



UNIVERSITY OF DENVER (COLORADO SEMINARY)

Financial Statements

June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

and

OMB Circular A-133 Reports

Year ended June 30, 2011

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position – June 30, 2011	3
Statement of Financial Position – June 30, 2010	4
Statement of Activities – Year ended June 30, 2011	5
Statement of Activities – Year ended June 30, 2010	6
Statements of Cash Flows – Years ended June 30, 2011 and 2010	7
Notes to Financial Statements	8
OMB Circular A-133 Reports	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36
Independent Auditors' Report on Compliance with Requirements Applicable to the Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	38
Schedule of Expenditures of Federal Awards – Year ended June 30, 2011	40
Notes to Schedule of Expenditures of Federal Awards – Year ended June 30, 2011	45
Schedule of Findings and Questioned Costs	50



KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202-3499

Independent Auditors' Report

The Board of Trustees
University of Denver (Colorado Seminary):

We have audited the accompanying statements of financial position of the University of Denver (Colorado Seminary) (the University) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Denver (Colorado Seminary) as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011 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 considered in assessing the results of our audit.



Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

October 31, 2011

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Statement of Financial Position

June 30, 2011

Assets	Operations	Plant	Long-term investment	Total
Cash and cash equivalents	\$ 10,697,617	7,284,416	1,282,351	19,264,384
Short-term investments	159,739,367	72,299,860	10,000,000	242,039,227
Accounts receivable, net	21,519,526	69,774	531,677	22,120,977
Pledges receivable, net	9,033,753	9,691,685	8,996,303	27,721,741
Inventories, prepaid expenses, and other assets	5,510,612	100,000	—	5,610,612
Long-term investments	125,000	—	358,976,582	359,101,582
Loans to students, net	—	—	17,451,479	17,451,479
Property, plant, and equipment, net of accumulated depreciation	—	520,001,795	—	520,001,795
Total assets	<u>\$ 206,625,875</u>	<u>609,447,530</u>	<u>397,238,392</u>	<u>1,213,311,797</u>
Liabilities and Net Assets				
Accounts payable and accrued liabilities	\$ 45,611,084	13,385,108	—	58,996,192
Deferred revenues	24,497,997	—	—	24,497,997
Other liabilities	—	5,200,603	379,926	5,580,529
Annuity obligations	—	—	11,033,207	11,033,207
Long-term debt	—	133,685,000	—	133,685,000
U.S. government grants refundable	—	—	16,717,410	16,717,410
Total liabilities	<u>70,109,081</u>	<u>152,270,711</u>	<u>28,130,543</u>	<u>250,510,335</u>
Net assets:				
Unrestricted:				
Available for operations	3,832,413	—	—	3,832,413
Designated student loans	—	—	1,735,846	1,735,846
Designated gain sharing	85,680,807	—	—	85,680,807
Board-designated endowments	—	—	84,444,567	84,444,567
Designated plant	—	435,294,021	—	435,294,021
Total unrestricted net assets	<u>89,513,220</u>	<u>435,294,021</u>	<u>86,180,413</u>	<u>610,987,654</u>
Temporarily restricted:				
Gifts and distributed endowment income	47,003,574	—	—	47,003,574
Plant	—	21,882,798	—	21,882,798
Endowments	—	—	84,614,636	84,614,636
Annuity life income	—	—	5,018,231	5,018,231
Total temporarily restricted net assets	<u>47,003,574</u>	<u>21,882,798</u>	<u>89,632,867</u>	<u>158,519,239</u>
Permanently restricted:				
Endowments	—	—	185,150,949	185,150,949
Annuity life income	—	—	6,069,978	6,069,978
Student loans	—	—	2,073,642	2,073,642
Total permanently restricted net assets	<u>—</u>	<u>—</u>	<u>193,294,569</u>	<u>193,294,569</u>
Total net assets	<u>136,516,794</u>	<u>457,176,819</u>	<u>369,107,849</u>	<u>962,801,462</u>
Commitments and contingencies (notes 8, 9, and 12)				
Total liabilities and net assets	<u>\$ 206,625,875</u>	<u>609,447,530</u>	<u>397,238,392</u>	<u>1,213,311,797</u>

See accompanying notes to financial statements.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Statement of Financial Position

June 30, 2010

Assets	Operations	Plant	Long-term investment	Total
Cash and cash equivalents	\$ (9,406,822)	7,437,644	6,700,919	4,731,741
Short-term investments	169,070,095	57,231,014	10,000,000	236,301,109
Accounts receivable, net	18,769,697	98,856	580,935	19,449,488
Pledges receivable, net	6,545,804	12,313,696	6,908,208	25,767,708
Inventories, prepaid expenses, and other assets	4,978,291	9,823	—	4,988,114
Long-term investments	250,000	—	292,709,919	292,959,919
Loans to students, net	—	—	17,367,887	17,367,887
Property, plant, and equipment, net of accumulated depreciation	—	516,983,415	—	516,983,415
Total assets	<u>\$ 190,207,065</u>	<u>594,074,448</u>	<u>334,267,868</u>	<u>1,118,549,381</u>
Liabilities and Net Assets				
Accounts payable and accrued liabilities	\$ 44,431,111	15,071,620	—	59,502,731
Deferred revenues	22,759,566	—	—	22,759,566
Other liabilities	—	5,468,350	910,693	6,379,043
Annuity obligations	—	—	8,044,659	8,044,659
Long-term debt	—	138,645,000	—	138,645,000
U.S. government grants refundable	—	—	16,957,055	16,957,055
Total liabilities	<u>67,190,677</u>	<u>159,184,970</u>	<u>25,912,407</u>	<u>252,288,054</u>
Net assets:				
Unrestricted:				
Available for operations	3,292,755	—	—	3,292,755
Designated student loans	—	—	1,763,027	1,763,027
Designated gain sharing	80,185,841	—	—	80,185,841
Board-designated endowments	—	—	68,809,747	68,809,747
Designated plant	—	409,574,186	—	409,574,186
Total unrestricted net assets	<u>83,478,596</u>	<u>409,574,186</u>	<u>70,572,774</u>	<u>563,625,556</u>
Temporarily restricted:				
Gifts and distributed endowment income	39,537,792	—	—	39,537,792
Plant	—	25,315,292	—	25,315,292
Endowments	—	—	63,149,591	63,149,591
Annuity life income	—	—	4,085,013	4,085,013
Total temporarily restricted net assets	<u>39,537,792</u>	<u>25,315,292</u>	<u>67,234,604</u>	<u>132,087,688</u>
Permanently restricted:				
Endowments	—	—	163,978,475	163,978,475
Annuity life income	—	—	4,504,855	4,504,855
Student loans	—	—	2,064,753	2,064,753
Total permanently restricted net assets	<u>—</u>	<u>—</u>	<u>170,548,083</u>	<u>170,548,083</u>
Total net assets	<u>123,016,388</u>	<u>434,889,478</u>	<u>308,355,461</u>	<u>866,261,327</u>
Commitments and contingencies (notes 8, 9, and 12)				
Total liabilities and net assets	<u>\$ 190,207,065</u>	<u>594,074,448</u>	<u>334,267,868</u>	<u>1,118,549,381</u>

See accompanying notes to financial statements.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Statement of Activities

Year ended June 30, 2011

	<u>Operating</u>	<u>Designated unrestricted</u>	<u>Total operating</u>	<u>Plant</u>	<u>Long-term investment</u>	<u>Total</u>
Change in unrestricted net assets:						
Revenues and gains:						
Tuition and fees	\$ 359,877,907	—	359,877,907	—	—	359,877,907
Less institutional scholarships	<u>89,930,920</u>	<u>—</u>	<u>89,930,920</u>	<u>—</u>	<u>—</u>	<u>89,930,920</u>
	269,946,987	—	269,946,987	—	—	269,946,987
Less noninstitutional scholarships	<u>8,946,170</u>	<u>—</u>	<u>8,946,170</u>	<u>—</u>	<u>—</u>	<u>8,946,170</u>
Net tuition and fees	261,000,817	—	261,000,817	—	—	261,000,817
Private gifts	651,852	—	651,852	127,840	44,319	824,011
Grants and contracts	25,255,304	—	25,255,304	—	—	25,255,304
Endowment income	208,731	—	208,731	2,682	37,911	249,324
Other investment income	3,613,315	—	3,613,315	28,775	—	3,642,090
Net realized and unrealized gains on endowments	416,867	—	416,867	—	7,087,617	7,504,484
Net realized and unrealized gains on other investments	1,232,378	—	1,232,378	6,967,857	(27,181)	8,173,054
Sales and services of educational activities	12,006,685	105,417	12,112,102	—	—	12,112,102
Sales and services of auxiliary enterprise	32,355,856	250	32,356,106	—	—	32,356,106
Other sources	<u>18,584,692</u>	<u>208,882</u>	<u>18,793,574</u>	<u>370,144</u>	<u>—</u>	<u>19,163,718</u>
Total unrestricted revenues and gains	355,326,497	314,549	355,641,046	7,497,298	7,142,666	370,281,010
Net assets released from restrictions	<u>18,714,961</u>	<u>—</u>	<u>18,714,961</u>	<u>9,340,581</u>	<u>(7,960,131)</u>	<u>20,095,411</u>
Total unrestricted revenues, gains, and other support	<u>374,041,458</u>	<u>314,549</u>	<u>374,356,007</u>	<u>16,837,879</u>	<u>(817,465)</u>	<u>390,376,421</u>
Expenses:						
Educational and general:						
Instruction	130,673,869	135,800	130,809,669	8,081,652	—	138,891,321
Research	13,126,562	—	13,126,562	1,792,705	—	14,919,267
Public service	3,881,625	—	3,881,625	62,768	—	3,944,393
Academic support	55,946,289	2,382,095	58,328,384	1,390,381	—	59,718,765
Student services	39,875,945	—	39,875,945	2,691,456	—	42,567,401
Institutional support	<u>41,173,967</u>	<u>14,415</u>	<u>41,188,382</u>	<u>1,467,119</u>	<u>—</u>	<u>42,655,501</u>
Total educational and general expenses	284,678,257	2,532,310	287,210,567	15,486,081	—	302,696,648
Auxiliary enterprises	<u>30,575,325</u>	<u>—</u>	<u>30,575,325</u>	<u>9,742,350</u>	<u>—</u>	<u>40,317,675</u>
Total expenses	315,253,582	2,532,310	317,785,892	25,228,431	—	343,014,323
Transfers among unrestricted net assets	<u>58,248,218</u>	<u>(7,712,727)</u>	<u>50,535,491</u>	<u>(34,110,387)</u>	<u>(16,425,104)</u>	<u>—</u>
Total expenses and transfers	<u>373,501,800</u>	<u>(5,180,417)</u>	<u>368,321,383</u>	<u>(8,881,956)</u>	<u>(16,425,104)</u>	<u>343,014,323</u>
Increase in unrestricted net assets	539,658	5,494,966	6,034,624	25,719,835	15,607,639	47,362,098
Changes in temporarily restricted net assets:						
Private gifts	15,494,768	—	15,494,768	5,893,403	85,859	21,474,030
Endowment income	3,346,173	—	3,346,173	—	19,065	3,365,238
Other investment income (expense)	46,910	—	46,910	14,601	—	61,511
Net realized and unrealized gains on endowments	9,276,199	—	9,276,199	—	20,883,245	30,159,444
Net realized and unrealized losses on other investments	402,286	—	402,286	83	—	402,369
Net assets released from restrictions	(18,714,961)	—	(18,714,961)	(9,340,581)	7,960,131	(20,095,411)
Net assets reclassified to permanently restricted	(2,409,271)	—	(2,409,271)	—	(7,441,215)	(9,850,486)
Actuarial adjustment on annuity obligations	<u>23,678</u>	<u>—</u>	<u>23,678</u>	<u>—</u>	<u>891,178</u>	<u>914,856</u>
Increase (decrease) in temporarily restricted net assets	<u>7,465,782</u>	<u>—</u>	<u>7,465,782</u>	<u>(3,432,494)</u>	<u>22,398,263</u>	<u>26,431,551</u>
Changes in permanently restricted net assets:						
Private gifts	—	—	—	—	12,737,285	12,737,285
Net realized and unrealized gains (losses) on other investments	—	—	—	—	(4,492)	(4,492)
Net assets reclassified from temporarily restricted	—	—	—	—	9,850,486	9,850,486
Actuarial adjustment on annuity obligations	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>163,207</u>	<u>163,207</u>
Increase in permanently restricted net assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,746,486</u>	<u>22,746,486</u>
Change in net assets	8,005,440	5,494,966	13,500,406	22,287,341	60,752,388	96,540,135
Net assets at beginning of year	<u>42,830,547</u>	<u>80,185,841</u>	<u>123,016,388</u>	<u>434,889,478</u>	<u>308,355,461</u>	<u>866,261,327</u>
Net assets at end of year	\$ <u>50,835,987</u>	\$ <u>85,680,807</u>	\$ <u>136,516,794</u>	\$ <u>457,176,819</u>	\$ <u>369,107,849</u>	\$ <u>962,801,462</u>

