# UNIVERSITY OF DENVER (COLORADO SEMINARY)

Financial Statements and OMB A-133 Single Audit Reports

June 30, 2015 and 2014

(With Independent Auditors’ Report Thereon)

UNIVERSITY of DENVER

CHANCELLOR

November 19, 2015

To Readers and Users of the University of Denver's Financial Statements:

The University's management is responsible for the fair presentation of the University's financial statements, prepared in accordance with generally accepted accounting principles (GAAP), and has full responsibility for their integrity and accuracy. Management believes that effective internal controls are maintained to provide reasonable assurance at reasonable costs that assets are protected and that transactions and events are recorded properly.

Management, with oversight of the Board of Trustees, maintains a strong ethical climate to ensure that the University's affairs are conducted at the highest standards of personal and corporate conduct. The University has voluntarily adopted best practices in corporate governance and responsibility including:

- We have clear codes of business conduct and conflicts of interest - approved by the Board of Trustees - that are monitored by the Office of Internal Audit and annually affirmed by our deans, directors, officers and trustees.
- All University deans and directors have individually certified the accuracy and completeness of the underlying financial transactions and the non-financial activities as well as the adherence to internal controls within their scope of their responsibility.
- We have a confidential hotline in the Office of Internal Audit available to all employees to submit complaints on accounting, internal controls and auditing matters. The Audit Committee of the Board of Trustees reviews the nature and disposition of all matters reported under this mechanism.
- Our Internal Audit function oversees the University's key areas of business, financial processes and internal controls, and reports directly to the Audit Committee.
- Both the internal audit function and the independent accountants meet with the Audit Committee at least annually without the presence of management representatives.

We are dedicated to maintaining our high standards for financial accounting and reporting as well as our system of internal controls. The University's culture demands integrity and we have confidence that our employees and processes reflect the highest level of ethical standards.

Rebecca Chopp
Chancellor

Gregg Kvistad
Provost and
Executive Vice Chancellor

Craig Woody
Vice Chancellor for Business
and Financial
Affairs/Treasurer

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

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# 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, 2015 and 2014, 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.

Board of Trustees
University of Denver

**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, 2015 and 2014, 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 2015 financial statements as a whole. The 2015 Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the presentation of the operating, plant and long-term investment fund information in the statement of financial position and statement of activities are presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and the presentation of the operating, plant and long-term investment fund information in the statement of financial position and statement of activities 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 audit 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 information is 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 19, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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

**CliftonLarsonAllen LLP**

Greenwood Village, Colorado
November 19, 2015

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

Statement of Financial Position

June 30, 2015

| Assets | Operations | Plant | Long-term investment | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 1,502,327 | 60,053,944 | 4,793,894 | 66,350,165 |
| Short-term investments | 113,148,628 | 15,710,971 | 125,510,361 | 254,369,960 |
| Accounts receivable, net | 19,129,729 | 80,961 | 308,098 | 19,518,788 |
| Pledges receivable, net | 12,539,916 | 11,225,150 | 18,636,984 | 42,402,050 |
| Inventories, prepaid expenses, and other assets | 3,982,204 | — | — | 3,982,204 |
| Long-term investments | 438,270 | — | 539,597,706 | 540,035,976 |
| Loans to students, net | — | — | 17,876,730 | 17,876,730 |
| Property, plant, and equipment, net of accumulated depreciation | — | 587,965,074 | — | 587,965,074 |
| Total assets | $ 150,741,074 | 675,036,100 | 706,723,773 | 1,532,500,947 |
| **Liabilities and Net Assets** | | | | |
| Accounts payable and accrued liabilities | $ 66,738,648 | 16,128,274 | — | 82,866,922 |
| Deferred revenues | 18,322,151 | — | — | 18,322,151 |
| Other liabilities | — | — | 450,583 | 450,583 |
| Annuity obligations | — | — | 11,440,164 | 11,440,164 |
| Long-term debt | — | 118,050,581 | — | 118,050,581 |
| U.S. government grants refundable | — | — | 16,262,713 | 16,262,713 |
| Total liabilities | 85,060,799 | 134,178,855 | 28,153,460 | 247,393,114 |
| Net assets: | | | | |
| Unrestricted: | | | | |
| Available for operations | 6,869,384 | 18,136,078 | — | 25,005,462 |
| Designated student loans | — | — | 1,684,425 | 1,684,425 |
| Designated gain sharing | 31,552,426 | — | — | 31,552,426 |
| Board-designated endowments | — | — | 200,184,201 | 200,184,201 |
| Designated plant | — | 469,914,493 | — | 469,914,493 |
| Donor advised funds | | | 7,963,189 | 7,963,189 |
| Total unrestricted net assets | 38,421,810 | 488,050,571 | 209,831,815 | 736,304,196 |
| Temporarily restricted: | | | | |
| Gifts and distributed endowment income | 27,258,465 | — | — | 27,258,465 |
| Plant | — | 52,806,674 | — | 52,806,674 |
| Endowments | — | — | 157,405,243 | 157,405,243 |
| Annuity life income | — | — | 6,024,109 | 6,024,109 |
| Total temporarily restricted net assets | 27,258,465 | 52,806,674 | 163,429,352 | 243,494,491 |
| Permanently restricted: | | | | |
| Endowments | — | — | 293,808,754 | 293,808,754 |
| Annuity life income | — | — | 9,366,832 | 9,366,832 |
| Student loans | — | — | 2,133,560 | 2,133,560 |
| Total permanently restricted net assets | — | — | 305,309,146 | 305,309,146 |
| Total net assets | 65,680,275 | 540,857,245 | 678,570,313 | 1,285,107,833 |
| Commitments and contingencies (notes 8, 9, and 12) | | | | |
| Total liabilities and net assets | $ 150,741,074 | 675,036,100 | 706,723,773 | 1,532,500,947 |

See accompanying notes to financial statements.

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

Statement of Financial Position

June 30, 2014

| **Assets** | **Operations** | **Plant** | **Long-term investment** | **Total** |
|---|---|---|---|---|
| Cash and cash equivalents | $ 1,289,258 | 51,173,052 | 5,853,502 | 58,315,812 |
| Short-term investments | 201,564,117 | 52,699,442 | 523,710 | 254,787,269 |
| Accounts receivable, net | 17,933,300 | 5,726 | 416,344 | 18,355,370 |
| Pledges receivable, net | 11,117,363 | 21,563,059 | 22,605,766 | 55,286,188 |
| Inventories, prepaid expenses, and other assets | 4,889,401 | — | — | 4,889,401 |
| Long-term investments | 289,273 | — | 488,741,406 | 489,030,679 |
| Loans to students, net | — | — | 17,337,566 | 17,337,566 |
| Property, plant, and equipment, net of accumulated depreciation | — | 565,000,633 | — | 565,000,633 |
| Total assets | $ 237,082,712 | 690,441,912 | 535,478,294 | 1,463,002,918 |
| **Liabilities and Net Assets** | | | | |
| Accounts payable and accrued liabilities | $ 56,311,907 | 11,181,552 | — | 67,493,459 |
| Deferred revenues | 27,972,384 | — | — | 27,972,384 |
| Other liabilities | — | — | 440,752 | 440,752 |
| Annuity obligations | — | — | 10,139,104 | 10,139,104 |
| Long-term debt | — | 124,614,947 | — | 124,614,947 |
| U.S. government grants refundable | — | — | 16,437,658 | 16,437,658 |
| Total liabilities | 84,284,291 | 135,796,499 | 27,017,514 | 247,098,304 |
| Net assets: | | | | |
| Unrestricted: | | | | |
| Available for operations | 5,551,058 | 59,288,241 | — | 64,839,299 |
| Designated student loans | — | — | 1,704,266 | 1,704,266 |
| Designated gain sharing | 96,780,829 | — | — | 96,780,829 |
| Board-designated endowments | — | — | 83,492,410 | 83,492,410 |
| Designated plant | — | 440,385,686 | — | 440,385,686 |
| Total unrestricted net assets | 102,331,887 | 499,673,927 | 85,196,676 | 687,202,490 |
| Temporarily restricted: | | | | |
| Gifts and distributed endowment income | 50,466,534 | — | — | 50,466,534 |
| Plant | — | 54,971,486 | — | 54,971,486 |
| Endowments | — | — | 127,203,092 | 127,203,092 |
| Annuity life income | — | — | 5,613,257 | 5,613,257 |
| Total temporarily restricted net assets | 50,466,534 | 54,971,486 | 132,816,349 | 238,254,369 |
| Permanently restricted: | | | | |
| Endowments | — | — | 279,163,179 | 279,163,179 |
| Annuity life income | — | — | 9,176,920 | 9,176,920 |
| Student loans | — | — | 2,107,656 | 2,107,656 |
| Total permanently restricted net assets | — | — | 290,447,755 | 290,447,755 |
| Total net assets | 152,798,421 | 554,645,413 | 508,460,780 | 1,215,904,614 |
| Commitments and contingencies (notes 8, 9, and 12) | | | | |
| Total liabilities and net assets | $ 237,082,712 | 690,441,912 | 535,478,294 | 1,463,002,918 |

See accompanying notes to financial statements.

