

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Financial Statements and Uniform Guidance Single Audit Reports

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)



November 15, 2019

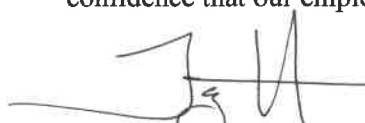
To Readers and Users of the University of Denver's Financial Statements:

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.




Jeremy Haefner
Chancellor




Corinne Lengsfeld
Interim Provost and
Executive Vice Chancellor



Leslie Brunelli
Senior Vice Chancellor
for Business and Financial
Affairs/Treasurer



Andrew Cullen
Associate Vice Chancellor for
Finance/Assistant Treasurer



Jason Gerow
Director of Accounting

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, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2019 and 2018, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the University changed accounting policies related to its revenue recognition requirements by adopting Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The University also adopted the FASB ASU 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Lastly, the University adopted FASB ASU 2018-08, *Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. Our opinion is not modified with respect to these matters.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The 2019 Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 22, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Denver, Colorado
November 22, 2019

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Statement of Financial Position

At June 30, 2019 and 2018

Assets	2019	2018
Cash and cash equivalents	\$ 77,989,136	54,104,328
Short term investments	79,802,288	77,048,309
Accounts receivable, net	31,075,230	24,088,656
Pledges receivable, net	43,866,911	42,016,292
Inventories, prepaid expenses, and other assets	8,748,006	7,890,609
Long term investments	814,224,320	791,187,624
Loans to students, net	11,451,547	14,360,929
Deposits with bond trustees	132,450,425	147,649,748
Property, plant, and equipment, net of accumulated depreciation	671,025,728	659,247,991
Total assets	\$ 1,870,633,591	1,817,594,486
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 86,464,664	73,462,973
Deferred revenues	28,275,126	23,250,704
Other liabilities	663,877	659,911
Annuity obligations	8,661,912	9,150,514
Long-term debt	244,024,186	252,414,082
U.S. government grants refundable	14,640,915	14,501,430
Total liabilities	382,730,680	373,439,614
Net assets:		
Without donor restrictions:		
Undesignated	9,646,694	9,142,701
Board-designated endowments	250,458,767	252,889,606
Designated student loans	1,677,720	1,660,211
Other designated	41,231,847	33,431,101
Net investment in plant	549,396,846	543,401,296
Donor advised funds	9,520,000	9,870,710
Total without donor restrictions	861,931,874	850,395,625
With donor restrictions		
Gifts and distributed endowment income	45,236,968	41,540,789
Student loans	2,166,743	2,139,285
Annuity life income	14,508,413	13,958,900
Endowment subject to future appropriations	188,191,651	183,741,097
Perpetual endowment	375,867,262	352,379,176
Total with donor restrictions	625,971,037	593,759,247
Total net assets	1,487,902,911	1,444,154,872
Total liabilities and net assets	\$ 1,870,633,591	1,817,594,486

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Statement of Activities

Year ended June 30, 2019

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

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Statement of Activities

Year ended June 30, 2018

	2018		
	Without donor restrictions	With donor restrictions	Total
Operating activity			
Operating revenues and other support:			
Tuition and fees, net	\$ 299,554,508	—	299,554,508
Private gifts	722,402	22,382,729	23,105,131
Grants and contracts	34,422,696	—	34,422,696
Endowment investment return appropriated for operations	10,958,579	22,820,436	33,779,015
Other investment income	3,225,648	40,024	3,265,672
Net realized and unrealized gains (losses) on other investment	(1,991,694)	(22,949)	(2,014,643)
Sales and services of educational activities	17,118,696	—	17,118,696
Sales and services of auxiliary enterprise	40,114,630	—	40,114,630
Other sources of operating revenue	24,165,251	—	24,165,251
Net assets released from restrictions	35,812,108	(35,812,108)	—
Total operating revenue	<u>464,102,824</u>	<u>9,408,132</u>	<u>473,510,956</u>
Expenses:			
Salaries and wages	233,795,106	—	233,795,106
Fringe benefits	54,000,683	—	54,000,683
Services and supplies	98,470,724	—	98,470,724
Utilities and maintenance	16,946,225	—	16,946,225
Depreciation	16,895,289	—	16,895,289
Disposal of property, plant, and equipment	144,963	—	144,963
Interest on indebtedness	10,161,627	—	10,161,627
Other operating expenses	30,150,228	—	30,150,228
Total operating expenses	<u>460,564,845</u>	<u>—</u>	<u>460,564,845</u>
Increase (decrease) in net assets from operating activity	<u>3,537,979</u>	<u>9,408,132</u>	<u>12,946,111</u>
Non-operating activity			
Private gifts for endowment	—	20,873,210	20,873,210
Endowment investment return after amounts appropriated for operation:	9,006,907	18,838,690	27,845,597
Change in value of split interest agreements	—	648,070	648,070
Net assets released from restrictions	1,800,174	(1,800,174)	—
Reclassification of restricted net assets	(6,101,694)	6,101,694	—
Increase (decrease) in net assets from non-operating activity	<u>4,705,387</u>	<u>44,661,490</u>	<u>49,366,877</u>
Change in net assets	8,243,366	54,069,622	62,312,988
Net assets at beginning of year	<u>842,152,259</u>	<u>539,689,625</u>	<u>1,381,841,884</u>
Net assets at end of year	<u>\$ 850,395,625</u>	<u>593,759,247</u>	<u>1,444,154,872</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 43,748,039	62,312,988
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of property, plant, and equipment	16,946,472	17,040,252
Disposal of property, plant, and equipment	7,464,492	194,795
Amortization of premium and cost of issuance	(779,896)	(914,781)
(Increase) decrease in accounts receivable	(6,986,574)	577,404
(Increase) decrease in pledges receivable	(1,850,619)	(5,497,529)
Increase in inventories, prepaid expenses, and other assets	(857,397)	(1,787,036)
(Decrease) increase in accounts payable and accrued liabilities	15,355,331	4,981,674
Increase in deferred revenues	5,024,422	1,345,197
(Decrease) increase in other liabilities	3,966	(393,481)
Actuarial adjustment for annuity obligation	(634,952)	(193,683)
Contributions of real property and personal property	—	(309,000)
Contributions restricted for long term investment	(23,849,516)	(20,944,474)
Interest and dividends for long term investments	(302,069)	(261,886)
Net realized and unrealized gains on investments	<u>(36,859,596)</u>	<u>(58,285,745)</u>
Net cash provided (used) by operating activities	<u>16,422,103</u>	<u>(2,135,305)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	236,376,129	244,710,733
Purchases of investments	(225,160,858)	(231,899,947)
Purchases of property, plant, and equipment	(38,542,340)	(31,892,086)
Disbursements for Perkins and University loans to students	—	(1,434,920)
Repayment of Perkins and University loans to students	2,909,381	3,293,030
(Increase) decrease in deposits with bond trustees	<u>15,199,323</u>	<u>8,714,662</u>
Net cash used in investing activities	<u>(9,218,365)</u>	<u>(8,508,528)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long term investment	23,849,516	20,944,474
Interest and dividends restricted for reinvestment	302,069	261,886
Payments of bonds payable	(7,610,000)	(7,205,000)
Decrease in refundable government loan funds, net	<u>139,485</u>	<u>(1,615,964)</u>
Net cash provided by financing activities	<u>16,681,070</u>	<u>12,385,396</u>
Net increase (decrease) in cash and cash equivalents	23,884,808	1,741,563
Cash and cash equivalents at beginning of year	<u>54,104,328</u>	<u>52,362,765</u>
Cash and cash equivalents at end of year	\$ <u><u>77,989,136</u></u>	<u><u>54,104,328</u></u>

See accompanying notes to the financial statements

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2019 and 2018

(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.