See accompanying notes to financial statements.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Statement of Activities

Year ended June 30, 2010

	<u>Operating</u>	<u>Designated unrestricted</u>	<u>Total operating</u>	<u>Plant</u>	<u>Long-term investment</u>	<u>Total</u>
Change in unrestricted net assets:						
Revenues and gains:						
Tuition and fees	\$ 344,621,734	—	344,621,734	—	—	344,621,734
Less institutional scholarships	85,149,590	—	85,149,590	—	—	85,149,590
	<u>259,472,144</u>	<u>—</u>	<u>259,472,144</u>	<u>—</u>	<u>—</u>	<u>259,472,144</u>
Less noninstitutional scholarships	10,022,532	—	10,022,532	—	—	10,022,532
Net tuition and fees	249,449,612	—	249,449,612	—	—	249,449,612
Private gifts	884,700	—	884,700	32,225	153,314	1,070,239
Grants and contracts	24,657,085	—	24,657,085	—	—	24,657,085
Endowment income	134,411	—	134,411	835	13,747	148,993
Other investment income	1,481,200	—	1,481,200	47,840	—	1,529,040
Net realized and unrealized gains on endowments	537,646	—	537,646	1,950	6,177,201	6,716,797
Net realized and unrealized gains on other investments	693,811	—	693,811	—	8,558	702,369
Sales and services of educational activities	9,961,853	92,131	10,053,984	—	—	10,053,984
Sales and services of auxiliary enterprise	32,423,750	—	32,423,750	13,886	—	32,437,636
Other sources	17,908,564	175,631	18,084,195	43,024	3,989	18,131,208
Total unrestricted revenues and gains	338,132,632	267,762	338,400,394	139,760	6,356,809	344,896,963
Net assets released from restrictions	22,286,801	—	22,286,801	34,821,329	—	57,108,130
Total unrestricted revenues, gains, and other support	360,419,433	267,762	360,687,195	34,961,089	6,356,809	402,005,093
Expenses:						
Educational and general:						
Instruction	127,055,624	152,263	127,207,887	7,180,062	—	134,387,949
Research	12,463,549	—	12,463,549	1,183,727	—	13,647,276
Public service	3,354,748	—	3,354,748	49,780	—	3,404,528
Academic support	51,308,623	2,791,621	54,100,244	1,023,035	—	55,123,279
Student services	38,807,715	—	38,807,715	2,684,651	—	41,492,366
Institutional support	37,569,220	12,425	37,581,645	1,846,172	—	39,427,817
Total educational and general expenses	270,559,479	2,956,309	273,515,788	13,967,427	—	287,483,215
Auxiliary enterprises	30,861,666	—	30,861,666	8,927,809	—	39,789,475
Total expenses	301,421,145	2,956,309	304,377,454	22,895,236	—	327,272,690
Transfers among unrestricted net assets	58,375,598	(12,553,375)	45,822,223	(34,718,130)	(11,104,093)	—
Total expenses and transfers	359,796,743	(9,597,066)	350,199,677	(11,822,894)	(11,104,093)	327,272,690
Increase in unrestricted net assets	622,690	9,864,828	10,487,518	46,783,983	17,460,902	74,732,403
Changes in temporarily restricted net assets:						
Private gifts	17,106,978	—	17,106,978	14,105,932	96,893	31,309,803
Endowment income	2,192,083	—	2,192,083	—	3,337	2,195,420
Other investment income (expense)	1,602	—	1,602	(38,171)	—	(36,569)
Net realized and unrealized gains on endowments	8,777,456	—	8,777,456	—	7,576,143	16,353,599
Net realized and unrealized losses on other investments	(210,644)	—	(210,644)	(37)	—	(210,681)
Net assets released from restrictions	(22,286,801)	—	(22,286,801)	(34,821,329)	—	(57,108,130)
Net assets reclassified to permanently restricted	(152,593)	—	(152,593)	(54,867)	(114,967)	(322,427)
Actuarial adjustment on annuity obligations	(116,236)	—	(116,236)	—	925,200	808,964
Increase (decrease) in temporarily restricted net assets	5,311,845	—	5,311,845	(20,808,472)	8,486,606	(7,010,021)
Changes in permanently restricted net assets:						
Private gifts	—	—	—	—	258,693	258,693
Net realized and unrealized gains (losses) on other investments	—	—	—	—	16,188	16,188
Net assets reclassified from temporarily restricted	—	—	—	—	322,427	322,427
Actuarial adjustment on annuity obligations	—	—	—	—	139,601	139,601
Increase in permanently restricted net assets	—	—	—	—	736,909	736,909
Change in net assets	5,934,535	9,864,828	15,799,363	25,975,511	26,684,417	68,459,291
Net assets at beginning of year	36,896,012	70,321,013	107,217,025	408,913,967	281,671,044	797,802,036
Net assets at end of year	\$ 42,830,547	80,185,841	123,016,388	434,889,478	308,355,461	866,261,327

See accompanying notes to financial statements.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Statements of Cash Flows

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 96,540,135	68,459,291
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of property, plant, and equipment	12,714,925	11,796,877
Disposal of property, plant, and equipment	1,745,706	482,291
Amortization of premium	(267,747)	(267,747)
Decrease (increase) in accounts receivable	(2,671,489)	1,619,507
Decrease (increase) in pledges receivable	(1,954,033)	9,892,214
Increase in inventories, prepaid expenses, and other assets	(622,498)	(924,335)
Decrease (increase) in accounts payable and accrued liabilities	(506,539)	907,430
Increase in deferred revenues	1,738,431	844,910
Increase in other liabilities	(530,767)	(207,690)
Actuarial adjustment for annuity obligation	648,842	522,453
Contributions of real property and personal property	(3,267,196)	(18,534,495)
Contributions restricted for long-term investment	(12,867,463)	(508,900)
Interest and dividends for long-term investments	(37,911)	(13,747)
Net realized and unrealized gains on investments	(46,234,859)	(23,578,272)
Net cash provided by operating activities	<u>44,427,537</u>	<u>50,489,787</u>
Cash flows from investing activities:		
Proceeds from sale of investments	677,774,404	529,782,731
Purchases of investments	(697,812,422)	(559,858,520)
Purchases of property, plant, and equipment	(17,479,013)	(36,592,303)
Disbursements for Perkins and University loans to students	(3,456,158)	(1,612,208)
Repayment of Perkins and University loans to students	3,372,566	2,890,607
Net cash used in investing activities	<u>(37,600,623)</u>	<u>(65,389,693)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	12,867,463	508,900
Interest and dividends restricted for reinvestment	37,911	13,747
Payments of bonds payable	(4,960,000)	(4,785,000)
Decrease in refundable government loan funds, net	(239,645)	(95,233)
Net cash provided by (used in) financing activities	<u>7,705,729</u>	<u>(4,357,586)</u>
Net increase (decrease) in cash and cash equivalents	14,532,643	(19,257,492)
Cash and cash equivalents at beginning of year	<u>4,731,741</u>	<u>23,989,233</u>
Cash and cash equivalents at end of year	\$ <u>19,264,384</u>	\$ <u>4,731,741</u>

See accompanying notes to financial statements.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

(1) Summary of Significant Accounting Policies

(a) *Nature of the Entity*

The University of Denver (Colorado Seminary) (the University) is an accredited, independent, coeducational institution located in Denver, Colorado. The University was founded as Colorado Seminary in 1864. In 1880, following the reorganization of the Colorado Seminary, the University was established as the degree-granting body. The University offers both undergraduate and graduate programs. Enrollment currently stands at approximately 11,800 students of which approximately 5,500 are undergraduates. The University is primarily supported by tuition and fees, private gifts, and grants and contracts.

(b) *Basis of Presentation*

The financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The University maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For financial reporting purposes, resources are classified into net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are generally not subject to donor-imposed stipulations. Uses of certain unrestricted net assets are committed as matching funds under student loan programs of the federal government. Certain portions of unrestricted net assets are designated for specific purposes by the University.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the University and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that are maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for specific or general purposes.