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

Statement of Activities

Year ended June 30, 2015

| | Operations | Designated unrestricted | Total operations | Plant | Long-term investment | Total |
|---|---|---|---|---|---|---|
| Change in unrestricted net assets: | | | | | | |
| Revenues and gains (losses): | | | | | | |
| Tuition and fees | $ 433,463,512 | — | 433,463,512 | — | — | 433,463,512 |
| Less institutional scholarships | 127,479,651 | — | 127,479,651 | — | — | 127,479,651 |
| | 305,983,861 | — | 305,983,861 | — | — | 305,983,861 |
| Less noninstitutional scholarships | 12,751,269 | — | 12,751,269 | — | — | 12,751,269 |
| Net tuition and fees | 293,232,592 | — | 293,232,592 | — | — | 293,232,592 |
| Private gifts | 978,388 | 250 | 978,638 | 5,000 | 7,457,246 | 8,440,884 |
| Grants and contracts | 25,712,692 | — | 25,712,692 | — | — | 25,712,692 |
| Endowment income | 156,323 | — | 156,323 | 2,954 | 654,659 | 813,936 |
| Other investment income | 920,290 | — | 920,290 | 38,556 | 465,337 | 1,424,183 |
| Net realized and unrealized gains (losses) on endowments | 557,481 | — | 557,481 | — | 3,101,449 | 3,658,930 |
| Net realized and unrealized gains (losses) on other investments | (231,879) | — | (231,879) | (182,373) | (311,046) | (725,298) |
| Sales and services of educational activities | 14,215,915 | 289,346 | 14,505,261 | — | — | 14,505,261 |
| Sales and services of auxiliary enterprise | 34,110,542 | — | 34,110,542 | — | — | 34,110,542 |
| Other sources | 20,549,035 | 231,942 | 20,780,977 | 607,620 | — | 21,388,597 |
| Total unrestricted revenues and gains (losses) | 390,201,379 | 521,538 | 390,722,917 | 471,757 | 11,367,645 | 402,562,319 |
| Net assets released from restrictions | 30,378,136 | — | 30,378,136 | 7,064,952 | — | 37,443,088 |
| Net assets reclassified to permanently restricted | — | — | — | — | (6,400,641) | (6,400,641) |
| Net assets reclassified to temporarily restricted | — | — | — | — | (2,406,336) | (2,406,336) |
| Total unrestricted revenues, gains (losses), and other support | 420,579,515 | 521,538 | 421,101,053 | 7,536,709 | 2,560,668 | 431,198,430 |
| Expenses: | | | | | | |
| Educational and general: | | | | | | |
| Instruction | 148,228,650 | 109,054 | 148,337,704 | 9,405,751 | — | 157,743,455 |
| Research | 13,069,928 | — | 13,069,928 | 1,762,721 | — | 14,832,649 |
| Public service | 5,839,706 | — | 5,839,706 | 78,904 | — | 5,918,610 |
| Academic support | 59,831,895 | 3,805,130 | 63,637,025 | 1,262,633 | — | 64,899,658 |
| Student services | 47,046,757 | — | 47,046,757 | 3,495,723 | — | 50,542,480 |
| Institutional support | 50,479,021 | 14,383 | 50,493,404 | 1,556,404 | — | 52,049,808 |
| Total educational and general expenses | 324,495,957 | 3,928,567 | 328,424,524 | 17,562,136 | — | 345,986,660 |
| Auxiliary enterprises | 25,864,354 | — | 25,864,354 | 10,245,710 | — | 36,110,064 |
| Total expenses | 350,360,311 | 3,928,567 | 354,288,878 | 27,807,846 | — | 382,096,724 |
| Transfers among unrestricted net assets | 68,900,878 | 61,821,374 | 130,722,252 | (8,647,781) | (122,074,471) | — |
| Total expenses and transfers | 419,261,189 | 65,749,941 | 485,011,130 | 19,160,065 | (122,074,471) | 382,096,724 |
| Increase (decrease) in unrestricted net assets | 1,318,326 | (65,228,403) | (63,910,077) | (11,623,356) | 124,635,139 | 49,101,706 |
| Changes in temporarily restricted net assets: | | | | | | |
| Private gifts | 15,128,302 | — | 15,128,302 | 3,929,855 | 89,662 | 19,147,819 |
| Endowment income | 4,661,149 | — | 4,661,149 | — | 6,128 | 4,667,277 |
| Other investment income (expense) | 39,362 | — | 39,362 | 198 | — | 39,560 |
| Net realized and unrealized gains on endowments | 12,288,876 | — | 12,288,876 | — | 3,505,014 | 15,793,890 |
| Net realized and unrealized losses on other investments | 67,155 | — | 67,155 | (16,201) | — | 50,954 |
| Net assets released from restrictions | (30,378,136) | — | (30,378,136) | (7,064,952) | — | (37,443,088) |
| Net assets reclassified from unrestricted | — | — | — | — | 2,406,336 | 2,406,336 |
| Net assets reclassified from permanently restricted | — | — | — | — | 776,043 | 776,043 |
| Actuarial adjustment on annuity obligations | — | — | — | — | (198,669) | (198,669) |
| Transfers among temporarily restricted net assets | (25,014,777) | — | (25,014,777) | 986,288 | 24,028,489 | — |
| Increase (decrease) in temporarily restricted net assets | (23,208,069) | — | (23,208,069) | (2,164,812) | 30,613,003 | 5,240,122 |
| Changes in permanently restricted net assets: | | | | | | |
| Private gifts | — | — | — | — | 9,215,562 | 9,215,562 |
| Net realized and unrealized gains (losses) on other investments | — | — | — | — | 16,963 | 16,963 |
| Net assets reclassified from unrestricted | — | — | — | — | 6,400,641 | 6,400,641 |
| Net assets reclassified to temporarily restricted | — | — | — | — | (776,043) | (776,043) |
| Actuarial adjustment on annuity obligations | — | — | — | — | 4,268 | 4,268 |
| Increase in permanently restricted net assets | — | — | — | — | 14,861,391 | 14,861,391 |
| Change in net assets | (21,889,743) | (65,228,403) | (87,118,146) | (13,788,168) | 170,109,533 | 69,203,219 |
| Net assets at beginning of year | 56,017,592 | 96,780,829 | 152,798,421 | 554,645,413 | 508,460,780 | 1,215,904,614 |
| Net assets at end of year | $ 34,127,849 | 31,552,426 | 65,680,275 | 540,857,245 | 678,570,313 | 1,285,107,833 |

See accompanying notes to financial statements.

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

Statement of Activities

Year ended June 30, 2014

| | Operations | Designated unrestricted | Total operations | Plant | Long-term investment | Total |
|---|---|---|---|---|---|---|
| Change in unrestricted net assets: | | | | | | |
| Revenues and gains (losses): | | | | | | |
| Tuition and fees | $ 409,691,566 | — | 409,691,566 | — | — | 409,691,566 |
| Less institutional scholarships | 114,932,846 | — | 114,932,846 | — | — | 114,932,846 |
| | 294,758,720 | — | 294,758,720 | — | — | 294,758,720 |
| Less noninstitutional scholarships | 11,896,657 | — | 11,896,657 | — | — | 11,896,657 |
| Net tuition and fees | 282,862,063 | — | 282,862,063 | — | — | 282,862,063 |
| Private gifts | 774,190 | — | 774,190 | — | 1,367,369 | 2,141,559 |
| Grants and contracts | 25,358,373 | — | 25,358,373 | — | — | 25,358,373 |
| Endowment income | 845,520 | — | 845,520 | 2,853 | 11,285 | 859,658 |
| Other investment income | 1,055,695 | — | 1,055,695 | 31,446 | 393,280 | 1,480,421 |
| Net realized and unrealized gains (losses) on endowments | 451,306 | — | 451,306 | — | 9,950,601 | 10,401,907 |
| Net realized and unrealized gains (losses) on other investments | 1,449,357 | 6,550 | 1,455,907 | 841,615 | (373,375) | 1,924,147 |
| Sales and services of educational activities | 12,049,668 | 833,455 | 12,883,123 | — | — | 12,883,123 |
| Sales and services of auxiliary enterprise | 26,943,065 | — | 26,943,065 | — | — | 26,943,065 |
| Other sources | 20,170,892 | 304,751 | 20,475,643 | 283,770 | — | 20,759,413 |
| Total unrestricted revenues and gains (losses) | 371,960,129 | 1,144,756 | 373,104,885 | 1,159,684 | 11,349,160 | 385,613,729 |
| Net assets released from restrictions | 29,833,841 | — | 29,833,841 | 9,595,619 | — | 39,429,460 |
| Net assets reclassified to permanently restricted | — | — | — | — | (17,370,272) | (17,370,272) |
| Net assets reclassified to temporarily restricted | — | — | — | — | (11,355,529) | (11,355,529) |
| Total unrestricted revenues, gains (losses), and other support | 401,793,970 | 1,144,756 | 402,938,726 | 10,755,303 | (17,376,641) | 396,317,388 |
| Expenses: | | | | | | |
| Educational and general: | | | | | | |
| Instruction | 147,053,071 | 48,750 | 147,101,821 | 7,007,640 | — | 154,109,461 |
| Research | 14,548,528 | 5,950 | 14,554,478 | 1,520,135 | — | 16,074,613 |
| Public service | 4,232,063 | — | 4,232,063 | 37,592 | — | 4,269,655 |
| Academic support | 59,699,011 | 3,504,007 | 63,203,018 | 951,912 | — | 64,154,930 |
| Student services | 44,393,948 | — | 44,393,948 | 2,496,793 | — | 46,890,741 |
| Institutional support | 44,932,862 | 8,270 | 44,941,132 | 1,244,287 | — | 46,185,419 |
| Total educational and general expenses | 314,859,483 | 3,566,977 | 318,426,460 | 13,258,359 | — | 331,684,819 |
| Auxiliary enterprises | 24,645,009 | — | 24,645,009 | 8,602,803 | — | 33,247,812 |
| Total expenses | 339,504,492 | 3,566,977 | 343,071,469 | 21,861,162 | — | 364,932,631 |
| Transfers among unrestricted net assets | 61,672,696 | (8,662,730) | 53,009,966 | (39,309,759) | (13,700,207) | — |
| Total expenses and transfers | 401,177,188 | (5,095,753) | 396,081,435 | (17,448,597) | (13,700,207) | 364,932,631 |
| Increase (decrease) in unrestricted net assets | 616,782 | 6,240,509 | 6,857,291 | 28,203,900 | (3,676,434) | 31,384,757 |
| Changes in temporarily restricted net assets: | | | | | | |
| Private gifts | 23,002,294 | — | 23,002,294 | 19,614,400 | 62,945 | 42,679,639 |
| Endowment income | 4,255,823 | — | 4,255,823 | — | 9,881 | 4,265,704 |
| Other investment income (expense) | 29,514 | — | 29,514 | (1,236,197) | — | (1,206,683) |
| Net realized and unrealized gains on endowments | 10,713,772 | — | 10,713,772 | — | 26,985,361 | 37,699,133 |
| Net realized and unrealized losses on other investments | 451,856 | — | 451,856 | (5,368) | 11 | 446,499 |
| Net assets released from restrictions | (29,833,841) | — | (29,833,841) | (9,595,619) | — | (39,429,460) |
| Net assets reclassified from unrestricted | — | — | — | — | 11,355,529 | 11,355,529 |
| Net assets reclassified from permanently restricted | — | — | — | — | 2,441,081 | 2,441,081 |
| Actuarial adjustment on annuity obligations | — | — | — | — | 953,218 | 953,218 |
| Transfers among temporarily restricted net assets | (1,192,094) | — | (1,192,094) | 1,905,778 | (713,684) | — |
| Increase (decrease) in temporarily restricted net assets | 7,427,324 | — | 7,427,324 | 10,682,994 | 41,094,342 | 59,204,660 |
| Changes in permanently restricted net assets: | | | | | | |
| Private gifts | — | — | — | — | 16,043,449 | 16,043,449 |
| Net realized and unrealized gains (losses) on other investments | — | — | — | — | 21,352 | 21,352 |
| Net assets reclassified from unrestricted | — | — | — | — | 17,370,272 | 17,370,272 |
| Net assets reclassified to temporarily restricted | — | — | — | — | (2,441,081) | (2,441,081) |
| Actuarial adjustment on annuity obligations | — | — | — | — | 1,111,426 | 1,111,426 |
| Increase in permanently restricted net assets | — | — | — | — | 32,105,418 | 32,105,418 |
| Change in net assets | 8,044,106 | 6,240,509 | 14,284,615 | 38,886,894 | 69,523,326 | 122,694,835 |
| Net assets at beginning of year | 47,973,486 | 90,540,320 | 138,513,806 | 515,758,519 | 438,937,454 | 1,093,209,779 |
| Net assets at end of year | $ 56,017,592 | 96,780,829 | 152,798,421 | 554,645,413 | 508,460,780 | 1,215,904,614 |

See accompanying notes to financial statements.

