

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Financial Statements and Uniform Guidance Single Audit Reports

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements	
Statement of Financial Position, June 30, 2020 and 2019	3
Statement of Activities, Year ended June 30, 2020	4
Statement of Activities, Year ended June 30, 2019	5
Statements of Cash Flows, Years ended June 30, 2020 and 2019	6
Notes to Financial Statements	7
Supplementary Information – Financial Responsibility Composite Score	34
Single Audit Reports and Schedules	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	41
Schedule of Expenditures of Federal Awards	43
Notes to the Schedule of Expenditures of Federal Awards	46
Schedule of Findings and Questioned Costs	49
Corrective Action Plan	51
Summary of Prior Audit Findings	52



INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of Denver
Denver, Colorado

Report on Financial Statements

We have audited the accompanying financial statements of University of Denver (Colorado Seminary) (the University), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Financial Responsibility Composite Score and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Financial Responsibility Composite Score and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Responsibility Composite Score and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Denver, Colorado

November 13, 2020, except for the Financial Responsibility Composite Score and the Schedule of Expenditures of Federal Awards as to which the date is May 12, 2021

UNIVERSITY OF DENVER

Statement of Financial Position

At June 30, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	\$ 76,711,102	77,989,136
Short term investments	80,819,681	79,802,288
Accounts receivable, net	34,280,695	31,075,230
Pledges receivable, net	40,835,127	43,866,911
Inventories, prepaid expenses, and other assets	10,057,378	8,748,006
Long term investments	793,156,563	814,224,320
Loans to students, net	9,216,447	11,451,547
Deposits with bond trustees	41,812,984	132,450,425
Property, plant, and equipment, net of accumulated depreciation	764,190,156	671,025,728
Total assets	\$ 1,851,080,133	1,870,633,591
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 94,793,135	86,464,664
Deferred revenues	33,593,398	28,275,126
Other liabilities	1,169,082	663,877
Annuity obligations	8,282,318	8,661,912
Long-term debt	235,424,897	244,024,186
U.S. government grants refundable	10,596,780	14,640,915
Total liabilities	383,859,610	382,730,680
Net assets:		
Without donor restrictions:		
Undesignated	9,646,694	9,646,694
Board-designated endowments	245,218,576	250,458,767
Designated student loans	1,696,742	1,677,720
Other designated	32,674,827	41,231,847
Net investment in plant	560,607,444	549,396,846
Donor advised funds	3,343,894	9,520,000
Total without donor restrictions	853,188,177	861,931,874
With donor restrictions		
Gifts and distributed endowment income	46,141,886	45,236,968
Student loans	2,097,178	2,166,743
Annuity life income	12,713,376	14,508,413
Endowment subject to future appropriations	173,262,079	188,191,651
Perpetual endowment	379,817,827	375,867,262
Total with donor restrictions	614,032,346	625,971,037
Total net assets	1,467,220,523	1,487,902,911
Total liabilities and net assets	\$ 1,851,080,133	1,870,633,591

UNIVERSITY OF DENVER

Statement of Activities

Year ended June 30, 2020

	2020		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating activity			
Operating revenues and other support:			
Tuition and fees, net	\$ 350,170,289	—	350,170,289
Private gifts	2,005,509	17,347,570	19,353,079
Grants and contracts	49,281,558	—	49,281,558
Endowment investment return appropriated for operations	10,034,282	25,881,534	35,915,816
Other investment income	4,564,657	137,198	4,701,855
Net realized and unrealized gains (losses) on other investment	(264,985)	(760,332)	(1,025,317)
Sales and services of educational activities	15,456,654	—	15,456,654
Sales and services of auxiliary enterprise	28,715,609	—	28,715,609
Other sources of operating revenue	21,936,186	—	21,936,186
Net assets released from restrictions	37,679,469	(37,679,469)	—
Total operating revenue	<u>519,579,228</u>	<u>4,926,501</u>	<u>524,505,729</u>
Operating expenses:			
Salaries and wages	261,303,837	—	261,303,837
Fringe benefits	61,307,685	—	61,307,685
Services and supplies	125,124,079	—	125,124,079
Utilities and maintenance	13,143,416	—	13,143,416
Depreciation	16,467,771	—	16,467,771
Interest on indebtedness	6,640,535	—	6,640,535
Other operating expenses	33,574,514	—	33,574,514
Total operating expenses	<u>517,561,837</u>	<u>—</u>	<u>517,561,837</u>
Increase (decrease) in net assets from operating activity	<u>2,017,391</u>	<u>4,926,501</u>	<u>6,943,892</u>
Non-operating activity			
Private gifts for endowment	—	8,152,375	8,152,375
Endowment investment return after amounts appropriated for operations	(5,840,708)	(16,871,880)	(22,712,588)
Donor advised fund grants	(5,525,000)	—	(5,525,000)
Change in value of split-interest agreements	—	(614,435)	(614,435)
Other non-operating changes	—	(6,926,632)	(6,926,632)
Net assets released from restrictions	1,256,872	(1,256,872)	—
Reclassification of restricted net assets	(652,252)	652,252	—
Increase (decrease) in net assets from non-operating activity	<u>(10,761,088)</u>	<u>(16,865,192)</u>	<u>(27,626,280)</u>
Change in net assets	(8,743,697)	(11,938,691)	(20,682,388)
Net assets at beginning of year	861,931,874	625,971,037	1,487,902,911
Net assets at end of year	<u>\$ 853,188,177</u>	<u>614,032,346</u>	<u>1,467,220,523</u>

UNIVERSITY OF DENVER

Statement of Activities

Year ended June 30, 2019

	2019		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating activity			
Operating revenues and other support:			
Tuition and fees, net	\$ 322,653,528	—	322,653,528
Private gifts	1,848,225	26,012,028	27,860,253
Grants and contracts	39,370,900	—	39,370,900
Endowment investment return appropriated for operations	11,427,473	25,724,320	37,151,793
Other investment income	4,817,954	134,808	4,952,762
Net realized and unrealized gains (losses) on other investment	3,049,197	331,696	3,380,893
Sales and services of educational activities	18,534,692	—	18,534,692
Sales and services of auxiliary enterprise	41,093,297	—	41,093,297
Other sources of operating revenue	26,181,689	—	26,181,689
Net assets released from restrictions	38,291,208	(38,291,208)	—
Total operating revenue	<u>507,268,163</u>	<u>13,911,644</u>	<u>521,179,807</u>
Operating expenses:			
Salaries and wages	247,568,596	—	247,568,596
Fringe benefits	58,424,881	—	58,424,881
Services and supplies	109,996,020	—	109,996,020
Utilities and maintenance	13,118,782	—	13,118,782
Depreciation	16,946,472	—	16,946,472
Disposal of property, plant, and equipment	5,413,174	—	5,413,174
Interest on indebtedness	9,128,394	—	9,128,394
Other operating expenses	34,970,350	—	34,970,350
Total operating expenses	<u>495,566,669</u>	<u>—</u>	<u>495,566,669</u>
Increase (decrease) in net assets from operating activity	<u>11,701,494</u>	<u>13,911,644</u>	<u>25,613,138</u>
Non-operating activity			
Private gifts for endowment	—	19,420,897	19,420,897
Endowment investment return after amounts appropriated for operations	(222,758)	(1,719,671)	(1,942,429)
Change in value of split-interest agreements	—	656,433	656,433
Net assets released from restrictions	3,356,265	(3,356,265)	—
Reclassification of restricted net assets	(3,298,752)	3,298,752	—
Increase (decrease) in net assets from non-operating activity	<u>(165,245)</u>	<u>18,300,146</u>	<u>18,134,901</u>
Change in net assets	11,536,249	32,211,790	43,748,039
Net assets at beginning of year	850,395,625	593,759,247	1,444,154,872
Net assets at end of year	<u>\$ 861,931,874</u>	<u>625,971,037</u>	<u>1,487,902,911</u>

UNIVERSITY OF DENVER
Statements of Cash Flows
Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (20,682,388)	43,748,039
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of property, plant, and equipment	16,467,771	16,946,472
Disposal of property, plant, and equipment	74,304	7,464,492
Amortization of premium and cost of issuance	(774,289)	(779,896)
(Increase) in accounts receivable	(3,205,465)	(6,986,574)
(Increase) decrease in pledges receivable	3,031,784	(1,850,619)
Increase in inventories, prepaid expenses, and other assets	(1,309,372)	(857,397)
Increase in accounts payable and accrued liabilities	2,927,164	15,355,331
Increase in deferred revenues	5,318,272	5,024,422
Increase in other liabilities	505,205	3,966
Actuarial adjustment for annuity obligation	(463,551)	(634,952)
Contributions restricted for long term investment	(8,152,375)	(19,420,897)
Net realized and unrealized gains on investments	(10,252,529)	(36,859,596)
Net cash provided (used) by operating activities	<u>(16,515,469)</u>	<u>21,152,791</u>
Cash flows from investing activities:		
Proceeds from sale of investments	452,793,945	236,376,129
Purchases of investments	(422,407,095)	(225,160,858)
Purchases of property, plant, and equipment	(104,305,196)	(38,542,340)
Repayment of Perkins and University loans to students	2,235,100	2,909,381
(Increase) decrease in deposits with bond trustees	90,637,441	15,199,323
Net cash provided (used) in investing activities	<u>18,954,195</u>	<u>(9,218,365)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long term investment	8,152,375	19,420,897
Payments of bonds payable	(7,825,000)	(7,610,000)
Decrease in refundable government loan funds, net	(4,044,135)	139,485
Net cash provided (used) in financing activities	<u>(3,716,760)</u>	<u>11,950,382</u>
Net increase (decrease) in cash and cash equivalents	(1,278,034)	23,884,808
Cash and cash equivalents at beginning of year	<u>77,989,136</u>	<u>54,104,328</u>
Cash and cash equivalents at end of year	<u>\$ 76,711,102</u>	<u>77,989,136</u>

See accompanying notes to the financial statements

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Nature of the Entity

The University of Denver (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 12,500 students of which approximately 5,500 are undergraduates. The University is primarily supported by tuition and fees, private gifts, and grants and contracts.