Additionally, the University has classified activities and balances within the above-described net asset classes representing the level of operations and also the liquidity and nature of assets. These classifications (columns) are described as follows:

Operations – Activities that define the University's "level of operations" relating to its educational activities and auxiliary enterprises. All assets, excluding pledges receivable and other assets, are current in nature. Accounts payable and accrued liabilities, other than accumulated postretirement benefit obligations (note 9), are near maturity. Other liabilities are long-term in nature. Balances and activities are unrestricted, temporarily restricted, or have been released from restrictions.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

Designated unrestricted – The University’s board of trustees has elected to transfer operation funds for specific future operating purposes to a designated classification. Expenses incurred for the stated purposes are charged to expense accounts. The board may also elect to return any balances of designated funds to operations.

Plant – Activities include depreciation on equipment and buildings, interest expense on long-term debt, and receipt of gifts, which include donor-imposed restrictions for the acquisition of physical properties. All assets are limited to long-term purposes.

Long-term investment – Endowment, annuity, and loan activity balances are grouped in this column. All assets are limited to long-term purposes.

The board retains the authority to designate surpluses for funding of designated operations, plant, and long-term investment activities in subsequent years. Such designations of activities are reported as transfers among unrestricted net assets in the statements of activities.

(c) ***Cash and Cash Equivalents***

The University controls cash for all activities through one operating account. The cash balances represent cash positions for the respective funds. Certificates of deposits, short-term securities, and deposits with trustees are stated at fair value.

The University considers all liquid investments with original maturities of three months or less, except those relating to endowments or annuities, to be cash equivalents.

(d) ***Accounts Receivable***

Accounts receivable consist primarily of amounts due from students for tuition, room, board, and fees, and amounts due to the University under federal, state, and private grants and contracts. An allowance for uncollectibility is provided based on specific review of outstanding balances.

Accounts that are 120 days delinquent are reviewed to determine if they should be assigned to an outside collection agency. If a student has assets or income, has not made a payment, or entered into a repayment agreement with the University, accounts are assigned to preselected collection agencies. In June of each year, all student tuition accounts with delinquent balances over 365 days and no payment activity for the prior 12 months are reviewed to determine collectibility. If an account is deemed uncollectible, the balance is written off to bad debt reserve and permanent holds are placed on the student account, which prevents future registration and the release of official transcripts and diplomas.

Account receivables are net of allowances for uncollectible accounts of \$1,167,000 and \$930,000 as of June 30, 2011 and 2010, respectively.

(e) ***Investments***

Investments received by gift, including investments in real estate, are recorded at estimated fair value at the date of the gift and are subsequently adjusted for changes in fair value thereafter. Purchased investments are carried at fair value. Realized and unrealized gains and losses are reported in the

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

appropriate net asset classification. The University also holds shares or units in alternative investment funds involving hedge, private equity, and real estate strategies. For financial statement presentation purposes, an investment may be considered alternative if the investment does not meet the following four criteria: (1) it is registered with the Securities Exchange Commission (SEC), (2) it makes semiannual filings with the SEC, (3) it calculates a net asset value daily, and (4) purchase and redemption of shares may be done daily. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets that require the estimation of fair values in the absence of readily determinable market values. See further discussion at note 1(o).

The University evaluates the fair value of its investments in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820-10, *Fair Value Measurements and Disclosures*. This standard establishes a framework for measuring fair value, clarifies the definition of fair value for financial reporting, and expands disclosures about fair value measurements. Management adopted FASB ASC Topic 820-10 for fiscal year ended June 30, 2009. See further discussion at note 3.

In conjunction with the adoption of FASB ASC Topic 820-10, the University adopted the measurement provisions of Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends FASB ASC Topic 820-10 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to other provisions of FASB ASC Topic 820-10.

(f) Pledges Receivable

Unconditional promises to give are recorded when pledges are made by the respective donors at their estimated present value. An allowance for uncollectibility is provided based on review of individually significant pledges and an estimated rate of uncollectibility. All contributions are available for unrestricted use unless specifically restricted by the donor.

Donor-restricted contributions whose restrictions are met in the same reporting period are initially reported as restricted revenue, which increases temporarily restricted net assets, then reclassified (or released from restrictions), simultaneously increasing unrestricted net assets and decreasing temporarily restricted net assets. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met.

Net assets released from restrictions are reported in the statements of activities when the University has met the donor restrictions. Assets released from restrictions in the current year are for scholarships, plant acquisitions, and departmental operations.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

(g) Inventories

Inventories, which consist mainly of bookstore merchandise and operating supplies, are valued at the lower of cost or fair value using the first-in, first-out (FIFO) method.

(h) Property, Plant, and Equipment

Property, plant, and equipment are carried at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation on property, plant, and equipment is calculated on the straight-line method over the estimated useful lives of the assets, which range from 3 to 15 years for equipment and 10 to 80 years for buildings and improvements.

The University reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated works of art are considered collections under the University's policy. Collections held for public exhibition and education in furtherance of public service rather than financial gain are not recorded in the statements of financial position.

(i) Revenue

Unrestricted revenues include those items attributable to the University's undergraduate programs, graduate programs, research conducted by academic departments, sales and services of educational activities, and the sales and services of auxiliary services. Tuition and fee revenue are recognized ratably over the academic term. Summer school tuition, fee revenue, and related expenses that are not earned or incurred as of year-end are deferred at June 30, 2011 and 2010 and recorded as revenue and expenses in the succeeding fiscal year.

(j) Compensated Absences

The University's employees, with the exception of faculty members, earn paid vacation each month based upon their years of service with the University. Vacation time accrues and vests proportionately between July 1 and June 30 of the current year and employees can carry a maximum of 22 days to the next fiscal year. An accrual has been made for earned vacation time and is included in accounts payable and accrued liabilities in the accompanying statements of financial position.

The University has a sick leave plan covering substantially all employees. The University provides employees approximately eight hours of paid sick leave per month depending on employment status. The University employees' accumulated unused sick leaves are carried over to the next year and are cumulative. Unused sick pay is forfeited by employees when they cease to be employed by the University. Therefore, no amount is accrued for sick leave.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

(k) Annuity Obligations

Annuity obligations represent the actuarially determined present value of future payments due to beneficiaries under split-interest agreements, primarily charitable remainder trusts.

(l) Taxes

The University is recognized as an organization generally exempt from income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) and a public charity, and not as a private foundation, under Section 509(a)(1). However, income generated from activities unrelated to the University's exempt purpose is subject to tax under Section 511 of the Code. The University had no material amounts of unrelated business income for the years ended June 30, 2011 and 2010.

The University evaluates its tax position in accordance with the provisions of FASB ASC Topic 740-10, *Income Taxes* (formerly, FASB Interpretation No. 48). FASB ASC Topic 740-10 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FASB ASC Topic 740-10 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. A tax position is measured at the largest amount of benefit that is greater than 50% likely being realized upon settlement. The provisions of FASB ASC Topic 740-10 do not have a significant impact on the University's financial statements.

(m) Functional Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs allocated among programs include expenses associated with the following: facilities management and planning, the depreciation and disposal expense of property, plant, and equipment, and the interest expense on long-term debt. Costs of facilities management and planning and depreciation and the disposal of property, plant, and equipment are allocated to the programs based upon square footage. Interest expense on long-term debt is allocated to the programs that benefit from the long-term financing of the University.

(n) Fair Value of Financial Instruments

The fair value of the University's financial instruments is determined as follows:

Cash and cash equivalents – Fair value is estimated to be the same as the carrying (book) value because of its short maturity.

Short- and long-term investments – Fair value of U.S. government securities, mutual funds, stocks, and bonds is the market value based on quoted market prices. For alternative investments, which include hedge funds and private equity investments, fair values are based on the net asset value reported by each fund because it serves as a practical expedient to estimate the fair value of the University's interest. See further discussion at note 3.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

Accounts receivable – Fair value is estimated to be the same as the carrying (book) value because of its short maturity.

Pledges receivable – Fair value is determined by computing the present value of future cash flows discounted at the prevailing interest rate as of the period in which the agreement was received. The carrying (book) value of pledges receivable approximates fair value.

Loans to students – Fair value cannot be determined without incurring excessive costs. Repayment terms for University loans average less than one year and on average carry a 7% interest rate. The Federal Perkins Loan program (Perkins) has a maximum repayment period of 10 years and carries an average interest rate of 5%.

Accounts payable and accrued liabilities – Fair value is estimated to be the same as the carrying (book) value due to the short maturities of accounts payable; included in accrued liabilities is the present value of future obligations, which is adjusted annually. This carrying (book) value approximates fair value.

Annuity obligations – Fair value is determined by computing the present value of the University's obligation to pay beneficiaries based on the beneficiaries' life expectancies from actuarial tables published by the Internal Revenue Service, using the prevailing interest rate as of the date of each agreement. The University's agreements are tied to interest rates that range from 5.0% to 11.3%. Annuity obligations are adjusted annually for these factors.

Long-term debt – Fair value, which is disclosed in note 7, is determined by computing the present value of future payments discounted at the prevailing interest rate for comparable debt instruments at year-end.

(o) *Net Assets Reclassified from Temporarily Restricted to Permanently Restricted*

These balances represent transfers that were recorded to adhere to the requirements of donors. During the years ended June 30, 2011 and 2010, the University received permanently restricted gifts in which the donors required the University to match. The University's required match totaled \$200,000 for the years ended June 30, 2011 and 2010, respectively.

In 2011, The University initiated a matching program to increase endowed scholarships for undergraduates, graduates, and performing arts students. The board of trustees has designated \$25 million, \$10 million, and \$5 million, respectively, of the University's strategic reserves to match commitments to new and existing scholarship endowments dollar for dollar. For the year ended June 30, 2011, the University matched commitments to the matching program in the amount of \$7,960,000.

(p) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ significantly from those estimates.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

(q) Endowment Funds

The University presents its endowment funds in accordance with the provisions of FASB ASC Topic 958-205, *Presentation of Financial Statements*, which provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (the Act) and expands disclosures about endowment funds. See further discussion at note 4.

(r) Accounting Pronouncements

FASB Accounting Standards Update (ASU) 2010-20, *Disclosures about Credit Quality of Financing Receivables and the Allowance for Credit Losses*, will be effective for the University beginning in 2012. The objective of ASU 2010-20 is to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. The University evaluated ASU 2010-20 and will have concluded that the disclosure will have no significant impact on the University.

(s) Subsequent Events

FASB ASC Topic 855-10, *Subsequent Events*. FASB ASC Topic 855-10 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The University evaluated events subsequent to June 30, 2011 and through October 31, 2011, and there were no significant events subsequent to year-end.