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

Statements of Cash Flows

Years ended June 30, 2015 and 2014

| | 2015 | 2014 |
|---|---|---|
| Cash flows from operating activities: | | |
| Change in net assets | $ 69,203,219 | 122,694,835 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation of property, plant, and equipment | 14,587,873 | 13,823,765 |
| Disposal of property, plant, and equipment | 39,343 | 470,849 |
| Amortization of premium | (514,366) | (514,366) |
| Decrease (increase) in accounts receivable | (1,163,418) | 4,188,678 |
| Decrease (increase) in pledges receivable | 12,884,138 | (24,541,035) |
| Decrease (increase) in inventories, prepaid expenses, and other assets | 907,197 | (325,550) |
| Increase in accounts payable and accrued liabilities | 15,373,463 | 9,090,720 |
| Increase (decrease) in deferred revenues | (9,650,233) | 1,946,579 |
| Increase (decrease) in other liabilities | 9,831 | (938,936) |
| Actuarial adjustment for annuity obligation | (483,215) | 268,685 |
| Contributions of investments | (6,620,151) | (1,355,610) |
| Contributions restricted for long-term investment | (16,762,470) | (17,473,763) |
| Interest and dividends for long-term investments | (126,272) | (11,285) |
| Net realized and unrealized gains on investments | (18,795,439) | (50,440,343) |
| Net cash provided by operating activities | 58,889,500 | 56,883,223 |
| Cash flows from investing activities: | | |
| Proceeds from sale of investments | 526,182,828 | 982,087,791 |
| Purchases of investments | (549,570,951) | (1,005,336,080) |
| Purchases of property, plant, and equipment | (37,591,657) | (25,502,324) |
| Disbursements for Perkins and University loans to students | (4,025,560) | (2,245,565) |
| Repayment of Perkins and University loans to students | 3,486,396 | 3,249,113 |
| Net cash used in investing activities | (61,518,944) | (47,747,065) |
| Cash flows from financing activities: | | |
| Proceeds from contributions restricted for long-term investment | 16,762,470 | 17,473,763 |
| Interest and dividends restricted for reinvestment | 126,272 | 11,285 |
| Payments of bonds payable | (6,050,000) | (5,805,000) |
| Decrease in refundable government loan funds, net | (174,945) | (59,195) |
| Net cash provided by financing activities | 10,663,797 | 11,620,853 |
| Net increase (decrease) in cash and cash equivalents | 8,034,353 | 20,757,011 |
| Cash and cash equivalents at beginning of year | 58,315,812 | 37,558,801 |
| Cash and cash equivalents at end of year | $ 66,350,165 | 58,315,812 |

See accompanying notes to financial statements.

## (1) Summary of Significant Accounting Policies

### *(a) Nature of the Entity*

The University of Denver (Colorado Seminary) (the University) is an accredited, independent, coeducational institution located in Denver, Colorado. The University was founded as Colorado Seminary in 1864. In 1880, following the reorganization of the Colorado Seminary, the University was established as the degree-granting body. The University offers both undergraduate and graduate programs. Enrollment currently stands at approximately 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

### *(d) Accounts Receivable*

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

Accounts that are 120 days delinquent are reviewed to determine if they should be assigned to an outside collection agency. If a student has assets or income, has not made a payment 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 $1,160,000 and $1,142,000 as of June 30, 2015 and 2014, 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. See further discussion at note 1(n).

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 IFRSs*. 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 3.

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*

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

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

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

### *(g) Inventories*

Inventories, which consist mainly of 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) Property, Plant, and Equipment*

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

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

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Donated works of art are considered collections under the University's policy. Collections held for public exhibition and education in furtherance of public service rather than financial gain are not recorded in the statements of financial position.

### *(i) Revenue*

Unrestricted revenues include those items attributable to the University's undergraduate programs, graduate programs, research conducted by academic departments, sales and services of educational activities, and the sales and services of auxiliary services. Tuition and fee revenue are recognized ratably over the academic term. Summer school tuition, fee revenue, and related expenses that are not earned or incurred as of year-end are deferred at June 30, 2015 and 2014 and recorded as revenue and expenses in the succeeding fiscal year.

### *(j) 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 $3,823,000 and $3,723,000 as of June 30, 2015 and 2014, 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 leaves are carried over to the next year and are cumulative. Unused sick pay is forfeited by employees when they cease to be employed by the University. Therefore, no amount is accrued for sick leave.

### *(k) Annuity Obligations*

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

***(l) Taxes***

The University is recognized as an organization generally exempt from income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) and a public charity, and not as a private foundation, under Section 509(a)(1). However, income generated from activities unrelated to the University's exempt purpose is subject to tax under Section 511 of the Code. The University had no material amounts of unrelated business income for the years ended June 30, 2015 and 2014.

The University evaluates its tax position in accordance with the provisions of FASB ASC Topic 740-10, *Income Taxes* (formerly, FASB Interpretation No. 48). FASB ASC Topic 740-10 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FASB ASC Topic 740-10 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. A tax position is measured at the largest amount of benefit that is greater than 50% likely being realized upon settlement. The University has no uncertain income tax positions as of June 30, 2015.

***(m) Functional Expenses***

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Institutional support represents supporting services of the University and includes $12,878,000 and $11,225,000 of fundraising expenses in fiscal year 2015 and 2014, respectively. In addition, $3,919,000 and $4,115,000 of fundraising costs in fiscal year 2015 and 2014, respectively, are reported in the other functional categories on the statement of activities.

Costs allocated among programs include expenses associated with the following: facilities management and planning, the depreciation and disposal expense of property, plant, and equipment, and the interest expense on long-term debt. Costs of facilities management and planning and depreciation and the disposal of property, plant, and equipment are allocated to the programs based upon square footage. Interest expense on long-term debt is allocated to the programs that benefit from the long-term financing of the University.

***(n) Fair Value of Financial Instruments***

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

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

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

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

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

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

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

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

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

### *(o) Net Assets Reclassified from Unrestricted to Permanently Restricted*

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, 2015 and 2014, the University matched commitments to the matching program in the amount of $4,618,000 and $17,370,000, respectively. Other reclassifications included reclassifications from unrestricted to permanently restricted net assets of $1,783,000 and from permanently restricted to temporarily restricted net assets of $776,000 for the year ended June 30, 2015, and reclassifications from permanently restricted to temporarily restricted net assets of $2,441,000 for the year ended June 30, 2014.

### *(p) Use of Estimates*

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

### *(q) Endowment Funds*

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

### *(r) 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, 2015 and through November 19, 2015.

### *(s) Reclassifications*

Certain 2015 amounts have been reclassified to conform to the current year presentation.

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

Investments at June 30 consist of the following:

| | | 2015 | |
|---|---|---|---|
| | Cost | Unrealized gain (loss) | Market value |
| Short-term investments: | | | |
| U.S. government securities | $ 237,818,808 | (175,649) | 237,643,159 |
| Mutual funds | 10,545,525 | 5,362,966 | 15,908,491 |
| Real estate | 475,000 | — | 475,000 |
| Other | 343,310 | — | 343,310 |
| | 249,182,643 | 5,187,317 | 254,369,960 |
| Long-term investment: | | | |
| Trustee cash and cash equivalents for endowments and annuities | 1,938,545 | — | 1,938,545 |
| U.S. government securities | 49,035,612 | (112,487) | 48,923,126 |
| Alternative investments | 138,058,707 | 59,610,348 | 197,669,055 |
| Domestic equities | 98,926,610 | 30,119,973 | 129,046,583 |
| International equities | 56,414,870 | 5,826,562 | 62,241,432 |
| Real estate | 24,020,538 | 20,649,038 | 44,669,576 |
| Mutual funds | 39,482,099 | 3,048,200 | 42,530,299 |
| Beneficial trust interest | 10,844,605 | 1,480,306 | 12,324,910 |
| Other | 692,450 | — | 692,450 |
| | 419,414,036 | 120,621,940 | 540,035,976 |
| Total all funds | $ 668,596,679 | 125,809,257 | 794,405,936 |

| | 2014 | | |
|---|---|---|---|
| | Cost | Unrealized gain (loss) | Market value |
| Short-term investments: | | | |
| U.S. government securities | $ 236,419,886 | 170,512 | 236,590,398 |
| Mutual funds | 11,289,196 | 5,841,830 | 17,131,026 |
| Domestic equities | 341,360 | (107,188) | 234,172 |
| Real estate | 475,000 | — | 475,000 |
| Other | 356,673 | — | 356,673 |
| | 248,882,115 | 5,905,154 | 254,787,269 |
| Long-term investment: | | | |
| Trustee cash and cash equivalents for endowments and annuities | 2,111,773 | — | 2,111,773 |
| U.S. government securities | 47,104,384 | 40,142 | 47,144,526 |
| Alternative investments | 123,107,656 | 63,225,760 | 186,333,416 |
| Domestic equities | 92,868,896 | 32,226,476 | 125,095,372 |
| International equities | 41,414,870 | 6,645,356 | 48,060,226 |
| Real estate | 24,354,291 | 7,376,510 | 31,730,801 |
| Mutual funds | 31,077,838 | 4,232,840 | 35,310,678 |
| Beneficial trust interest | 10,922,403 | 2,016,358 | 12,938,761 |
| Other | 305,126 | — | 305,126 |
| | 373,267,237 | 115,763,442 | 489,030,679 |
| Total all funds | $ 622,149,352 | 121,668,596 | 743,817,948 |

During the years ended June 30, 2015 and 2014, the University paid approximately $814,000 and $603,000, respectively, in management and custodian fees, which were netted against endowment income and other investment income in the accompanying statements of activities. All endowments established by various donors over the years are accounted for separately in the accounting records of the University to ensure that the purposes for which the endowments were initially created are carried out in perpetuity. For investment purposes, to maximize total investment return and administrative efficiency, the University commingles certain assets in an investment pool.

Individual endowments own shares in the pool, the value per share being determined by the pool's aggregate fair value, and the number of shares outstanding at the time contributions are made. The pool is valued on a quarterly basis for this purpose. At June 30, 2015, the pool had 87,032,379 shares outstanding, with a fair value of approximately $471,978,751. 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 2015 was $0.22 per share, of which $0.05 represented income yield. The remaining $0.17 represented spending of realized and unrealized gains. At June 30, 2014, the pool had 80,468,242 shares outstanding, with a fair value of approximately $433,307,782. 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 2014 was $0.21 per share, of which $0.05 represented income yield. The remaining $0.16 represented spending of realized and unrealized gains.

The investment pool consisted of 1,126 individual endowments at June 30, 2015. Of these endowments, none are considered to be "under water" as the fair value of the underlying investments is more than the original gift value for all endowments.

The investment pool consisted of 1,033 individual endowments at June 30, 2014. Of these endowments, none are considered to be "under water" as the fair value of the underlying investments is more than the original gift value for all endowments.