(b) Basis of Presentation

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

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:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Certain portions of net assets without donor restrictions are designated for specific purposes by the University. Uses of certain net assets without donor restrictions are committed as matching funds under student loan programs of the federal government.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by either actions of the University and/or the passage of time, or for which the original contribution is to be maintained in perpetuity with resulting investment earnings available for use for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Measure of operations – The statements of activities separately report changes in net assets from operating and non-operating activity. Operating activity consists primarily of revenues and expenses related to ongoing educational and research programs, including contributions for current use and endowment return appropriated by the University to support these programs. Non-operating activity consists primarily of contributions for long term purposes, net appreciation or depreciation for long term investments in excess of amounts appropriated for operations, net assets released from donor restrictions for property placed in service, and other activities not in direct support of annual operations.

During 2016, the Barton Institute for Philanthropy and Social Enterprise at the University of Denver was established with an endowed gift and pledge agreement. It was subsequently agreed to that an independent not-for-profit organization would be created with the endowed and operating funds held by the University of Denver. The Barton Institute for Community Action was formed during 2019. During fiscal year 2020, the University of Denver transferred approximately \$6,180,000 of endowed funds and \$747,000 of operating funds to the newly established institute. This transfer of funds is reported on the Statement of Activities as other non-operating changes with donor restrictions.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

(c) Cash and Cash Equivalents

The University controls cash for all activities through one operating account. 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, deposits with trustees, 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 uncollectability is provided based on specific review of outstanding balances.

Accounts that are 120 days delinquent are reviewed to determine if they should be assigned to an outside collection agency. If a student has assets or income, has not made a payment and has not entered into a repayment agreement with the University, accounts may be assigned to preselected collection agencies.

In June of each year, student tuition accounts with delinquent balances over 365 days and no payment activity for the prior 12 months which are deemed uncollectible are written off to bad debt reserve. Holds are placed on written off student accounts which prevent future registration and the release of official transcripts and diplomas.

Account receivables are net of allowances for uncollectible accounts of \$2,341,000 and \$2,337,000 as of June 30, 2020 and 2019, 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, an investment may be considered alternative if the investment does not meet the following four criteria: (1) it is registered with the Securities Exchange Commission (SEC), (2) it makes semiannual filings with the SEC, (3) it calculates a net asset value daily, and (4) purchase and redemption of shares may be done daily. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets that require the estimation of fair values in the absence of readily determinable market values.

The University evaluates the fair value of its investments in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820-10, *Fair Value Measurements and Disclosures*, updated by Accounting Standards Update (ASU) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. 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. See further discussion at note 4.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

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

(f) *Pledges Receivable and Contribution Revenue*

Unconditional promises to give are recorded when pledges are made by the respective donors at the estimated present value of future cash flows discounted at the prevailing interest rate as of the period in which the agreement is received. An allowance for uncollectibility is provided based on review of individually significant pledges and an estimated rate of uncollectability. All contributions are available for unrestricted use unless specifically restricted by the donor.

Donor-restricted contributions, other than grants and contracts with governments and similar agencies, whose restrictions are met in the same reporting period are initially reported as revenue with donor restrictions, which increases net assets with donor restrictions, then reclassified (or released from restrictions), simultaneously increasing net assets without donor restrictions and decreasing net assets with donor restrictions. Grants and contracts with governments and similar agencies, whose conditions and restrictions have been met in the same reporting period, are initially reported as revenue without donor restrictions which increases net assets without donor restrictions. 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 athletic and golf course 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 represents unspent funds from the Series 2017A and Series 2017B proceeds held in cash and U.S. government securities.

(i) *Property, Plant, and Equipment*

Property, plant, and equipment exceeding a capitalization threshold of \$5,000 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.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

Property, plant, and equipment includes the accumulated construction costs of buildings currently being constructed that are not placed in service as of the reporting date, as shown in Note 7. These costs include any interest incurred that is capitalized as a cost of construction. To the extent that buildings are constructed with contributions from donors restricted to the cost of construction, interest capitalization is not included in the cost of construction.

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.

(j) Revenue Recognition

Tuition and Fee Revenue, Scholarships, and Deferred Tuition and Fee Revenue

The University recognizes revenue from student tuition and fees ratably over the academic term in which the related courses and programs are delivered. Registered students are generally billed on the first day of the month preceding the month in which classes begin and payment is due during the third week of that month. During terms for which classes begin late in the month, registered students are billed on the first of the month in which classes begin and payment is due during the third week of that month. Summer session tuition and fee revenue that is not earned as of year-end is deferred and reported as Deferred Revenues on the Statement of Financial Position. Deferred tuition and fee revenue is recognized as revenue in the following fiscal year. Summer session deferred tuition and fee revenue totaled approximately \$33,593,000 and \$28,275,000 on June 30, 2020 and 2019, respectively. The allowance for doubtful student accounts was approximately \$2,123,000 and \$2,145,000 at June 30, 2020 and 2019, respectively.

Institutional scholarships and non-institutional scholarships represent the difference between the stated charge for tuition and fees and the amount that is billed to the student. Non-institutional scholarships are those scholarships which are funded by gifts, endowment distribution, and research funds.

The following table shows the University's tuition and fee revenue and scholarship support for the years ended June 30, 2020 and 2019:

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Undergraduate tuition	\$ 290,046,424	283,359,996
Graduate tuition	240,185,280	212,542,021
Other tuition	11,697,645	10,055,712
Student fees	3,697,066	4,564,507
Tuition and fees	<u>545,626,415</u>	<u>510,522,236</u>
Less: institutional scholarships	(172,210,967)	(164,744,272)
Less: noninstitutional scholarships	(23,245,159)	(23,124,436)
Net tuition and fees	<u>\$ 350,170,289</u>	<u>322,653,528</u>

The following tables include a roll forward of Deferred Tuition and Fee Revenue balances for the years ended June 30, 2020 and 2019:

Balance at June 30, 2019	\$ 28,275,126
Tuition and fee revenue recognized	(28,275,126)
Revenue deferred for future performance obligations	<u>33,593,398</u>
Balance at June 30, 2020	<u>\$ 33,593,398</u>

Balance at June 30, 2018	\$ 23,250,704
Tuition and fee revenue recognized	(23,250,704)
Revenue deferred for future performance obligations	<u>28,275,126</u>
Balance at June 30, 2019	<u>\$ 28,275,126</u>

Grants and Contracts Revenue

The University receives grants and contracts from governmental and private sources. The University considers the majority of its grants and contracts funding to be nonreciprocal transactions in which resources are provided for the benefit of the University, the funding organization's mission, or the public at large. The University considers its grants and contracts to be conditional contributions. The University recognizes revenues associated with these sponsored programs as the related costs are incurred in accordance with the terms of the grant agreements. Grant-type conditional contributions, whose conditions and restrictions have been met in the same reporting period they are initially reported, are reported as grants and contract revenue without donor restrictions.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

Grants and contract revenue from governmental sources totaled approximately \$37,304,000 and \$31,528,000 during fiscal years ended June 30, 2020 and 2019, respectively. Indirect costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. The University negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with respective sponsors.

Sales and Services of Auxiliary Enterprise

Sales and services of auxiliary enterprise revenue consists primarily of revenue received from students for housing and meal plan charges, health and counseling center fees, conferencing events, and performing arts center events. Revenues for housing and meal plan charges are recognized ratably over the academic term in which the housing and board plans are provided. Students are billed on the first day of the month following registration and payment is due during the third week of that month.

The following table shows the University's sales and services of auxiliary enterprise revenue disaggregated by source:

	2020	2019
Housing	\$ 12,519,498	18,747,755
Meal plans	8,297,955	12,343,825
Health and counseling services	4,251,590	5,466,675
Conferencing events	2,254,667	2,216,991
Performing arts events	1,177,899	2,064,832
Other sales and services of auxiliary enterprises	214,000	253,219
Total sales and services of auxiliary enterprises	28,715,609	41,093,297

During the Spring quarter of fiscal year 2020 in response to the COVID-19 pandemic, the University temporarily suspended substantially all housing and dining operations and refunded related fees. Student fees refunded during 2020 totaled approximately \$13,257,000.

(k) Compensated Absences

Eligible University 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 in the amount of \$5,806,000 and \$4,465,000 as of June 30, 2020 and 2019, respectively, and is included in accounts payable and accrued liabilities in the accompanying statements of financial position.

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

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

(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, 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 4.9% to 9.5%. Annuity obligations are adjusted annually for these factors.

(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, 2020 and 2019.

The University evaluates its tax position in accordance with the provisions of FASB ASC Topic 740-10, *Income Taxes*. FASB ASC Topic 740-10 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FASB ASC Topic 740-10 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. A tax position is measured at the largest amount of benefit that is greater than 50% likely being realized upon settlement. The University has no uncertain income tax positions as of June 30, 2020 and 2019.

(n) Net Asset Reclassifications

In 2011, the University initiated a matching program to increase endowed scholarships for undergraduates, graduates, and performing arts students. The board of trustees has designated \$66 million of the University's strategic reserves to match commitments to new and existing scholarship endowments. For the years ended June 30, 2020 and 2019, the University matched commitments to the matching program in the amount of approximately \$652,000 and \$3,299,000, respectively.

(o) 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.

(p) Endowment Funds

The University presents its endowment funds in accordance with the provisions of FASB ASC Topic 958-205, *Presentation of Financial Statements*, which provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (the Act) and expands disclosures about endowment funds. See further discussion at note 5.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

(q) Subsequent Events

FASB ASC Topic 855-10, *Subsequent Events*, 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, 2020 and through November 13, 2020.

(r) Reclassifications

Certain 2019 amounts have been reclassified to conform to the current year presentation.

(2) Financial Assets for General Expenditure

The University's financial assets and liquidity resources available within one year of the date of the statement of financial position for general expenditure were as follows at June 30:

	2020	2019
Financial Assets:		
Cash and cash equivalents - operating	\$ 66,876,701	\$ 66,137,451
Short-term investments - operating	80,344,681	79,312,298
Long-term investment - operating	175,647	52,087
Working capital	147,397,029	145,501,836
Accounts receivable, net	34,280,695	31,075,230
Pledges receivable due within one year	12,496,917	13,611,766
Board-designated endowments	245,218,576	250,458,767
Financial assets available at year end	439,393,217	440,647,599
Liquidity resources		
Endowment distribution in the follow year	33,009,000	33,072,000
	\$ 472,402,217	\$ 473,719,599

In addition to the financial assets on the table above, the University has available a line of credit of \$50 million with a financial institution. See Note 14 for further discussion.