For financial reporting purposes, resources are classified into net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

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

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

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

(c) *Change in Accounting Principle*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2019 and 2018

years beginning after December 15, 2017. The University adopted ASU 2014-09 in fiscal year 2019. Following the adoption of ASU 2014-09, the University continues to recognize Tuition and fee revenue and Sales and services of auxiliary enterprises as services are provided, which corresponds to the fiscal year in which the related services are rendered. There was no material impact to the financial statements as a result of adoption. ASU 2014-09 has been applied retrospectively to all periods presented, with no effect on net assets or previously issued financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard aims to assist entities in (1) evaluating whether transactions should be accounted for as contributions or exchange transactions and (2) determining whether a contribution is conditional. This guidance is effective for fiscal years beginning after June 15, 2018. The University has adopted this standard during fiscal year 2019. The adoption of this standard did not materially impact the financial statements of the University.

In August 2016, the FASB issued ASU 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities. The new guidance requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources to donors, grantors, creditors and other users. The University adopted the provisions of this standard during fiscal 2019, with retrospective changes to fiscal year 2018 financial statements. The adoption resulted in a change in net asset classifications to net assets without donor restrictions and net assets with donor restrictions from the previous three classes of net assets. In addition, the new standard provides for the reclassification of endowment funds with deficiencies from net assets without donor restrictions (previously unrestricted net assets) to net assets with donor restrictions (previously temporarily restricted net assets). Additional disclosures related to liquidity and functional expenses are also required by the new standard. The University adopted this accounting standard and has included the changes within the financial statements and related disclosures.

(d) 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.

(e) 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.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2019 and 2018

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

Account receivables are net of allowances for uncollectible accounts of \$2,337,000 and \$1,975,000 as of June 30, 2019 and 2018, respectively.

(f) Investments

Investments received by gift, including investments in real estate, are recorded at estimated fair value at the date of the gift and are subsequently adjusted for changes in fair value thereafter. Purchased investments are carried at fair value. Realized and unrealized gains and losses are reported in the appropriate net asset classification. The University also holds shares or units in alternative investment funds involving hedge, private equity, and real estate strategies. For financial statement presentation purposes, an investment may be considered alternative if the investment does not meet the following four criteria: (1) it is registered with the Securities Exchange Commission (SEC), (2) it makes semiannual filings with the SEC, (3) it calculates a net asset value daily, and (4) purchase and redemption of shares may be done daily. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets that require the estimation of fair values in the absence of readily determinable market values.

The University evaluates the fair value of its investments in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820-10, *Fair Value Measurements and Disclosures*, updated by Accounting Standards Update (ASU) No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. This standard establishes a framework for measuring fair value, clarifies the definition of fair value for financial reporting, and expands disclosures about fair value measurements. See further discussion at note 4.

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.

(g) Pledges Receivable and Contribution Revenue

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

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2019 and 2018

Donor-restricted contributions whose restrictions are met in the same reporting period are initially reported as restricted revenue, which increases net assets with donor restrictions, then reclassified (or released from restrictions), simultaneously increasing net assets without donor restrictions and decreasing net assets with donor restrictions. 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.

(h) 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.

(i) Deposits with Bond Trustees

Deposits with bond trustees represents unspent funds from the Series 2017A and Series 2017B proceeds held in cash and U.S. government securities.

(j) Property, Plant, and Equipment

Property, plant, and equipment exceeding a capitalization threshold of \$5,000 are carried at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation on property, plant, and equipment is calculated on the straight-line method over the estimated useful lives of the assets, which range from 3 to 15 years for equipment and 10 to 80 years for buildings and improvements.

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.

(k) Revenue Recognition

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

The University recognizes revenue from student tuition and fees ratably over the academic term in which the related courses and programs are delivered. Registered students are generally billed on the first day of the month preceding the month in which classes begin and payment is due during the third week of that month. During terms for which classes begin late in the month, registered students are billed on the first of the month in which classes begin and payment is due during the third week of that month. Summer session tuition and fee revenue that is not earned as of year-end is deferred and reported as Deferred Revenues on the Statement of Financial Position. Deferred tuition and fee revenue is recognized as

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revenue in the following fiscal year. Summer session deferred tuition and fee revenue totaled approximately \$28,275,000 and \$23,251,000 on June 30, 2019 and 2018, respectively. The allowance for doubtful student accounts was approximately \$2,145,000 and \$1,814,000 at June 30, 2019 and 2018, respectively.

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

The following table shows the University's tuition and fee revenue and scholarship support for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Undergraduate tuition	\$ 283,359,996	271,980,319
Graduate tuition	212,542,021	189,428,918
Other tuition	10,055,712	10,061,507
Student fees	4,564,507	4,425,554
Tuition and fees	<u>510,522,236</u>	<u>475,896,298</u>
Less: institutional scholarships	(164,744,272)	(157,486,911)
Less: noninstitutional scholarships	(23,124,436)	(18,854,879)
Net tuition and fees	<u>\$ 322,653,528</u>	<u>299,554,508</u>

The following tables include a roll forward of Deferred Tuition and Fee Revenue balances for the years ended June 30, 2019 and 2018:

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

	<u>Deferred Revenue</u>
Balance at June 30, 2017	\$ 21,905,507
Tuition and fee revenue recognized	(21,905,507)
Revenue deferred for future performance obligations	<u>23,250,704</u>
Balance at June 30, 2018	<u>\$ 23,250,704</u>

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Grants and Contracts Revenue

The University receives grants and contracts from governmental and private sources. The University considers the majority of its grants and contracts funding to be nonreciprocal transactions in which resources are provided for the benefit of the University, the funding organization's mission, or the public at large. The University considers its grants and contracts to be conditional contributions. The University recognizes revenues associated with these sponsored programs as the related costs are incurred in accordance with the terms of the grant agreements.

