



UNIVERSITY OF DENVER (COLORADO SEMINARY)

Financial Statements

June 30, 2010 and 2009

(With Independent Auditors' Report Thereon)

and

OMB Circular A-133 Reports

Year ended June 30, 2010

UNIVERSITY OF DENVER (COLORADO SEMINARY)

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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, 2010 and 2009, 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, 2010 and 2009, 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 29, 2010 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 29, 2010

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	51,357,000	10,000,000	230,427,095
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
Deposits with bond trustees	—	5,874,014	—	5,874,014
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 Financial Position

June 30, 2009

Assets	Operations	Plant	Long-term investment	Total
Cash and cash equivalents	\$ 6,946,475	12,000,363	5,042,395	23,989,233
Short-term investments	133,385,585	48,008,440	—	181,394,025
Accounts receivable, net	20,128,011	138,674	802,310	21,068,995
Pledges receivable, net	7,001,447	15,900,574	12,757,901	35,659,922
Inventories, prepaid expenses, and other assets	4,045,514	18,265	—	4,063,779
Long-term investments	285,558	—	270,115,029	270,400,587
Loans to students, net	—	—	18,646,286	18,646,286
Deposits with bond trustees	—	5,277,860	—	5,277,860
Property, plant, and equipment, net of accumulated depreciation	—	492,670,280	—	492,670,280
Total assets	<u>\$ 171,792,590</u>	<u>574,014,456</u>	<u>307,363,921</u>	<u>1,053,170,967</u>
Liabilities and Net Assets				
Accounts payable and accrued liabilities	\$ 42,660,909	15,934,392	—	58,595,301
Deferred revenues	21,914,656	—	—	21,914,656
Other liabilities	—	5,736,097	1,118,383	6,854,480
Annuity obligations	—	—	7,522,206	7,522,206
Long-term debt	—	143,430,000	—	143,430,000
U.S. government grants refundable	—	—	17,052,288	17,052,288
Total liabilities	<u>64,575,565</u>	<u>165,100,489</u>	<u>25,692,877</u>	<u>255,368,931</u>
Net assets:				
Unrestricted:				
Available for operations	2,670,065	—	—	2,670,065
Designated student loans	—	—	1,781,899	1,781,899
Designated gain sharing	70,321,013	—	—	70,321,013
Board-designated endowments	—	—	51,329,973	51,329,973
Designated plant	—	362,790,203	—	362,790,203
Total unrestricted net assets	<u>72,991,078</u>	<u>362,790,203</u>	<u>53,111,872</u>	<u>488,893,153</u>
Temporarily restricted:				
Gifts and distributed endowment income	34,225,947	—	—	34,225,947
Plant	—	46,123,764	—	46,123,764
Endowments	—	—	55,161,003	55,161,003
Annuity life income	—	—	3,586,995	3,586,995
Total temporarily restricted net assets	<u>34,225,947</u>	<u>46,123,764</u>	<u>58,747,998</u>	<u>139,097,709</u>
Permanently restricted:				
Endowments	—	—	163,418,351	163,418,351
Annuity life income	—	—	4,273,434	4,273,434
Student loans	—	—	2,119,389	2,119,389
Total permanently restricted net assets	<u>—</u>	<u>—</u>	<u>169,811,174</u>	<u>169,811,174</u>
Total net assets	<u>107,217,025</u>	<u>408,913,967</u>	<u>281,671,044</u>	<u>797,802,036</u>
Commitments and contingencies (notes 8, 9, and 12)				
Total liabilities and net assets	<u>\$ 171,792,590</u>	<u>574,014,456</u>	<u>307,363,921</u>	<u>1,053,170,967</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	<u>338,132,632</u>	<u>267,762</u>	<u>338,400,394</u>	<u>139,760</u>	<u>6,356,809</u>	<u>344,896,963</u>
Net assets released from restrictions	22,286,801	—	22,286,801	34,821,329	—	57,108,130
Total unrestricted revenues, gains, and other support	<u>360,419,433</u>	<u>267,762</u>	<u>360,687,195</u>	<u>34,961,089</u>	<u>6,356,809</u>	<u>402,005,093</u>
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	<u>270,559,479</u>	<u>2,956,309</u>	<u>273,515,788</u>	<u>13,967,427</u>	<u>—</u>	<u>287,483,215</u>
Auxiliary enterprises	30,861,666	—	30,861,666	8,927,809	—	39,789,475
Total expenses	<u>301,421,145</u>	<u>2,956,309</u>	<u>304,377,454</u>	<u>22,895,236</u>	<u>—</u>	<u>327,272,690</u>
Transfers among unrestricted net assets	58,375,598	(12,553,375)	45,822,223	(34,718,130)	(11,104,093)	—
Total expenses and transfers	<u>359,796,743</u>	<u>(9,597,066)</u>	<u>350,199,677</u>	<u>(11,822,894)</u>	<u>(11,104,093)</u>	<u>327,272,690</u>
Increase in unrestricted net assets	<u>622,690</u>	<u>9,864,828</u>	<u>10,487,518</u>	<u>46,783,983</u>	<u>17,460,902</u>	<u>74,732,403</u>
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	<u>5,311,845</u>	<u>—</u>	<u>5,311,845</u>	<u>(20,808,472)</u>	<u>8,486,606</u>	<u>(7,010,021)</u>
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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>736,909</u>	<u>736,909</u>
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	\$ <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>

See accompanying notes to financial statements.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Statement of Activities