(t) Reclassifications

Certain 2010 amounts have been reclassified to conform to the current year presentation.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

(2) **Short- and Long-Term Investments**

Investments at June 30 consist of the following:

	2011		
	Cost	Unrealized gain (loss)	Market value
Short-term investments:			
U.S. government securities	\$ 213,142,916	370,648	213,513,564
Mutual funds	12,294,308	3,215,062	15,509,370
Domestic equities	350,183	(146,160)	204,023
Real estate	11,800,000	—	11,800,000
Other	1,012,270	—	1,012,270
	<u>238,599,677</u>	<u>3,439,550</u>	<u>242,039,227</u>
Long-term investment:			
Trustee cash and cash equivalents for endowments and annuities	6,346,239	—	6,346,239
U.S. government securities	53,745,958	53,741	53,799,699
Alternative investments	114,463,299	48,689,741	163,153,040
Domestic equities	34,527,782	6,453,670	40,981,452
International equities	6,414,870	1,491,475	7,906,345
Real estate	23,741,193	4,888,920	28,630,113
Mutual funds	44,554,866	2,633,006	47,187,872
Beneficial trust interest	9,758,098	882,064	10,640,162
Other	456,660	—	456,660
	<u>294,008,965</u>	<u>65,092,617</u>	<u>359,101,582</u>
Total all funds	\$ <u>532,608,642</u>	<u>68,532,167</u>	<u>601,140,809</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

	2010		
	Cost	Unrealized gain (loss)	Market value
Short-term investments:			
U.S. government securities	\$ 188,717,642	375,810	189,093,452
Mutual funds	33,202,332	1,879,254	35,081,586
Domestic equities	364,227	(254,159)	110,068
Real estate	11,800,000	—	11,800,000
Other	216,003	—	216,003
	<u>234,300,204</u>	<u>2,000,905</u>	<u>236,301,109</u>
Long-term investment:			
Trustee cash and cash equivalents for endowments and annuities	3,474,109	—	3,474,109
U.S. government securities	35,262,354	(15,682)	35,246,672
Alternative investments	110,271,205	36,300,927	146,572,132
Domestic equities	30,001,599	5,417,538	35,419,137
International equities	6,414,870	(312,066)	6,102,804
Real estate	23,276,780	4,888,920	28,165,700
Mutual funds	28,864,230	(659,977)	28,204,253
Beneficial trust interest	9,609,599	(435,583)	9,174,016
Other	423,742	177,354	601,096
	<u>247,598,488</u>	<u>45,361,431</u>	<u>292,959,919</u>
Total all funds	\$ <u>481,898,692</u>	<u>47,362,336</u>	<u>529,261,028</u>

During the years ended June 30, 2011 and 2010, the University paid approximately \$416,000 and \$354,000, respectively, in management and custodian fees, which were netted against endowment income and other investment income in the accompanying statements of activities. All endowments established by various donors over the years are accounted for separately in the accounting records of the University to ensure that the purposes for which the endowments were initially created are carried out in perpetuity. For investment purposes, to maximize total investment return and administrative efficiency, the University commingles certain assets in an investment pool.

Individual endowments own shares in the pool, the value per share being determined by the pool's aggregate fair value, and the number of shares outstanding at the time contributions are made. The pool is valued on a quarterly basis for this purpose. At June 30, 2011, the pool had 64,075,790 shares outstanding, with a fair value of approximately \$4.88 per share, or \$312,619,807. The University has adopted a spending policy whereby the board of trustees has authorized a stipulated percentage of the fair value of endowments participating in the investment pool to be spent for the purposes of the donors. The distribution for spending in 2011 was \$0.21 per share, of which \$0.05 represented income yield. The remaining \$0.16 represented spending of realized and unrealized gains. At June 30, 2010, the pool had 59,617,602 shares outstanding, with a fair value of approximately \$4.45 per share, or \$264,999,375. The distribution for spending in 2010 was \$0.19 per share, of which \$0.04 represented income yield. The remaining \$0.15 represented spending of realized and unrealized gains.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

The investment pool consisted of 737 individual endowments at June 30, 2011. Of these endowments, none of them were considered to be “under water” as the fair value of the underlying investments is more than the original gift value of all the individual endowments. See additional discussion in note 4(b).

The investment pool consisted of 700 individual endowments at June 30, 2010. Of these endowments, 85 are considered to be “under water” as the fair value of the underlying investments is less than the original gift value. At June 30, 2010, the fair value of the underlying investments related to these 85 endowments totaled approximately \$38,280,000 while the original gift value was approximately \$39,558,000. See additional discussion in note 4(b).

The University has the following split-interest agreements, which are included in long-term investments at June 30, 2011 and 2010:

	2011		
	Number of agreements	Net assets classification	
		Temporary	Permanent
Perpetual trusts held by third party	3	\$ —	8,086,090
Charitable Remainder Trusts:			
University named trustee	26	4,945,704	10,095,337
Third-party named trustee	8	1,587,314	2,016,757
Charitable Annuity Agreements	63	2,917,645	816,815
	<u>100</u>	<u>\$ 9,450,663</u>	<u>21,014,999</u>
	2010		
	Number of agreements	Net assets classification	
		Temporary	Permanent

The University is the beneficiary of certain perpetual trusts held by others. The present values of the estimated future cash receipts from the trusts are recognized as assets and contribution revenue at the date the trusts are established. Distributions from the trusts are recorded as investment income, and the carrying value of the assets is adjusted for changes in the estimates of future receipts as gains and losses on the endowment investments.

The Charitable Remainder Trusts and Charitable Annuity Agreements are split-interest agreements that are held and administered either by the University or by others. In the period when the agreement is established, the University recognizes an asset at fair value, a liability to the beneficiary for the estimated future benefits to be distributed, and contribution revenue for the difference. The annuity obligation is

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

primarily based on the person's age at time of the gift, their life expectancy, and the prevailing interest rate as of the date of the agreement. Annual adjustments are made to the liability for the estimated future benefits to be distributed due to changes in the actuarial assumptions and the discount rate, where applicable, over the term of the agreement.

Contribution revenue recognized for new split-interest agreements in 2011 and 2010 was approximately \$1,603,000 and \$427,000, respectively.

(3) FASB ASC Topic 820-10, *Fair Value Measurements and Disclosures*

FASB ASC Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820-10 are as follows:

- Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the University. The University considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the University's perceived risk of that instrument.

In determining the placement of an investment within the hierarchy, the University separates the investment portfolio into two categories: investments and derivative instruments.

(a) *Investments*

Investments whose values are based on quoted market prices in active markets, and are, therefore, classified within Level 1, include actively listed equities, certain U.S. government and sovereign obligations, and certain money market securities.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations, most

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

government agency securities, investment grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal, and provincial obligations, most physical commodities, and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or nontransferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, investments in other funds, and less liquid mortgage securities (backed by either commercial or residential real estate).

Most investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct investments in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of the University's interest therein, its classification in Level 2 or 3 is based on the University's ability to redeem its interest at or near the date of the statements of financial position and the level of observable inputs. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

(b) *Derivative Instruments*

Derivative instruments can be exchange-traded or privately negotiated over the counter (OTC). Exchange-traded derivatives, such as futures contracts and exchange-traded option contracts, are typically classified within Level 1 or 2 of the fair value hierarchy depending on whether or not they are deemed to be actively traded.

OTC derivatives, including forwards, credit default swaps, total return equity swaps, and interest rate swaps, are valued by the University using observable inputs, such as quotations received from the counterparty, dealers, or brokers, whenever available and considered reliable. In instances where models are used, the value of an OTC derivative depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, and measures of volatility, prepayment rates, and correlations of such inputs. Certain OTC derivatives, such as generic forwards, swaps, and options, have inputs that can generally be corroborated by market data and are, therefore, classified within Level 2.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

The following tables summarize the University's short- and long-term investments in the fair value hierarchy as of June 30, 2011 and 2010, as well as liquidity of the investments:

Investment/liquidity	June 30, 2011			
	Level 1	Level 2	Level 3	Total
U.S. government securities:				
Daily	\$ 267,083,263	—	—	267,083,263
Monthly	—	230,000	—	230,000
Total	267,083,263	230,000	—	267,313,263
Alternative investments:				
Monthly	—	11,258,107	15,504,706	26,762,813
Quarterly	—	—	68,580,014	68,580,014
Semiannually	—	2,272,112	735,322	3,007,434
Illiquid	—	—	64,802,778	64,802,778
Total	—	13,530,219	149,622,820	163,153,039
Mutual funds:				
Daily	49,575,732	—	—	49,575,732
Monthly	—	—	13,121,510	13,121,510
Total	49,575,732	—	13,121,510	62,697,242
Domestic equities:				
Daily	40,656,720	—	—	40,656,720
Quarterly	528,755	—	—	528,755
Total	41,185,475	—	—	41,185,475
International equities:				
Daily	7,906,345	—	—	7,906,345
Total	7,906,345	—	—	7,906,345
Trustee cash and cash equivalents:				
Daily	6,346,239	—	—	6,346,239
Total	6,346,239	—	—	6,346,239
Real estate:				
Semiannually	—	38,510,553	—	38,510,553
Locked-up 1	—	1,919,560	—	1,919,560
Illiquid	—	—	—	—
Total	—	40,430,113	—	40,430,113

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

Investment/liquidity	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Beneficial trust interest:				
Locked-up 1	\$ 9,452,514	—	1,187,648	10,640,162
Total	9,452,514	—	1,187,648	10,640,162
Other:				
Daily	955,553	—	—	955,553
Illiquid	—	—	213,015	213,015
Locked-up 2	41,837	—	258,525	300,362
Total	997,390	—	471,540	1,468,930
Grand total	\$ 382,546,958	54,190,332	164,403,518	601,140,808

Investment/liquidity	June 30, 2010			
	Level 1	Level 2	Level 3	Total
U.S. government securities:				
Daily	\$ 224,110,124	—	—	224,110,124
Monthly	—	230,000	—	230,000
Total	224,110,124	230,000	—	224,340,124
Alternative investments:				
Monthly	—	9,851,831	9,194,389	19,046,220
Quarterly	—	—	72,902,885	72,902,885
Semiannually	—	3,546,509	3,096,251	6,642,760
Illiquid	—	—	47,980,267	47,980,267
Total	—	13,398,340	133,173,792	146,572,132
Mutual funds:				
Daily	51,217,054	—	—	51,217,054
Monthly	—	—	12,068,785	12,068,785
Total	51,217,054	—	12,068,785	63,285,839
Domestic equities:				
Daily	35,052,674	—	—	35,052,674
Quarterly	476,531	—	—	476,531
Total	35,529,205	—	—	35,529,205
International equities:				
Daily	6,102,804	—	—	6,102,804
Total	6,102,804	—	—	6,102,804