Grants and contract revenue from governmental sources totaled approximately \$31,528,000 and \$28,973,000 during fiscal years ended June 30, 2019 and 2018, respectively. Indirect costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates, which are stated as a percentage and distributed based on the modified total direct costs incurred. The University negotiates its federal indirect rate with its cognizant federal agency. Indirect costs recovered on all other grants and contracts are based on rates negotiated with respective sponsors.

Sales and Services of Auxiliary Enterprise

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

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

	2019	2018
Housing	\$ 18,747,755	18,128,516
Meal plans	12,343,825	12,085,352
Health and counseling services	5,466,675	5,202,367
Conferencing events	2,216,991	2,105,927
Perfo Tuition and fees	2,064,832	1,635,316
Other sales and services of auxiliary enterprises	253,219	957,152
Total sales and services of auxiliary enterprises	<u>41,093,297</u>	<u>40,114,630</u>

(I) **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 \$4,465,000 and \$4,430,000 as of June 30, 2019 and 2018, respectively, and is included in accounts payable and accrued liabilities in the accompanying statements of financial position.

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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.

(m) Annuity Obligations

Annuity obligations represent the actuarially determined present value of future payments due to beneficiaries under split-interest agreements, primarily charitable remainder trusts, based on the beneficiaries' life expectancies from actuarial tables published by the Internal Revenue Service, using the prevailing interest rate as of the date of each agreement. The University's agreements are tied to interest rates that range from 4.9% to 9.6%. Annuity obligations are adjusted annually for these factors.

(n) 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, 2019 and 2018.

The University evaluates its tax position in accordance with the provisions of FASB ASC Topic 740-10, *Income Taxes*. FASB ASC Topic 740-10 clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements. FASB ASC Topic 740-10 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. A tax position is measured at the largest amount of benefit that is greater than 50% likely being realized upon settlement. The University has no uncertain income tax positions as of June 30, 2019 and 2018.

(o) Net Asset Reclassifications

In 2011, the University initiated a matching program to increase endowed scholarships for undergraduates, graduates, and performing arts students. The board of trustees has designated \$66 million of the University's strategic reserves to match commitments to new and existing scholarship endowments. For the years ended June 30, 2019 and 2018, the University matched commitments to the matching program in the amount of approximately \$3,299,000 and \$6,102,000, respectively.

(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

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asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (the Act) and expands disclosures about endowment funds. See further discussion at note 5.

(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, 2019 and through November 22, 2019.

(s) Reclassifications

Certain 2018 amounts have been reclassified to conform to the current year presentation.

(2) Financial Assets for General Expenditure

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

	<u>2019</u>		<u>2018</u>
Financial Assets:			
Cash and cash equivalents - operating	\$ 66,137,451	\$	46,234,492
Short term investments - operating	79,312,298		76,558,319
Long term investment - operating	<u>52,087</u>		<u>235,602</u>
Working capital	145,501,836		123,028,413
Accounts receiveable, net	31,075,230		24,088,656
Pledges receiveable due within one year	13,611,766		10,684,563
Board-designated endowments	<u>250,458,767</u>		<u>252,889,606</u>
Financial assets available at year end	440,647,599		410,691,238
Liquidity resources			
Endowment distribution in the following year	33,072,000		31,461,000
	<u>\$ 473,719,599</u>	\$	<u>442,152,238</u>

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

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(3) Short and Long Term Investments

Investments at June 30 consist of the following:

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

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		2018	
	Cost	Unrealized gain (loss)	Market value
Short-term investments:			
U.S. government securities	\$ 69,745,101	(156,937)	69,588,164
Mutual funds	4,072,301	426,100	4,498,401
Real estate	2,709,000	—	2,709,000
Other	252,744	—	252,744
	<u>76,779,146</u>	<u>269,163</u>	<u>77,048,309</u>
Long-term investment:			
Trustee cash and cash equivalents for endowments and annuities	8,765,409	—	8,765,409
U.S. Government Securities	34,776,427	(1,000,511)	33,775,916
Alternative Investments	191,079,497	38,203,741	229,283,238
Global Equities	313,371,712	73,156,791	386,528,503
Mutual Funds	23,581,863	2,823,626	26,405,489
Real Estate	22,765,356	25,603,315	48,368,671
Private Equities	44,583,146	1,435,278	46,018,424
Beneficial Trust Interest	9,582,466	1,995,461	11,577,927
Other	464,047	—	464,047
	<u>648,969,923</u>	<u>142,217,701</u>	<u>791,187,624</u>
Total all funds	\$ <u>725,749,069</u>	<u>142,486,864</u>	<u>868,235,933</u>

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, 2019, the pool had 135,557,003 shares outstanding, with a fair value of approximately \$752,610,800. 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 2019 was \$0.24 per share, which represented spending of realized and unrealized gains. At June 30, 2018, the pool had 130,484,814 shares outstanding, with a fair value of approximately \$725,095,779. The distribution for spending in 2018 was \$0.24 per share, which represented spending of realized and unrealized gains.

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

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The investment pool consisted of 1,262 individual endowments at June 30, 2018. Of these endowments, 12 are considered to be “under water” as the fair value of the underlying investments is less than the original gift value. At June 30, 2018 the fair value of the underlying investment related to these 12 endowments totaled approximately \$1,291,000 while the original gift value was approximately \$1,298,000. See additional discussion in note 5(b).

The University has the following split-interest agreements, which are included in long term investments and are classified as Net assets with donor restrictions at June 30, 2019 and 2018:

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

	2018	
	Number of agreements	Market Value
Perpetual trusts held by third party	2	\$ 8,115,222
Charitable Remainder Trusts:		
University named trustee	20	15,404,721
Third-party named trustee	8	3,465,553
Charitable Annuity Agreements	50	4,510,101
	<u>80</u>	<u>\$ 31,495,597</u>

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 2019 and 2018 was approximately \$217,000 and \$119,000, respectively.

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

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

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

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

(a) *Investments*

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

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations, certain government agency securities, investment grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal, and provincial obligations, most physical commodities, and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or nontransferability, which are generally based on available market information.

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

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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, 2019 and 2018, as well as liquidity of the investments. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the short term investments and long term investments amounts presented in the statement of position.