Resources available to the University to fund general expenditures, such as operating expenses, interest and principal payments on debt, and internally funded capital construction, have seasonal variations related to the timing of tuition billings, receipt of gifts and pledge payments, and appropriations from the endowment. The University actively manages its resources, utilizing a combination of short term and long term investment strategies to align its cash inflows with anticipated cash outflows.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

(3) Short and Long Term Investments

Investments at June 30 consist of the following:

	2020		
	Cost	Unrealized gain (loss)	Market value
Short-term investments:			
U.S. government securities	\$ 72,504,671	29,724	72,534,395
Mutual funds	8,081,229	(508,695)	7,572,534
Real estate	475,000	—	475,000
Other	237,752	—	237,752
	<u>81,298,652</u>	<u>(478,971)</u>	<u>80,819,681</u>
Long-term investment:			
Trustee cash and cash equivalents for endowments and annuities	5,408,558	—	5,408,558
U.S. Government Securities	54,268,394	4,028,195	58,296,589
Alternative Investments	167,361,014	68,496,037	235,857,051
Global Equities	255,412,773	51,155,035	306,567,808
Mutual Funds	23,168,633	1,005,612	24,174,245
Real Estate	22,266,874	25,387,860	47,654,734
Private Equities	94,437,057	10,633,246	105,070,303
Beneficial Trust Interest	8,301,484	1,650,144	9,951,628
Other	175,647	—	175,647
	<u>630,800,434</u>	<u>162,356,129</u>	<u>793,156,563</u>
Total all funds	<u>\$ 712,099,086</u>	<u>161,877,158</u>	<u>873,976,244</u>

	2019		
	Cost	Unrealized gain (loss)	Market value
Short-term investments:			
U.S. government securities	\$ 71,185,908	69,192	71,255,100
Mutual funds	7,357,969	461,475	7,819,444
Real estate	475,000	—	475,000
Other	252,744	—	252,744
	<u>79,271,621</u>	<u>530,667</u>	<u>79,802,288</u>
Long-term investment:			
Trustee cash and cash equivalents for endowments and annuities	6,094,983	—	6,094,983
U.S. Government Securities	34,125,560	11,362,786	45,488,346
Alternative Investments	186,014,476	48,680,799	234,695,275
Global Equities	291,266,219	72,591,661	363,857,880
Mutual Funds	24,500,015	2,213,062	26,713,077
Real Estate	22,373,843	25,387,860	47,761,703
Private Equities	69,047,998	9,346,148	78,394,146
Beneficial Trust Interest	9,274,285	1,892,538	11,166,823
Other	52,087	—	52,087
	<u>642,749,466</u>	<u>171,474,854</u>	<u>814,224,320</u>
Total all funds	<u>\$ 722,021,087</u>	<u>172,005,521</u>	<u>894,026,608</u>

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

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, 2020, the pool had 136,066,935 shares outstanding, with a fair value of approximately \$726,351,431. The University has adopted a spending policy whereby the board of trustees has authorized a stipulated percentage of the fair value of endowments participating in the investment pool to be spent for the purposes of the donors. The distribution for spending in 2020 was \$0.24 per share, which represented spending of realized and unrealized gains. At June 30, 2019, the pool had 135,557,003 shares outstanding, with a fair value of approximately \$752,610,800. The distribution for spending in 2019 was \$0.24 per share, which represented spending of realized and unrealized gains.

The investment pool consisted of 1,338 individual endowments at June 30, 2020. Of these endowments, 18 are considered to be "under water" as the fair value of the underlying investments is less than the original gift value. At June 30, 2020 the fair value of the underlying investment related to these 18 endowments totaled approximately \$2,616,000 while the original gift value was approximately \$2,634,000.

The investment pool consisted of 1,308 individual endowments at June 30, 2019. Of these endowments, 21 are considered to be "under water" as the fair value of the underlying investments is less than the original gift value. At June 30, 2019 the fair value of the underlying investment related to these 21 endowments totaled approximately \$3,619,000 while the original gift value was approximately \$3,627,000. See additional discussion in note 5(b).

The University has the following split-interest agreements, which are included in long term investments and are classified as net assets with donor restrictions at June 30, 2020 and 2019:

	2020	
	Number of agreements	Market Value
Perpetual trusts held by third party	2	\$ 7,557,475
Charitable Remainder Trusts:		
University named trustee	19	14,343,113
Third-party named trustee	5	2,394,152
Charitable Annuity Agreements	50	4,515,781
	76	\$ 28,810,521

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

	2019	
	Number of agreements	Market Value
Perpetual trusts held by third party	2	\$ 7,997,152
Charitable Remainder Trusts:		
University named trustee	20	15,361,135
Third-party named trustee	7	3,434,493
Charitable Annuity Agreements	50	4,645,073
	79	\$ 31,437,853

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 2020 and 2019 was approximately \$123,000 and \$217,000, respectively.

(4) 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

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

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.

(a) Investments

Investments whose values are based on quoted market prices in active markets, and are, therefore, classified within Level 1, include actively listed global 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, certain 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).

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) Fair Value Hierarchy Table

The following tables summarize the University’s short and long term investments in the fair value hierarchy as of June 30, 2020 and 2019, as well as liquidity of the investments. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the short term investments and long term investments amounts presented in the statement of position.

Deposits with bond trustees represents unspent funds from the Series 2017A and Series 2017B proceeds held in cash and U.S. government securities as discussed in Note 1(i). Fair value of U.S. government securities held as Deposits with bond trustees is the unadjusted quoted market price of the securities. Deposits with bond trustees are categorized as Level 1 investments, however they are not included in the fair value hierarchy table.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

Investment/liquidity	June 30, 2020				
	Level 1	Level 2	Level 3	NAV	Total
U.S. government securities:					
Daily	\$ 130,600,984	—	—	—	130,600,984
Monthly	—	230,000	—	—	230,000
Total	130,600,984	230,000	—	—	130,830,984
Alternative investments:					
Quarterly	—	—	—	168,882,951	168,882,951
Illiquid	—	—	—	66,974,100	66,974,100
Total	—	—	—	235,857,051	235,857,051
Mutual funds:					
Daily	31,746,779	—	—	—	31,746,779
Total	31,746,779	—	—	—	31,746,779
Global equities:					
Daily	6,683,640	—	—	—	6,683,640
Monthly	—	—	—	298,899,202	298,899,202
Quarterly	449,145	—	—	—	449,145
Illiquid	—	—	—	535,821	535,821
Total	7,132,785	—	—	299,435,023	306,567,808
Trustee cash and cash equivalents:					
Daily	5,408,558	—	—	—	5,408,558
Total	5,408,558	—	—	—	5,408,558
Real estate:					
Semiannually	—	47,654,733	—	—	47,654,733
Locked-up 1	—	475,001	—	—	475,001
Total	—	48,129,734	—	—	48,129,734
Private equities:					
Illiquid	—	—	—	105,070,303	105,070,303
Total	—	—	—	105,070,303	105,070,303
Beneficial trust interest:					
Locked-up 1	8,055,285	1,050,000	846,343	—	9,951,628
Total	8,055,285	1,050,000	846,343	—	9,951,628
Other:					
Daily	275,647	—	—	—	275,647
Illiquid	—	—	137,752	—	137,752
Total	275,647	—	137,752	—	413,399
Grand total	\$ 183,220,038	49,409,734	984,095	640,362,377	873,976,244

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

Investment/liquidity	June 30, 2019				
	Level 1	Level 2	Level 3	NAV	Total
U.S. government securities:					
Daily	\$ 116,513,446	—	—	—	116,513,446
Monthly	—	230,000	—	—	230,000
Total	116,513,446	230,000	—	—	116,743,446
Alternative investments:					
Quarterly	—	—	—	169,629,059	169,629,059
Illiquid	—	—	—	65,066,216	65,066,216
Total	—	—	—	234,695,275	234,695,275
Mutual funds:					
Daily	34,532,521	—	—	—	34,532,521
Total	34,532,521	—	—	—	34,532,521
Global equities:					
Daily	6,374,740	—	—	—	6,374,740
Monthly	—	—	—	344,926,040	344,926,040
Quarterly	513,626	—	—	—	513,626
Illiquid	—	—	—	12,043,474	12,043,474
Total	6,888,366	—	—	356,969,514	363,857,880
Trustee cash and cash equivalents:					
Daily	6,094,983	—	—	—	6,094,983
Total	6,094,983	—	—	—	6,094,983
Real estate:					
Semiannually	—	47,761,702	—	—	47,761,702
Locked-up 1	—	475,001	—	—	475,001
Total	—	48,236,703	—	—	48,236,703
Private equities:					
Illiquid	—	—	—	78,394,146	78,394,146
Total	—	—	—	78,394,146	78,394,146
Beneficial trust interest:					
Locked-up 1	9,197,095	1,050,000	919,728	—	11,166,823
Total	9,197,095	1,050,000	919,728	—	11,166,823
Other:					
Daily	152,089	—	—	—	152,089
Illiquid	—	—	152,742	—	152,742
Total	152,089	—	152,742	—	304,831
Grand total	\$ 173,378,500	49,516,703	1,072,470	670,058,935	894,026,608

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

The following table includes a rollforward of the amounts for the years ended June 30, 2020 and 2019 for financial instruments classified within Level 3. The classification of a financial instrument within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

Fair value measurement using Level 3 inputs:

	Beneficial Trust Interest	Other	Total
Balances at June 30, 2019	\$ 919,728	152,742	1,072,470
Donated	—	—	—
Purchases	—	—	—
Sales	(257,178)	—	(257,178)
Unrealized gains (losses)	183,793	(14,990)	168,803
Balances at June 30, 2020	<u>\$ 846,343</u>	<u>137,752</u>	<u>984,095</u>

	Beneficial Trust Interest	Other	Total
Balances at June 30, 2018	\$ 1,223,711	302,742	1,526,453
Donated	—	—	—
Purchases	254,000	—	254,000
Sales	(473,544)	(150,000)	(623,544)
Unrealized gains (losses)	(84,439)	—	(84,439)
Balances at June 30, 2019	<u>\$ 919,728</u>	<u>152,742</u>	<u>1,072,470</u>

All unrealized gains (losses) in the tables above are reflected in the accompanying statements of activities. There have been no transfers into or out of Level 3 investments during the years ended June 30, 2020 and June 30, 2019.