Year ended June 30, 2009

	<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	\$ 321,936,392	—	321,936,392	—	—	321,936,392
Less institutional scholarships	73,160,969	—	73,160,969	—	—	73,160,969
	248,775,423	—	248,775,423	—	—	248,775,423
Less noninstitutional scholarships	9,983,046	—	9,983,046	—	—	9,983,046
Net tuition and fees	238,792,377	—	238,792,377	—	—	238,792,377
Private gifts	2,015,833	—	2,015,833	72,302	222,355	2,310,490
Grants and contracts	24,540,578	—	24,540,578	—	—	24,540,578
Endowment income	312,664	—	312,664	861	13,712	327,237
Other investment income	2,696,538	—	2,696,538	159,646	300,277	3,156,461
Net realized and unrealized gains (losses) on endowments	(4,626,785)	—	(4,626,785)	2,008	(16,052,838)	(20,677,615)
Net realized and unrealized gains (losses) on other investments	(990,056)	2,400	(987,656)	(142,775)	(321,290)	(1,451,721)
Sales and services of educational activities	10,434,561	58,831	10,493,392	—	—	10,493,392
Sales and services of auxiliary enterprise	32,937,221	—	32,937,221	43,300	—	32,980,521
Other sources	16,135,808	131,742	16,267,550	188,307	(10,216)	16,445,641
Total unrestricted revenues and gains	322,248,739	192,973	322,441,712	323,649	(15,848,000)	306,917,361
Net assets released from restrictions	19,057,304	—	19,057,304	117,110	—	19,174,414
Total unrestricted revenues, gains, and other support	341,306,043	192,973	341,499,016	440,759	(15,848,000)	326,091,775
Expenses:						
Educational and general:						
Instruction	124,775,637	81,133	124,856,770	7,330,076	—	132,186,846
Research	14,672,874	—	14,672,874	523,726	—	15,196,600
Public service	3,379,494	—	3,379,494	26,151	—	3,405,645
Academic support	50,551,463	2,587,513	53,138,976	597,984	—	53,736,960
Student services	39,286,807	—	39,286,807	2,183,342	—	41,470,149
Institutional support	38,808,834	97,714	38,906,548	1,936,452	—	40,843,000
Total educational and general expenses	271,475,109	2,766,360	274,241,469	12,597,731	—	286,839,200
Auxiliary enterprises	31,120,059	17,280	31,137,339	7,585,115	—	38,722,454
Total expenses	302,595,168	2,783,640	305,378,808	20,182,846	—	325,561,654
Transfers among unrestricted net assets	38,129,054	(11,620,330)	26,508,724	(26,323,775)	(184,949)	—
Total expenses and transfers	340,724,222	(8,836,690)	331,887,532	(6,140,929)	(184,949)	325,561,654
Increase (decrease) in unrestricted net assets before extraordinary items	581,821	9,029,663	9,611,484	6,581,688	(15,663,051)	530,121
Nonoperating:						
Effect of adoption of FSP 117-1 (note 4)	—	—	—	—	(87,472,236)	(87,472,236)
Stipulation changed by donor	—	—	—	—	(10,001,048)	(10,001,048)
Increase (decrease) in unrestricted net assets after nonoperating items	581,821	9,029,663	9,611,484	6,581,688	(113,136,335)	(96,943,163)
Changes in temporarily restricted net assets:						
Private gifts	11,417,281	—	11,417,281	3,942,961	402,323	15,762,565
Endowment income	3,068,639	—	3,068,639	—	(2,781)	3,065,858
Other investment income	2,372	—	2,372	(15,778)	—	(13,406)
Net realized and unrealized gains (losses) on endowments	6,325,366	—	6,325,366	—	(32,785,306)	(26,459,940)
Net realized and unrealized losses on other investments	(115,275)	—	(115,275)	—	—	(115,275)
Net assets released from restrictions	(19,057,304)	—	(19,057,304)	(117,110)	—	(19,174,414)
Net assets reclassified to permanently restricted	1,038,527	—	1,038,527	—	(651,198)	387,329
Effect of adoption of FSP 117-1 (note 4)	—	—	—	—	87,472,236	87,472,236
Actuarial adjustment on annuity obligations	(55,142)	—	(55,142)	—	(1,881,032)	(1,936,174)
Increase in temporarily restricted net assets	2,624,464	—	2,624,464	3,810,073	52,554,242	58,988,779
Changes in permanently restricted net assets:						
Private gifts	—	—	—	—	2,123,803	2,123,803
Net realized and unrealized losses on other investments	—	—	—	—	28,139	28,139
Net assets reclassified from temporarily restricted	—	—	—	—	(387,329)	(387,329)
Stipulation changed by donor	—	—	—	—	10,001,048	10,001,048
Actuarial adjustment on annuity obligations	—	—	—	—	(762,675)	(762,675)
Increase in permanently restricted net assets	—	—	—	—	11,002,986	11,002,986
Change in net assets	3,206,285	9,029,663	12,235,948	10,391,761	(49,579,107)	(26,951,398)
Net assets at beginning of year	33,689,727	61,291,350	94,981,077	398,522,206	331,250,151	824,753,434
Net assets at end of year	\$ 36,896,012	70,321,013	107,217,025	408,913,967	281,671,044	797,802,036

See accompanying notes to financial statements.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Statements of Cash Flows

Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 68,459,291	(26,951,398)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of property, plant, and equipment	11,796,877	11,473,554
Disposal of property, plant, and equipment	482,291	2,454,355
Amortization of premium	(267,747)	(267,747)
Decrease in accounts receivable	1,619,507	1,619,357
Decrease in pledges receivable	9,892,214	5,465,683
Decrease (increase) in inventories, prepaid expenses, and other assets	(924,335)	1,088,153
Decrease (increase) in accounts payable and accrued liabilities	907,430	(528,744)
Increase in deferred revenues	844,910	315,145
Decrease (increase) in other liabilities	(207,690)	153,011
Actuarial adjustment for annuity obligation	522,453	(1,067,028)
Contributions of real property and personal property	(18,534,495)	(2,400,168)
Contributions restricted for long-term investment	(508,900)	(2,748,481)
Interest and dividends for long-term investments	(13,747)	(13,712)
Net realized and unrealized losses (gains) on investments	<u>(23,578,272)</u>	<u>48,535,645</u>
Net cash provided by operating activities	<u>50,489,787</u>	<u>37,127,625</u>
Cash flows from investing activities:		
Proceeds from sale of investments	529,736,789	679,675,463
Purchases of investments	(559,216,424)	(709,944,102)
Purchases of property, plant, and equipment	(36,592,303)	(26,038,636)
Disbursements for Perkins and University loans to students	(1,612,208)	(2,032,204)
Repayment of Perkins and University loans to students	2,890,607	2,719,601
Increase (decrease) in deposits with bond trustees, net	<u>(596,154)</u>	<u>3,432,368</u>
Net cash used by investing activities	<u>(65,389,693)</u>	<u>(52,187,510)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	508,900	2,748,481
Interest and dividends restricted for reinvestment	13,747	13,712
Payments of bonds payable	(4,785,000)	(4,605,000)
Increase in refundable government loan funds, net	<u>(95,233)</u>	<u>(116,528)</u>
Net cash used by financing activities	<u>(4,357,586)</u>	<u>(1,959,335)</u>
Net decrease in cash and cash equivalents	(19,257,492)	(17,019,220)
Cash and cash equivalents at beginning of year	<u>23,989,233</u>	<u>41,008,453</u>
Cash and cash equivalents at end of year	\$ <u>4,731,741</u>	<u>23,989,233</u>

See accompanying notes to financial statements.

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(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 11,000 students of which approximately 5,100 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 either with 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 (see note 9) are near maturity. Other liabilities are long-term in nature. Balances and activities are either unrestricted, temporarily restricted, or have been released from restrictions.

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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.

Account receivables are net of allowances for uncollectible accounts of \$930,000 and \$1,143,000 as of June 30, 2010 and 2009, 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 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, and 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).

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(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.

(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) Deposits with Bond Trustees

Deposits with bond trustees represent cash and U.S. government securities that have been set aside to create a nonmandatory reserve for the 2001 debt issuance. The bond reserve requirements for all other issuances are funded by a reserve fund insurance policy.

(i) 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.

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(j) 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, 2010 and 2009 and recorded as revenue and expenses in the succeeding fiscal year.

(k) Compensated Absences

The University's employees 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. 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.

Faculty members do not accrue vacation or sick leave.

(l) Annuity Obligations

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

(m) 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, 2010 and 2009.

The University evaluates its tax position in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (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

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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.

(n) ***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.

(o) ***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.

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 1 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%.

Deposits with trustees – Fair value is estimated to be the same as the carrying (book) value because of the short maturities of the U.S. government securities held by the trustees.

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.

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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.

(p) *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, 2010 and 2009, 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, 2010 and 2009, respectively.

(q) *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.

(r) *Recent Accounting Pronouncements*

The University evaluates the fair value of its investments in accordance with the provisions of FASB ASC Topic 820-10, *Fair Value Measurements and Disclosures* (formerly, Statement of Financial Accounting Standards (SFAS) No. 157). 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 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.

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. Management adopted FASB ASC Topic 958-205 for the fiscal year ended June 30, 2009. The effect of the adoption was a reclassification from

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unrestricted net assets to temporarily restricted net assets as of July 1, 2008 of approximately \$87,472,000. See further discussion at note 4.

(s) *Effect of Adoption of FASB ASC Topic 855-10*

Effective June 30, 2009, the University adopted 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, 2010 and through October 29, 2010. The adoption of FASB ASC Topic 855-10 had no impact on the University's financial statements.

(t) *Reclassifications*

Certain 2009 amounts have been reclassified to conform to the current year presentation.

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

Investments at June 30 consist of the following:

	2010		
	<u>Cost</u>	<u>Unrealized gain (loss)</u>	<u>Market value</u>
Short-term investments:			
U.S. government securities	\$ 182,843,628	375,810	183,219,438
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>228,426,190</u>	<u>2,000,905</u>	<u>230,427,095</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>476,024,678</u>	<u>47,362,336</u>	<u>523,387,014</u>

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	2009		
	Cost	Unrealized gain (loss)	Market value
Short-term investments:			
U.S. government securities	\$ 168,082,742	438,332	168,521,074
Mutual funds	10,000,000	1,315,327	11,315,327
Domestic equities	341,360	(220,560)	120,800
Other	1,436,824	—	1,436,824
	<u>179,860,926</u>	<u>1,533,099</u>	<u>181,394,025</u>
Long-term investment:			
Trustee cash and cash equivalents for endowments and annuities	2,204,554	—	2,204,554
U.S. government securities	30,270,047	41,385	30,311,432
Alternative investments	116,082,729	19,540,158	135,622,887
Domestic equities	28,428,107	3,911,170	32,339,277
International equities	6,414,870	(950,506)	5,464,364
Real estate	23,667,241	4,741,843	28,409,084
Mutual funds	28,762,057	(2,324,039)	26,438,018
Beneficial trust interest	10,087,468	(1,243,833)	8,843,635
Other	488,637	278,699	767,336
	<u>246,405,710</u>	<u>23,994,877</u>	<u>270,400,587</u>
Total all funds	\$ <u>426,266,636</u>	<u>25,527,976</u>	<u>451,794,612</u>

During the years ended June 30, 2010 and 2009, the University paid approximately \$354,000 and \$429,000, 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, 2010, the pool had 59,617,602 shares outstanding, with a fair value of approximately \$4.45 per share or \$264,999,375. 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 is to be spent for the purposes of the donors. 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. At June 30, 2009, the pool had

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57,298,498 shares outstanding, with a fair value of approximately \$4.24 per share or \$242,879,000. The distribution for spending in 2009 was \$0.17 per share, of which \$0.05 represented income yield. The remaining \$0.12 represented spending of realized and unrealized gains.