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

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

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

Locked-up 2: Real estate held for sale

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Investment/liquidity	June 30, 2018				
	Level 1	Level 2	Level 3	NAV	Total
U.S. government securities:					
Daily	\$ 103,134,080	—	—	—	103,134,080
Monthly	—	230,000	—	—	230,000
Total	103,134,080	230,000	—	—	103,364,080
Alternative investments:					
Quarterly	—	—	—	167,603,132	167,603,132
Illiquid	—	—	—	61,680,106	61,680,106
Total	—	—	—	229,283,238	229,283,238
Mutual funds:					
Daily	30,903,890	—	—	—	30,903,890
Total	30,903,890	—	—	—	30,903,890
Global equities:					
Daily	6,131,636	—	—	—	6,131,636
Monthly	—	—	—	299,555,482	299,555,482
Quarterly	537,996	—	—	68,449,705	68,987,701
Illiquid	—	—	—	11,853,684	11,853,684
Total	6,669,632	—	—	379,858,871	386,528,503
Trustee cash and cash equivalents:					
Daily	8,765,409	—	—	—	8,765,409
Total	8,765,409	—	—	—	8,765,409
Real estate:					
Semiannually	—	48,677,670	—	—	48,677,670
Locked-up 2	—	2,400,001	—	—	2,400,001
Total	—	51,077,671	—	—	51,077,671
Private equities:					
Illiquid	—	—	—	46,018,424	46,018,424
Total	—	—	—	46,018,424	46,018,424
Beneficial trust interest:					
Locked-up 1	9,304,216	1,050,000	1,223,711	—	11,577,927
Total	9,304,216	1,050,000	1,223,711	—	11,577,927
Other:					
Daily	185,604	—	—	—	185,604
Locked-up 2	228,445	—	—	—	228,445
Illiquid	—	—	302,742	—	302,742
Total	414,049	—	302,742	—	716,791
Grand total	\$ 159,191,276	52,357,671	1,526,453	655,160,533	868,235,933

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

Locked-up 2: Real estate held for sale and a mortgage note receivable due in 2018¹

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The following table includes a rollforward of the amounts for the years ended June 30, 2019 and 2018 for financial instruments classified within Level 3. The classification of a financial instrument within Level 3 is based upon the significance of the unobservable inputs to the overall fair value measurement.

Fair value measurement using Level 3 inputs:

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

	Beneficial Trust Interest	Other	Total
Balances at June 30, 2017	\$ 1,859,730	384,322	2,244,052
Purchases	641,251	—	641,251
Sales	(1,251,099)	(11,397)	(1,262,496)
Unrealized losses	(26,171)	(70,183)	(96,354)
Balances at June 30, 2018	\$ <u>1,223,711</u>	<u>302,742</u>	<u>1,526,453</u>

All unrealized gains (losses) in the tables above are reflected in the accompanying statements of activities. There have been no transfers into or out of Level 3 investments during the years ended June 30, 2019 and June 30, 2018.

(5) Endowments

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

The University’s endowments consist of 1,308 and 1,262 individual funds as of June 30, 2019 and 2018, 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

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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 perpetual endowment.

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

1. The duration and the preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2019:			
Board-designated endowment funds	\$ 250,458,767	—	250,458,767
Donor-restricted endowment funds	—	564,058,913	564,058,913
	<u>\$ 250,458,767</u>	<u>564,058,913</u>	<u>814,517,680</u>

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Financial Statements

June 30, 2019 and 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2018:			
Board-designated endowment funds	\$ 252,889,606	—	252,889,606
Donor-restricted endowment funds	—	536,120,273	536,120,273
	<u>\$ 252,889,606</u>	<u>536,120,273</u>	<u>789,009,879</u>

The changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 252,889,606	536,120,273	789,009,879
Investment return:			
Investment income	281,409	1,449,252	1,730,661
Net realized and unrealized gains	10,925,894	22,562,067	33,487,961
Total investment return	11,207,303	24,011,319	35,218,622
Private gifts	7,751	25,035,028	25,042,779
Appropriation of endowment assets for expenditures	(11,427,473)	(25,724,320)	(37,151,793)
Present value adjustment	—	120,796	120,796
Reinvested income	503,471	1,398,216	1,901,687
Transfer to board-designated endowments	375,710	—	375,710
Reclassification of restricted net assets	(3,097,601)	3,097,601	—
Changes	<u>(2,430,839)</u>	<u>27,938,640</u>	<u>25,507,801</u>
Endowment net assets, June 30, 2019	<u>\$ 250,458,767</u>	<u>564,058,913</u>	<u>814,517,680</u>

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	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ 249,380,920	484,464,274	733,845,194
Investment return:			
Investment income	88,003	1,236,221	1,324,224
Net realized and unrealized gains	<u>19,877,483</u>	<u>40,422,905</u>	<u>60,300,388</u>
Total investment return	19,965,486	41,659,126	61,624,612
Private gifts	10,218	22,317,979	22,328,197
Appropriation of endowment assets for expenditures	(10,958,579)	(22,820,436)	(33,779,015)
Reinvested income	704,196	3,924,177	4,628,373
Transfer to board-designated endowments	111,960	250,558	362,518
Reclassification of restricted net assets	<u>(6,324,595)</u>	<u>6,324,595</u>	<u>—</u>
Changes	<u>3,508,686</u>	<u>51,655,999</u>	<u>55,164,685</u>
Endowment net assets, June 30, 2018	\$ <u>252,889,606</u>	<u>536,120,273</u>	<u>789,009,879</u>

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

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the level of the book value (underwater). The University had 21 funds considered underwater with a deficiency of approximately \$8,000 at June 30, 2019. The University had 12 funds considered underwater with a deficiency of approximately \$7,000 at June 30, 2018. The deficiency is recorded as net unrealized losses on endowment in the increase in net assets with donor restrictions within the statement of activities.

(c) Return Objectives and Risk Parameters

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

(d) Strategies Employed for Achieving Objectives

The University has entered into an agreement with Investure, LLC for investment advisory and management services. The scope of the agreement pertains to management of the University's Consolidated Endowment Fund. The University has authorized Investure, LLC to act as the University's attorney-in-fact to enter into, make, execute and perform

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agreements or other undertakings on behalf of the University in connection with each investment. The University, through Investure, LLC's management, targets a diversified asset allocation. Investure, LLC's long term investment allocation guidelines include the following targets and maximum allocations by investment: global equity target of 30% and maximum allocation of 60%, alternative equity target of 30% and maximum allocation of 40%, private equity target of 30% and maximum allocation of 40%, fixed income target of 10% with no maximum allocation.

(e) Spending Policy

The University has adopted a spending policy whereby the board of trustees has authorized a stipulated percentage of the fair value of endowments participating in the investment pool to be spent for the purposes of the donors. As of June 30, 2019 and 2018, the approved percentage was 4.5% of a moving 12-quarter average of the market value of such funds.

(6) Pledges Receivable

Pledges receivable are summarized as follows at June 30:

	<u>2019</u>	<u>2018</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 13,611,766	10,684,563
One to five years	20,394,755	19,782,531
Greater than five years	<u>38,330,048</u>	<u>43,981,587</u>
	72,336,569	74,448,681
Less allowance for uncollectible pledges	(7,233,658)	(7,444,868)
Less present value discount (4.75% - 8.0%)	<u>(21,236,000)</u>	<u>(24,987,521)</u>
Net pledges receivable	<u>\$ 43,866,911</u>	<u>42,016,292</u>

Included in pledges receivable is the present value of approximately \$11,216,000 and \$4,389,000 as of June 30, 2019 and 2018, respectively, in pledges from members of the board of trustees. For the years ended June 30, 2019 and 2018, the University did not conduct any additional transactions with members of the board of trustees that were not negotiated at arm's length.