The University has the following split-interest agreements, which are included in long-term investments at June 30, 2015 and 2014:

| | 2015 | | | |
|---|---|---|---|---|
| | Number of agreements | | Net assets classification: Temporary | Net assets classification: Permanent |
| Perpetual trusts held by third party | 3 | $ | — | 8,333,590 |
| Charitable Remainder Trusts: | | | | |
| University named trustee | 24 | | 4,704,778 | 13,292,329 |
| Third-party named trustee | 8 | | 2,418,600 | 1,572,719 |
| Charitable Annuity Agreements | 70 | | 2,505,077 | 2,608,380 |
| | 105 | $ | 9,628,455 | 25,807,018 |

| | 2014 | | | |
|---|---|---|---|---|
| | Number of agreements | | Net assets classification: Temporary | Net assets classification: Permanent |
| Perpetual trusts held by third party | 3 | $ | — | 8,773,416 |
| Charitable Remainder Trusts: | | | | |
| University named trustee | 21 | | 4,851,718 | 10,964,717 |
| Third-party named trustee | 8 | | 1,808,299 | 2,357,046 |
| Charitable Annuity Agreements | 69 | | 2,581,256 | 2,649,722 |
| | 101 | $ | 9,241,273 | 24,744,901 |

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 2015 and 2014 was approximately $2,021,000 and $125,000, respectively.

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

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

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date.

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

***(a) Investments***

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

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

*(b)* ***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, 2015 and 2014, as well as liquidity of the investments:

| | June 30, 2015 | | | |
|---|---|---|---|---|
| **Investment/liquidity** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| U.S. government securities: | | | | |
| Daily | $ 286,336,285 | — | — | 286,336,285 |
| Monthly | — | 230,000 | — | 230,000 |
| Total | 286,336,285 | 230,000 | — | 286,566,285 |
| Alternative investments: | | | | |
| Monthly | — | 19,578,447 | 28,039,909 | 47,618,356 |
| Quarterly | — | — | 81,189,556 | 81,189,556 |
| Annual | — | — | 15,438,023 | 15,438,023 |
| Illiquid | — | — | 53,423,120 | 53,423,120 |
| Total | — | 19,578,447 | 178,090,608 | 197,669,055 |
| Mutual funds: | | | | |
| Daily | 43,501,239 | — | — | 43,501,239 |
| Monthly | — | — | 14,937,551 | 14,937,551 |
| Total | 43,501,239 | — | 14,937,551 | 58,438,790 |
| Domestic equities: | | | | |
| Daily | 108,839,064 | — | — | 108,839,064 |
| Monthly | — | 19,648,065 | | 19,648,065 |
| Quarterly | 559,454 | — | — | 559,454 |
| Total | 109,398,518 | 19,648,065 | — | 129,046,583 |
| International equities: | | | | |
| Daily | 30,420,955 | 15,714,081 | — | 46,135,036 |
| Illiquid | — | — | 16,106,396 | 16,106,396 |
| Total | 30,420,955 | 15,714,081 | 16,106,396 | 62,241,432 |
| Trustee cash and cash equivalents: | | | | |
| equivalents: | | | | |
| Daily | 1,938,545 | — | — | 1,938,545 |
| Total | 1,938,545 | — | — | 1,938,545 |
| Real estate: | | | | |
| Semiannually | — | 44,579,575 | — | 44,579,575 |
| Locked-up 1 | — | 475,001 | — | 475,001 |
| Locked-up 3 | — | 90,000 | — | 90,000 |
| Total | — | 45,144,576 | — | 45,144,576 |
| Beneficial trust interest: | | | | |
| Locked-up 1 | 9,301,789 | 1,050,000 | 1,973,121 | 12,324,910 |
| Total | 9,301,789 | 1,050,000 | 1,973,121 | 12,324,910 |
| Other: | | | | |
| Daily | 388,284 | — | — | 388,284 |
| Illiquid | — | — | 393,296 | 393,296 |
| Locked-up 2 | 254,180 | — | — | 254,180 |
| Total | 642,464 | — | 393,296 | 1,035,760 |
| Grand total | $ 481,539,795 | 101,365,169 | 211,500,972 | 794,405,936 |

| | June 30, 2014 | | | |
|---|---|---|---|---|
| **Investment/liquidity** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| U.S. government securities: | | | | |
| Daily | $ 283,504,924 | — | — | 283,504,924 |
| Monthly | — | 230,000 | — | 230,000 |
| Total | 283,504,924 | 230,000 | — | 283,734,924 |
| Alternative investments: | | | | |
| Monthly | — | 18,488,765 | 32,862,135 | 51,350,900 |
| Quarterly | — | — | 74,265,216 | 74,265,216 |
| Illiquid | — | — | 60,717,300 | 60,717,300 |
| Total | — | 18,488,765 | 167,844,651 | 186,333,416 |
| Mutual funds: | | | | |
| Daily | 37,260,394 | — | — | 37,260,394 |
| Monthly | — | — | 15,181,309 | 15,181,309 |
| Total | 37,260,394 | — | 15,181,309 | 52,441,703 |
| Domestic equities: | | | | |
| Daily | 106,566,697 | 18,200,610 | — | 124,767,307 |
| Quarterly | 562,237 | — | — | 562,237 |
| Total | 107,128,934 | 18,200,610 | — | 125,329,544 |
| International equities: | | | | |
| Daily | 32,291,409 | 5,314,682 | — | 37,606,091 |
| Illiquid | — | — | 10,454,135 | 10,454,135 |
| Total | 32,291,409 | 5,314,682 | 10,454,135 | 48,060,226 |
| Trustee cash and cash equivalents: | | | | |
| Daily | 2,111,773 | — | — | 2,111,773 |
| Total | 2,111,773 | — | — | 2,111,773 |
| Real estate: | | | | |
| Semiannually | — | 31,414,015 | — | 31,414,015 |
| Locked-up 1 | — | 580,001 | — | 580,001 |
| Locked-up 3 | — | 90,000 | — | 90,000 |
| Illiquid | — | 121,785 | — | 121,785 |
| Total | — | 32,205,801 | — | 32,205,801 |
| Beneficial trust interest: | | | | |
| Locked-up 1 | 10,138,838 | 1,050,000 | 1,749,924 | 12,938,762 |
| Total | 10,138,838 | 1,050,000 | 1,749,924 | 12,938,762 |
| Other: | | | | |
| Daily | 252,650 | — | — | 252,650 |
| Illiquid | — | — | 393,295 | 393,295 |
| Locked-up 2 | 15,854 | — | — | 15,854 |
| Total | 268,504 | — | 393,295 | 661,799 |
| Grand total | $ 472,704,776 | 75,489,858 | 195,623,314 | 743,817,948 |

The following table includes a roll-forward of the amounts for the years ended June 30, 2015 and 2014 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:

| | Mutual funds/other | Alternative investments | International equities | Total |
|---|---|---|---|---|
| Balances at June 30, 2014 | $ 17,324,528 | 167,844,651 | 10,454,135 | 195,623,314 |
| Donated | — | — | — | — |
| Purchases | 1,119,174 | 35,690,714 | 5,000,000 | 41,809,888 |
| Sales | (776,043) | (20,739,662) | — | (21,515,705) |
| Unrealized gains/(losses) | (363,691) | (4,705,095) | 652,261 | (4,416,525) |
| Balances at June 30, 2015 | $ 17,303,968 | 178,090,608 | 16,106,396 | 211,500,972 |

| | Mutual funds/other | Alternative investments | International equities | Total |
|---|---|---|---|---|
| Balances at June 30, 2013 | $ 19,202,970 | 153,681,171 | — | 172,884,141 |
| Donated | — | — | — | — |
| Purchases | 30,226 | 31,360,285 | 10,000,000 | 41,390,511 |
| Sales | (2,713,514) | (23,928,589) | — | (26,642,103) |
| Unrealized gains | 804,846 | 6,731,784 | 454,135 | 7,990,765 |
| Balances at June 30, 2014 | $ 17,324,528 | 167,844,651 | 10,454,135 | 195,623,314 |

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, 2015 and June 30, 2014.

## (4) Endowments

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

The University’s endowments consist of 1,126 and 1,033 individual funds as of June 30, 2015 and 2014, respectively. The endowments were established for a variety of purposes, including both donor-restricted endowment funds (true endowment) and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### *(a) Interpretation of Relevant Law*

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

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

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

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---|---|---|---|
| June 30, 2015: | | | | |
| Board-designated endowment funds | $ 200,184,201 | — | — | 200,184,201 |
| Donor-restricted endowment funds | — | 157,405,243 | 293,808,754 | 451,213,997 |
| | $ 200,184,201 | 157,405,243 | 293,808,754 | 651,398,198 |

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---|---|---|---|
| June 30, 2014: | | | | |
| Board-designated endowment funds | $ 83,492,410 | — | — | 83,492,410 |
| Donor-restricted endowment funds | — | 127,203,092 | 279,163,179 | 406,366,271 |
| | $ 83,492,410 | 127,203,092 | 279,163,179 | 489,858,681 |

The changes in endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---|---|---|---|
| Endowment net assets, June 30, 2014 | $ 83,492,410 | 127,203,092 | 279,163,179 | 489,858,681 |
| Investment return: | | | | |
| Investment income | 813,936 | 4,667,277 | — | 5,481,213 |
| Net realized and unrealized gains (losses) | 3,658,930 | 15,793,890 | — | 19,452,820 |
| Total investment return | 4,472,866 | 20,461,167 | — | 24,934,033 |
| Private gifts | 135,133 | — | 8,270,941 | 8,406,074 |
| Appropriation of endowment assets for expenditures | (3,779,311) | (17,529,504) | (6,331) | (21,315,146) |
| Present value adjustments | — | — | 1,631 | 1,631 |
| Reinvested income | 37,894 | 721,996 | — | 759,890 |
| Transfer to board-designated endowments | 122,250,733 | 26,502,302 | — | 148,753,035 |
| Reclassification of restricted net assets | (6,425,524) | 46,190 | 6,379,334 | — |
| Changes | 116,691,791 | 30,202,151 | 14,645,575 | 161,539,517 |
| Endowment net assets, June 30, 2015 | $ 200,184,201 | 157,405,243 | 293,808,754 | 651,398,198 |

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|---|---|---|---|---|
| Endowment net assets, June 30, 2013 | $ 87,162,130 | 86,711,515 | 245,475,883 | 419,349,528 |
| Investment return: | | | | |
| Investment income | 859,658 | 4,265,704 | — | 5,125,362 |
| Net realized and unrealized gains (losses) | 10,401,907 | 37,699,133 | — | 48,101,040 |
| Total investment return | 11,261,565 | 41,964,837 | — | 53,226,402 |
| Private gifts | 1,367,368 | — | 16,317,024 | 17,684,392 |
| Appropriation of endowment assets for expenditures | (3,451,225) | (14,958,246) | — | (18,409,471) |
| Present value adjustments | — | 7,492 | — | 7,492 |
| Reinvested income | 240,786 | 881,542 | — | 1,122,328 |
| Transfer to board-designated endowments | 12,846,470 | 4,031,540 | — | 16,878,010 |
| Reclassification of restricted net assets | (25,934,684) | 8,564,412 | 17,370,272 | — |
| Changes | (3,669,720) | 40,491,577 | 33,687,296 | 70,509,153 |
| Endowment net assets, June 30, 2014 | $ 83,492,410 | 127,203,092 | 279,163,179 | 489,858,681 |

***(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 no funds considered underwater at June 30, 2015, and June 30, 2014.