(5) Endowments

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

The University’s endowments consist of 1,338 and 1,308 individual funds as of June 30, 2020 and 2019, respectively. The endowments were established for a variety of purposes, including both donor-restricted endowment funds (true endowment) and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

(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 perpetual endowment.

The remaining portion of the donor-restricted fund that is not classified as perpetual endowment net assets is classified as endowment subject to future appropriations 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>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2020:			
Board-designated endowment funds	\$ 245,218,576	—	245,218,576
Donor-restricted endowment funds	—	553,079,906	553,079,906
	<u>\$ 245,218,576</u>	<u>553,079,906</u>	<u>798,298,482</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2019:			
Board-designated endowment funds	\$ 250,458,767	—	250,458,767
Donor-restricted endowment funds	—	564,058,913	564,058,913
	<u>\$ 250,458,767</u>	<u>564,058,913</u>	<u>814,517,680</u>

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

The changes in endowment net assets for the years ended June 30, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	\$ 250,458,767	564,058,913	814,517,680
Investment return:			
Investment income	307,473	1,617,909	1,925,382
Net realized and unrealized gains	<u>3,891,658</u>	<u>7,395,647</u>	<u>11,287,305</u>
Total investment return	4,199,131	9,013,556	13,212,687
Private gifts	6,418	9,415,137	9,421,555
Appropriation of endowment assets for expenditures	(10,034,282)	(25,881,534)	(35,915,816)
Appropriation for Barton Institute	—	(6,179,560)	(6,179,560)
Present value adjustment	—	7,557	7,557
Reinvested income	420,792	1,387,864	1,808,656
Transfer to board-designated endowments	820,000	605,723	1,425,723
Reclassification of restricted net assets	<u>(652,250)</u>	<u>652,250</u>	<u>—</u>
Changes	<u>(5,240,191)</u>	<u>(10,979,007)</u>	<u>(16,219,198)</u>
Endowment net assets, June 30, 2020	<u>\$ 245,218,576</u>	<u>553,079,906</u>	<u>798,298,482</u>
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	\$ 252,889,606	536,120,273	789,009,879
Investment return:			
Investment income	281,409	1,449,252	1,730,661
Net realized and unrealized gains	<u>10,925,894</u>	<u>22,562,067</u>	<u>33,487,961</u>
Total investment return	11,207,303	24,011,319	35,218,622
Private gifts	7,751	25,035,028	25,042,779
Appropriation of endowment assets for expenditures	(11,427,473)	(25,724,320)	(37,151,793)
Present value adjustment	—	120,796	120,796
Reinvested income	503,471	1,398,216	1,901,687
Transfer to board-designated endowments	375,710	—	375,710
Reclassification of restricted net assets	<u>(3,097,601)</u>	<u>3,097,601</u>	<u>—</u>
Changes	<u>(2,430,839)</u>	<u>27,938,640</u>	<u>25,507,801</u>
Endowment net assets, June 30, 2019	<u>\$ 250,458,767</u>	<u>564,058,913</u>	<u>814,517,680</u>

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

During the year-ended June 30, 2019, private gifts for endowment with donor restrictions includes a \$1,000,000 non-endowed gift received prior to the fiscal year and \$4,355,000 in non-endowed gifts received during the year-ended June 30, 2019 that have been re-purposed to the endowment.

(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). The University had 18 funds considered underwater with a deficiency of approximately \$18,000 at June 30, 2020. The University had 21 funds considered underwater with a deficiency of approximately \$8,000 at June 30, 2019. The deficiency is recorded as net unrealized losses on endowment in the increase in net assets with donor restrictions within the statement of activities.

(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 has entered into an agreement with Investure, LLC for investment advisory and management services. The scope of the agreement pertains to management of the University's Consolidated Endowment Fund. The University has authorized Investure, LLC to act as the University's attorney-in-fact to enter into, make, execute and perform agreements or other undertakings on behalf of the University in connection with each investment. The University, through Investure, LLC's management, targets a diversified asset allocation. Investure, LLC's long term investment allocation guidelines include the following targets and maximum allocations by investment: global equity target of 30% and maximum allocation of 60%, alternative equity target of 30% and maximum allocation of 40%, private equity target of 30% and maximum allocation of 40%, fixed income target of 10% with no maximum allocation.

(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, 2020, and 2019, the approved percentage was 4.5% of a moving 12-quarter average of the market value of such funds.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

(6) Pledges Receivable

Pledges receivable are summarized as follows at June 30:

	<u>2020</u>	<u>2019</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 12,496,917	13,611,766
One to five years	19,103,247	20,394,755
Greater than five years	<u>36,627,608</u>	<u>38,330,048</u>
	68,227,772	72,336,569
Less allowance for uncollectible pledges	(6,822,779)	(7,233,658)
Less present value discount (4.75% - 8.0%)	<u>(20,569,866)</u>	<u>(21,236,000)</u>
Net pledges receivable	<u>\$ 40,835,127</u>	<u>43,866,911</u>

Included in pledges receivable is the present value of approximately \$9,573,000 and \$11,216,000 as of June 30, 2020 and 2019, respectively, in pledges from members of the board of trustees. For the years ended June 30, 2020 and 2019, the University did not conduct any additional transactions with members of the board of trustees that were not negotiated at arm's length.

(7) Property, Plant, and Equipment

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

	<u>2020</u>	<u>2019</u>
Land	\$ 9,174,417	9,174,417
Land improvements	35,321,432	33,887,000
Buildings and improvements	741,809,801	737,912,159
Equipment	62,717,294	63,011,238
Library books	9,397,679	9,326,630
Construction in progress	<u>139,197,526</u>	<u>36,748,118</u>
	997,618,149	890,059,562
Less accumulated depreciation	<u>(233,427,993)</u>	<u>(219,033,834)</u>
	<u>\$ 764,190,156</u>	<u>671,025,728</u>

The University had approximately \$16,468,000 and \$16,946,000 of depreciation expense for the years ended June 30, 2020 and 2019, respectively. In addition, the University had approximately \$5,413,000 in disposal expense equal to the remaining net book value of several buildings which were demolished during the year ended June 30, 2019. Capitalized interest costs related to construction in progress during the years ending June 30, 2020 and June 30, 2019 was approximately \$2,269,000 and \$275,000, respectively.

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, 2020 and 2019, respectively, an asset retirement obligation of approximately \$8,349,000 and \$8,026,000 is included in accounts payable and accrued liabilities.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

(8) Operating Leases

The University has leased apartments in four buildings under operating leases in order to provide housing for students. Rent expense on the leases for the years ended June 30, 2020 and 2019 was approximately \$1,523,000 and \$1,467,000, respectively.

Future minimum lease payments under the operating leases as of June 30, 2020 through the years ending June 30, 2022 are:

2021		\$	5,195,237
2022			<u>921,877</u>
		\$	<u><u>6,117,114</u></u>

(9) Long Term Debt

Bonds payable at June 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2017A	\$ 119,480,000	119,480,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2017B	24,535,000	24,535,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2014A	12,810,000	18,970,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2014B	7,040,000	7,145,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2013	17,765,000	19,325,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2007	<u>39,920,000</u>	<u>39,920,000</u>
	221,550,000	229,375,000
Unamortized bond premium	14,983,954	15,814,205
Unamortized bond cost of issuance	<u>(1,109,057)</u>	<u>(1,165,019)</u>
Total long-term debt	235,424,897	244,024,186
Less current installments	<u>9,605,000</u>	<u>7,825,000</u>
Long-term debt, excluding current installments \$	<u><u>225,819,897</u></u>	<u><u>236,199,186</u></u>

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

The University had approximately \$6,641,000 and \$9,128,000 of interest expense net of amortization of bond premium and deferred cost of issuance for the years ended June 30, 2020 and 2019, respectively. Amortization of bond premium and deferred cost of issuance was approximately \$774,000 and \$780,000 for the years ended June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019, the University capitalized interest incurred to the cost of construction in progress of approximately \$2,269,000 and \$275,000, respectively. Interest of approximately \$9,764,000 and \$9,984,000 was paid in cash during the years ended June 30, 2020 and 2019, respectively.

(a) Issuance of Series 2017 Bonds

In June 2017, the Colorado Educational and Cultural Facilities Authority (the Authority) issued \$144,015,000 of University of Denver Revenue Bonds, Tax-Exempt Series 2017A \$119,480,000 and Taxable Series 2017B \$24,535,000. The proceeds from the sale of 2017 bonds will be used to (1) finance a portion of the construction, improvement, renovation, and equipping of certain campus improvements including a freshman residential dormitory, the campus career center, a substantial demolition, renovation and expansion of the student center to become a community commons, and other campus improvements; (2) pay certain capitalized interest on the Bonds; and (3) pay certain costs associated with the issuance of the Bonds.

The bond agreement provides for principal payments of \$1,555,000 in 2021, increasing to \$9,810,000 in 2047. Interest is payable semiannually at rates ranging from 2.244% to 5.000%.

(b) Issuance of Series 2014A Bonds

In September 2015, the Authority issued \$29,075,000 of University of Denver Revenue Bonds, Series 2014A. The proceeds from the sale of the 2014A bonds were used to (1) refund \$28,105,000 aggregate principal amount of the Authority's Revenue Bonds Series 2005A and (2) pay certain costs associated with the issuance of the 2014A Bonds.

The bond agreement provides for principal payments of \$1,715,000 in 2016, increasing to \$6,490,000 in 2022. Interest is payable semiannually at a fixed rate of 2.620%.

(c) Issuance of Series 2014B Bonds

In March 2016, the Authority issued \$12,500,000 of University of Denver Revenue Bonds, Series 2014B. The proceeds from the sale of the 2014B bonds were used to (1) refund \$12,085,000 aggregate principal amount of the Authority's Revenue Bonds Series 2005B and (2) pay certain costs associated with the issuance of the 2014B Bonds.

The bond agreement provides for principal payments of \$3,235,000 in 2017, increasing to \$6,820,000 in 2023. Interest is payable semiannually at a fixed rate of 2.710%.

(d) Issuance of Series 2013 Bonds

In February 2013, the Authority issued \$22,780,000 of University of Denver Revenue Bonds, Series 2013. The proceeds from the sale of the 2013 bonds were used to (1) refund \$21,240,000 aggregate principal amount of the Authority's Revenue Bonds Series 2005B and (2) pay certain costs associated with the issuance of the 2013 Bonds.

