance is expensed on a cash basis, except for the Colorado Work-Study program. Colorado Work-Study wages are recorded on the accrual basis recognizing expenses when the services are performed.

The Colorado Leveraging Educational Assistance Partnership (CLEAP) and Supplemental Leveraging Assistance Partnership (SLEAP) consist of state and federal funds. The amount shown in the Statement is the combined total.

The University's various state-funded student financial assistance programs include the following: the Colorado Need-Based Grants awards comprise the Colorado Student Grant, the Colorado Graduate Grant, the CLEAP (reported separately on the accompanying statement of appropriations, expenditures, transfers, and reversions), and the SLEAP (reported separately on the accompanying statement of appropriations, expenditures, transfers, and reversions); the Colorado Merit Scholarships (or merit-based awards); Colorado Work-Study, the Governor's Opportunity Scholarships, and the Precollegiate Scholarships Program (SPC).

UNIVERSITY OF COLORADO
 State-Funded Student Financial Assistance Programs
 Schedule of Appropriations, Expenditures, Transfers, and Reversions by Campus
 Year ended June 30, 2008

| Boulder | Total financial aid | Colorado Need-Based Grants | CLEAP | SLEAP | Colorado merit Scholarships | Colorado Work-Study | Governor's Opportunity Scholarships | Pre collegiate Scholarships | Loan match |
|--------------------------------------|------------------------------------|---|----------------|----------------|--|--------------------------------|--|--|-----------------------|
| Appropriations: | | | | | | | | | |
| Original official allocation notice | \$ 7,262,897 | 5,009,949 | 197,481 | 74,887 | 206,866 | 1,335,955 | 283,550 | 154,209 | — |
| Additional funds reallocated by CCHE | 143,778 | 111,454 | — | — | — | 24,474 | 7,850 | — | — |
| Funds released to CCHE | <u>(17,257)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(17,257)</u> | <u>—</u> | <u>—</u> |
| Total appropriations | <u>\$ 7,389,418</u> | <u>5,121,403</u> | <u>197,481</u> | <u>74,887</u> | <u>206,866</u> | <u>1,360,429</u> | <u>274,143</u> | <u>154,209</u> | <u>—</u> |
| Total expenditures | \$ 7,389,418 | 5,121,403 | 197,481 | 74,887 | 206,866 | 1,360,429 | 274,143 | 154,209 | — |
| Reversions | — | — | — | — | — | — | — | — | — |
| Downtown Campus | | | | | | | | | |
| Appropriations: | | | | | | | | | |
| Original official allocation notice | \$ 7,594,189 | 6,117,866 | 64,468 | 127,189 | 108,456 | 647,270 | 495,281 | 29,966 | 3,693 |
| Additional funds reallocated by CCHE | 100,411 | 40,000 | — | — | — | 50,670 | 9,741 | — | — |
| Funds released to CCHE | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total appropriations | <u>\$ 7,694,600</u> | <u>6,157,866</u> | <u>64,468</u> | <u>127,189</u> | <u>108,456</u> | <u>697,940</u> | <u>505,022</u> | <u>29,966</u> | <u>3,693</u> |
| Total expenditures | \$ 7,694,600 | 6,157,866 | 64,468 | 127,189 | 108,456 | 697,940 | 505,022 | 29,966 | 3,693 |
| Reversions | — | — | — | — | — | — | — | — | — |

UNIVERSITY OF COLORADO
 State-Funded Student Financial Assistance Programs
 Schedule of Appropriations, Expenditures, Transfers, and Reversions by Campus
 Year ended June 30, 2008

| Colorado Springs | Total financial aid | Colorado Need-Based Grants | CLEAP | SLEAP | Colorado Merit Scholarships | Colorado Work-Study | Governor's Opportunity Scholarships | Pre collegiate Scholarships | Loan match |
|--------------------------------------|------------------------------------|---|---------------|---------------|--|--------------------------------|--|--|-----------------------|
| Appropriations: | | | | | | | | | |
| Original official allocation notice | \$ 3,356,265 | 2,102,676 | 45,841 | 38,038 | 58,384 | 524,994 | 543,908 | 42,424 | — |
| Additional funds reallocated by CCHE | 118,841 | 81,655 | — | — | — | 9,618 | 27,568 | — | — |
| Funds released to CCHE | — | — | — | — | — | — | — | — | — |
| Total appropriations | <u>\$ 3,475,106</u> | <u>2,184,331</u> | <u>45,841</u> | <u>38,038</u> | <u>58,384</u> | <u>534,612</u> | <u>571,476</u> | <u>42,424</u> | <u>—</u> |
| Total expenditures | \$ 3,475,106 | 2,184,331 | 45,841 | 38,038 | 58,384 | 534,612 | 571,476 | 42,424 | — |
| Reversions | — | — | — | — | — | — | — | — | — |

See accompanying independent auditors' report on the statement of appropriations, expenditures, transfers, and reversions of the state-funded student financial assistance programs.

UNIVERSITY OF COLORADO
State-Funded Student Financial Assistance Programs
Audit Comments and Recommendations
Year ended June 30, 2008

There are no audit comments and recommendations related to the state-funded student financial assistance programs.

The electronic version of this report is available on the Web site of the
Office of the State Auditor
www.state.co.us/auditor

A bound report may be obtained by calling the
Office of the State Auditor
303-869-2800

Please refer to the Report Control Number below when requesting this report.

Report Control Number 1932