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

<u>Investment/liquidity</u>	June 30, 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Trustee cash and cash equivalents:				
Daily	\$ 3,474,109	—	—	3,474,109
Total	<u>3,474,109</u>	<u>—</u>	<u>—</u>	<u>3,474,109</u>
Real estate:				
Semiannually	—	38,310,699	—	38,310,699
Locked-up 1	—	1,655,001	—	1,655,001
Total	<u>—</u>	<u>39,965,700</u>	<u>—</u>	<u>39,965,700</u>
Beneficial trust interest:				
Locked-up 1	8,197,270	—	976,746	9,174,016
Total	<u>8,197,270</u>	<u>—</u>	<u>976,746</u>	<u>9,174,016</u>
Other:				
Daily	159,285	—	—	159,285
Illiquid	—	—	338,015	338,015
Locked-up 2	61,273	—	258,526	319,799
Total	<u>220,558</u>	<u>—</u>	<u>596,541</u>	<u>817,099</u>
Grand total	<u>\$ 328,851,124</u>	<u>53,594,040</u>	<u>146,815,864</u>	<u>529,261,028</u>

The following table includes a rollforward of the amounts for the years ended June 30, 2011 and 2010 for financial instruments classified within Level 3. The classification of a financial instrument within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

Fair value measurement using Level 3 inputs:

	<u>Mutual funds/other</u>	<u>Private equity</u>	<u>Hedged/ absolute</u>	<u>Total</u>
Balances at June 30, 2010	\$ 13,642,072	41,711,375	91,462,417	146,815,864
Purchases	469,428	16,302,446	35,004,426	51,776,300
Sales	(206,173)	(12,425,618)	(33,647,102)	(46,278,893)
Unrealized gains	875,371	5,348,807	5,866,069	12,090,247
Balances at June 30, 2011	<u>\$ 14,780,698</u>	<u>50,937,010</u>	<u>98,685,810</u>	<u>164,403,518</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

	<u>Mutual funds/other</u>	<u>Private equity</u>	<u>Hedged/ absolute</u>	<u>Total</u>
Balances at July 1, 2009	\$ 13,036,343	36,466,284	87,515,352	137,017,979
Purchases	—	4,771,029	2,500,000	7,271,029
Sales	(46,384)	(4,006,365)	(9,076,187)	(13,128,936)
Unrealized gains	652,113	4,480,427	10,523,252	15,655,792
Balances at June 30, 2010	\$ <u>13,642,072</u>	<u>41,711,375</u>	<u>91,462,417</u>	<u>146,815,864</u>

All unrealized gains (losses) in the tables above are reflected in the accompanying statements of activities.

(4) Endowments

As discussed in note 1(q), FASB ASC Topic 958-205 provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to the Act and expands disclosures about endowment funds. The Act was effective September 1, 2008 and provides for statutory guidance for the management, investment, and expenditure of endowment funds held by not-for-profit organizations. Amongst other provisions, the Act eliminates the “historical dollar value” rule for endowment funds in favor of guidelines regarding what constitutes prudent spending.

The University’s endowments consist of 737 and 700 individual funds as of June 30, 2011 and 2010, respectively. The endowments were established for a variety of purposes, including both donor-restricted endowment funds (true endowment) and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The board of trustees of the University has interpreted the version of the Act enacted by the State of Colorado as not requiring an institution subject to the Act to implement a reclassification within its financial statements to reflect the effect of price inflation on the historic dollar value of endowment funds, bringing the current purchasing power of such funds to their original purchasing power and denominating the result as permanently restricted.

The remaining portion of the donor-restricted fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the University considers the following factors in making determination to appropriate or accumulate donor restricted-endowment funds:

1. The duration and the preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Net assets comprising true endowments funds and funds designated by the board of trustees to function as endowments were as follows at June 30:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
June 30, 2011:				
Board-designated endowment funds	\$ 84,444,567	—	—	84,444,567
Donor-restricted endowment funds	—	84,614,636	185,150,949	269,765,585
	<u>\$ 84,444,567</u>	<u>84,614,636</u>	<u>185,150,949</u>	<u>354,210,152</u>
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
June 30, 2010:				
Board-designated endowment funds	\$ 68,809,747	—	—	68,809,747
Donor-restricted endowment funds	—	63,149,591	163,978,475	227,128,066
	<u>\$ 68,809,747</u>	<u>63,149,591</u>	<u>163,978,475</u>	<u>295,937,813</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

The changes in endowment net assets for the years ended June 30, 2011 and 2010 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2010	\$ 68,809,747	63,149,591	163,978,475	295,937,813
Investment return:				
Investment income	3,156,189	19,065	—	3,175,254
Net realized and unrealized gains	<u>16,753,952</u>	<u>20,871,409</u>	<u>—</u>	<u>37,625,361</u>
Total investment return	19,910,141	20,890,474	—	40,800,615
Private gifts	44,319		11,206,524	11,250,843
Appropriation of endowment assets for expenditures	(12,784,614)	—	—	(12,784,614)
Present value adjustments	—	—	32,391	32,391
Reinvested income	—	574,571	—	574,571
Transfer to board-designated endowments	8,464,974	—	—	8,464,974
Reclassification of restricted net assets	<u>—</u>	<u>—</u>	<u>9,933,559</u>	<u>9,933,559</u>
Changes	<u>15,634,820</u>	<u>21,465,045</u>	<u>21,172,474</u>	<u>58,272,339</u>
Endowment net assets, June 30, 2011	\$ <u>84,444,567</u>	<u>84,614,636</u>	<u>185,150,949</u>	<u>354,210,152</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2009	\$ 51,329,973	55,161,003	163,418,351	269,909,327
Investment return:				
Investment income	2,290,167	3,337	—	2,293,504
Net unrealized gains	<u>14,987,571</u>	<u>7,576,144</u>	<u>—</u>	<u>22,563,715</u>
Total investment return	17,277,738	7,579,481	—	24,857,219
Private gifts	153,314	—	(71,850)	81,464
Appropriation of endowment assets for expenditures	(11,086,791)	—	—	(11,086,791)
Present value adjustments	3,989	—	(143,862)	(139,873)
Reinvested income	—	385,003	—	385,003
Transfer to board-designated endowments	11,131,524	—	—	11,131,524
Reclassification of restricted net assets	—	24,104	575,836	599,940
Net assets restricted to comply with donor matches	<u>—</u>	<u>—</u>	<u>200,000</u>	<u>200,000</u>
Changes	<u>17,479,774</u>	<u>7,988,588</u>	<u>560,124</u>	<u>26,028,486</u>
Endowment net assets, June 30, 2010	\$ <u>68,809,747</u>	<u>63,149,591</u>	<u>163,978,475</u>	<u>295,937,813</u>

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the level of the book value (underwater). When a fund is classified as underwater, then only income earned (interest and dividends) will be distributed for spending. The University does not have any funds considered underwater at June 30, 2011.

(c) Return Objectives and Risk Parameters

The primary objective of the investment for the endowment, quasi-endowment, and similar funds is the concept of preservation of purchasing power of the funds with an emphasis on long-term growth of the funds and with a risk profile that would be deemed to be prudent by institutional fiduciaries generally. Consistent with this objective, a reasonable return is expected.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

(d) Strategies Employed for Achieving Objectives

The University targets a diversified asset allocation. For the years ended June 30, 2011 and 2010, the estimated investment emphasis included: Large Capitalization Equities (15.0%), Small/Mid Capitalization Equities (12.5%), International Equities (12.5%), Hedged Funds (15.0%), Private Equities (2.5%), Absolute Return funds (12.5%), Fixed Income (15.0%), and Real Estate and Other investment (15.0%). The profile is reviewed quarterly and rebalanced as needed.

(e) Spending Policy

The University has adopted a spending policy whereby the board of trustees has authorized a stipulated percentage of the fair value of endowments participating in the investment pool to be spent for the purposes of the donors. As of June 30, 2011 and 2010, the approved percentage was 4.5% of a moving 12-quarter average of the market value of such funds.

(5) Pledges Receivable

Pledges receivable are summarized as follows at June 30:

	<u>2011</u>	<u>2010</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 11,097,094	20,509,428
One to five years	18,045,845	18,291,171
Six to twenty years	5,873,000	—
	<u>35,015,939</u>	<u>38,800,599</u>
Less allowance for uncollectible pledges	(3,501,592)	(5,820,090)
Less present value discount (2.70% – 8.00%)	<u>(3,792,606)</u>	<u>(7,212,801)</u>
Net pledges receivable	<u>\$ 27,721,741</u>	<u>25,767,708</u>

Included in pledges receivable is the present value of approximately \$13,453,000 and \$13,787,000 as of June 30, 2011 and 2010, respectively, in pledges from members of the board of trustees. For the years ended June 30, 2011 and 2010, the University did not conduct any additional, significant transactions with members of the board of trustees that were not negotiated at arm's length.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

(6) Property, Plant, and Equipment

Property, plant, and equipment at June 30 consist of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 8,384,661	8,570,140
Land improvements	22,281,919	20,006,660
Buildings and improvements	556,456,546	543,273,134
Equipment	50,140,321	47,471,878
Library books	8,406,120	8,354,883
Construction in progress	7,071,463	10,845,666
	<u>652,741,030</u>	<u>638,522,361</u>
Less accumulated depreciation	<u>(132,739,235)</u>	<u>(121,538,946)</u>
	<u>\$ 520,001,795</u>	<u>516,983,415</u>

The University had approximately \$12,715,000 and \$11,797,000 of depreciation expense for the years ended June 30, 2011 and 2010, respectively, which was reported within all functions in the accompanying statements of activities.

The University monitors asset retirement obligations in accordance with the provisions of FASB ASC Topic 410-20, *Asset Retirement and Environmental Obligations*. Under FASB ASC Topic 410-20, costs related to the legal obligation to perform certain activities in connection with the retirement, disposal, or abandonment of assets are required to be accrued. The University has identified asbestos abatement as a conditional retirement obligation. For the years ended June 30, 2011 and 2010, respectively, an asset retirement obligation of approximately \$9,245,000 and \$9,225,000 is included in accounts payable and accrued liabilities.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

(7) Long-Term Debt

Bonds payable at June 30 consist of the following:

	<u>2011</u>	<u>2010</u>
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2008	\$ 7,790,000	8,300,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2007	39,920,000	39,920,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2005A	30,000,000	30,055,000
Colorado Educational and Cultural Facilities Authority Revenue Bonds, Series 2005B	42,585,000	43,945,000
Colorado Educational and Cultural Facilities Authority Revenue Bonds, Series 2001B	13,390,000	15,715,000
Colorado Postsecondary Educational and Cultural Facilities Authority Revenue Bonds, Series 2000	—	710,000
	<u>133,685,000</u>	<u>138,645,000</u>
Total long-term debt	133,685,000	138,645,000
Less current installments	<u>5,055,000</u>	<u>4,960,000</u>
Long-term debt, excluding current installments	<u>\$ 128,630,000</u>	<u>133,685,000</u>

The University had approximately \$6,568,549 and \$6,754,262 of interest expense for the years ended June 30, 2011 and 2010, respectively, which was reported in various functions under plant in the accompanying statements of activities. Interest of approximately \$6,632,330 and \$6,814,190 was paid in cash during the years ended June 30, 2011 and 2010, respectively. Net interest cost capitalized in fiscal years 2011 and 2010 was \$0. The fair value of bonds payable was approximately \$133,359,000 and \$138,187,000 at June 30, 2011 and 2010, respectively.