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Notes to Financial Statements

June 30, 2019 and 2018

(7) Property, Plant, and Equipment

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

	<u>2019</u>	<u>2018</u>
Land	\$ 9,174,417	9,280,984
Land improvements	33,887,000	30,055,167
Buildings and improvements	737,912,159	748,150,670
Equipment	63,011,238	66,129,002
Library books	9,326,630	9,196,829
Construction in progress	<u>36,748,118</u>	<u>12,113,937</u>
	890,059,562	874,926,589
Less accumulated depreciation	<u>(219,033,834)</u>	<u>(215,678,598)</u>
	<u>\$ 671,025,728</u>	<u>659,247,991</u>

The University had approximately \$16,946,000 and \$17,040,000 of depreciation expense for the years ended June 30, 2019 and 2018, respectively, which was reported within all functions in Note 13. In addition, the University had approximately \$5,413,000 in disposal expense equal to the remaining net book value of several buildings which were demolished during the year ended June 30, 2019.

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, 2019 and 2018, respectively, an asset retirement obligation of approximately \$8,026,000 and \$7,730,000 is included in accounts payable and accrued liabilities.

(8) Operating Leases

The University leases apartments in two buildings adjacent to the campus under operating leases. Rent expense on the leases for the years ended June 30, 2019 and 2018 was approximately \$1,467,000 and \$1,310,000, respectively.

Future minimum lease payments under the operating leases as of June 30, 2019 through the years ending June 30, 2022 are:

2020	\$ 1,523,390
2021	1,004,967
2022	<u>921,877</u>
	<u>\$ 3,450,234</u>

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Notes to Financial Statements

June 30, 2019 and 2018

(9) Long Term Debt

Bonds payable at June 30 consist of the following:

	<u>2019</u>	<u>2018</u>
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2017A	\$ 119,480,000	119,480,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2017B	24,535,000	24,535,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2014A	18,970,000	24,975,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2014B	7,145,000	7,250,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2013	19,325,000	20,825,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2007	<u>39,920,000</u>	<u>39,920,000</u>
	229,375,000	236,985,000
Unamortized bond premium	15,814,205	16,648,691
Unamortized bond cost of issuance	<u>(1,165,019)</u>	<u>(1,219,609)</u>
Total long-term debt	244,024,186	252,414,082
Less current installments	<u>7,825,000</u>	<u>7,610,000</u>
Long-term debt, excluding current installments	<u>\$ 236,199,186</u>	<u>244,804,082</u>

The University had approximately \$9,911,000 and \$10,162,000 of interest expense for the years ended June 30, 2019 and 2018, respectively, which was reported in various functions in the accompanying statements of activities. Interest of approximately \$9,984,000 and \$8,208,000 was paid in cash during the years ended June 30, 2019 and 2018, respectively.

(a) Issuance of Series 2017 Bonds

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

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

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Notes to Financial Statements

June 30, 2019 and 2018

(b) Issuance of Series 2014A Bonds

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

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

(c) Issuance of Series 2014B Bonds

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

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

(d) Issuance of Series 2013 Bonds

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

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

(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 fundsurety bond for the 2007 Bonds; and (3) pay certain costs associated with the issuance of the 2007 Bonds.

The bond agreement provides for principal payments of \$1,650,000 in 2023, \$5,825,000 in 2024, \$6,135,000 in 2025, \$6,455,000 in 2026, \$6,790,000 in 2027, and ranging from \$2,365,000 in 2031 to \$2,870,000 in 2035. Interest is payable semiannually at the rate of 5.25%. Payment of principal and interest on the bonds is guaranteed by Financial Guaranty Insurance Corporation.

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(f) Aggregate Annual Maturities of Bonds Payable

At June 30, 2019, the aggregate annual maturities of bonds payable for the five succeeding years and thereafter are as follows:

2020	\$	7,825,000
2021		9,605,000
2022		9,955,000
2023		10,370,000
2024		9,525,000
Thereafter		<u>182,095,000</u>
	\$	<u>229,375,000</u>

(g) Restrictive Bond Covenants

The University is required by bond covenants to maintain expendable resources (as defined by the Loan Agreement) of at least 75% of the outstanding principal of its long term debt and maintain a debt service coverage ratio (as defined by the Loan Agreement) of at least 1.15. The University is also required to comply with various other covenants while the bonds are outstanding. Management believes the University is in compliance with the bond covenants.

(h) Security for the Bonds

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

(10) Retirement Plan

Full-time employees, including part-time employees who work at least 20 hours per week for at least six months, of the University are eligible to participate in a contributory tax-deferred annuity retirement plan (the Retirement Plan) under Section 403(b) of the Code. Administrators, faculty members, and staff-appointed employees are eligible to participate in the Retirement Plan after one year of service. Participating employees may contribute up to 4% of their base salary, limited by the Code to \$19,000 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 \$13,412,000 and \$12,533,000 for the years ended June 30, 2019 and 2018, respectively, which were charged to operations expenses.

(11) Postretirement Benefits Other than Pensions

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

The University sponsors a defined-benefit healthcare plan (the Healthcare Plan) that provides postretirement medical benefits to full-time employees who have worked 10 years and attained age 55 while in service with the University if hired prior to January 1, 1992, or full-time employees

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Notes to Financial Statements

June 30, 2019 and 2018

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, 2019, the Healthcare Plan covered 227 retirees with an additional 2,609 active employees potentially eligible for coverage. At June 30, 2018, the Healthcare Plan covered 220 retirees with an additional 2,519 active employees potentially eligible for coverage. The Healthcare Plan is noncontributory.

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

	<u>2019</u>	<u>2018</u>
Acrued postretirement benefit obligation (APBO), beginning of year	\$ 2,796,938	2,908,585
Service cost	55,500	59,113
Interest cost	108,178	101,395
Actuarial loss (gain)	320,514	(122,755)
Benefits paid	<u>(155,160)</u>	<u>(149,400)</u>
APBO (all unfunded), end of year	<u>\$ 3,125,970</u>	<u>2,796,938</u>

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

	<u>2019</u>	<u>2018</u>
Service cost	\$ 55,500	59,113
Interest cost	108,178	101,395
Amortization of prior service cost	11,125	11,125
Recognized net actuarial gain	<u>(20,551)</u>	<u>(11,726)</u>
Net periodic postretirement benefit cost	<u>\$ 154,252</u>	<u>159,907</u>

An accrual has been made for the APBO and is included in accounts payable and accrued liabilities in the accompanying statements of financial position. The weighted average discount rate used in determining the APBO was 3.29% and 4.00% for June 30, 2019 and 2018, 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 \$155,000 and \$149,000 for the years ended June 30, 2019 and 2018, respectively, which were charged to operating expenses.