The bond agreement provides for principal payments of \$140,000 in 2014, increasing to \$2,255,000 in 2030. Interest is payable semiannually at rates ranging from 2.00% to 4.00%.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

(e) Issuance of Series 2007 Bonds

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

The bond agreement provides for principal payments of \$1,650,000 in 2023, \$5,825,000 in 2024, \$6,135,000 in 2025, \$6,455,000 in 2026, \$6,790,000 in 2027, 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.

(f) Aggregate Annual Maturities of Bonds Payable

At June 30, 2020, the aggregate annual maturities of bonds payable for the five succeeding years and thereafter are as follows:

2021	\$	9,605,000
2022		9,955,000
2023		10,370,000
2024		9,525,000
2025		10,050,000
Thereafter		172,045,000
	\$	221,550,000

(g) 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 1.15. 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.

(h) 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 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.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

(10) 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 elect to defer up to 90% of their base pay, limited by the Code to \$19,500 per employee. If they contribute at least 4% of their base pay, they will receive a matching contribution from the University. Beginning July 1, 2020, the matching contribution from the University is fully discretionary. For fiscal years ending June 30, 2020 and June 30, 2019, participating employees who contributed at least 4% of their base pay received a matching contribution equal to 8% of their base pay. For fiscal year ending June 30, 2021, the University plans to provide a matching contribution equal to 4% of the base pay for participating employees who contribute at least 4% of their base pay. 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 \$14,165,000 and \$13,412,000 for the years ended June 30, 2020 and 2019, respectively, which were charged to operations expenses.

(11) Postretirement Benefits Other than Pensions

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

The University sponsors a defined-benefit healthcare plan (the Healthcare Plan) that provides postretirement medical benefits to full-time employees who have worked 10 years and attained age 55 while in service with the University if hired prior to January 1, 1992, or full-time employees who have worked 20 years and attained age 55 while in service with the University if hired after December 31, 1991. Participants receive \$60 per month toward the cost of their postretirement medical costs. At June 30, 2020, the Healthcare Plan covered 247 retirees with an additional 2,664 active employees potentially eligible for coverage. At June 30, 2019, the Healthcare Plan covered 227 retirees with an additional 2,609 active employees potentially eligible for coverage. The Healthcare Plan is noncontributory.

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

	<u>2020</u>	<u>2019</u>
Acrued postretirement benefit obligation (APBO), beginning of year	\$ 3,125,970	2,796,938
Service cost	67,232	55,500
Interest cost	99,773	108,178
Actuarial loss (gain)	43,047	320,514
Benefits paid	<u>(182,022)</u>	<u>(155,160)</u>
APBO (all unfunded), end of year	<u>\$ 3,154,000</u>	<u>3,125,970</u>

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>
Service cost	\$ 67,232	55,500
Interest cost	99,773	108,178
Amortization of prior service cost	11,125	11,125
Recognized net actuarial gain	—	(20,551)
Net periodic postretirement benefit cost	<u>\$ 178,130</u>	<u>154,252</u>

An accrual has been made for the APBO and is included in accounts payable and accrued liabilities in the accompanying statements of financial position. The weighted average discount rate used in determining the APBO was 2.27% and 3.29% for June 30, 2020 and 2019, 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 \$182,000 and \$155,000 for the years ended June 30, 2020 and 2019, respectively, which were charged to operating expenses.

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

2021	\$ 193,000
2022	190,000
2023	189,000
2024	185,000
2025	184,000
2026 – 2030	<u>849,000</u>
Total	<u>\$ 1,790,000</u>

For the years ended June 30, 2020 and 2019, 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, 2020.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

(12) Loans to Students

Student loans made through Perkins constitute substantially all of the student loans outstanding at June 30, 2020 and 2019. 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 2020 and 2019, 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.

Academic year 2017-18 was the last year in which new Perkins loans were allowed to be disbursed to students, as Congress did not renew the program. No new loans were allowed after June 30, 2018. Institutions have been given the option of assigning existing Perkins loans back to the federal government or continuing to collect on these loans while returning the Federal Capital Contributions (FCC) portion as loans are repaid. The University has elected to continue to collect on Perkins loans and return the FCC portion as the loans are collected. As payments are made back to the U.S. government, the U.S. government grants refundable will be reduced.

At June 30, 2020 and 2019, 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, 2020 and 2019, the allowance for possible loan losses of these funds was \$153,000.

(13) Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the tables below. 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.

The table below shows the composition of the expenses of the University for the year ended June 30, 2020 by functional category and natural class:

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

	<u>Instruction</u>	<u>Research</u>	<u>Public service</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Auxiliary enterprises</u>	<u>Total</u>
Salaries and wages	122,039,703	11,246,753	7,706,201	46,894,593	25,928,304	37,003,913	10,484,370	261,303,837
Fringe benefits	28,957,253	2,062,587	1,676,181	10,801,459	6,148,847	8,996,495	2,664,863	61,307,685
Services, supplies, and other	43,290,036	8,673,060	9,237,986	35,995,005	21,555,114	23,477,191	16,470,201	158,698,593
Utilities and maintenance	2,459,877	470,618	62,896	2,088,718	1,983,781	711,701	5,365,825	13,143,416
Depreciation	7,050,799	425,925	1,743	844,882	2,071,553	2,053,499	4,019,370	16,467,771
Interest on indebtedness	496,740	-	-	356,273	526,612	27,218	5,233,692	6,640,535
Total	204,294,408	22,878,943	18,685,007	96,980,930	58,214,211	72,270,017	44,238,321	517,561,837

The table below shows the composition of the expenses of the University for the year ended June 30, 2019 by functional category and natural class:

	<u>Instruction</u>	<u>Research</u>	<u>Public service</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Auxiliary enterprises</u>	<u>Total</u>
Salaries and wages	112,797,158	9,947,533	7,616,868	42,640,255	25,134,488	39,633,101	9,799,193	247,568,596
Fringe benefits	27,179,038	1,771,791	1,621,003	9,774,277	5,804,538	9,822,956	2,451,279	58,424,882
Services, supplies, and other	36,124,631	6,176,308	9,183,529	34,318,410	24,708,167	15,416,534	19,038,790	144,966,369
Utilities and maintenance	2,422,718	455,985	60,772	2,023,966	1,885,400	705,522	5,564,419	13,118,782
Depreciation	6,917,037	388,173	329	1,122,053	2,561,577	1,991,873	3,965,430	16,946,472
Disposal of property, plant, and equipment	12,794	6,130	-	18,286	4,321,257	353,983	700,724	5,413,174
Interest on indebtedness	482,306	-	-	378,108	739,309	26,426	7,502,245	9,128,394
Total	185,935,682	18,745,920	18,482,501	90,275,355	65,154,736	67,950,395	49,022,080	495,566,669

The University had fund-raising expenses of approximately \$19,216,000 and \$23,051,000 in 2020 and 2019, respectively, which were recognized in institutional support in the accompanying statements of activities.

(14) Line of Credit

The University of Denver has a line of credit of \$50 million with a financial institution for operational needs. The line of credit expires on March 31, 2021. As of June 30, 2020, there was no outstanding draw on this line of credit.

(15) Commitments and Contingencies

At June 30, 2020 and 2019, the University had outstanding commitments totaling approximately \$21,687,000 and \$114,672,000, respectively, for contracts related to various construction projects on campus.

During the 2020 fiscal year, the University invested approximately \$34,823,000 in 20 long term partnerships, 20 of which were formed prior to the 2020 fiscal year, bringing its cumulative contributions to the partnerships to approximately \$224,219,000. Under the terms of the partnership agreements, the University and other investors are committed to fund additional investments. As of June 30, 2020, the University's remaining commitments to 18 partnerships total approximately \$192,532,000.

UNIVERSITY OF DENVER
Notes to Financial Statements
June 30, 2020 and 2019

During the 2019 fiscal year, the University invested approximately \$29,360,000 in 19 long term partnerships, 19 of which were formed prior to the 2019 fiscal year, bringing its cumulative contributions to the partnerships to approximately \$193,992,000. Under the terms of the partnership agreements, the University and other investors are committed to fund additional investments. As of June 30, 2019, the University's remaining commitments to 18 partnerships total approximately \$125,792,000.

(16) Risks and Uncertainties

During the fiscal year, the University received \$4,626,269 in funding from the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act. As required by law, fifty percent of the funding, or \$2,313,135, was made directly available for students under the Emergency Financial Aid Grants to Students, and the second fifty percent, or \$2,313,134, was used to offset the reimbursement of room and board and fee refunds to students in the Spring quarter of the 2020 fiscal year. The University issued room and board and fee refunds to students related to operational changes due to the Coronavirus Disease (COVID-19) totaling \$13,256,736. All funding received from the CARES Act was fully utilized by the University by June 30, 2020.

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.

During the fiscal year, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. Subsequent to year end, the COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the University of Denver, COVID-19 may impact various parts of its 2021 operations and financial results, including, but not limited to, declines in enrollment, loss of auxiliary revenues, additional bad debts and/or costs for increased use of technology. The University of Denver is taking appropriate actions to mitigate any negative impact; however, the full impact of COVID-19 is unknown and cannot be fully estimated as these events are still developing.

Supplementary Information - Financial Responsibility Composite Score

UNIVERSITY OF DENVER
 Supplementary Information
 June 30, 2020
 (See Independent Auditor's Report)

Supplemental Schedule - Financial Responsibility Composite Score

The composite score is prepared pursuant to Appendix B of 34 CFR Part 668 - Subpart L, Ratio Methodology for Private Non-profit Institutions. Private non-profit institutions must demonstrate financial health to participate in Title IV funding. The University prepared the required calculations based on audited financial statements for the year-ended June 30, 2020. The composite score reflects the overall relative financial health of institutions along a scale from negative 1.0 to positive 3.0.