***(c) Return Objectives and Risk Parameters***

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

***(d) Strategies Employed for Achieving Objectives***

The University targets a diversified asset allocation. For the years ended June 30, 2015 and June 30, 2014 the estimated investment emphasis included: US Equities (25.0%), International Equities (20.0%), Hedged Funds (10.0%), Private Equities (10.0%), Absolute Return funds (15.0%), Fixed Income (10.0%), and Real Estate and Other investment (10.0%). The profile is reviewed quarterly and rebalanced as needed.

***(e) Spending Policy***

The University has adopted a spending policy whereby the board of trustees has authorized a stipulated percentage of the fair value of endowments participating in the investment pool to be spent for the purposes of the donors. As of June 30, 2015 and 2014, the approved percentage was 4.5% of a moving 12-quarter average of the market value of such funds.

## (5) Pledges Receivable

Pledges receivable are summarized as follows at June 30:

| | | 2015 | 2014 |
|---|---|---|---|
| Unconditional promises expected to be collected in: | | | |
| Less than one year | $ | 18,197,457 | 18,328,857 |
| One to five years | | 14,704,634 | 31,662,819 |
| Greater than six years | | 35,867,974 | 33,486,000 |
| | | 68,770,065 | 83,477,676 |
| Less allowance for uncollectible pledges | | (6,877,007) | (8,347,769) |
| Less present value discount (2.7% - 8.0%) | | (19,491,008) | (19,843,719) |
| Net pledges receivable | $ | 42,402,050 | 55,286,188 |

Included in pledges receivable is the present value of approximately $11,459,000 and $23,130,000 as of June 30, 2015 and 2014, respectively, in pledges from members of the board of trustees. For the years ended June 30, 2015 and 2014, the University did not conduct any additional transactions with members of the board of trustees that were not negotiated at arm’s length.

## (6) Property, Plant, and Equipment

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

| | 2015 | 2014 |
|---|---|---|
| Land | $ 8,721,577 | 8,721,577 |
| Land improvements | 28,538,796 | 28,278,560 |
| Buildings and improvements | 623,002,401 | 617,256,854 |
| Equipment | 57,616,970 | 52,875,968 |
| Library books | 8,790,011 | 8,700,630 |
| Construction in progress | 38,008,462 | 11,597,386 |
| | 764,678,217 | 727,430,975 |
| Less accumulated depreciation | (176,713,143) | (162,430,342) |
| | $ 587,965,074 | 565,000,633 |

The University had approximately $14,588,000 and $13,824,000 of depreciation expense for the years ended June 30, 2015 and 2014, respectively, which was reported within all functions in the accompanying statements of activities.

The University monitors asset retirement obligations in accordance with the provisions of FASB ASC Topic 410-20, *Asset Retirement and Environmental Obligations*. Under FASB ASC Topic 410-20, costs related to the legal obligation to perform certain activities in connection with the retirement, disposal, or abandonment of assets are required to be accrued. The University has identified asbestos abatement as a conditional retirement obligation. For the years ended June 30, 2015 and 2014, respectively, an asset retirement obligation of approximately $8,138,000 and $7,905,000 is included in accounts payable and accrued liabilities.

### *(a) Long-Term Debt*

Bonds payable at June 30 consist of the following:

| | 2015 | 2014 |
|---|---|---|
| Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2013 | $ 22,520,000 | 22,640,000 |
| Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2012 | 2,860,000 | 5,685,000 |
| Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2008 | 5,585,000 | 6,170,000 |
| Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2007 | 39,920,000 | 39,920,000 |
| Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2005A | 28,105,000 | 29,010,000 |
| Colorado Educational and Cultural Facilities Authority Revenue Bonds, Series 2005B | 13,795,000 | 15,410,000 |
| | 112,785,000 | 118,835,000 |
| Unamortized bond premium | 5,265,581 | 5,779,947 |
| Total long-term debt | 118,050,581 | 124,614,947 |
| Less current installments | 6,260,000 | 6,050,000 |
| Long-term debt, excluding current installments | $ 111,790,581 | 118,564,947 |

The University had approximately $5,457,000 and $5,674,000 of interest expense for the years ended June 30, 2015 and 2014, respectively, which was reported in various functions under plant in the accompanying statements of activities. Interest of approximately $5,539,000 and $5,755,000 was paid in cash during the years ended June 30, 2015 and 2014, respectively. The fair value of bonds payable was approximately $112,526,000 and $118,524,000 at June 30, 2015 and 2014, respectively.

***(b) Issuance of Series 2013 Bonds***

In February 2013, the Colorado Educational and Cultural Facilities Authority (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 principle payments of $120,000 in 2015, increasing to $2,255,000 in 2030. Interest is payable semiannually at rates ranging from 2.00% to 4.00%.

***(c) Issuance of Series 2012 Bonds***

In March 2012, the Authority issued $8,370,000 of University of Denver Revenue Bonds, Series 2012. The proceeds from the sale of the 2012 bonds were used to (1) refund $8,530,000 aggregate principal amount of the Authority's Revenue Bonds Series 2001B and (2) pay certain costs associated with the issuance of the 2012 Bonds.

The bond agreement provides for principle payments of $2,825,000 in 2015, increasing to $2,860,000 in 2016. Interest is payable semiannually at 4.00%.

***(d) Issuance of Series 2008 Bonds***

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

The bond agreement provides for principle payments of $585,000 in 2015, increasing to $2,535,000 in 2018. Interest is payable semiannually at rates ranging from 4.00% to 5.00%. Payment of principal and interest on the bonds is guaranteed by Financial Guaranty Insurance Corporation.

***(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 principle 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) Issuance of Series 2005A Bonds*

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

The bond agreement provides for principle payments of $905,000 in 2015, increasing to $6,750,000 in 2022. Interest is payable semiannually at rates ranging from 4.00% to 5.00%. Payment of principal and interest on the bonds is guaranteed by Financial Guaranty Insurance Corporation.

During fiscal year 2014, the University executed a drawdown bond refunding with UMB Bank as the purchaser of the bonds. The Series 2014A will refund $28,105,000 of Series 2005A when they are callable in September 2015. The interest rate for Series 2014A is fixed at 2.62% with the final maturity in 2022.

### *(g) Issuance of Series 2005B Bonds*

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

As mentioned above, $14,905,000 of the 2005B Series Bonds was legally defeased during fiscal year 2007 from proceeds of the 2007 bonds and removed from the accounting records of the University and $21,240,000 of the 2005B Series Bonds was legally defeased during fiscal year 2013 from proceeds of the 2013 bonds and removed from the accounting records of the University.

The bond agreement provides for principle payments of $1,615,000 in 2015, increasing to $7,140,000 in 2023. Interest is payable semiannually at rates ranging from 4.00% to 5.25%. Payment of principal and interest on the bonds is guaranteed by Financial Guaranty Insurance Corporation.

During fiscal year 2014, the University executed a drawdown bond refunding with UMB Bank as the purchaser of the bonds. The Series 2014B will refund $12,085,000 of Series 2005B when they are callable in March 2016. The interest rate for Series 2014B is fixed at 2.71% with the final maturity in 2023.

### *(h) Aggregate Annual Maturities of Bonds Payable*

At June 30, 2015, the aggregate annual maturities of bonds payable for the five succeeding years and thereafter are as follows:

| | | |
|---|---|---|
| 2016 | $ | 6,260,000 |
| 2017 | | 6,590,000 |
| 2018 | | 6,895,000 |
| 2019 | | 7,345,000 |
| 2020 | | 7,695,000 |
| Thereafter | | 78,000,000 |
| | $ | 112,785,000 |

### *(i) 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.

### *(j) 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.

## (7) Retirement Plan

Full-time employees, including part-time employees who work at least 20 hours per week for at least six months, of the University are eligible to participate in a contributory tax-deferred annuity retirement plan (the Retirement Plan) under Section 403(b) of the Code. Administrators, faculty members, and staff-appointed employees are eligible to participate in the Retirement Plan after one year of service. Participating employees may contribute up to 4% of their base salary, limited by the Code to $18,000 per employee. The University contributes an amount twice that of the employee up to 8%. Participants have a fully vested interest in the total contributions immediately. Accounts of each employee are invested at the employee's discretion. Under the Retirement Plan, the University contributed approximately $11,142,000 and $10,761,000 for the years ended June 30, 2015 and 2014, respectively, which were charged to operations expenses.

## (8) 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, 2015, the Healthcare Plan covered 226 retirees with an additional 2,352 active employees potentially eligible for coverage. At June 30, 2014, the Healthcare Plan covered 214 retirees with an additional 2,367 active employees potentially eligible for coverage. The Healthcare Plan is noncontributory.

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

| | | 2015 | 2014 |
|---|---|---|---|
| Accrued postretirement benefit obligation (APBO), beginning of year | $ | 3,442,036 | 3,296,126 |
| Service cost | | 214,586 | 84,974 |
| Interest cost | | 134,115 | 142,085 |
| Change in assumptions loss | | — | — |
| Actuarial loss (gain) | | (712,184) | 75,811 |
| Benefits paid | | (162,000) | (156,960) |
| APBO (all unfunded), end of year | $ | 2,916,553 | 3,442,036 |

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

| | | 2015 | 2014 |
|---|---|---|---|
| Service cost | $ | 90,432 | 84,974 |
| Interest cost | | 134,115 | 142,085 |
| Amortization of transition obligation | | — | — |
| Amortization of prior service cost | | 18,222 | 25,657 |
| Recognized net actuarial gain | | — | — |
| Net periodic postretirement benefit cost | $ | 242,769 | 252,716 |

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 4.07% and 4.00% for June 30, 2015 and 2014, 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 $162,000 and $157,000 for the years ended June 30, 2015 and 2014, respectively, which were charged to operating expenses.

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

| | | |
|---|---|---|
| 2016 | $ | 187,008 |
| 2017 | | 186,543 |
| 2018 | | 185,231 |
| 2019 | | 182,649 |
| 2020 | | 181,579 |
| 2021 – 2025 | | 900,305 |
| Total | $ | 1,823,315 |

For the years ended June 30, 2015 and 2014, 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, 2015.

## (9) Loans to Students

Student loans made through Perkins constitute substantially all of the student loans outstanding at June 30, 2015 and 2014. 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 2015 and 2014, no additional contributions were funded. Perkins provides for cancellation of a note at rates of 10% to 30% per year up to a maximum of 100% if the debtor complies with certain provisions of Perkins. The federal government reimburses the loan funds of the University at rates of 10% to 30% for canceled indebtedness due to certain teaching service and various types of services for the U.S. government and 100% for loans declared not collectible due to death, permanent disability, or a declaration of bankruptcy.