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

2020	\$ 188,233
2021	186,269
2022	185,543
2023	182,335
2024	180,010
2025 – 2029	<u>866,576</u>
Total	<u>\$ 1,788,966</u>

For the years ended June 30, 2019 and 2018, 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.

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The measurement date for the Healthcare Plan was June 30, 2019.

(12) Loans to Students

Student loans made through Perkins constitute substantially all of the student loans outstanding at June 30, 2019 and 2018. 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 2019 and 2018, no additional contributions were funded. Perkins provides for cancellation of a note at rates of 10% to 30% per year up to a maximum of 100% if the debtor complies with certain provisions of Perkins. The federal government reimburses the loan funds of the University at rates of 10% to 30% for canceled indebtedness due to certain teaching service and various types of services for the U.S. government and 100% for loans declared not collectible due to death, permanent disability, or a declaration of bankruptcy.

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

At June 30, 2019 and 2018, 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, 2019 and 2018, the allowance for possible loan losses of these funds was \$153,000.

(13) Expenses

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

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June 30, 2019 and 2018

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

	<u>Instruction</u>	<u>Research</u>	<u>Public service</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Auxiliary enterprises</u>	<u>Total</u>
Salaries and wages	109,811,852	9,286,694	7,617,260	45,671,435	25,424,051	40,289,374	9,467,930	247,568,596
Fringe benefits	26,351,418	1,519,965	1,218,367	9,594,099	5,700,824	11,680,050	2,360,158	58,424,881
Services, supplies, and other	34,311,912	5,623,431	8,679,794	33,825,946	24,397,599	19,702,374	18,425,314	144,966,370
Utilities and maintenance	2,422,718	459,572	60,772	2,022,378	1,883,400	706,380	5,563,562	13,118,782
Depreciation	6,917,037	388,173	329	1,122,053	2,561,577	1,991,873	3,965,430	16,946,472
Disposal of property, plant, and equipment	12,794	6,130	0	18,286	4,321,257	353,983	700,724	5,413,174
Interest on indebtedness	482,306	0	0	378,108	739,309	26,426	7,502,245	9,128,394
Total	180,310,037	17,283,965	17,576,522	92,632,305	65,028,017	74,750,460	47,985,363	495,566,669

The table below shows the composition of the expenses of the University for the year ended June 30, 2018 by functional category and natural class:

	<u>Instruction</u>	<u>Research</u>	<u>Public service</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Auxiliary enterprises</u>	<u>Total</u>
Salaries and wages	108,967,663	7,657,204	4,852,713	39,430,518	23,789,667	41,180,969	7,916,372	233,795,106
Fringe benefits	26,183,981	1,229,267	952,392	9,048,341	5,423,160	9,208,596	1,954,946	54,000,683
Services, supplies, and other	26,634,810	6,214,282	8,150,130	34,444,788	24,421,503	11,430,354	17,325,085	128,620,952
Utilities and maintenance	4,269,513	364,690	253,972	2,240,590	2,396,267	781,971	6,639,222	16,946,225
Depreciation	7,018,065	488,000	34,728	1,145,661	2,006,833	2,209,723	3,992,279	16,895,289
Disposal of property, plant, and equipment	6,313	8,908	0	0	18,260	0	111,482	144,963
Interest on indebtedness	793,749	0	0	217,466	907,320	21,747	8,221,345	10,161,627
Total	173,874,094	15,962,351	14,243,935	86,527,364	58,963,010	64,833,360	46,160,731	460,564,845

The University had fund-raising expenses of approximately \$23,051,000 and \$21,256,000 in 2019 and 2018, respectively, which were recognized in institutional support in the accompanying statements of activities.

(14) Commitments and Contingencies

At June 30, 2019 and 2018, the University had outstanding commitments totaling approximately \$114,672,000 and \$13,860,000, respectively, for contracts related to various construction projects on campus.

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

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During the 2018 fiscal year, the University invested approximately \$29,234,000 in 19 long term partnerships, 18 of which were formed prior to the 2018 fiscal year, bringing its cumulative contributions to the partnerships to approximately \$164,632,000. Under the terms of the partnership agreements, the University and other investors are committed to fund additional investments. As of June 30, 2018, the University's remaining commitments to 17 partnerships total approximately \$154,756,000.

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.

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Schedule of Expenditures of Federal Awards

June 30, 2019

<u>Cluster</u>	<u>Federal Granting Agency</u>	<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
NON-CLUSTERED PROGRAMS:						
	Dept of Agriculture	Child and Adult Care Food Program <i>Total Department of Agriculture</i>	10.558	Colorado Dept of Public Health and Environment	-	101,600
					<u>-</u>	<u>101,600</u>
	Dept of the Interior	Native American Graves Protection and Repatriation Act <i>Total Department of the Interior</i>	15.922		-	8,270
					<u>-</u>	<u>8,270</u>
	Dept of the Treasury	Low-Income Taxpayer Clinic <i>Total Department of the Treasury</i>	21.008		-	105,963
					<u>-</u>	<u>105,963</u>
	Total Non-Clustered Programs				\$ -	\$ 215,833
RESEARCH AND DEVELOPMENT CLUSTER:						
	Dept of Commerce	Sea Grant Support <i>Total Department of Commerce</i>	11.417	New Jersey Sea Grant Consortium	-	16,988
					<u>-</u>	<u>16,988</u>
	Dept of Defense	Basic Scientific Research	12.431		-	263,276
	Dept of Defense	Basic Scientific Research	12.431	University of Texas-Austin	-	13
	Dept of Defense	Air Force Defense Research Sciences Program <i>Total Department of Defense</i>	12.800	University of Pennsylvania	-	40,237
					<u>-</u>	<u>303,526</u>
	Dept of the Interior	Research and Data Collection <i>Total Department of the Interior</i>	15.808		-	35,984
					<u>-</u>	<u>35,984</u>
	Dept of Justice	Juvenile Justice and Delinquency Prevention	16.540		-	10,387
	Dept of Justice	Justice Research, Development and Evaluation	16.560		75,353	276,604
	Dept of Justice	Justice Research, Development and Evaluation	16.560	RAND Corporation Rocky Mountain Victim Law Center	1,250	98,702
	Dept of Justice	Crime Victim Assistance/Discretionary Grants <i>Total Department of Justice</i>	16.582		-	22,556
					<u>76,603</u>	<u>408,249</u>
	Dept of Transportation	University Transportation Centers Program <i>Total Department of Transportation</i>	20.701	North Dakota State University	-	205,207
					<u>-</u>	<u>205,207</u>
	National Aeronautics and Space Admin (NASA)	Aerospace Education Services Program	43.001		213,738	534,534
	National Aeronautics and Space Admin (NASA)	Aerospace Education Services Program <i>Total National Aeronautics and Space Administration (NASA)</i>	43.001	NASA/Space Telescope Science Institute	-	1,281
					<u>213,738</u>	<u>535,815</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