(a) Issuance of Series 2008 Bonds

In February 2008, the Colorado Educational and Cultural Facilities Authority (the Authority) issued \$9,390,000 of University of Denver Refunding Revenue Bonds, Series 2008. The proceeds from the sale of the 2008 bonds were used to (1) refund all of the Authority's Revenue Bonds (University of Denver Project) Series 1997 Bonds outstanding in the aggregate principal amount of \$9,725,000 and (2) pay certain costs associated with the issuance of the 2008 Bonds.

The bond agreement provides for mandatory annual sinking fund redemption payments of \$510,000 in 2011, increasing to \$2,535,000 in 2018. Interest is payable semiannually at rates ranging from 3% to 5%. Payment of principal and interest on the bonds is guaranteed by Financial Guaranty Insurance Corporation.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

(b) Issuance of Series 2007 Bonds

In December 2006, the Authority issued \$39,920,000 of University of Denver Refunding Revenue Bonds, Series 2007. The proceeds from the sale of the 2007 bonds were used to (1) (i) refund all of the Authority's Revenue Bonds (University of Denver Project) Series 2001A Bonds outstanding in the aggregate principal amount of \$27,000,000 and (ii) refund \$14,905,000 of aggregate principal amount of the Authority's Revenue Bonds (University of Denver Project) Series 2005B Bonds; (2) purchase a municipal bond insurance policy and a reserve fund surety bond for the 2007 Bonds; and (3) pay certain costs associated with the issuance of the 2007 Bonds.

The bond agreement provides for mandatory annual sinking fund redemption payments of \$1,650,000 in 2023, \$5,825,000 in 2024, \$6,135,000 in 2025, and ranging from \$2,365,000 in 2031 to \$2,870,000 in 2035. Interest is payable semiannually at the rate of 5.25%. Payment of principal and interest on the bonds is guaranteed by Financial Guaranty Insurance Corporation.

(c) Issuance of Series 2005A Bonds

In July 2005, the Authority issued \$30,255,000 of University of Denver Refunding Revenue Bonds, Series 2005A. The proceeds from the sale of the 2005A bonds were used to (1) advance refund \$29,670,000 aggregate principal amount of the Authority's Revenue Bonds (University of Denver Project) Series 2000; (2) purchase a municipal bond insurance policy and a reserve fund surety bond for the 2005A Bonds; and (3) pay certain costs associated with the issuance of the 2005A Bonds.

The bond agreement provides for mandatory annual sinking fund redemption payments of \$50,000 in 2007, increasing to \$6,750,000 in 2022. Interest is payable semiannually at rates ranging from 3.00% to 5.00%. Payment of principal and interest on the bonds is guaranteed by Financial Guaranty Insurance Corporation.

(d) Issuance of Series 2005B Bonds

In November 2005, the Authority issued \$61,815,000 of University of Denver Revenue Bonds, Series 2005B. The proceeds from the sale of the 2005B bonds were used to (1) finance a portion of the construction, acquisition, and furnishing of a residences hall and a parking facility; (2) pay capitalized interest; (3) refund \$7,075,000 in outstanding bonds of the Authority's Revenue Bonds Series 1997; (4) refund \$8,700,000 in outstanding bonds of the Authority's Revenue Bonds Series 2000; (5) purchase a municipal bond insurance policy and a reserve fund surety bond for the 2005B Bonds; and (6) pay certain costs associated with the issuance of the 2005B Bonds.

As mentioned above, \$14,905,000 of the 2005B Series Bonds was legally defeased during fiscal year 2007 from proceeds of the 2007 bonds and removed from the accounting records of the University.

The bond agreement provides for mandatory annual sinking fund redemption payments of \$30,000 in 2007, increasing to \$2,925,000 in 2035. Interest is payable semiannually at rates ranging from 3.25% to 5.25%. Payment of principal and interest on the bonds is guaranteed by Financial Guaranty Insurance Corporation.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

(e) Issuance of Series 2001B Bonds

In December 2001, the Authority issued \$23,000,000 of University of Denver Revenue Bonds, Series 2001B. The proceeds from the sale of the 2001B bonds were used to (1) finance the construction of a law school; (2) obtain a municipal bond insurance policy for the bonds; (3) obtain a reserve fund surety bond for the bonds; (4) obtain a liquidity facility for the bonds; and (5) pay certain costs associated with the issuance of the bonds.

The initial bond agreement provides for mandatory annual sinking fund redemption payments of \$500,000, which began in 2004, increasing to \$2,930,000 in 2016. Interest is payable semiannually at rates ranging from 1.8% to 4.6%. Payment of principal and interest on the bonds is guaranteed by MBIA Insurance Corporation.

In December 2002, the bonds were converted from a variable rate to a fixed rate. The conversion altered the mandatory annual sinking fund redemption payments to \$325,000 beginning in 2004, increasing to \$2,390,000 in 2016. The interest rates were fixed at a range from 1.8% to 4.6%.

(f) Issuance of 2000 Bonds

In November 2000, the Authority issued \$51,395,000 of University of Denver Revenue Bonds, Series 2000. The proceeds from the sale of the 2000 bonds were used to (1) finance a portion of the cost of constructing a new residence hall and a new parking structure on the University's main campus; (2) refinance all of the City and County of Denver Industrial Development Bonds, Series 1991; (3) pay capitalized interest; (4) obtain a reserve fund insurance policy in an amount equal to the bond reserve requirement; and (5) pay certain costs associated with the issuance of the 2000 bonds.

As mentioned above, \$29,670,000 and \$8,700,000 of this series were legally defeased during fiscal year 2006 from proceeds of the 2005A bonds and the Series 2005B bonds, respectively, and removed from the accounting records of the University.

The bond agreement provides for mandatory annual sinking fund redemption payments. After the refunding, mandatory sinking fund requirements now range from \$1,510,000 in 2007 to \$710,000 in 2011. Interest is payable semiannually at rates ranging from 5.00% to 5.50%. Payment of principal and interest on the bonds is guaranteed by AMBAC Assurance Corporation.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

(g) Aggregate Annual Maturities of Bonds Payable

At June 30, 2011, the aggregate annual maturities of bonds payable for the five succeeding years and thereafter are as follows:

2012	\$	5,055,000
2013		5,370,000
2014		5,705,000
2015		5,980,000
2016		6,205,000
Thereafter		<u>105,370,000</u>
	\$	<u><u>133,685,000</u></u>

(h) Restrictive Bond Covenants

The University is required by bond covenants to maintain expendable resources (as defined by the Loan Agreement) of at least 75% of the outstanding principal of its long-term debt and maintain a debt service coverage ratio (as defined by the Loan Agreement) of at least 1.20. The University is also required to comply with various other covenants while the bonds are outstanding. Management believes the University is in compliance with the bond covenants.

(i) Security for the Bonds

Under all the University's bond loan agreements, the University is obligated to pay amounts sufficient to provide payment of the principal of and interest on the bonds. The obligation of the University to make such payments under the loan agreements is secured by a security interest in the gross revenues of the University, as defined.

(8) Retirement Plan

Full-time employees, including part-time employees who work at least 20 hours per week for at least six months, of the University are eligible to participate in a contributory tax-deferred annuity retirement plan (the Retirement Plan) under Section 403(b) of the Code. Administrators, faculty members, and staff-appointed employees are eligible to participate in the Retirement Plan after one year of service. Participating employees may contribute up to 4% of their base salary, limited by the Code to \$16,500 per employee. The University contributes an amount twice that of the employee up to 8%. Participants have a fully vested interest in the total contributions immediately. Accounts of each employee are invested at the employee's discretion. Under the Retirement Plan, the University contributed approximately \$8,882,000 and \$8,646,000 for the years ended June 30, 2011 and 2010, respectively, which were charged to operations expenses.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

(9) Postretirement Benefits Other than Pensions

The University records postretirement benefits in accordance with the provisions of FASB ASC Topic 715-20, *Compensations – Retirement Benefits*. FASB ASC Topic 715-20 requires balance sheet recognition of the net asset or liability for the overfunded or underfunded status of defined benefit pension and other postretirement benefit plans and recognition of changes in the funded status in the year in which the changes occur.

The University sponsors a defined benefit healthcare plan (the Healthcare Plan) that provides postretirement medical benefits to full-time employees who have worked 10 years and attained age 55 while in service with the University if hired prior to January 1, 1992, or full-time employees who have worked 20 years and attained age 55 while in service with the University if hired after December 31, 1991. Participants receive \$60 per month toward the cost of their postretirement medical costs. At June 30, 2011, the Healthcare Plan covered 227 retirees with an additional 2,311 active employees potentially eligible for coverage. At June 30, 2010, the Healthcare Plan covered 236 retirees with an additional 2,245 active employees potentially eligible for coverage. The Healthcare Plan is noncontributory.

The changes in benefit obligations (all unfunded) were as follows:

	<u>2011</u>	<u>2010</u>
Accrued postretirement benefit obligation (APBO), beginning of year	\$ 2,879,033	2,677,977
Service cost	33,237	26,101
Interest cost	136,334	148,842
Change in assumptions loss	(51,995)	233,257
Actuarial loss (gain)	234,465	(34,412)
Benefits paid	<u>(173,825)</u>	<u>(172,732)</u>
APBO (all unfunded), end of year	\$ <u>3,057,249</u>	<u>2,879,033</u>

At June 30, net periodic postretirement benefit cost included the following components:

	<u>2011</u>	<u>2010</u>
Service cost	\$ 33,237	26,101
Interest cost	136,334	148,842
Amortization of transition obligation	99,472	99,472
Amortization of prior service cost	37,478	37,478
Recognized net actuarial gain	<u>—</u>	<u>—</u>
Net periodic postretirement benefit cost	\$ <u>306,521</u>	<u>311,893</u>

The weighted average discount rate used in determining the APBO was 5.06% and 4.91% for June 30, 2011 and 2010, respectively. It is the University's policy to fund the benefit cost with current cash balances. Under the Healthcare Plan, the University paid benefits of approximately \$174,000 and \$173,000 for the years ended June 30, 2011 and 2010, respectively, which were charged to operating expenses.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

The estimated benefits expected to be paid in following years are as follows:

2012	\$	205,300
2013		206,899
2014		208,301
2015		207,991
2016		207,394
2017 – 2026		<u>2,250,973</u>
Total	\$	<u><u>3,286,858</u></u>

For the years ended June 30, 2011 and 2010, all medical premiums were greater than the amount subsidized by the University. Therefore, a healthcare trend was not used as all retirees receiving the subsidy received the full \$60.