At June 30, 2015 and 2014, 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, 2015 and 2014, the allowance for possible loan losses of these funds was $153,000.

## (10) Fund-Raising Expenses

The University had fund-raising expenses of approximately $16,797,000 and $15,340,000 in 2015 and 2014, respectively, which were recognized in institutional support in the accompanying statements of activities.

## (11) Commitments and Contingencies –

At June 30, 2015 and 2014, the University had outstanding commitments totaling approximately $45,725,815 and $1,646,000, respectively, for contracts related to various construction projects on campus.

During the 2015 fiscal year, the University invested approximately $5,676,000 in 20 long-term partnerships, all of which were formed prior to the 2015 fiscal year, bringing its cumulative contributions to the partnerships to approximately $100,625,000. Under the terms of the partnership agreements, the University and other investors are committed to fund additional investments. As of June 30, 2015, the University's remaining commitments to 14 partnerships total approximately $39,100,000. The long-term partnerships are included in the University's long-term investments and are recorded at fair value. The University is not the general partner in any of the long-term partnerships.

During the 2014 fiscal year, the University invested approximately $8,861,000 in 20 long-term partnerships, 17 of which were formed prior to the 2014 fiscal year, bringing its cumulative contributions to the partnerships to approximately $94,949,000. Under the terms of the partnership agreements, the University and other investors are committed to fund additional investments. As of June 30, 2014, the University's remaining commitments to 13 partnerships totaled approximately $32,600,000.

The University participates in a number of federal programs, which are subject to financial and compliance audits. The amount of expenses that may be disallowed by the granting agencies cannot be determined at this time although the University does not expect these amounts, if any, to be material to the financial statements. The University is a party to a number of matters of litigation. It is the opinion of management, based on the advice of counsel, that the University's liability insurance is sufficient to cover the potential judgments and that the outcome of the suits will not have a material adverse effect on the financial position or operations of the University.

## SINGLE AUDIT REPORTS AND SCHEDULES

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

| Federal Granting Agency | Federal CFDA Number | Federal Expenditures |
|---|---|---|
| Research and Development Cluster | | |
| Department of Agriculture: | | |
| Pass-through Awards | 10.558 | $ 105,189 |
| Total Department of Agriculture | | 105,189 |
| Department of Commerce: | | |
| Pass-through Awards | 11.612 | 1 |
| Total Department of Commerce | | 1 |
| Department of Defense: | | |
| Pass-through Awards | 12.300 | 27,804 |
| Subtotal 12.300 | | 27,804 |
| Pass-through Awards | 12.404 | 14,234 |
| Direct Payments | 12.420 | 286 |
| Pass-through Awards | 12.420 | 158,948 |
| Subtotal 12.420 | | 159,234 |
| Direct Payments | 12.431 | 227,743 |
| Pass-through Awards | 12.431 | 32,664 |
| Subtotal 12.431 | 12.431 | 260,407 |
| Total Department of Defense | | 461,679 |
| Department of Housing and Urban Development: | | |
| Pass-through Awards | 14.866 | 11,610 |
| Total Department of Housing and Urban Development | | 11,610 |
| Department of the Interior: | | |
| Direct Payments | 15.511 | 836 |
| Direct Payments | 15.922 | 25,529 |
| Total Department of the Interior | | 26,365 |

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

Schedule of Expenditures of Federal Awards (Continued)

Year ended June 30, 2015

| Federal Granting Agency | Federal CFDA Number | Federal Expenditures |
|---|---|---|
| Department of Justice: | | |
| Direct Payments | 16.560 | 671,022 |
| Pass-through Awards | 16.560 | 96,144 |
| Subtotal 16.560 | | 767,166 |
| Direct Payments | 16.562 | - |
| Pass-through Awards | 16.582 | 51,550 |
| Total Department of Justice | | 818,716 |
| Department of Transportation: | | |
| Pass-through Awards | 20.700 | 129,836 |
| Direct Payments | 20.801 | 91 |
| Pass-through Awards | 20.801 | 186,365 |
| Subtotal 20.801 | | 186,456 |
| Total Department of Transportation | | 316,292 |
| Department of the Treasury: | | |
| Direct Payments | 21.008 | 90,734 |
| Total Department of the Treasury | | 90,734 |
| National Aeronautics and Space Administration (NASA): | | |
| Direct Payments | 43.000 | 45,049 |
| Direct Payments | 43.001 | 113,907 |
| Pass-through Awards | 43.001 | 45,460 |
| Subtotal 43.001 | | 159,367 |
| Total NASA | | 204,416 |
| National Endowment for the Arts and Humanities: | | |
| Pass-through Awards | 45.025 | 4,650 |
| Pass-through Awards | 45.163 | 19,800 |
| Direct Payments | 45.169 | - |
| Direct Payments | 45.313 | 46,732 |
| Total National Endowment for the Arts and Humanities | | 71,182 |

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

Schedule of Expenditures of Federal Awards (Continued)

Year ended June 30, 2015

| Federal Granting Agency | Federal CFDA Number | Federal Expenditures |
|---|---|---|
| National Science Foundation: | | |
| Direct Payments | 47.041 | 416,013 |
| Pass-through Awards | 47.041 | 19,886 |
| Pass-through Awards - ARRA | 47.041 | 16,283 |
| Subtotal 47.041 | | 452,182 |
| Direct Payments | 47.049 | 624,917 |
| Pass-through Awards | 47.049 | 68,863 |
| Subtotal 47.049 | | 693,780 |
| Direct Payments | 47.050 | 101,792 |
| Direct Payments | 47.070 | 957,340 |
| Direct Payments | 47.074 | 254,333 |
| Pass-through Awards | 47.074 | 1,095 |
| Subtotal 47.074 | | 255,428 |
| Direct Payments | 47.075 | 49,187 |
| Pass-through Awards | 47.075 | 3,827 |
| Subtotal 47.074 | | 53,014 |
| Direct Payments | 47.076 | 1,226,901 |
| Pass-through Awards | 47.076 | 410,336 |
| Subtotal 47.076 | | 1,637,237 |
| Direct Payments | 47.078 | 6,772 |
| Direct Payments | 47.079 | 41,038 |
| Total National Science Foundation | | 4,198,583 |
| Department of Energy | | |
| Pass-through Awards | 81.089 | 37,833 |
| Pass-through Awards | 81.122 | 24,530 |
| Total Department of Energy | | 62,363 |
| Department of Education: | | |
| Direct Payments | 84.305 | 950,781 |
| Pass-through Awards | 84.305 | 54,291 |
| Subtotal 84.305 | | 1,005,072 |
| Total Department of Education | | 1,005,072 |

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

Schedule of Expenditures of Federal Awards (Continued)

Year ended June 30, 2015

| Federal Granting Agency | Federal CFDA Number | Federal Expenditures |
|---|---|---|
| Department of Health and Human Services: | | |
| Pass-through Awards | 93.087 | 79,158 |
| Direct Payments | 93.110 | 21,496 |
| Pass-through Awards | 93.113 | - |
| Direct Payments | 93.173 | 47 |
| Pass-through Awards | 93.173 | 59,754 |
| Subtotal 93.173 | | 59,801 |
| Pass-through Awards | 93.234 | 26,388 |
| Direct Payments | 93.242 | 614,870 |
| Pass-through Awards | 93.242 | 163,881 |
| Subtotal 93.242 | | 778,751 |
| Direct Payments | 93.273 | 3,035 |
| Direct Payments | 93.282 | 27,740 |
| Pass-through Awards | 93.283 | 145,348 |
| Direct Payments | 93.286 | 300,898 |
| Pass-through Awards | 93.286 | 331,789 |
| Subtotal 93.286 | | 632,687 |
| Direct Payments | 93.394 | 349,156 |
| Direct Payments | 93.575 | 25,983 |
| Direct Payments | 93.600 | 369,745 |
| Direct Payments | 93.648 | 35,023 |
| Pass-through Awards | 93.648 | 724,599 |
| Subtotal 93.648 | | 759,622 |
| Pass-through Awards | 93.652 | 147,073 |
| Direct Payments | 93.658 | 1,397,944 |
| Pass-through Awards | 93.658 | 262,751 |
| Subtotal 93.658 | | 1,660,695 |
| Pass-through Awards | 93.667 | 654,231 |
| Direct Payments | 93.847 | 1,751 |
| Direct Payments | 93.853 | 260,621 |
| Direct Payments | 93.855 | - |
| Direct Payments | 93.859 | 421,266 |
| Pass-through Awards | 93.859 | 5,258 |
| Subtotal 93.859 | | 426,524 |
| Direct Payments | 93.865 | 1,570,711 |
| Pass-through Awards | 93.865 | 595,178 |
| Subtotal 93.865 | | 2,165,889 |
| Pass-through Awards | 93.866 | 13,928 |
| Direct Payments | 93.933 | 8,443 |
| Total Department of Health and Human Services | | 8,618,065 |

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

Schedule of Expenditures of Federal Awards (Continued)

Year ended June 30, 2015

| Federal Granting Agency | Federal CFDA Number | Federal Expenditures |
|---|---|---|
| Corporation for National and Community Service | | |
| Direct Payments | 94.006 | 213,812 |
| Pass-through Awards | 94.019 | 131,509 |
| Total Corporation for National and Community | | 345,321 |
| Department of Homeland Security | | |
| Pass-through Awards | 97.061 | 29,807 |
| Total Department of Homeland Security | | 29,807 |
| Total Research and Development Cluster | | 16,365,395 |
| Student Financial Aid Cluster: | | |
| Department of Education: | | |
| Federal Supplemental Education Opportunity Grant Program | 84.007 | 395,159 |
| Federal Work Study Program | 84.033 | 1,548,058 |
| Federal Perkins Loan Program | 84.038 | 18,311,575 |
| Federal Pell Grant Program | 84.063 | 4,150,079 |
| Federal Direct Student Loan Program | 84.268 | 132,207,433 |
| Teacher Education Assistance for College and Higher Education (TEACH) Grants | 84.379 | 398,596 |
| Total Department of Education - Student Financial Assistance Cluster | | 157,010,900 |
| Total Federal Awards | | $ 173,376,295 |

**(1) Basis of Presentation**

The schedule of expenditures of federal awards (the Schedule) presents the activity of federal programs of the University of Denver (Colorado Seminary) (the University) for the year ended June 30, 2015. Federal awards received directly from federal agencies are included in the Schedule as well as federal guaranteed loans disbursed by the University. Additionally, all federal awards passed through from other entities have also been included on the Schedule. Although the University is required to match certain grants, as defined in the grants, no such matching is included in the Schedule.