The calculation of the composite score for the year-ended June 30, 2020 is as follows:

Primary Reserve Ratio:			
Expendable net assets		\$ 537,407,883	
Total expenses and losses		\$ 523,086,837	1.03
 Equity Ratio:			
Modified Net Assets		\$ 1,457,647,523	
Modified Assets		\$ 1,841,507,133	0.79
 Net Income Ratio:			
Change in net assets without donor restrictions		\$ (8,743,697)	
Total revenues without donor restrictions		\$ 514,343,140	(0.02)

	Ratios	Strength Factors	Weight	Composite Score
Primary Reserve Ratio	1.03	3.0	40%	1.20
Equity Ratio	0.79	3.0	40%	1.20
Net Income Ratio	(0.02)	0.575	20%	0.12
Composite score				2.5

Section 498(c)(1) of the Higher Education Act authorizes the Secretary for the U.S. Department of Education, "ED", to establish ratios and other criteria for determining whether an institution has sufficient financial responsibility. Section 668.172 establishes a methodology based on three ratios - primary reserve, equity, and net income - that measure different aspects of financial health and are combined into a composite score to measure financial responsibility. Several computational steps are required to combine an institution's ratio results into a composite score:

- 1 Determine the value of each ratio;
- 2 Calculate a strength factor for each ratio using the appropriate algorithm;
- 3 Calculate a weighted score for each ratio by multiplying the strength factor score by its corresponding weighted percentage; and
- 4 Add the weighted scores to arrive at the composite score

Institutions receiving a composite score of 1.5 or greater are considered financially responsible. An institution that fails the financial responsibility standards may continue to participate in the Title IV programs under provisional certifications for three years. To continue to participate in Title IV programs under provisional certification, an institution will be required to provide surety to the ED of ten percent or more of its previous year's Title IV funding, as determined by the ED.

UNIVERSITY OF DENVER
Supplementary Information
June 30, 2020
(See Independent Auditor's Report)

Supplemental Schedule - Composite Score Components

Primary Reserve Ratio:

Primary Reserve Ratio:	Expendable net assets:		
1 Statement of Financial Position (SFP)	Net assets without donor restrictions	\$	853,188,177
2 SFP	Net assets with donor restrictions		614,032,346
3 Supplemental Disclosure (SD) Line 1	Net assets with donor restrictions: restricted in perpetuity		(390,275,123)
4 Financial Statement Note (FSN) 6	Unsecured related-party receivables		(9,573,000)
5 SD Line 2d	Donor restricted annuities, term endowments, and life income funds		(4,353,258)
6 SD Line 3d	Property, plant, and equipment, net, pre-implementation		(654,557,957)
7 Not applicable	Property, plant, and equipment, net, post-implementation with outstanding debt for original purchase		-
8 SD Line 5	Construction-in-progress purchased with long-term debt		(107,853,187)
9 SD Line 6a	Property, plant, and equipment, net, post-implementation without debt		(1,779,012)
10 Not applicable	Lease right-of-use asset, post-implementation		-
11 Not applicable	Intangible assets		-
12 FSN 11	Post-employment and pension liabilities		3,154,000
13 SD Line 8e	Long-term debt for long-term purposes, pre-implementation		235,424,897
14 Not applicable	Long-term debt for long-term purposes, post-implementation		-
15 Not applicable	Debt or line of credit for construction-in-progress		-
16 Not applicable	Pre-implementation right-of-use asset liability		-
17 Not applicable	Post-implementation right-of-use asset liability		-
	Total expendable net assets:	\$	<u><u>537,407,883</u></u>
Expenses and losses:			
18 Statement of Activities (SOA)	Total operating expenses without donor restrictions	\$	517,561,837
19 SOA	Donor advised fund grants (non-operating)		5,525,000
20 Not applicable	Non-service component of post-employment and pension (non-operating) cost (if loss)		-
21 Not applicable	Change in value of interest rate swap agreements (if loss)		-
	Total expenses and losses:	\$	<u><u>523,086,837</u></u>

Equity Ratio:

Equity Ratio:	Modified net assets:		
22 SFP	Net assets without donor restrictions	\$	853,188,177
23 SFP	Net assets with donor restrictions		614,032,346
24 Not applicable	Intangible assets		-
25 Financial Statement Note (FSN) 6	Unsecured related-party receivables		(9,573,000)
	Total modified net assets:	\$	<u><u>1,457,647,523</u></u>
Modified assets:			
26 SFP	Total Assets	\$	1,851,080,133
27 Not applicable	Lease right-of-use asset, pre-implementation		-
28 Not applicable	Intangible assets		-
29 Financial Statement Note (FSN) 6	Unsecured related-party receivables		(9,573,000)
	Total modified assets:	\$	<u><u>1,841,507,133</u></u>

Net Income Ratio:

30 SOA	Change in net assets without donor restrictions	\$	<u><u>(8,743,697)</u></u>
Revenues and gains:			
31 SOA	Tuition and fees, net	\$	350,170,289
32 SOA	Private gifts - without donor restrictions		2,005,509
33 SOA	Grants and contracts		49,281,558
34 SOA	Sales and services of educational activities		15,456,654
35 SOA	Sales and services of auxiliary enterprise		28,715,609
36 SOA	Other sources of operating revenue		21,936,186
37 SOA	Net assets released from restrictions in operations		37,679,469
38 SOA	Net assets released from restrictions in non-operating		1,256,872
39 SOA	Reclassification of restricted net assets from gift matching		(652,252)
41 SOA	Endowment investment return appropriated for operations-without donor restrictions		10,034,282
42 SOA	Endowment investment return after amounts appropriated for operations-without donor restrictions		(5,840,708)
43 SOA	Other investment income in operating - without donor restrictions		4,564,657
44 SOA	Net realized and unrealized gains (losses) on other investment in operating - without donor restrictions		(264,985)
45 Not applicable	Non-service component of post-employment and pension (non-operating) cost, (if loss)		-
46 Not applicable	Pension-related changes other than net periodic pension costs (if gain)		-
47 Not applicable	Change in value of annuity agreement		-
48 Not applicable	Change in value of interest rate swap agreements (if gain)		-
49 Not applicable	Sale of fixed assets (if gain)		-
	Total revenues and gains:	\$	<u><u>514,343,140</u></u>

UNIVERSITY OF DENVER
Supplementary Information
June 30, 2020
(See Independent Auditor's Report)

Supplemental Schedule - Composite Score Components Disclosure

The Department of Education issued regulations on February 23, 2019, which become effective for filings July 1, 2020, regarding additional disclosures deemed necessary to calculate ratios for determining sufficient financial responsibility under Title IV.

Net assets

1	Net assets with donor restrictions: restricted in perpetuity	\$	390,275,123
2	Other net assets with donor restrictions (not restricted in perpetuity):		
a.	Annuities with donor restrictions		964,755
b.	Term Endowments		-
c.	Life income funds (trusts)		<u>3,388,503</u>
d.	Total annuities, term endowments, and life income funds with donor restrictions	\$	<u>4,353,258</u>

Property, plant, and equipment, net

3	Pre-implementation property, plant, and equipment, net		
a.	Ending balance of last financial statements submitted to and accepted by the Department of Education (June 30, 2019 financial statements)	\$	671,025,728
b.	Reclassify capital lease assets previously included in PPE, net, prior to the implementation of ASU 2016-02 lease standard		-
c.	Less subsequent depreciation and disposals (net of accumulated depreciation)		<u>(16,467,771)</u>
d.	Balance pre-implementation property, plant, and equipment, net		654,557,957
4	Debt-financed post-implementation property, plant, and equipment, net		
a.	Equipment		-
b.	Land improvements		-
c.	Buildings		-
d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months		<u>-</u>
5	Construction in progress - acquired subsequent to June 30, 2019		107,853,187
6	Post-implementation property, plant, and equipment, net, acquired without debt:		
a.	Long-lived assets acquired without use of debt subsequent to June 30, 2019		<u>1,779,012</u>
7	Total Property, Plant, and Equipment, net - June 30, 2020	\$	<u>764,190,156</u>

Debt to be excluded from expendable net assets

8	Pre-implementation debt:		
a.	Ending balance of last financial statements submitted to and accepted by the Department of Education (June 30, 2019 financial statements)	\$	244,024,186
b.	Reclassify capital lease assets previously included in long-term debt, prior to the implementation of ASU 20106-02 lease standard		-
c.	Less subsequent debt repayments		(7,825,000)
d.	Less amortization of bond premium and cost of issuance costs		<u>(774,289)</u>
e.	Balance Pre-implementation Debt		235,424,897
9	Allowable post-implementation debt used for capital long-lived assets		
a.	Equipment - all capitalized		-
b.	Land improvements		-
c.	Buildings		-
d.	Balance post-implementation debt		<u>-</u>
10	Construction-in-progress financed with debt or line of credit subsequent to June 30, 2019		-
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than asset value		-
12	Total debt to be excluded from expendable net assets	\$	<u>235,424,897</u>

Unsecured related-party receivables

13	Secured related-party receivables	\$	-
14	Unsecured related-party receivables		
a.	Unconditional contributions receivable from related-parties		<u>9,573,000</u>
15	Total secured and unsecured related-party receivables	\$	<u>9,573,000</u>

Other Items

16	Sale of fixed assets, gains (losses)		-
17	Intangible Assets		-

Single Audit



**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**

Board of Trustees
University of Denver
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of University of Denver (Colorado Seminary), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered University of Denver's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University of Denver's internal control. Accordingly, we do not express an opinion on the effectiveness of University of Denver's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-01 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether University of Denver's financial statements are free from 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 financial statements. 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*.

Purpose of this Report

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



CliftonLarsonAllen LLP

Denver, Colorado
November 13, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
University of Denver
Denver, Colorado

Report on Compliance for Each Major Federal Program

We have audited the University of Denver's (Colorado Seminary) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University of Denver's major federal programs for the year ended June 30, 2020. The University of Denver's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the University of Denver's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal programs occurred. An audit includes examining, on a test basis, evidence about the University of Denver'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 on compliance for the major federal programs. However, our audit does not provide a legal determination of the University of Denver's compliance.