The measurement date for the Healthcare Plan was June 30, 2011.

(10) Loans to Students

Student loans made through Perkins constitute substantially all of the student loans outstanding at June 30, 2011 and 2010. Prior to 2005, contributions to the Perkins programs were funded 75% by the federal government with the University providing the remaining 25%; yet for fiscal years 2011 and 2010, no additional contributions were funded. Perkins provides for cancellation of a note at rates of 10% to 30% per year up to a maximum of 100% if the debtor complies with certain provisions of Perkins. The federal government reimburses the loan funds of the University at rates of 10% to 30% for canceled indebtedness due to certain teaching service and various types of services for the U.S. government and 100% for loans declared not collectible due to death, permanent disability, or a declaration of bankruptcy.

At June 30, 2011 and 2010, the allowance for possible loan losses of Perkins approximated \$750,000; however, due to federal regulations, no loans of Perkins have been written off since the inception of Perkins.

The University has other loan funds obtained primarily through gifts and grants from individuals, corporations, and foundations. At June 30, 2011 and 2010, the allowance for possible loan losses of these funds was \$153,000.

(11) Fund-Raising Expenses

The University had fund-raising expenses of approximately \$10,393,000 and \$8,354,000 in 2011 and 2010, respectively, which were recognized in institutional support in the accompanying statements of activities.

(12) Commitments and Contingencies

At June 30, 2011 and 2010, the University had outstanding commitments totaling approximately \$2,318,000 and \$1,996,000, respectively, for contracts related to various construction projects on campus.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2011 and 2010

During the 2011 fiscal year, the University invested approximately \$10,500,000 in 15 long-term partnerships, 13 of which were formed prior to the 2011 fiscal year, bringing its cumulative contributions to the partnerships to approximately \$46,690,000. Under the terms of the partnership agreements, the University and other investors are committed to fund additional investments. As of June 30, 2011, the University's remaining commitments to 11 partnerships total approximately \$31,400,000.

During the 2010 fiscal year, the University invested approximately \$4,771,000 in 13 long-term partnerships, which were formed prior to the 2010 fiscal year, bringing its cumulative contributions to the partnerships to approximately \$41,300,000. Under the terms of the partnership agreements, the University and other investors are committed to fund additional investments. As of June 30, 2011, the University's remaining commitments to 13 partnerships total approximately \$16,500,000.

The University participates in a number of federal programs, which are subject to financial and compliance audits. The amount of expenses that may be disallowed by the granting agencies cannot be determined at this time although the University does not expect these amounts, if any, to be material to the financial statements.

The University is a party to a number of matters of litigation. It is the opinion of management, based on the advice of counsel, that the University's liability insurance is sufficient to cover the potential judgments and that the outcome of the suits will not have a material adverse effect on the financial position or operations of the University.



KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202-3499

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

The Board of Trustees
University of Denver (Colorado Seminary):

We have audited the financial statements of the University of Denver (Colorado Seminary) (the University) as of and for the year ended June 30, 2011 and have issued our report thereon dated October 31, 2011. 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.

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

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 over financial reporting that might be deficiencies, significant deficiencies, or 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*.



This report is intended solely for the information and use of University management, the board of trustees, the audit committee federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 31, 2011



KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202-3499

**Independent Auditors' Report on Compliance with Requirements
Applicable to the Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

The Board of Trustees
University of Denver (Colorado Seminary):

Compliance

We have audited the compliance of the University of Denver (Colorado Seminary) (the University) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* (Compliance Supplement) that are applicable to its major federal program for the year ended June 30, 2011. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major federal program is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, University of Denver (Colorado Seminary) complied, in all material respects, with the requirements referred to in the first paragraph above that are applicable to the major federal program for the year ended June 30, 2011.

Internal Control over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.



Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of University management, the board of trustees, the audit committee, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 31, 2011

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Federal granting agency</u>	<u>CFDA number</u>	<u>Federal expenditures</u>
Research and Development Cluster:		
Department of Agriculture:		
Direct payments	10.202	\$ 3,199
Pass-through awards	10.558	32,528
Direct payments	10.912	<u>5,402</u>
Total Department of Agriculture		<u>41,129</u>
Department of Commerce:		
National Institute of Standards and Technology:		
Direct payments	11.302	52,959
Direct payments	11.609	283,358
Pass-through awards	11.612	<u>79,672</u>
Total Department of Commerce		<u>415,989</u>
Department of Defense:		
Pass-through awards	12.404	14,578
Direct payments	12.800	17,717
Pass-through awards	12.800	<u>211,432</u>
Subtotal 12.800		<u>229,149</u>
Total Department of Defense		<u>243,727</u>
Department of Housing and Urban Development:		
Direct payments	14.516	<u>5,439</u>
Total Department of Housing and Urban Development		<u>5,439</u>
Department of the Interior:		
Direct payments	15.517	<u>11,120</u>
Total Department of the Interior		<u>11,120</u>
Department of Justice:		
Direct payments	16.560	1,497,459
Pass-through awards	16.560	<u>1,231,892</u>
Total Department of Justice		<u>2,729,351</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal granting agency	CFDA number	Federal expenditures
Department of Transportation:		
Direct payments	20.801	\$ 681,521
Total Department of Transportation		<u>681,521</u>
Department of the Treasury:		
Direct payments	21.008	<u>78,338</u>
Total Department of the Treasury		<u>78,338</u>
National Aeronautics and Space Administration (NASA):		
Direct payments	43.000	207,973
Direct payments	43.001	205,611
Pass-through awards	43.001	<u>75,119</u>
Subtotal 43.001		<u>280,730</u>
Total NASA		<u>488,703</u>
National Endowment for the Arts and Humanities:		
Pass-through awards	45.024	2,500
Direct payments	45.169	52,684
Direct payments	45.313	<u>1,061,102</u>
Total National Endowment for the Arts and Humanities		<u>1,116,286</u>
National Science Foundation:		
Direct payments	47.041	180,529
Pass-through awards – American Recovery and Reinvestment Act	47.041	<u>26,696</u>
Subtotal 47.041		<u>207,225</u>
Direct payments	47.049	449,431
Direct payments – American Recovery and Reinvestment Act	47.049	<u>91,116</u>
Subtotal 47.049		<u>540,547</u>
Direct payments	47.070	482,299
Pass-through awards	47.070	<u>17,959</u>
Subtotal 47.070		<u>500,258</u>
Direct payments	47.074	464,090
Pass-through awards	47.074	<u>50,852</u>
Subtotal 47.074		<u>514,942</u>
Direct payments	47.075	32,605

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal granting agency	CFDA number	Federal expenditures
Direct payments	47.076	\$ 48,155
Pass-through awards	47.076	35,419
Subtotal 47.076		<u>83,574</u>
Direct payments	47.078	129,390
Direct payments	47.081	312,158
Total National Science Foundation		<u>2,320,699</u>
United States Nuclear Regulation Commission:		
Direct payments	77.006	8,026
Total United States Nuclear Regulation Commission		<u>8,026</u>
Department of Energy		
Direct payments	81.049	130,510
Pass-through awards – American Recovery and Reinvestment Act	81.087	69,462
Pass-through awards	81.089	115,845
Direct payments – American Recovery and Reinvestment Act	81.122	117,128
Pass-through awards	81.135	32,391
Total Department of Energy		<u>465,336</u>
Department of Education:		
Direct payments	84.116	62,244
Direct payments	84.133	96,971
Direct payments	84.305	53,273
Pass-through awards	84.306	30,724
Total Department of Education		<u>243,212</u>
National Archives and Records Administration:		
Direct payments	89.003	64,212
Total National Archives and Records Administration		<u>64,212</u>
Department of Health and Human Services:		
Pass-through awards	93.113	20,440
Direct payments	93.173	318,872
Direct payments	93.213	76,661
Direct payments	93.242	960,111
Direct payments – American Recovery and Reinvestment Act	93.242	66,240
Subtotal 93.242		<u>1,026,351</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal granting agency	CFDA number	Federal expenditures
Direct payments	93.272	\$ 25,489
Direct payments	93.279	349,141
Pass-through awards	93.279	7,169
Subtotal 93.279		<u>356,310</u>
Pass-through awards	93.283	171,728
Direct payments	93.286	639,871
Pass-through awards	93.286	446,587
Subtotal 93.286		<u>1,086,458</u>
Direct payments	93.389	77,091
Direct payments	93.595	415,293
Direct payments	93.600	269,915
Direct payments	93.648	448,850
Pass-through awards	93.648	345,785
Subtotal 93.648		<u>794,635</u>
Pass-through awards	93.652	452,253
Pass-through awards	93.658	1,310,469
Direct payments – American Recovery and Reinvestment Act	93.701	350,004
Pass-through awards – American Recovery and Reinvestment Act	93.701	42,593
Subtotal 93.701		<u>392,597</u>
Direct payments	93.847	21,820
Direct payments	93.853	64,694
Direct payments	93.855	221,812
Direct payments	93.865	1,719,255
Pass-through awards – American Recovery and Reinvestment Act	93.865	113,707
Pass-through awards	93.865	223,187
Subtotal 93.865		<u>2,056,149</u>
Direct payments	93.866	45,138
Pass-through awards	93.866	34,212
Subtotal 93.866		<u>79,350</u>
Direct payments	93.933	106,360
Total Department of Health and Human Services		<u>9,344,747</u>
Total Research and Development Cluster		<u>18,257,835</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Federal granting agency</u>	<u>CFDA number</u>	<u>Federal expenditures</u>
Student Financial Assistance Cluster:		
Department of Education:		
Federal Supplemental Education Opportunity Grant Program	84.007	\$ 439,892
Federal Work Study Program	84.033	1,826,243
Job Location and Development	84.033	<u>43,298</u>
Subtotal 84.033		<u>1,869,541</u>
Total Department of Education		<u>2,309,433</u>
Federal Perkins Loan Program	84.038	3,581,828
Federal Pell Grant Program	84.063	4,201,723
Federal Direct Student Loan Program	84.268	138,244,168
Federal Academic Competitiveness Grants	84.375	153,393
Federal National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	184,151
Teacher Education Assistance for College and Higher Education (TEACH) Grants	84.379	<u>337,722</u>
		<u>146,702,985</u>
Total Department of Education – Student Financial Assistance Cluster		<u>149,012,418</u>
Total federal awards		<u>\$ 167,270,253</u>

See accompanying notes to schedule of expenditures of federal awards.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(1) Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) presents the activity of federal award programs of the University of Denver (Colorado Seminary) (the University) for the year ended June 30, 2011. Federal awards received directly from federal agencies are included in the Schedule as well as federal guaranteed loans disbursed by other sources. Additionally, all federal awards passed through from other entities have also been included on the Schedule. Although the University is required to match certain grants, as defined in the grants, no such matching is included in the Schedule.