**(2) Basis of Accounting**

The Schedule is presented on the accrual basis of accounting as described in note 1 to the University's financial statements. Other than the programs discussed in note 3 below, amounts on the Schedule are consistent with amounts recorded in the University's financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**(3) Student Financial Assistance Grants and Loans**

During the year ended June 30, 2015, the University participated in the Federal Direct Student Loan Program (Direct Student Loans) and the Federal Pell Grant Program (Pell Grant), the Federal Supplemental Education Opportunity Grant Program (FSEOG) and the Teacher Education Assistance for College and Higher Education Grants (TEACH). Such transactions are not reported in the University's statement of activities as they represent agency transactions under accounting principles generally accepted in the United States of America. For the Direct Student Loans, Pell Grant, FSEOG, and TEACH programs, the amounts on the Schedule represent the amounts disbursed to students for these programs during fiscal year 2015. The Federal Perkins Loan Program amount on the Schedule of $18,311,575 represents total student Perkins Loans outstanding as of June 30, 2015. Actual new loans to students as a part of the Perkins Loans program totaled approximately $4 million.

**(4) Federal Perkins Loan Program**

Student loans made through the Federal Perkins Loan Program (Perkins) constitute substantially all of the student loans outstanding at year-end. The total balance due on Perkins loans is approximately $18 million as of June 30, 2015.

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

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

## (5) Pass-Through Awards

On the accompanying 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 | $ 81,982 |
| Colorado Department of Public Health and Environment | 10.558 | 00013-09 | 23,207 |
| Nano Electronics Research Corp. | 11.612 | 2008-NE-1462D | 1 |
| University of Michigan | 12.300 | 3002429096 | 27,804 |
| University of Colorado Denver | 12.404 | FY13.315.002 AMD 3 | 14,234 |
| Florida State University | 12.420 | R01731 | 107,853 |
| University of Colorado Denver | 12.420 | W81XWH-12-0090, FY13.375.002 | 51,095 |
| University of Texas-Austin | 12.431 | UTA13-000560 | 32,664 |
| Denver Housing Authority | 14.866 | CONTRACT DATED 3/6/12 | 11,610 |
| Lockheed Martin | 16.560 | 7200006724 | (14) |
| Lockheed Martin | 16.560 | 7200008946 | (23,628) |
| RAND Corporation | 16.560 | 9920140062 | 119,786 |
| Rocky Mountain Victim Law Center | 16.582 | 2012-VF-GX-K018 | 51,550 |
| North Dakota State University | 20.700 | FAR0019956 | 129,836 |
| Mississippi State University | 20.801 | 0631300-363277-02 | 186,365 |
| Jet Propulsion Lab | 43.001 | RSA NO. 1428128 | 18,138 |
| NASA/Space Telescope Science Institute | 43.001 | HST-GO-12205.01-A | 7,663 |
| NASA/Space Telescope Science Institute | 43.001 | HST-GO-13441.01-A | 19,659 |
| Western States Arts Federation | 45.025 | TW201400126 | 2,500 |
| Western States Arts Federation | 45.025 | TW201400135 | 2,150 |
| George Mason University | 45.163 | E2033171 | 19,800 |
| Howard University | 47.041 | 0008580-1000052630 | 19,886 |
| Tennessee Technical University | 47.041 | P005673 | 16,283 |
| Southern Illinois University | 47.049 | SUBAGREEMENT SIUC 11-10 | 68,863 |
| Oregon State University | 47.074 | S1535A-B | 1,095 |
| University of Colorado/Boulder | 47.075 | 1551612/PO1000373207 | 3,827 |
| Illinois State University | 47.076 | 12C132.01B | 333,970 |
| University of Michigan | 47.076 | 3002994143 | 70,821 |
| University of North Dakota | 47.076 | UND001339 | 5,545 |
| National Renewable Energy Lab | 81.089 | KXEA-9-99014-03 | 13,026 |
| National Renewable Energy Lab | 81.089 | KXEA-9-99014-05 | 11,665 |
| National Renewable Energy Lab | 81.089 | KXEA-9-99014-05 | 13,142 |
| Commonwealth Edison Company | 81.122 | 15SPD350 - 01161400 | 24,530 |

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

Notes to Schedule of Expenditures of Federal Awards (Continued)

June 30, 2015

| Grantor Agency | Federal CFDA Number | Contract/grantor Number | Federal Expenditures |
|---|---|---|---|
| University of Colorado Denver | 84.305 | FT15.725.001 | 54,291 |
| Oklahoma Dept. of Mental Health and Substance Abuse | 93.087 | PO4529045365 | 29,810 |
| Oklahoma Dept. of Mental Health and Substance Abuse | 93.087 | PO452904B251 | 49,348 |
| University of Colorado/Boulder | 93.113 | 1548993/PO 1000100383 | (132) |
| University of Colorado Denver | 93.173 | FY15.009.00, 2-5-94245 | 59,754 |
| Colorado Department of Human Services | 93.234 | 15 IHA 74870 | 26,388 |
| University of California/Irvine | 93.242 | 2013.2985 | 163,881 |
| Colorado Foundation for Pub Health & Environment | 93.283 | 2007-RIHEL-DU | 145,348 |
| University of Chicago | 93.286 | FP049864 | 331,789 |
| Research Foundation of State University of New York | 93.648 | 12-43 | 4,882 |
| Research Foundation of State University of New York | 93.648 | 14-07 | 137,281 |
| Research Foundation of State University of New York | 93.648 | 14-52 | 558,784 |
| University of Maryland-Baltimore | 93.648 | SR00003521 | 23,652 |
| City and County Of Denver | 93.652 | CC #GE81304-2 | 8,728 |
| University of Texas at Arlington | 93.652 | 26-1602-1061 | 60,797 |
| University of Texas at Arlington | 93.652 | 26-1602-1061 | 26,850 |
| University of Vermont | 93.652 | 28332SUB51623 | 50,698 |
| Colorado Department of Human Services | 93.658 | AMEND #1: CMS 43442 | (32) |
| Colorado Department of Human Services | 93.658 | PO# IHA STFC1457109 | 3,000 |
| Colorado Department of Human Services | 93.658 | 15 IHA 66257 | 259,783 |
| Colorado Department of Human Services | 93.667 | OE IHA CWSX1300028 | (1) |
| New York State Office of Children & Family Services | 93.667 | CO26725 / CC27 | 654,232 |
| TDA Research, Inc. | 93.859 | JMA.6613.DU.13.01/IRD.DU.14.01 | 5,258 |
| Center for Policy Research | 93.865 | SUBAWARD AGREEMENT 2014-004 | 5,126 |
| University of California | 93.865 | 201402548-01 | 43,504 |
| University of California at Los Angeles | 93.865 | 0875 G RA715 | 39,711 |
| University of California/Irvine | 93.865 | NO. 2012-2882 | 84,022 |
| University of Colorado/Boulder | 93.865 | 1551239/PO1000313036 | 89,282 |
| University of Colorado/Boulder | 93.865 | 1551241/PO1000310179 | 167,417 |
| University of Colorado/Boulder | 93.865 | PO1000428297/1552245 | 63,773 |
| University of Colorado/Boulder | 93.865 | 1552243 / PO1000428301 | 92,753 |
| University of Colorado-Colorado Springs | 93.865 | 14-036-003 | 9,590 |
| University of Colorado/Boulder | 93.866 | 1547268 | 13,928 |
| Mile High United Way | 94.019 | SUB-GRANT 2012-006 | 131,509 |
| University of Maryland | 97.061 | Z901217 | 29,807 |
| | | | $ 4,891,719 |

## (6) Subrecipients

The University passed through approximately $2.5 million to subrecipients in the Research and Development cluster for the year ended June 30, 2015. On the accompanying Schedule, the following amounts were disbursed to subrecipients:

| Grantor Agency | Federal CFDA number | Contract/Grantor's Number | Federal Expenditures |
|---|---|---|---|
| Auburn University | 12.420 | R01731 | $ 65,526 |
| MET Laboratories | 16.560 | 2009-IJ-CX-K010 | 25,000 |
| Correct Tech, LLC | 16.560 | 2010-IJ-CX-K003 | 17,375 |
| ITC Engineering Services, Inc. | 16.560 | 2010-IJ-CX-K003 | 161,017 |
| John S. Shaeffer | 16.560 | 2010-IJ-CX-K003 | 44,175 |
| Search Group Incorporated | 16.560 | 2010-IJ-CX-K003 | 12,083 |
| Fredric Rieders Family Renaissance | 16.560 | 2012-DN-BX-K035 | 112,583 |
| Denver VALE Board | 16.560 | 2012-W9-BX-0049 | 2,400 |
| SAIC Coordination | 16.560 | 2012-W9-BX-0049 | 1,200 |
| Correct Tech, LLC | 16.560 | 9920140062 | 6,625 |
| University of Delaware | 43.001 | NNX13AF40G | 10,152 |
| Boulder Language Technologies, Inc. | 47.070 | CNS-1427872 | 135,490 |
| Boston University | 47.074 | DEB-1358861 | 22,292 |
| Case Western Reserve University | 47.076 | DRL-1313695 | 59,025 |
| Michigan State University | 47.076 | DRL-1313718 | 35,876 |
| Rutgers, The State University of New Jersey | 47.076 | DRL-1313718 | 27,978 |
| University of Michigan | 47.076 | DRL-1313718 | 21,508 |
| Abt Associates, Inc. | 84.305 | R305A080700 | 3,739 |
| Abt Associates, Inc. | 84.305 | R305A120813 | 184,410 |
| Research Foundation of State University of New York | 84.305 | R305A120813 | 44,539 |
| Vanderbilt University | 93.242 | 2R01MH077195-08 | 34,963 |
| University of Kansas | 93.286 | 1R01EB015497-03 | 5,251 |
| Mental Health Corporation of Denver | 93.600 | 90YR0056/04 | 68,223 |
| Oregon Social Learning Center Foundation | 93.600 | 90YR0056/04 | 96,201 |
| Rutgers, The State University of New Jersey | 93.648 | 14-52 | 27,656 |
| Tribal Law and Policy Institute | 93.658 | 90CZ0026-01-00 | 624,309 |
| University of Southern Maine | 93.658 | 90CZ0026-01-00 | 256,167 |

**UNIVERSITY OF DENVER (COLORADO SEMINARY)**

Notes to Schedule of Expenditures of Federal Awards (Continued)