Opinion on Each Major Federal Program

In our opinion, the University of Denver complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the University of Denver is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University of Denver’s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 of Denver’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance 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 material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Denver, Colorado
May 12, 2021

Cluster	Federal Granting Agency	Program Title	CFDA Number	Pass-Through Entity	Passed Through to Subrecipients	Expenditures
NON-CLUSTERED PROGRAMS:						
	Dept of Agriculture	Child and Adult Care Food Program	10.558	Colorado Dept of Public Health and Environment		67,698
	<i>Total Department of Agriculture</i>				-	67,698
	Dept of Commerce	Intergovernmental Personnel Agreement	11.620			23,247
	<i>Total Department of Commerce</i>				-	23,247
	Dept of the Treasury	Low-Income Taxpayer Clinic	21.008			42,464
	<i>Total Department of the Treasury</i>				-	42,464
	Dept of Education	COVID-19 - Education Stabilization Fund - Student Portion	84.425E			2,313,135
	Dept of Education	COVID-19 - Education Stabilization Fund - Institutional Portion	84.425F			2,313,134
	<i>Total Department of Education</i>				-	4,626,269
	Dept of Health and Human Services	Temporary Assistance for Needy Families	93.558	City and County Of Denver		182,212
	<i>Total Dept of Health and Human Services</i>				-	182,212
	Total Non-Clustered Programs				\$ -	\$ 4,941,890
RESEARCH AND DEVELOPMENT CLUSTER:						
	Dept of Commerce	Sea Grant Support	11.417	New Jersey Sea Grant Consortium		2,615
	<i>Total Department of Commerce</i>				-	2,615
	Dept of Defense	Basic Scientific Research	12.431			161,898
	Dept of Defense	Air Force Defense Research Sciences Program	12.800	University of Minnesota		15,635
	Dept of Defense	Air Force Defense Research Sciences Program	12.800	University of Pennsylvania		45,052
	<i>Total Department of Defense</i>				-	222,585
	Dept of the Interior	Research and Data Collection	15.808			(5,976)
	Dept of the Interior	Preservation of Japanese American Confinement Sites	15.933			13,974
	Dept of the Interior	Cooperative Research and Training Programs – Resources of the National Park System	15.945			15,033
	<i>Total Department of the Interior</i>				-	23,031
	Dept of Justice	Services for Trafficking Victims	16.320	Denver District Attorney's Office		1,942
	Dept of Justice	Juvenile Justice and Delinquency Prevention	16.540			44,082
	Dept of Justice	Justice Research, Development and Evaluation	16.560		39,414	112,444
	Dept of Justice	Justice Research, Development and Evaluation	16.560	RAND Corporation		193,634
	Dept of Justice	Justice Research, Development and Evaluation	16.560	Research Triangle Institute	22,388	86,222
	Dept of Justice	Smart Prosecution Initiative	16.825	Denver District Attorney's Office		663
	<i>Total Department of Justice</i>				61,802	438,987
	Dept of Transportation	University Transportation Centers Program	20.701	North Dakota State University		203,664
	<i>Total Department of Transportation</i>				-	203,664
	National Aeronautics and Space Admin (NASA)	Aerospace Education Services Program	43.001		215,603	258,776
	National Aeronautics and Space Admin (NASA)	Aerospace Education Services Program	43.001	Langley Space Flight Center		17,521
	<i>Total National Aeronautics and Space Administration (NASA)</i>				215,603	276,297
	National Endowment for the Arts & Humanities	Promotion of the Arts Grants to Organizations and Individuals	45.024			15,000
	National Endowment for the Arts & Humanities	Promotion of the Humanities Professional Development	45.163			6,771
	National Endowment for the Arts & Humanities	National Leadership Grants	45.312			107,400
	<i>Total National Endowment for the Arts & Humanities</i>				-	129,171

Cluster	Federal Granting Agency	Program Title	CFDA Number	Pass-Through Entity	Passed	
					Through to Subrecipients	Expenditures
	National Science Foundation	Engineering Grants	47.041			485,729
	National Science Foundation	Engineering Grants	47.041	Howard University		(744)
	National Science Foundation	Engineering Grants	47.041	National Center for Atmospheric Research		16,126
	National Science Foundation	Engineering Grants	47.041	University of Michigan		3,399
	National Science Foundation	Mathematical and Physical Sciences	47.049			564,344
	National Science Foundation	Mathematical and Physical Sciences	47.049	Colorado State University		15,371
	National Science Foundation	Geosciences	47.050			39,601
	National Science Foundation	Geosciences	47.050	University of Colorado/Boulder		1,419
	National Science Foundation	Computer and Information Science and Engineering	47.070			136,512
	National Science Foundation	Biological Sciences	47.074			222,519
	National Science Foundation	Biological Sciences	47.074	University of Colorado/Boulder		13,616
	National Science Foundation	Social	47.075		54,132	539,678
	National Science Foundation	Social	47.075	Keck Institute		5,222
	National Science Foundation	Education and Human Resources	47.076		48,123	315,674
	National Science Foundation	Education and Human Resources	47.076	Colorado State University		22,942
	National Science Foundation	Education and Human Resources	47.076	University of North Dakota		(1)
	National Science Foundation	Office of International Science and Engineering	47.079			96,506
	<i>Total National Science Foundation</i>				<u>102,255</u>	<u>2,477,913</u>
	Dept of Energy	Office of Science Financial Assistance Program	81.049	Handix Scientific LLC		53,606
	Dept of Energy	Renewable Energy Research and Development	81.087	Commonwealth Edison Company		129,536
	<i>Total Department of Energy</i>				<u>-</u>	<u>183,142</u>
	Dept of Education	Education Research, Development and Dissemination	84.305		15,498	1,010,743
	Dept of Education	Education Research, Development and Dissemination	84.305	University of Colorado Denver		36,954
	Dept of Education	Education Research, Development and Dissemination	84.305	Colorado Department of Education		312
	Dept of Education	Research in Special Education	84.324		17,373	387,394
	Dept of Education	Special Education Technical Assistance and Dissemination	84.326	University of South Florida		344,603
	Dept of Education	Special Education Technical Assistance and Dissemination	84.326	University of North Carolina		262,540
	Dept of Education	Special Education Educational Technology Media, and Materials for Individuals with Disabilities	84.327	University of North Carolina		442,897
	<i>Total Department of Education</i>				<u>98,927</u>	<u>2,484,903</u>
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		206,031	885,652
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Center for Relationship Education		194,026
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Public Strategies, Inc.		189,485
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	University of Miami		42,150
	Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Mathematica Policy Research, Inc.		15,457
	Dept of Health and Human Services	Graduate Psychology Education	93.191		6,380	276,796
	Dept of Health and Human Services	Research on Healthcare Costs, Quality and Outcomes	93.226	University of Louisville		1,031
	Dept of Health and Human Services	Mental Health Research Grants	93.242		254,110	1,168,585
	Dept of Health and Human Services	Mental Health Research Grants	93.242	Regents of University of California Irvine		125,912
	Dept of Health and Human Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	Mile High Council on Alcoholism and Drug Abuse		34,443
	Dept of Health and Human Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	Casa Esperanza	230,881	400,725
	Dept of Health and Human Services	Drug Abuse and Addiction Research Programs	93.279		37,005	263,570
	Dept of Health and Human Services	Drug Abuse and Addiction Research Programs	93.279	University of Colorado Denver		80,280
	Dept of Health and Human Services	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286			86
	Dept of Health and Human Services	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	University of Nebraska		40,750
	Dept of Health and Human Services	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	Cleveland Clinic Educational Foundation		127,540
	Dept of Health and Human Services	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	University of Chicago		11
	Dept of Health and Human Services	Cancer Detection and Diagnosis Research	93.394			409,528
	Dept of Health and Human Services	Head Start	93.600	Zero to Three		67,781
	Dept of Health and Human Services	Assistance for Torture Victims	93.604	International Rescue Committee Denver		54,609
	Dept of Health and Human Services	Child Welfare Services Training Grants	93.648	Research Foundation of State University of New York		28,427
	Dept of Health and Human Services	Child Welfare Services Training Grants	93.648	University of Maryland-Baltimore		37,595
	Dept of Health and Human Services	Child Welfare Services Training Grants	93.648	State University of New York - Albany		1,650,391
	Dept of Health and Human Services	Adoption Opportunities	93.652	University of Vermont		24,395

Cluster	Federal Granting Agency	Program Title	CFDA Number	Pass-Through Entity	Passed		
					Through to Subrecipients	Expenditures	
	Dept of Health and Human Services	Foster Care Title IV-E	93.658		2,478,151	3,405,602	
	Dept of Health and Human Services	Foster Care Title IV-E	93.658	Colorado Department of Human Services		260,766	
	Dept of Health and Human Services	Mental and Behavioral Health Education and Training Grants	93.732			676,011	
	Dept of Health and Human Services	Centers for Medicare and Medicaid Services	93.779	University of Houston		28,782	
	Dept of Health and Human Services	Cardiovascular Diseases Research	93.837			245,977	
	Dept of Health and Human Services	Arthritis, Musculoskeletal and Skin Diseases Research	93.846		44,440	561,676	
	Dept of Health and Human Services	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847			42,781	
	Dept of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			282,601	
	Dept of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University Of Wisconsin		29,314	
	Dept of Health and Human Services	Allergy and Infectious Diseases Research	93.855			335,226	
	Dept of Health and Human Services	Biomedical Research and Research Training	93.859			1,898,658	
	Dept of Health and Human Services	Biomedical Research and Research Training	93.859	University of Nebraska		12,072	
	Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865		98,777	756,738	
	Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	Boston University		14,249	
	Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	Univ of California		51,212	
	Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	Northwestern University		48,919	
	Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	Research, Evaluation and Social Sciences, Inc.		29,543	
	Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	University of Colorado/Boulder		196,688	
	Dept of Health and Human Services	Aging Research	93.866		158,916	859,258	
	Dept of Health and Human Services	Aging Research	93.866	University of Kentucky		18,290	
	Dept of Health and Human Services	Special Projects of National Significance	93.928	Washington University-St. Louis		11,699	
	Dept of Health and Human Services	Geriatrics Workforce Enhancements Program	93.969	STRIDE Community Health Center		24,999	
	<i>Total Department of Health and Human Services</i>					<u>3,530,148</u>	<u>15,910,286</u>
	Corporation for National and Community Service	National Service and Civic Engagement Research Competition	94.026		12,822	110,074	
	Corporation for National and Community Service	National Service and Civic Engagement Research Competition	94.026	Natl Assoc for Public Interest Law		17,367	
	<i>Total Corporation for National and Community Service</i>					<u>12,822</u>	<u>127,441</u>
	US Agency for International Development (USAID)	USAID Foreign Assistance for Programs Overseas	98.001	FHI 360		(59,973)	
	<i>Total US Agency for International Development (USAID)</i>					<u>-</u>	<u>(59,973)</u>
	Total Research and Development Cluster					\$ 4,021,557	\$ 22,420,062
STUDENT FINANCIAL ASSISTANCE CLUSTER:							
	Dept of Education	Federal Supplemental Education Opportunity Grant Program	84.007			596,388	
	Dept of Education	Federal Work Study Program	84.033			2,393,955	
	Dept of Education	Federal Perkins Loan Program	84.038			11,891,706	
	Dept of Education	Federal Pell Grant Program	84.063			4,464,327	
	Dept of Education	Federal Direct Student Loan Program	84.268			164,419,320	
	Dept of Education	Teacher Education Assistance for College and Higher Education (TEACH) Grants	87.379			85,499	
	<i>Total Department of Education</i>					<u>-</u>	<u>183,851,195</u>
	Total Student Financial Assistance Cluster					\$ -	\$ 183,851,195
	Total Federal Awards					\$ 4,021,557	\$ 211,213,147