The investment pool consists 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).

At June 30, 2009, the investment pool consisted of 678 individual endowments. Of these, 139 were considered to be “under water” with underlying investments of approximately \$66,500,000 while the original gift value was approximately \$72,422,000.

The University has the following split-interest agreements, which are included in long-term investments at June 30, 2010 and 2009:

	2010		
	Number of agreements	Net assets classification	
		Temporary	Permanent
Perpetual trusts held by third party	3	\$ —	6,952,604
Charitable Remainder Trusts:			
University named trustee	25	4,892,612	5,985,431
Third-party named trustee	7	1,587,314	1,684,097
Charitable Annuity Agreements	64	3,131,559	807,445
	<u>99</u>	<u>\$ 9,611,485</u>	<u>15,429,577</u>

	2009		
	Number of agreements	Net assets classification	
		Temporary	Permanent
Perpetual trusts held by third party	4	\$ —	6,690,512
Charitable Remainder Trusts:			
University named trustee	24	5,413,295	4,683,483
Third-party named trustee	8	1,587,314	1,656,843
Charitable Annuity Agreements	63	2,931,256	1,257,554
	<u>99</u>	<u>\$ 9,931,865</u>	<u>14,288,392</u>

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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 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 2010 and 2009 was approximately \$427,000 and \$442,000, 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.

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In determining the placement of an investment within the hierarchy, the University separates the University's 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 active 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 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. 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

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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.

The following tables summarize the University's short- and long-term investments in the fair value hierarchy as of June 30, 2010 and 2009; as well as liquidity of the investments:

Investment/liquidity	June 30, 2010			
	Level 1	Level 2	Level 3	Total
U.S. government securities:				
Daily	\$ 218,236,110	—	—	218,236,110
Monthly	—	230,000	—	230,000
Total	218,236,110	230,000	—	218,466,110
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
Trustee cash and cash equivalents:				
Daily	3,474,109	—	—	3,474,109
Total	3,474,109	—	—	3,474,109
Real estate:				
Semiannually	—	38,310,699	—	38,310,699
Locked-up 1	—	1,655,001	—	1,655,001
Total	—	39,965,700	—	39,965,700

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<u>Investment/liquidity</u>	June 30, 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial trust interest:				
Locked-up 1	\$ 8,197,270	—	976,746	9,174,016
Total	8,197,270	—	976,746	9,174,016
Other:				
Daily	159,285	—	—	159,285
Illiquid	—	—	338,015	338,015
Locked-up 2	61,273	—	258,526	319,799
Total	220,558	—	596,541	817,099
Grand total	\$ 322,977,110	53,594,040	146,815,864	523,387,014

<u>Investment/liquidity</u>	June 30, 2009			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. government securities:				
Daily	\$ 198,602,506	—	—	198,602,506
Monthly	—	230,000	—	230,000
Total	198,602,506	230,000	—	198,832,506
Alternative investments:				
Monthly	—	8,167,391	5,970,313	14,137,704
Quarterly	—	—	64,927,395	64,927,395
Semiannually	—	3,473,860	5,795,776	9,269,636
Illiquid	—	—	47,288,152	47,288,152
Total	—	11,641,251	123,981,636	135,622,887
Mutual funds:				
Daily	26,438,018	—	—	26,438,018
Monthly	—	—	11,315,327	11,315,327
Total	26,438,018	—	11,315,327	37,753,345

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Investment/liquidity	June 30, 2009			
	Level 1	Level 2	Level 3	Total
Domestic equities:				
Daily	\$ 32,016,503	—	—	32,016,503
Quarterly	443,574	—	—	443,574
Total	32,460,077	—	—	32,460,077
International equities:				
Daily	5,464,364	—	—	5,464,364
Total	5,464,364	—	—	5,464,364
Trustee cash and cash equivalents:				
Daily	2,204,554	—	—	2,204,554
Total	2,204,554	—	—	2,204,554
Real estate:				
Semiannually	—	1,655,001	—	1,655,001
Locked-up 1	—	26,754,083	—	26,754,083
Total	—	28,409,084	—	28,409,084
Beneficial trust interest:				
Locked-up 1	7,866,889	—	976,746	8,843,635
Total	7,866,889	—	976,746	8,843,635
Other:				
Daily	1,380,106	—	—	1,380,106
Illiquid	—	—	338,015	338,015
Locked-up 2	79,784	—	406,255	486,039
Total	1,459,890	—	744,270	2,204,160
Grand total	\$ 274,496,298	40,280,335	137,017,979	451,794,612

Locked-up 1: Beneficial trust interests, funds held in perpetuity, or released at trust maturity

Locked-up 2: Asset will be returned in equal installments through 2014

Alternative

 illiquid: Funds to be returned over 7-year period

Other illiquid: Life insurance policies subject to maturity and 1-5 year Micro Finance Loan

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The following table includes a rollforward of the amounts for the year ended June 30, 2010 and 2009 for financial instruments classified within Level 3. The classification of a financial instrument within the 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 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>

	<u>Mutual funds/other</u>	<u>Private equity</u>	<u>Hedged/ absolute</u>	<u>Total</u>
Balances at July 1, 2008	\$ 13,202,888	32,965,970	113,987,054	160,155,912
Purchases	1,066,753	25,334,260	23,348,418	49,749,431
Sales	—	(15,129,154)	(36,866,137)	(51,995,291)
Unrealized losses	(1,233,298)	(6,704,792)	(12,953,983)	(20,892,073)
Balances at June 30, 2009	\$ <u>13,036,343</u>	<u>36,466,284</u>	<u>87,515,352</u>	<u>137,017,979</u>

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

(4) Endowments

As discussed in note 1(r), 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 approximately 700 and 678 individual funds as of June 30, 2010 and 2009, 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