June 30, 2015

| Grantor Agency | Federal CFDA number | Contract/Grantor's Number | Federal Expenditures |
|---|---|---|---|
| Westat, Inc | 93.658 | 90CZ0026-01-00 | 194,415 |
| JAS Associates | 93.669 | PO IHFA 2015001936 | 13,800 |
| Children's Hospital Colorado | 93.865 | 1551239/PO1000313036 | 6,171 |
| Colorado Coalition against Domestic Violence | 93.865 | 1R01HD066503-04 | 68,746 |
| University of Colorado-Denver | 93.865 | 5 R01 HD053314-24 | (51) |
| University of Colorado-Denver | 93.865 | 5R01HD048780-10 | 34,562 |
| Adams State University | 94.006 | 13EDHCO001 | 2,539 |
| Arizona State University | 94.006 | 13EDHCO001 | 28,227 |
| Campus Compact of the West | 94.006 | 13EDHCO001 | (21,141) |
| Colorado I Have a Dream Foundation | 94.006 | 13EDHCO001 | 480 |
| Colorado Mesa University | 94.006 | 13EDHCO001 | 5,010 |
| Colorado State University | 94.006 | 13EDHCO001 | 5,348 |
| Colorado State University- Pueblo | 94.006 | 13EDHCO001 | 349 |
| Dakota Wesleyan University | 94.006 | 13EDHCO001 | 1,225 |
| Flathead Valley Community College | 94.006 | 13EDHCO001 | 6,105 |
| Fort Lewis College | 94.006 | 13EDHCO001 | 114 |
| Mesa Community College | 94.006 | 13EDHCO001 | 105 |
| Metropolitan State University at Denver | 94.006 | 13EDHCO001 | 4,864 |
| Minot State University | 94.006 | 13EDHCO001 | 4,542 |
| Montana State University-Billings | 94.006 | 13EDHCO001 | 7,065 |
| Montana State University-Bozeman | 94.006 | 13EDHCO001 | 12,126 |
| Montana State University-College of Nursing | 94.006 | 13EDHCO001 | 1,826 |
| Montana State University-Northern | 94.006 | 13EDHCO001 | 1,834 |
| Montana Tech of the University of Montana | 94.006 | 13EDHCO001 | 4,247 |
| Naropa University | 94.006 | 13EDHCO001 | 1,556 |
| Northeastern Junior College | 94.006 | 13EDHCO001 | 1,270 |
| Regis University | 94.006 | 13EDHCO001 | 5,396 |
| Rocky Mountain College | 94.006 | 13EDHCO001 | 2,168 |
| University of Colorado-Denver | 94.006 | 13EDHCO001 | (7,180) |
| University of Denver | 94.006 | 13EDHCO001 | 5,498 |
| University of Montana | 94.006 | 13EDHCO001 | 7,270 |
| University of Nebraska | 94.006 | 13EDHCO001 | (1,333) |
| University of Northern Colorado | 94.006 | 13EDHCO001 | 12,638 |
| University of South Dakota | 94.006 | 13EDHCO001 | 9,308 |
| OMNI Institute, Inc. | 94.019 | SUB-GRANT 2012-006 | 28,770 |
| | | | $ 2,553,632 |

# 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 statement of financial position, the related statements of activities, and cash flows as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise University of Denver's (Colorado Seminary) basic financial statements, and have issued our report thereon dated November 19, 2015.

## 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Trustees
University of Denver

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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

**CliftonLarsonAllen LLP**

Greenwood Village, Colorado
November 19, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on the University of Denver's major federal program for the year ended June 30, 2015. The University of Denver's major federal program is 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 laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the University of Denver's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University 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 each major federal program. 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 program for the year ended June 30, 2015.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

University of Denver's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. University of Denver's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be significant deficiencies.

Board of Trustees
University of Denver

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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

University of Denver's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. University of Denver's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Greenwood Village, Colorado
November 19, 2015

**UNIVERSITY OF DENVER**

**Schedule of Findings and Questioned Costs**

Year ended June 30, 2015

## (1) Summary of Auditors' Results

### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

| | | |
|---|---|---|
| • Material weakness(es) identified? | ☐ yes | ☒ no |
| • Significant deficiencies identified that are not considered to be material weaknesses? | ☐ yes | ☒ no |
| Noncompliance material to financial statements noted? | ☐ yes | ☒ no |

### Federal Awards

Internal control over major programs:

| | | |
|---|---|---|
| • Material weaknesses identified? | ☐ yes | ☒ no |
| • Significant deficiencies identified that are not considered to be material weakness(es)? | ☒ yes | ☐ no |

Type of auditors' report issued on compliance for major program: Unmodified

| | | |
|---|---|---|
| Any audit findings, disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | ☒ yes | ☐ no |

Identification of major programs:

| Federal Grantor/Program or Cluster Title | Federal CFDA Number |
|---|---|
| **Student Financial Assistance Cluster:** | |
| **U.S. Department of Education:** | |
| Federal Supplemental Education Opportunity Grant Program | 84.007 |
| Federal Work Study Program | 84.033 |
| Federal Perkins Loan Program | 84.038 |
| Federal Pell Grant Program | 84.063 |
| Federal Direct Student Loan Program | 84.268 |
| Teacher Education Assistance for College and Higher Education (TEACH) Grants | 84.379 |

| | | |
|---|---|---|
| Dollar threshold used to distinguish between type A and type B programs | $490,660 | |
| Auditee qualified as low-risk auditee? | ☒ yes | ☐ no |

**(2) Findings – Federal Award Findings and Questioned Costs**

**Current Year**

**2015-001: Student Financial Aid Cluster**
*Department of Education*
*Internal Control over Compliance - Significant Deficiency*
*Cash Management*
*Borrower Data Transmission Reconciliations (Special Test)*

**Criteria:**
Per the requirements of OMB Circular A-133, for each direct and material compliance requirement, the auditor must obtain an understanding of internal control, assess risk of noncompliance, and test control to ensure the non-federal entity has proper controls in place to prevent and detect noncompliance within the federal program. The auditor must determine the specific procedures to test internal control on a case-by-case basis considering factors such as the non-Federal entity's internal control, the compliance requirements, the audit objectives for compliance, the auditor's assessment of control risk, and the audit requirement to test internal control as prescribed in OMB Circular A-133.

**Condition:**
During our testing of a sample of three reconciliations of cash draws (Cash Management) for internal control and compliance, we noted that one reconciliation was not approved per the prescribed controls established by the University.

In addition, during testing of three monthly Borrower Data Transmission Reconciliations (Special Test), we noted that there was no review process for monthly reconciliations.

**Context:**
For Cash Management testing, CLA selected a sample of reconciliations from a total population of 21 and noted the condition above.

In addition, our internal control testing over Borrower Data Transmission Reconciliations (Special Test), CLA sampled three reconciliations from a total population of 12 and found the condition noted above.

**Cause:**
Per discussion with the Assistant Bursar, the preparer of the reconciliations, the Cash Management reconciliation in question was performed while she was on vacation and the Director of Financial Services, the reviewer, was also on vacation. As the reconciliation was performed remotely, the Assistant Bursar was unable to provide the document to Director of Financial Services for approval prior to the remainder of the process being completed.

In regards to the Borrower Data Transmission Reconciliations selected for testing, also known as the monthly reconciliation of the Direct Loan program using the School Account Statement from COD, per discussions with the Director of Student Financial Aid there was no secondary review process was in place at the time of audit.

**Effect:**
While CLA noted no inaccuracies in the reconciliations selected for testing, the lack of a review process or following documented procedures could lead to improper drawing of federal funds or inaccurate data transmission of student borrower data.

**(2) Findings – Federal Award Findings and Questioned Costs (Continued)**

**2015-001: Student Financial Aid Cluster (Continued)**

**Recommendation:**
For the Cash Management controls, CLA recommends that the University follow its own internal control procedures when performing reconciliations, including when performing remotely. In addition, the University should establish a process in which Borrower Data Transmission Reconciliations are reviewed in a timely and accurate manner by someone separate from the preparer.

**Views of Responsible Officials and Planned Corrective Actions:**
The cash management reconciliation in question occurred during the University's winter holiday so the second review was not obtained due to individual vacation schedules. The total amount of the draw was spot checked and found to be in line with the amount of federal financial aid disbursed to student accounts. We have implemented a procedure to have the second reviewer sign off on the reconciliation process immediately upon return from any absence should a reconciliation be performed during this person's absence.

Each month the Systems Administrator in the financial aid office uses the monthly School Account Statement from the Department of Education to reconcile the Direct Loan funds with the University's records. She resolves all discrepancies to balance each month's statements. We have implemented a procedure to have the Associate Director of Financial Aid, Systems review and sign off on the regular monthly reconciliation of the School Account Statement.

**University of Denver Contact:**
John Gudvangen, Assistant Vice Chancellor for Enrollment and Director of Financial Aid
303-871-4857
2199 S. University Blvd; Denver, Colorado 80208

Corrective Action Date: November 2015

**2015-002: Student Financial Aid Cluster**

*Department of Education*
*Noncompliance, Internal Control over Compliance - Significant Deficiency*
*Student Status Changes – Special Test*

**Criteria:**
Per 34 CFRs 685 and 690, and as outlined in the OMB A-133 Compliance Supplement, Part 5, institutions are required to update all information included in the enrollment report from the National Student Loan Data System (NSLDS) and return the report within the prescribed timeframe (30 days). Schools are also required to make necessary corrections, and return, within the prescribed timeframe (ten days) for any report errors subsequently noted by NSLDS. In addition, timely and accurate enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days.

**Condition:**
Review of enrollment reporting data from the institution showed that errors were not corrected and returned to NSLDS within the prescribed timeframe of 10 days.

## (2) Findings – Federal Award Findings and Questioned Costs (Continued)

**2015-002: Student Financial Aid Cluster (Continued)**

**Condition: (Continued)**
In addition, we tested a sample of students to ensure underlying enrollment reporting data agreed to student status as reported by NSLDS as well as timeliness of reporting student status changes. During this testing, we noted:

- The statuses of two students were not uploaded within the prescribed timeframes noted above.
- The status of one student was inaccurately reported to the NSLDS.

**Context**
As it relates to not correcting enrollment data errors within 10 days, this occurred throughout the year and for many institutions across the nation utilizing the same service provider for this service. (See below.)

In testing student status changes, we tested a sample of 40, of which we found the items described above.

**Cause:**
The University utilizes the National Student Clearinghouse (NSC) to report student information to NSLDS. After uploading batch roster updates to NSLDS within the required timeframe, the University's error/acknowledgment file from NSLDS is available to them via their NSC services. In an attempt to correct the errors, NSC resubmitted the files within the required 10 days, but some of those records continued to not pass the NSLDS enrollment reporting edits. As such, ultimately, the errors were not corrected within the 10 days.

**Effect:**
Inaccurate reporting could affect students' repayment status for Direct Loans and/or Pell Grant eligibility.

**Recommendation:**
We recommend that the institution implement a process to ensure that all rosters are accurately uploaded, or corrected, in a timely manner to NSLDS.

**Views of Responsible Officials and Planned Corrective Actions:**
We report enrollment data to NSLDS through the National Student Clearinghouse (NSC). NSC receives regular data error reports from the NSLDS after each submission of our enrollment data reports. We discovered that NSC did not have any reliable procedures in place to respond to and to resolve these error reports, nor were they sharing the error reports with us or any of their other institutional clients. Immediately upon discovering these issues our registrar's office initiated a thorough review of all error reports since July 2014 and implemented business procedures to obtain error reports from the NSC within three business days. We also have investigated all error types and either implemented resolutions or identified steps to implement resolutions for each error type. Finally, the registrar's office has taken the lead to work with the NSC, our software provider (Ellucian Banner), and our national professional associations to develop strategies with the U.S. Department of Education and all interested parties to solve these problems. A detailed letter on this issue including the error report summaries and error resolution status was provided to CLA as part of the management response.

**University of Denver Contact:**
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303-871-4857
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Corrective Action Date: November 2015

## (2) Findings – Financial Statements Audit (Continued)

**Prior Year**

None reported

## (3) Federal Award Findings and Questioned Costs

**Prior Year**

None reported