June 30, 2019

		CFDA	Passed Through to	
National Endowment for the Arts & Humanities	Promotion of the Arts Grants to Organizations and Individuals	45.024	-	20,000
National Endowment for the Arts & Humanities	National Leadership Grants	45.312	-	133,301
	<i>Total National Endowment for the Arts & Humanities</i>		<u>-</u>	<u>153,301</u>
National Science Foundation	Engineering Grants	47.041	-	463,547
National Science Foundation	Engineering Grants	47.041	-	Howard University 63,176
National Science Foundation	Mathematical and Physical Sciences	47.049	-	574,902
National Science Foundation	Mathematical and Physical Sciences	47.049	-	Colorado State University 12,632
National Science Foundation	Geosciences	47.050	-	143,189
National Science Foundation	Geosciences	47.050	-	National Center for Atmospheric Research 56,322
National Science Foundation	Geosciences	47.050	-	University of Colorado/Boulder 3,969
National Science Foundation	Computer and Information Science and Engineering	47.070	21,080	450,215
National Science Foundation	Biological Sciences	47.074	-	168,881
National Science Foundation	Social	47.075	150,094	553,771
National Science Foundation	Social	47.075	-	Keck Institute 28,822
National Science Foundation	Social	47.075	-	University of Colorado/Boulder 4,344
National Science Foundation	Education and Human Resources	47.076	-	95,102
National Science Foundation	Education and Human Resources	47.076	-	Colorado State University 34,790
National Science Foundation	Education and Human Resources	47.076	-	University of North Dakota 14,488
National Science Foundation	Office of International Science and Engineering	47.079	-	117,566
	<i>Total National Science Foundator.</i>		<u>171,174</u>	<u>2,785,716</u>
Dept of Energy	Renewable Energy Research and Development	81.087	-	Commonwealth Edison Company 262,738
Dept of Energy	Electricity Delivery and Energy Reliability, Research, Development and Analysis (B)	81.122	-	Commonwealth Edison Company 22,509
	<i>Total Department of Energy</i>		<u>-</u>	<u>285,247</u>
Dept of Education	Graduate Assistance in Areas of National Need	84.200	-	Colorado Department of Education (1)
Dept of Education	Education Research, Development and Dissemination	84.305	-	681,539
Dept of Education	Education Research, Development and Dissemination	84.305	-	University of Colorado Denver 17,809
Dept of Education	Education Research, Development and Dissemination	84.305	-	Colorado Department of Education (312)
Dept of Education	Research in Special Education	84.324	49,044	324,259
Dept of Education	Special Education Technical Assistance and Dissemination	84.326	26,125	University of South Florida 289,477
Dept of Education	Special Education Technical Assistance and Dissemination	84.326	7,130	University of North Carolina 180,777
Dept of Education	Special Education Educational Technology Media, and Materials for Individuals with Disabilities	84.327	-	University of North Carolina 83,521
	<i>Total Department of Educator.</i>		<u>82,299</u>	<u>1,577,069</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

June 30, 2019

		CFDA		Passed Through to	
Dept of Health and Human Services	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	Colorado Department of Human Services	-	1
Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086		184,772	939,328
Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Center for Relationship Education	-	158,613
Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Public Strategies, Inc.	-	168,625
Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	University of Miami	-	52,893
Dept of Health and Human Services	Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	Mathematica Policy Research, Inc.	127,332	199,093
Dept of Health and Human Services	Enhance Safety of Children Affected by Substance Abuse Research Related to Deafness & Communication Disorders	93.087	OK Dept of Mental Health and Substance Abuse Services	723	8,986
Dept of Health and Human Services		93.173	University of Colorado Denver	-	25,030
Dept of Health and Human Services	Research on Healthcare Costs, Quality and Outcomes	93.226	University of Louisville	-	40,195
Dept of Health and Human Services	Mental Health Research Grants	93.242		193,524	1,048,805
Dept of Health and Human Services	Mental Health Research Grants	93.242	University of California at Los Angeles	-	15,765
Dept of Health and Human Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		-	68,032
Dept of Health and Human Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	Boston University	-	39,907
Dept of Health and Human Services	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	Casa Esperanza	30,000	320,313
Dept of Health and Human Services	Alcohol Research Programs	93.273		4,163	75,715
Dept of Health and Human Services	Drug Abuse and Addiction Research Programs	93.279		15,997	235,079
Dept of Health and Human Services	Drug Abuse and Addiction Research Programs	93.279	University of Colorado Denver	-	30,527
Dept of Health and Human Services	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	Colo Found for Pub Health & Envir	-	97,420
Dept of Health and Human Services	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		-	149,722
Dept of Health and Human Services	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	University of Nebraska	-	52,576
Dept of Health and Human Services	Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	Cleveland Clinic Educational Foundation	-	85,994
Dept of Health and Human Services	National Center for Advancing Translational Sciences	93.350	National Center for Advancing Translational Sciences	-	26,853
Dept of Health and Human Services	Cancer Detection and Diagnosis Research	93.394		63,960	473,602
Dept of Health and Human Services	Promoting Safe and Stable Families	93.556	Colorado Department of Human Services	9,776	12,983
Dept of Health and Human Services	Head Start	93.600		(588)	(588)