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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.
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, 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>

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	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
June 30, 2009:				
Board-designated endowment funds	\$ 51,329,973	—	—	51,329,973
Donor-restricted endowment funds	<u>—</u>	<u>55,161,003</u>	<u>163,418,351</u>	<u>218,579,354</u>
	<u>\$ 51,329,973</u>	<u>55,161,003</u>	<u>163,418,351</u>	<u>269,909,327</u>

The changes in endowment net assets for the year ended June 30, 2010 and 2009 are as follows:

	<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>

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	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2008	\$ 164,445,293	—	152,006,587	316,451,880
Net asset reclassified based on adoption of FSP 117 -1	<u>(87,472,236)</u>	<u>87,472,236</u>	<u>—</u>	<u>—</u>
Endowment net assets, after adoption of FSP 117 -1	<u>76,973,057</u>	<u>87,472,236</u>	<u>152,006,587</u>	<u>316,451,880</u>
Investment return:				
Investment income	2,963,575	(2,781)	—	2,960,794
Net unrealized losses	<u>(9,345,976)</u>	<u>(32,785,306)</u>	<u>—</u>	<u>(42,131,282)</u>
Total investment return	(6,382,401)	(32,788,087)	—	(39,170,488)
Private gifts	222,357	252,261	1,831,552	2,306,170
Appropriation of endowment assets for expenditures	(9,656,725)	—	—	(9,656,725)
Present value adjustments	(10,216)	—	(137,176)	(147,392)
Reinvested income	—	224,593	—	224,593
Transfer to board-designated endowments	184,949	—	—	184,949
Reclassification of restricted net assets	—	—	(483,660)	(483,660)
Stipulations changed by donor	(10,001,048)	—	10,001,048	—
Net assets restricted to comply with donor matches	<u>—</u>	<u>—</u>	<u>200,000</u>	<u>200,000</u>
Changes	<u>(25,643,084)</u>	<u>(32,311,233)</u>	<u>11,411,764</u>	<u>(46,542,553)</u>
Endowment net assets, June 30, 2009	\$ <u>51,329,973</u>	<u>55,161,003</u>	<u>163,418,351</u>	<u>269,909,327</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. Due to the market losses on long-term investments that occurred in the later part of 2008 and early 2009, the University has 85 funds considered underwater with a deficiency of approximately \$1.3 million at June 30, 2010. The deficiency is recorded as unrestricted net unrealized losses on endowment within the statements of activities.

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(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.

(d) Strategies Employed for Achieving Objectives

The University targets a diversified asset allocation. For the years ended June 30, 2010 and 2009, 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, 2010 and 2009, 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>2010</u>	<u>2009</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 20,509,428	32,113,098
One to five years	<u>18,291,171</u>	<u>15,790,795</u>
	38,800,599	47,903,893
Less allowance for uncollectible pledges	(5,820,090)	(4,790,390)
Less present value discount (2.70% – 8.0%)	<u>(7,212,801)</u>	<u>(7,453,581)</u>
Net pledges receivable	<u>\$ 25,767,708</u>	<u>35,659,922</u>

Included in pledges receivable is the present value of approximately \$13,787,000 and \$21,254,000 as of June 30, 2010 and 2009, respectively, in pledges from members of the board of trustees. For the years ended June 30, 2010 and 2009, the University did not conduct any additional, significant transactions with members of the board of trustees that were not negotiated at arm's length.

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(6) Property, Plant, and Equipment

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

	<u>2010</u>	<u>2009</u>
Land	\$ 8,570,140	8,570,140
Land improvements	20,006,660	19,876,285
Buildings and improvements	543,273,134	506,152,723
Equipment	47,471,878	47,353,801
Library books	8,354,883	8,213,331
Construction in progress	<u>10,845,666</u>	<u>17,214,448</u>
	638,522,361	607,380,728
Less accumulated depreciation	<u>(121,538,946)</u>	<u>(114,710,448)</u>
	<u>\$ 516,983,415</u>	<u>492,670,280</u>

The University had approximately \$11,797,000 and \$11,474,000 of depreciation expense for the years ended June 30, 2010 and 2009, 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, 2010 and 2009, respectively, an asset retirement obligation of approximately \$9,225,000 and \$9,409,000 is included in accounts payable and accrued liabilities.

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(7) Long-Term Debt

Bonds payable at June 30 consist of the following:

	<u>2010</u>	<u>2009</u>
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2008	\$ 8,300,000	8,785,000
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	30,055,000	30,105,000
Colorado Educational and Cultural Facilities Authority Revenue Bonds, Series 2005B	43,945,000	45,255,000
Colorado Educational and Cultural Facilities Authority Revenue Bonds, Series 2001B	15,715,000	17,970,000
Colorado Postsecondary Educational and Cultural Facilities Authority Revenue Bonds, Series 2000	710,000	1,395,000
	<u>\$ 138,645,000</u>	<u>143,430,000</u>

The University had approximately \$6,754,262 and \$5,714,000 of interest expense for the years ended June 30, 2010 and 2009, respectively, which was reported in various functions under plant in the accompanying statements of activities. Interest of approximately \$6,814,190 and \$6,929,000 was paid in cash during the years ended June 30, 2010 and 2009, respectively. Net interest cost capitalized in fiscal years 2010 and 2009 was approximately \$0 and \$1,216,000, respectively. The fair value of bonds payable was approximately \$138,187,000 and \$142,817,000 at June 30, 2010 and 2009, 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 \$485,000 in 2010 and 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.

(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

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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 and 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.

(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.

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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, and 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.