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Schedule of Expenditures of Federal Awards

June 30, 2020

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the University of Denver (Colorado Seminary) (the University) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 FEDERAL STUDENT LOAN PROGRAMS

The federal student loan program listed subsequently is administered directly by the University, and balances and transactions relating to this program is included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2020 consists of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Federal Perkins Loans	84.038	\$ 9,636,738

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Schedule of Expenditures of Federal Awards

June 30, 2020

NOTE 5 PASS-THROUGH AWARDS

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

Grantor Agency	Federal CFDA Number	Contract/Grantor Number	Federal Expenditures
Colorado Department of Public Health and Environment	10.558	11 FLA 14649	67,698
New Jersey Sea Grant Consortium	11.417	SUBCONTRACT#0545/NA180R4170087	2,615
University Of Minnesota	12.800	A007584101	15,635
University of Pennsylvania	12.800	547035/ PO 4324511	45,052
Denver District Attorney's Office	16.320	2018-VT-BX-K076	1,942
RAND Corporation	16.560	2018-75-CX-K0006	191,284
RAND Corporation	16.560	9920140062-AMEND 7	2,350
Research Triangle Institute	16.560	888-19-27-10	86,222
Denver District Attorney's Office	16.825	2019-YX-BX-0012	663
North Dakota State University	20.701	FAR0028868	203,664
Langley Space Flight Center	43.001	NNX17AH29G-05	17,521
Howard University	47.041	0008484-1000052630	(744)
National Center for Atmospheric Research	47.041	UCAR SUBAWARD Z17-21304	16,126
University of Michigan	47.041	SUBK00012024	3,399
Colorado State University	47.049	G-98590-01	15,371
University of Colorado Boulder	47.050	1555559/PO1000884823	1,419
University of Colorado Boulder	47.074	SUBAWARD 1001272789	13,616
Keck Institute	47.075	GR700508UD	5,222
Colorado State University	47.076	G-46373-14	22,942
University of North Dakota	47.076	UND0023983-S1	(1)
Handix Scientific LLC	81.049	EMAIL 10/15/2018	53,606
Commonwealth Edison Company	81.087	CON 01219429	129,536
Colorado Department of Education	84.305	PO DAA-2018-0774	312
University of Colorado Denver	84.305	FY18.890.001_AMD1	36,954
University of North Carolina	84.326	5111594-H326P170001	262,540
University of South Florida	84.326	5830-1526-00-C	344,063
University of North Carolina	84.327	SUBAWARD 5112267	442,897
Center for Relationship Education	93.086	SUBCONTRACT NO. 1620421	194,026
Mathematica Policy Research, Inc.	93.086	50098X05083	15,457
Public Strategies, Inc.	93.086	90FM0064	189,485
University of Miami	93.086	SPC-001386	42,150
University of Louisville	93.226	ULRF 15-0351	1,031
Regents of University of California Irvine	93.242	2019-3739	125,912
Casa Esperanza	93.243	1H79SM080754-01	64,687
Casa Esperanza	93.243	1H79TI080903-01	73,361
Casa Esperanza	93.243	1H79TI081614-01	123,391
Casa Esperanza	93.243	3H79TI080655-02S1	82,043
Casa Esperanza	93.243	6H79TI026603-03M001	17,114
Casa Esperanza	93.243	6H79TI080787-01M004	40,129
Mile High Council on Alcoholism and Drug Abuse	93.243	TI-19-008	34,443
University of Colorado Denver	93.279	FY19.778.001, PROJ. 2-5-A7252	80,280
Cleveland Clinic Educational Foundation	93.286	R01EB024573, NO. 1239-SUB	127,540
University of Chicago	93.286	SUBAWARD FP049864	11
University of Nebraska	93.286	24-0509-0156-002	40,750
City and County Of Denver	93.558	SOCV-201948997-00	182,212
Zero to Three	93.600	2018090431	67,781
International Rescue Committee Denver	93.604	90ZT0204	54,609
Research Foundation of State University of New York	93.648	15-44/16-38/18-16	28,427
State University of New York - Albany	93.648	4-86154 - YR. 2	1,650,391
University of Maryland-Baltimore	93.648	POSR00005576	37,595
University of Vermont	93.652	28332SUB51623	24,395

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Schedule of Expenditures of Federal Awards

June 30, 2020

NOTE 5 PASS-THROUGH AWARDS (CONTINUED)

Colorado Department of Human Services	93.658	20 IHFA 129097	260,766
University of Houston	93.779	R-19-0094	28,782
University Of Wisconsin	93.853	1R21NS108684-01/844K723	29,314
University of Nebraska	93.859	24-0509-0179-002	12,072
Boston University	93.865	R01HD098167	14,249
Northwestern University	93.865	NIH-NICHD-CDBB-2019-15	48,919
Research, Evaluation and Social Sciences, Inc.	93.865	R43HD097847	29,543
Univ of California	93.865	201402548-01/A15-0127-S002	51,212
University of Colorado Boulder	93.865	1558419 PO 1001251017	9,875
University of Colorado Boulder	93.865	SUB 1558423 / PO 1001251024	186,813
University of Kentucky	93.866	3200002154-19-117	18,290
Washington University-St. Louis	93.928	2934914G	5,704
Washington University-St. Louis	93.928	2940814H	5,995
STRIDE Community Health Center	93.969	MOU under HRSA Grant U1QHP33072	24,999
Natl Assoc for Public Interest Law	94.026	16NDHDC003	17,367
FHI 360	98.001	101347.001.001.009.002	(59,973)
			<u>\$ 5,963,051</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported
3. Noncompliance material to financial statements noted? yes no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes no
 - Significant deficiency(ies) identified? yes none reported
2. Type of auditors’ report issued on Compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of Major Federal Programs

CFDA Number(s)

Name of Federal Program or Cluster

84.007, 84.003, 84.038,
84.063, 84.268, 84.379

Student Financial Assistance Cluster

84.425E, 84.425F

COVID-19 – Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

yes no

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Section II – Financial Statement Findings

2020-001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: During fiscal year 2020, the University’s internal control structure failed to prevent payment to a party posing fraudulently as a University contractor.

Criteria or specific requirement: A strong system of internal control is a key to the effective safeguarding of an organization’s assets whether due to fraud or error.

Context: Many of the University’s vendors are paid via Automated Clearing House (ACH) payments. The University’s master vendor file maintains ACH account numbers so that when payments are processed, payments are made directly to the vendors’ accounts.

During the year, a fraudulent party posed as a University contractor and requested an ACH account number change within the master vendor file. When the University processed payment to the vendor, the amount was deposited in the bank account owned by the fraudulent party. The University was able to later recoup the monies in from the financial institution in which the fraudulent account was maintained.

Effect: The University inadvertently paid a material amount of money to a fraudulent party.

Cause: The University did not positively confirm that the ACH change request came from an actual vendor. As such, the University’s internal controls over vendor change processes failed to prevent or detect the fraud.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend management create a formal written policy that requires personnel to independently verify the validity of requested changes with an existing vendor contact. This should include disconnecting from the original communication with the vendor requesting the change and connecting directly to a known contact at the vendor to confirm the validity of the change request. If possible, this control should be required within the information system so that payments cannot go forward without this confirmation. In addition, we recommend that management strengthen controls by providing training to employees on a regular basis to remind them of common phishing schemes and the University’s security standards.

Section III – Federal Awards

Our audit did not disclose any matters required to be reported in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)



**UNIVERSITY OF DENVER
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2020**

Office of Naval Research

The University of Denver respectfully submits the following corrective action plan for the year ended June 30, 2020.

Audit period: July 1, 2019 to June 30, 2020

The finding from the schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

2020 – 001: Vendor ACH Fraud

Recommendation: We recommend management create a formal written policy that requires personnel to independently verify the validity of requested changes with an existing vendor contact. This should include disconnecting from the original communication with the vendor requesting the change and connecting directly to a known contact at the vendor to confirm the validity of the change request. If possible, this control should be required within the information system so that payments can not go forward without this confirmation. In addition, we recommend that management strengthen controls by providing training to employees on a regular basis to remind them of common phishing schemes and the University's security standards.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: Management agrees with auditor's recommendation to create a formal written policy that requires personnel to independently verify the validity of requested changes with an existing vendor contact. Upon the receipt of a new request to change vendor banking information, accounts payable will perform a multi-step process to screen, validate, and confirm through dual validation the authenticity of the request. In addition, the Director of Disbursements will review each fully vetted request to ensure authenticity is validated independent of the accounts payable staff before the banking data is updated in the financial system. Once validated banking data is updated in the system the University's Information Technology department automatically notifies management of the update, which is then compared to approved actions.

Any new banking change requests for vendors receiving more than \$500,000 annually are reviewed and approved by Controller or Senior Vice Chancellor for Finance.

Names of contact persons responsible for corrective action:

Christopher Bennett, Executive Director Shared Services

Andrew Cullen, Associate Vice Chancellor, Finance and Controller

Planned completion date for corrective action plan: Effective immediately



**COLORADO SEMINARY – UNIVERSITY OF DENVER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

Office of Naval Research

The University of Denver respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2020.

Audit period: July 1, 2019 to June 30, 2020

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

No financial statement audit findings reported in the prior year audit.



**COLORADO SEMINARY – UNIVERSITY OF DENVER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020**

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

No federal award programs audit findings reported in the prior year audit.

If the Office of Naval Research has questions regarding this schedule, please call Andrew Cullen, Associate Vice-Chancellor, Finance, at 303-871-3740.