(2) Basis of Accounting

The accompanying Schedule is presented using the accrual basis of accounting, which is described in note 1 to the University's financial statements.

(3) Federal Direct Student Loan Program

During the year ended June 30, 2011, the University participated in the Federal Direct Student Loan Program (Direct Student Loans). Such transactions are not reported in the University's statement of activities as they represent agency transactions under accounting principles generally accepted in the United States of America. During the year ended June 30, 2011, the University received and disbursed approximately \$138 million in Direct Student Loans funds on a cash basis. Amounts reported on the Schedule are reported on an accrual basis. The difference between the University's receipts and disbursements is reported as accounts receivable under operations in the statement of financial position.

(4) Federal Perkins Loan Program

Student loans made through the Federal Perkins Loan Program (Perkins) constitute substantially all of the student loans outstanding at year-end. The total balance due on Perkins loans is approximately \$18 million as of June 30, 2011.

Prior to fiscal year 2005, contributions to the Perkins programs were funded 75% by the federal government with the University providing the remaining 25%; for fiscal years after 2006, no additional contributions were funded.

Perkins provides for cancellation of a note at rates of 10% to 30% per year up to a maximum of 100% if the debtor complies with certain provisions of Perkins. The federal government reimburses the loan funds of the University at rates of 10% to 30% for canceled indebtedness due to certain teaching service and various types of services for the U.S. government and 100% for loans declared not collectible due to death, permanent disability, or a declaration of bankruptcy. Due to federal regulations, no loans of Perkins have been written off since the inception of Perkins.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(5) Pass-Through Awards

On the accompanying Schedule, the following grants were received as pass-through awards:

<u>Grantor agency</u>	<u>CFDA number</u>	<u>Contract/grantor number</u>	<u>Expenditures</u>
Colorado Department of Public Health and Environment	10.558	00013-09	\$ 24,778
Colorado Department of Public Health and Environment	10.558	11 FLA 14649	7,750
Nano Electronics Research Corp.	11.612	2008-NE-1462D	79,672
University of Colorado Denver	12.404	2522720	14,578
Stanford University	12.800	24479840-44895-C	211,432
Lockheed Martin	16.560	7200006724	685,893
Pennsylvania State University	16.560	SA08-11	545,999
Jet Propulsion Lab	43.001	1310757	28,134
Jet Propulsion Lab	43.001	RSA NO. 1414715	5,000
Jet Propulsion Lab	43.001	RSA NO. 1428128	3,235
NASA/Space Telescope Science Institute	43.001	HST-GO-12157.01-A	19,180
NASA/Space Telescope Science Institute	43.001	HST-AR-12205.01-A	4,243
United Negro College Fund Special Corporation	43.001	Letter Dated 2/4/11	15,327
Western States Arts Federation	45.024	TW20100123	2,500
Tennessee Technical University	47.041	P005673	26,696
University Of Minnesota	47.070	A001976601	17,959
Biological Sciences Curriculum Study	47.074	Contract Dated 9/28/10	50,852
American Assoc of Variable Star Observers	47.076	Contract Dated 12/1/09	35,419
National Renewable Energy Lab	81.087	KXEA-9-99014-02	69,462
National Renewable Energy Lab	81.089	KXEA-9-99014-01	42,179
National Renewable Energy Lab	81.089	KXEA-9-99014-03	31,629
National Renewable Energy Lab	81.089	KXEA-9-99014-04	42,037
Physical Sciences, Inc	81.135	SC 1733-53365	32,391
Eagle County Schools	84.306	Letter Dated 9/27/10	30,724
Dartmouth College	93.113	822	20,440
University of Colorado Denver	93.279	FY10.243.003	7,169
Colo Found for Pub Health & Envir	93.283	2007-RIHEL-DU	171,728
University of Chicago	93.286	35152-1, AMEND 3	416,296
University of Nebraska	93.286	24-0509-0024-003	30,291
Research Foundation of State University of New York	93.648	1075195-5-48396	184

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor agency</u>	<u>CFDA number</u>	<u>Contract/grantor number</u>	<u>Expenditures</u>
Research Foundation of State University of New York	93.648	1083232-5-52163	\$ 97,284
Research Foundation of State University of New York	93.648	SUBCONTRACT 10-31	248,317
City and County Of Denver	93.652	CC #GE81304-2	23,487
City and County Of Denver	93.652	CC #GE81304-2	41,795
University of Maryland – Baltimore	93.652	PO # SR00001291	6,157
University of Maryland – Baltimore	93.652	MOD #1	7,839
University of Southern Maine	93.652	Contract Dated 10/05/10	31,563
University of Texas/Arlington	93.652	26-1601-74-61	341,412
Colorado Department of Human Services	93.658	10-IHA-00137	8,586
Colorado Department of Human Services	93.658	10-IHA-00052	75
Colorado Department of Human Services	93.658	10-IHA-00026	403
Colorado Department of Human Services	93.658	PO# IHA STFC1000051	2,697
Colorado Department of Human Services	93.658	CMS 15768	808,117
Colorado Department of Human Services	93.658	CMS 16558	62,898
Colorado Department of Human Services	93.658	PO# OE-IHA-STFC1100003	9,092
Colorado Department of Human Services	93.658	PO# OE-IHA-STFC110004	18,640
Colorado Department of Human Services	93.658	CMS 16554	133,124
Colorado Department of Human Services	93.658	PO# IHA STFC1117175	266,837
University of Colorado Denver	93.701	FY10.541.002	9,244
University of Colorado/Boulder	93.701	SPO#0000075476	33,349
University of Colorado/Boulder	93.865	SPO# 72072	82,309
University of Colorado/Boulder	93.865	SPO# 71883	22,789
University of Colorado/Boulder	93.865	SPO# 71885	140,878
University of Colorado/Boulder	93.865	1547514 SPO 75475	90,918
University of Colorado/Boulder	93.866	PO#76469	34,212
Total			\$ <u>5,195,199</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(6) Subrecipients

The University passed through approximately \$1.7 million to subrecipients in the Research and Development cluster for the year ended June 30, 2011. On the accompanying Schedule, the following amounts were disbursed to subrecipients:

<u>Grantor agency</u>	<u>CFDA number</u>	<u>Contract/grantor number</u>	<u>Expenditures</u>
Aurora Mental Health Center	93.242	3R34MH080102-02S1	\$ 45,544
Aurora Mental Health Center	93.658	CMS 16554	6,698
Aurora Mental Health Center	93.242	R34MH080102-03	15,750
Capital Meeting Planning	45.313	RE-06-09-0116-09	231,762
Colorado Coalition Against Domestic Violence	93.865	1R01HD066503-01	57,300
Correct Tech, LLC.	16.56	2009-IJ-CX-K010	21,581
Correct Tech, LLC.	16.56	2010-IJ-CX-K003	59,850
Correctional Consulting Services	16.56	2009-IJ-CX-K010	13,219
Correctional Consulting Services	16.56	2010-IJ-CX-K003	50,100
Georgia Tech Research Corporation	47.041	CMMI-0800961	253
Georgia Tech Research Corporation	84.133	ECCS-1028710	456
Hazardous Devices Program Support, Inc.	16.56	2009-IJ-CX-K010	42,000
Hazardous Devices Program Support, Inc.	16.56	SA11-08	108,234
JFA Institute	16.56	2009-IJ-CX-K010	17,500
Joseph Dempsey	16.56	2009-IJ-CX-K010	37,250
Joseph Dempsey	16.56	SA11-08	39,000
Kinsley and Associates, LLC	16.56	2009-IJ-CX-K010	114,672
Kinsley and Associates, LLC	16.56	2010-IJ-CX-K003	163,953
Kinsley and Associates, LLC	16.56	7200006724	52,303
Minot State University	93.648	90CT0146/02	860
Minot State University	93.648	90CT0146/03	77
Mississippi State University	20.801	DTRT06-G-0050; MOD#4	381,115
Native American Training Institute	93.648	90CT0146/02	8,686
Native American Training Institute	93.648	90CT0146/03	33,114
Nicholson and Associates, Inc.	93.658	PO# IHA STFC1117175	8,997
Paul Millard Seldon	16.56	2010-IJ-CX-K003	9,000

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor agency</u>	<u>CFDA number</u>	<u>Contract/grantor number</u>	<u>Expenditures</u>
Portland State University	84.116	P116J080019-10	\$ (7,665)
Regents of the University of Colorado	93.865	5 R01 HD053314-24	6,122
Resource Risk Reduction, Inc.	16.56	2009-IJ-CX-K010	8,188
TEQ Services, Inc.	16.56	2009-IJ-CX-K010	21,157
TEQ Services, Inc.	16.56	SA11-08	23,538
Trustees of the University of Pennsylvania	47.07	CNS-0923518	29,696
University of Chicago	93.286	5R01EB000557-08	36,552
University of Colorado at Denver	93.242	HD048780-05	55,769
University of North Dakota	93.648	90CT0146/02	6,850
University of North Dakota	93.648	90CT0146/03	5,738
University of Wyoming	93.648	90CT0146/02	4,238
Total			\$ <u>1,709,457</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **Unqualified Opinion**
- (b) Significant deficiencies in internal control over financial reporting disclosed by the audit of the financial statements: **None Reported**

Material weaknesses: **No**

- (c) Noncompliance that is material to the financial statements: **No**
- (d) Significant deficiencies in internal control over major programs: **No**

Material weaknesses: **No**

- (e) The type of report issued on compliance for major program: **Unqualified Opinion**
- (f) Any audit findings, which are required to be reported under Section 510(A) of OMB Circular A-133: **No**
- (g) Major program: **Student Financial Assistance** (various CFDA numbers)
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None reported

(3) Findings and Questioned Costs Relating to Federal Awards

None reported