(g) Aggregate Annual Maturities of Bonds Payable

At June 30, 2010, the aggregate annual maturities of bonds payable for the five succeeding years and thereafter are as follows:

2011	\$	4,960,000
2012		5,055,000
2013		5,370,000
2014		5,705,000
2015		5,980,000
Thereafter		<u>111,575,000</u>
	\$	<u><u>138,645,000</u></u>

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(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 \$8,646,000 and \$8,692,000 for the years ended June 30, 2010 and 2009, respectively, which were charged to operations expenses.

(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 also 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, 2010, the Healthcare Plan covered 236 retirees with an additional 2,245 active employees potentially eligible for coverage. At June 30, 2009, the Healthcare Plan covered 242 retirees with an additional 2,209 active employees potentially eligible for coverage. The Healthcare Plan is noncontributory.

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

	<u>2010</u>	<u>2009</u>
Accrued postretirement benefit obligation (APBO), beginning of year	\$ 2,677,977	2,624,485
Service cost	26,101	23,780
Interest cost	148,842	151,434
Change in assumptions loss	233,257	54,216
Actuarial loss (gain)	(34,412)	22,801
Benefits paid	<u>(172,732)</u>	<u>(198,739)</u>
APBO (all unfunded), end of year	\$ <u>2,879,033</u>	<u>2,677,977</u>

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

	<u>2010</u>	<u>2009</u>
Service cost	\$ 26,101	23,780
Interest cost	148,842	151,434
Amortization of transition obligation	99,472	99,472
Amortization of prior service cost	37,478	37,478
Recognized net actuarial gain	<u>—</u>	<u>(6,447)</u>
Net periodic postretirement benefit cost	\$ <u>311,893</u>	<u>305,717</u>

The weighted average discount rate used in determining the APBO was 4.91% and 5.78% for June 30, 2010 and 2009, 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 \$173,000 and \$199,000 for the years ended June 30, 2010 and 2009, respectively, which were charged to operating expenses.

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

2011	\$ 207,253
2012	208,886
2013	209,390
2014	208,770
2015	206,489
2016 – 2025	<u>1,976,704</u>
Total	\$ <u>3,017,492</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2010 and 2009

For the year ended June 30, 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, 2010.

(10) Loans to Students

Student loans made through Perkins constitute substantially all of the student loans outstanding at June 30, 2010 and 2009. 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 2010 and 2009, 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, 2010 and 2009, 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, 2010 and 2009, the allowance for possible loan losses of these funds was \$153,000.

(11) Fund-Raising Expenses

The University had fund-raising expenses of approximately \$4,875,000 and \$5,548,000 in 2010 and 2009, respectively, which were recognized in institutional support in the accompanying statements of activities.

(12) Commitments and Contingencies

At June 30, 2010 and 2009, the University had outstanding commitments totaling approximately \$1,996,000 and \$16,700,000, respectively, for contracts related to various construction projects on campus.

During the 2010 fiscal year, the University invested approximately \$764,500 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, 2010, the University's remaining commitments to these 13 partnerships total approximately \$16,500,000.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2010 and 2009

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.



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**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, 2010 and have issued our report thereon dated October 29, 2010. 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 management, the board of trustees, 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 29, 2010



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707 Seventeenth Street
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**Independent Auditors' Report on Compliance with Requirements
Applicable to Major Programs 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 programs for the year ended June 30, 2010. The University's major federal programs are 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 programs 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 programs for the year ended June 30, 2010.

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 financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of trustees, 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 29, 2010

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Federal granting agency</u>	<u>CFDA number</u>	<u>Federal expenditures</u>
Research and Development Cluster:		
Department of Agriculture:		
Direct payments	10.202	\$ 8,937
Pass-through awards	10.558	30,322
Total Department of Agriculture		<u>39,259</u>
Department of Commerce:		
National Institute of Standards and Technology:		
Direct payments	11.302	1,716
Direct payments	11.609	156,738
Pass-through awards	11.612	113,071
Total Department of Commerce		<u>271,525</u>
Department of Defense:		
Direct payments	12.800	21,111
Pass-through awards	12.800	10,750
Total Department of Defense		<u>31,861</u>
Department of Housing and Urban Development:		
Direct payments	14.517	3,739
Total Department of Housing and Urban Development		<u>3,739</u>
Department of the Interior:		
Direct payments	15.517	18
Direct payments	15.915	20,042
Direct payments	15.929	2,675
Total Department of the Interior		<u>22,735</u>
Department of Justice:		
Pass-through awards	16.540	19,001
Direct payments	16.560	2,514,293
Pass-through awards	16.560	329,507
Subtotal 16.560		<u>2,843,800</u>
Pass-through awards	16.710	27,182
Total Department of Justice		<u>2,889,983</u>
Department of Labor:		
Pass-through awards	17.261	97,256
Total Department of Labor		<u>97,256</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal granting agency	CFDA number	Federal expenditures
Department of Transportation:		\$
Direct payments	20.514	12,846
Direct payments	20.801	592,294
Total Department of Transportation		<u>605,140</u>
Department of the Treasury:		
Direct payments	21.008	120,933
Total Department of the Treasury		<u>120,933</u>
National Aeronautics and Space Administration (NASA):		
Direct payments	43.000	261,835
Direct payments	43.001	280,980
Pass-through awards	43.001	86,445
Subtotal 43.001		<u>367,425</u>
Total NASA		<u>629,260</u>
National Endowment for the Arts and Humanities:		
Direct payment	45.024	10,000
Pass-through awards	45.024	5,000
Subtotal 45.024		<u>15,000</u>
Direct payments	45.149	5,959
Direct payments	45.313	721,970
Total National Endowment for the Arts and Humanities		<u>742,929</u>
National Science Foundation:		
Direct payments	47.041	460,250
Pass-through awards	47.041	4,895
Subtotal 47.041		<u>465,145</u>
Direct payments	47.049	132,130
Direct payments – American Recovery and Reinvestment Act	47.049	92,775
Subtotal 47.049		<u>224,905</u>
Direct payments	47.050	14,216
Direct payments	47.070	274,377
Direct payments	47.074	423,730
Direct payments	47.075	35,648