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

June 30, 2019

		CFDA		Passed Through to	
Dept of Health and Human Services	Head Start	93.600	Zero to Three	-	208,416
Dept of Health and Human Services	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	Colorado State Innovation Model Research Foundation of State University of New York	-	336
Dept of Health and Human Services	Child Welfare Services Training Grants	93.648	University of Maryland-Baltimore State University of New York - Albany	-	641,969
Dept of Health and Human Services	Child Welfare Services Training Grants	93.648	University of Vermont	-	90,506
Dept of Health and Human Services	Child Welfare Services Training Grants	93.648	Colorado Department of Human Services	-	429,462
Dept of Health and Human Services	Adoption Opportunities	93.652	University of Southern Maine	-	42,257
Dept of Health and Human Services	Foster Care_Title IV-E	93.658		3,595,574	4,577,179
Dept of Health and Human Services	Foster Care_Title IV-E	93.658		-	271,182
Dept of Health and Human Services	Chafee Foster Care Independence Program	93.674		-	7,456
Dept of Health and Human Services	Mental and Behavioral Health Education and Training Grants	93.732		-	485,679
Dept of Health and Human Services	Arthritis, Musculoskeletal and Skin Diseases Research	93.846		5,009	332,549
Dept of Health and Human Services	Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		-	39,181
Dept of Health and Human Services	Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	University Of Wisconsin	-	14,333
Dept of Health and Human Services	Allergy and Infectious Diseases Research	93.855		-	409,784
Dept of Health and Human Services	Biomedical Research and Research Training	93.859		-	1,749,086
Dept of Health and Human Services	Biomedical Research and Research Training	93.859	University of Nebraska	-	17,604
Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865		155,421	901,187
Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	Center for Policy Research	-	3,419
Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	Univ of California	-	92,685
Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	University of California at Los Angeles	-	1,999
Dept of Health and Human Services	Child Health and Human Development Extramural Research	93.865	University of Colorado/Boulder	-	174,477
Dept of Health and Human Services	Aging Research	93.866		-	467,955
Dept of Health and Human Services	Aging Research	93.866	Beth Isreal Deaconess Medical Center	-	2,653
Dept of Health and Human Services	Aging Research	93.866	University of Kentucky	-	57,058
Dept of Health and Human Services	Special Projects of National Significance	93.928	Washington University-St. Louis	-	2,090
	<i>Total Department of Health and Human Services</i>			<u>4,385,663</u>	<u>15,345,971</u>
Corporation for National and Community Service	National Service and Civic Engagement Research Competition	94.026		28,038	63,034
Corporation for National and Community Service	National Service and Civic Engagement Research Competition	94.026	Natl Assoc for Public Interest Law	-	12,102

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Expenditures of Federal Awards

June 30, 2019

		CFDA		<u>Passed Through to</u>	
<i>Total Corporation for National and Community Service</i>				<u>28,038</u>	<u>75,136</u>
US Agency for International Development (USAID)	USAID Foreign Assistance for Programs Overseas	98.001	QED Inc.	-	12,048
US Agency for International Development (USAID)	USAID Foreign Assistance for Programs Overseas	98.001	FHI 360	-	336,202
US Agency for International Development (USAID)	USAID Foreign Assistance for Programs Overseas	98.001	Institute of International Education	-	(1)
<i>Total US Agency for International Development (USAID)</i>				<u>-</u>	<u>348,249</u>
Total Research and Development Cluster				\$ 4,957,515	\$ 22,076,458
STUDENT FINANCIAL ASSISTANCE CLUSTER:					
	Federal Supplemental Education Opportunity Grant Program	84.007		-	990,741
Dept of Education	Federal Work Study Program	84.033		-	1,900,623
Dept of Education	Federal Perkins Loan Program	84.038		-	14,802,106
Dept of Education	Federal Pell Grant Program	84.063		-	4,383,461
Dept of Education	Federal Direct Student Loan Program	84.268		-	156,373,051
Dept of Education	Teacher Education Assistance for College and Higher Education (TEACH) Grants	87.379		-	76,688
<i>Total Department of Education</i>				<u>-</u>	<u>178,526,670</u>
Total Student Financial Assistance Cluster				\$ -	\$ 178,526,670
Total Federal Awards				<u>\$ 4,957,515</u>	<u>\$ 200,818,961</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Notes to Schedule of Expenditures of Federal Awards

June 30, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the University of Denver (Colorado Seminary) (the University) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 INDIRECT COST RATE

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

NOTE 4 FEDERAL STUDENT LOAN PROGRAMS

The federal student loan program listed subsequently is administered directly by the University, and balances and transactions relating to this program is included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2019 consists of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Federal Perkins Loans	84.038	\$ 11,891,706



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
University of Denver
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of University of Denver (Colorado Seminary), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2019.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of University of Denver's internal control. Accordingly, we do not express an opinion on the effectiveness of University of Denver's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Denver, Colorado
November 22, 2019



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

Board of Trustees
University of Denver
Denver, Colorado

Report on Compliance for Each Major Federal Program

We have audited the University of Denver's (Colorado Seminary) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University of Denver's major federal programs for the year ended June 30, 2019. The University of Denver's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the University of Denver's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the University of Denver's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the University of Denver's compliance.

Opinion on Each Major Federal Program

In our opinion, the University of Denver complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of the University of Denver is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University of Denver's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University of Denver's internal control over compliance.

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

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

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



CliftonLarsonAllen LLP

Denver, Colorado
December 27, 2019

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Section I – Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of Major Federal Programs

CFDA Number(s)

84.007, 84.003, 84.038,
84.063, 84.268, 84.379

Various

Name of Federal Program or Cluster

Student Financial Assistance Cluster

Research and Development Cluster

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

\$750,000

Auditee qualified as low-risk auditee?

yes no

UNIVERSITY OF DENVER (COLORADO SEMINARY)

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Awards

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



**COLORADO SEMINARY – UNIVERSITY OF DENVER
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

Office of Naval Research

University of Denver respectfully submits the following corrective action plan for the year ended June 30, 2019.

Audit period: July 1, 2018 - June 30, 2019

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement audit findings to be communicated for the fiscal year 2019 audit.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

There were no federal award program findings to be communicated for the fiscal year 2019 audit.

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



**COLORADO SEMINARY – UNIVERSITY OF DENVER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

Office of Naval Research

The University of Denver respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2019.

Audit period: July 1, 2018 to June 30, 2019

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

FINDINGS—FINANCIAL STATEMENT AUDIT

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



**COLORADO SEMINARY – UNIVERSITY OF DENVER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2018-001: Verification

Condition: During our testing of the Federal Supplemental Educational Opportunity Grant (FSEOG) and Pell Grant programs, we selected a sample of students to determine whether the institution established policies and procedures to properly verify information in student aid applications determined by the verification code listed on the ISIR. We verified all required information of selected applications in accordance with the specific verification requirements.

We noted, during our testing, that 1 out of the 40 students was verified under a tracking group of V1 when they should have been verified under V5 due to an error in the system coding that identifies student verification group. The University did not examine the correct documents required by the V5 verification tracking group and aid was improperly awarded.

Status: Corrected. The University reviewed every student in their database selected for V4/V5 and, in every instance except for this one student, the University gathered the correct identity verification documents for this verification code. Very few students fall into this admission category at the University College level and the student was the only student in the University database who fell outside of the selection controls. The University has updated the system coding as of mid-July 2018 so that all undergraduate University College students with a V4 and V5 now are properly identified to collect the appropriate verification documents.

2018-002: Return of Title IV Funds

Condition: During our testing of the return of Title IV funds, we noted that the University incorrectly returned federal funds for subsidized direct loans. The University returned the full amount of funds awarded to a student when they withdrew to the ED; however, the student was entitled to keep a portion of the funds under return of Title IV fund requirements.

Status: Corrected. In order to prevent data input errors when returning funds, the University has added an additional monthly reconciliation step to compare returned amounts for each student with the required calculated amount.

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