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal granting agency	CFDA number	Federal expenditures
Direct payments	47.076	\$ 145,482
Pass-through awards	47.076	48,849
Subtotal 47.076		<u>194,331</u>
Direct payments	47.078	42,229
Direct payments	47.081	120,216
Total National Science Foundation		<u>1,794,797</u>
United States Nuclear Regulation Commission:		
Direct payments	77.006	58,002
Total United States Nuclear Regulation Commission		<u>58,002</u>
Department of Energy		
Direct payments	81.049	58,618
Pass-through awards	81.049	49,999
Subtotal 81.049		<u>108,617</u>
Pass-through awards – American Recovery and Reinvestment Act	81.087	47,534
Pass-through awards	81.089	37,825
Total Department of Energy		<u>193,976</u>
Department of Education:		
Direct payments	84.116	39,393
Pass-through awards	84.133	8,558
Direct payments	84.324D	7,690
Total Department of Education		<u>55,641</u>
National Archives and Records Administration:		
Direct payments	89.003	23,547
Total National Archives and Records Administration		<u>23,547</u>
Department of Health and Human Services:		
Pass-through awards	93.010	3,658
Direct payments	93.173	280,028
Direct payments	93.213	23,755
Direct payments	93.242	1,040,998
Direct payments – American Recovery and Reinvestment Act	93.242	39,736
Subtotal 93.242		<u>1,080,734</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal granting agency	CFDA number	Federal expenditures
Direct payments	93.272	\$ 32,098
Direct payments	93.279	304,648
Pass-through awards	93.279	8,228
Subtotal 93.279		<u>312,876</u>
Direct payments	93.282	23,605
Pass-through awards	93.283	197,258
Direct payments	93.286	720,442
Pass-through awards	93.286	440,028
Subtotal 93.286		<u>1,160,470</u>
Direct payments	93.389	53,501
Pass-through awards	93.551	4,609
Direct payments	93.575	4,774
Direct payments	93.595	431,530
Direct payments	93.600	273,148
Pass-through awards	93.601	2,527
Direct payments	93.648	709,103
Pass-through awards	93.648	424,025
Subtotal 93.648		<u>1,133,128</u>
Pass-through awards	93.652	323,426
Pass-through awards	93.658	1,250,041
Direct payments – American Recovery and Reinvestment Act	93.701	73,266
Direct payments	93.853	248,368
Direct payments	93.855	349,325
Pass-through awards	93.856	168
Direct payments	93.865	1,676,319
Pass-through awards – American Recovery and Reinvestment Act	93.865	9,374
Pass-through awards	93.865	396,891
Subtotal 93.865		<u>2,082,584</u>
Direct payments	93.866	149,644
Direct payments	93.867	6,410
Direct payments	93.910	35,778
Total Department of Health and Human Services		<u>9,536,709</u>
Total Research and Development Cluster		<u>17,117,292</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<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	\$ 1,150,007
Federal Family Education Loans	84.032	132,708,846
Federal Work Study Program	84.033	1,817,492
Job Location and Development	84.033	<u>59,105</u>
Subtotal 84.033		<u>1,876,597</u>
Total Department of Education		<u>135,735,450</u>
Federal Perkins Loan Program	84.038	1,825,699
Federal Pell Grant Program	84.063	3,645,205
Federal Academic Competitiveness Grants	84.375	158,625
Federal National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	<u>118,667</u>
		<u>5,748,196</u>
Total Department of Education – Student Financial Assistance Cluster		<u>141,483,646</u>
Total federal awards		<u>\$ 158,600,938</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, 2010

(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, 2010. 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 Stafford Loan Program

During the year ended June 30, 2010, the University participated in the Federal Family Education Loan Program (FFELP). 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, 2010, the University received and disbursed approximately \$133 million in FFELP 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, 2010.

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, 2010

(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	\$ 30,322
Nano Electronics Research Corp.	11.612	2008-NE-1462D	113,071
Standford University	12.800	24479840-44895-C	10,750
Colorado Dept of Criminal Justice	16.540	26-JD-13-97	19,001
Lockheed Martin	16.560	7200006724	310,320
Pennsylvania State University	16.560	SA08-11	19,187
Drakontas LLC	16.710	Agreement Signed 1/16/08	27,182
Metro Denver Economic Development Corporation	17.261	Agreement Signed 7/1/08	97,256
Jet Propulsion Lab	43.001	1289221	1,164
Jet Propulsion Lab	43.001	1310757	59,430
Jet Propulsion Lab	43.001	1349936	335
Smithsonian Astrophysical Observatory	43.001	SV8-78003	25,516
Western States Arts Federation	45.024	TW20090041	5,000
Eureka Scientific Inc.	47.041	023.HOFFMAN	4,895
University of Colorado at Denver	47.076	1203.05.119D-04/58464	9,524
American Assoc of Variable Star Observers	47.076	Signed 12/1/09	39,325
Physical Sciences, Inc	81.049	6191-49864	49,999
National Renewable Energy Lab	81.087	KXEA-9-99014-02	47,534
National Renewable Energy Lab	81.089	KXEA-9-99014-01	37,825
Luna Innovations Incorporated	84.133	PO# 016521	8,558
WAIT (Why Am I Tempted) Training	93.010	Agreement Dated 7/10/07	3,658
University of Colorado Denver	93.279	FY10.243.003	8,228
Colorado Foundation for Public Health and Environment	93.283	2007-RIHEL-DU	197,258
University of Nebraska	93.286	24-0503-0024-003	55,735
University of Chicago	93.286	35152-1, AMEND 1	384,293
Mental Health Center Serving Boulder and Broomfield Counties	93.551	DU-001	4,609
University of North Dakota	93.601	Contract Date 9/29/09	2,527
Research Foundation of State University of New York	93.648	1075195-5-48396	177,467

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<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	\$ 241,038
Jefferson County Department of Human Services	93.648	Contract Dated 8/19/08	5,520
University of Texas/Arlington	93.652	26-1601-62-61	65,297
University of Texas/Arlington	93.652	26-1601-74-61	192,568
University of Maryland-Baltimore	93.652	90CO104202	823
Colorado Coalition of Adoptive Families	93.652	Agreement Dated 3/31/05	4,945
City and County Of Denver	93.652	CC #GE81304	56,639
University of Southern Maine	93.652	Contract Dated 10/26/09	3,154
Colorado Department of Human Services	93.658	09-IHA-00045	18
Colorado Department of Human Services	93.658	09-IHA-00046	1,780
Colorado Department of Human Services	93.658	09-IHA-00053	17,185
Colorado Department of Human Services	93.658	10-IHA-00026	133,298
Colorado Department of Human Services	93.658	10-IHA-00027	62,900
Colorado Department of Human Services	93.658	10-IHA-00052	17,836
Colorado Department of Human Services	93.658	10-IHA-00137	724,754
Colorado Department of Human Services	93.658	PO# IHA STFC1000051	264,515
Colorado Department of Human Services	93.658	PO# OE-IHA-STFC1000001	9,095
Colorado Department of Human Services	93.658	PO# OE-IHA-STFC100004	18,660
Colorado Department of Human Services	93.856	08-IHA-00633	168
University of Colorado/Boulder	93.865	3 P50 HD027802-19S1	9,374
University of Colorado/Boulder	93.865	5 P50 HD027802-20	183,620
University of Colorado/Boulder	93.865	PO#0000068450	106,402
University of Colorado/Boulder	93.865	SPO68327	106,869
		Total	\$ <u><u>3,976,427</u></u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(6) Subrecipients

The University passed through approximately \$2.5 million to subrecipients in the Research and Development cluster for the year ended June 30, 2010. 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>
Applied Research Associates	16.560	SA08-11	\$ 17,094
Aurora Mental Health Center	93.242	R34MH080102-03	22,158
Aurora Mental Health Center	93.658	10-IHA-00026	8,456
Aurora Mental Health Center	93.242	3R34MH080102-02S1	33,118
Bibliographical Center	45.313	RE-06-09-0116-09	13,057
Capital Meeting Planning	45.313	RE-06-09-0116-09	200,024
Carrie Harrison	16.560	2005-IJ-CX-K001	9,000
Correct Tech LLC	16.560	2005-IJ-CX-K001	45,338
Correct Tech LLC	16.560	2009-IJ-CX-K010	35,944
Dayton T Brown	16.560	2009-IJ-CX-K010	26,650
Eugene Atherton	16.560	2005-IJ-CX-K001	20,625
Eugene Atherton	16.560	2009-IJ-CX-K010	30,919
Hazardous Devices Program	16.560	2009-IJ-CX-K010	56,000
Intertek Testing Services	16.560	2009-IJ-CX-K010	43,400
Joseph M. Dempsey	16.560	2005-IJ-CX-K001	18,000
Joseph M. Dempsey	16.560	2009-IJ-CX-K010	36,000
Kinsley & Associates LLC	16.560	2005-IJ-CX-K001	254,792
Kinsley & Associates LLC	16.560	2009-IJ-CX-K010	415,093
L-3 Services Inc	16.560	2005-IJ-CX-K001	50,887
L-3 Services Inc	16.560	2009-IJ-CX-K010	102,184
Mandy Lynn Jones	16.560	2005-IJ-CX-K001	18,000
Mandy Lynn Jones	16.560	2009-IJ-CX-K010	33,000
Metropolitan State University	93.648	90CT0146/01	5,000
Minot State University	93.648	90CT0146/01	260
Mississippi State University	20.801	DTRT06-G-0050	392,101
Native American Training	93.648	90CT0146/01	45,199
Native American Training	93.648	90CT0146/02	46,382
Portland State University	84.116	P116J080019-09	18,378
Regents of University of Colorado	93.865	5 R01 HD053314-23	7,763
TEQ Services Inc	16.560	2009-IJ-CX-K010	24,321
Trustees of the University of Pennsylvania	47.070	CNS-0923518	7,227
UCHSC	93.865	HD049027	32,765
Universidad del Valle de Gua	47.075	BCS-0852648	10,000
University of Chicago	93.286	5R01EB000557-08	39,172
University of Colorado at Denver	93.242	HD048780-05	42,433
University of Colorado Health	93.658	09-IHA-00053	3,000

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor agency</u>	<u>CFDA number</u>	<u>Contract/grantor number</u>	<u>Expenditures</u>
University of Colorado Health	93.658	09-IHA-00053	\$ 3,000
University of Kansas	93.648	90CT0122/05	27,407
University of Michigan	47.041	SES-0842474	4,000
University of Nebraska	93.865	HD049027	150,642
University of North Dakota	93.648	90CT0146/01	4,999
University of North Dakota	93.648	90CT0146/02	2,047
University of Wisconsin	93.865	HD049027	24,022
University of Wyoming	43.001	NNX08AW61G	26,007
University of Wyoming	93.648	90CT0146/01	7,373
University of Wyoming	93.648	90CT0146/02	2,699
Vail and Associates LLC	16.560	2005-IJ-CX-K001	117,462
		Total	<u>\$ 2,530,398</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

(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 programs: **Unqualified Opinion**
- (f) Any audit findings, which are required to be reported under Section 510(A) of OMB Circular A-133: **No**
- (g) Major programs: **Student Financial Assistance and Research and Development Clusters** (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: **No**

(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