UNIVERSITY OF DENVER

Financial Report

June 30, 2022

UNIVERSITY of DENVER

OFFICE OF THE CHANCELLOR

November 14, 2022

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 Enterprise Risk Management 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 reports to Business and Financial Affairs and is responsible for internal control oversight for the University's key areas of business and financial processes. Internal Audit maintains a reporting relationship 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

Mary Clark
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

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Management’s Financial Review - Executive Summary (Unaudited)

Management’s Financial Review provides an overview and examination of the University of Denver’s financial activities for the fiscal year ended June 30, 2022, with comparative information for the fiscal year ended June 30, 2021, and financial trend data over a five-year period as appropriate. Management has prepared the discussion and analysis to be read in conjunction with the financial statements and accompanying notes to the financial statements. The University’s financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Financial Accounting Standards Board (FASB), which establishes standards for external financial reporting for private colleges and universities.

The University of Denver’s financial operations began to resemble pre-pandemic levels at the tail end of fiscal year 2022. The uncertainty that engulfed the university during the last quarter of FY2020 with the onset of COVID, and the austerity measures enacted for all of FY2021 and the majority of FY2022 have largely been eliminated. While keeping the safety and wellbeing of students, faculty, staff and visitors paramount, the University continued to manage the COVID-19 pandemic through public health measures while returning to a more vibrant campus experience. DU maintained a successful financial position through June 30, 2022, with strong undergraduate enrollment including an entering undergraduate first-time, first-year freshman class of 1624 students, 204 over the expected enrollment. More transfer students also enrolled resulting in 45 students above budget. Overall financial performance exceeded budget expectations despite weathering escalating inflationary pressures on compensation, goods and services as well as managing challenging employee turnover and higher vacancy rates triggered by the “great resignation”. Additionally, DU surpassed the 2021 record fundraising year with total gifts of more than $100M led by support for the newly acquired Kennedy Mountain Campus. Yet, following a reduction in endowment performance, which resulted in DU’s endowment dipping below $1B, total net assets decreased by approximately $2.9 million from $1.817 billion to $1.814 billion. This loss drives the return on net assets ratio negative and thereby pulls down the score for the Composite Financial Index (CFI) used as an indicator of financial health. Still, the overall CFI score remains high and suggests that DU has the flexibility to create future revenue possibilities through the strategic investment of one-time resources.

Operations: Operating revenues exceeded budget for tuition and fees as well as for grant activity and indirect cost recovery. The University received the final allocation of Higher Education Emergency Relief Funds totaling $12.2 million with approximately half allocated to student aid and half available to offset COVID related expenditures for virus testing, implementation of COVID protocols, management of residential students in isolation, and staffing vaccination clinics. While many COVID restrictions were relaxed across the 2022 fiscal year, some expenditure categories remained low, including travel for faculty, staff and those students engaged in study abroad programs. As an indicator of expenditure activity, purchases on university procurement cards were $9 million over the FY21 amount but remain $2 million below FY2020. The main driver of the operating expenditure variance was the salary savings generated by vacant positions, which is pooled centrally for strategic allocation. Vacancy rates ended the year at 6.8% for faculty, 19.9% for staff and 31.3% for the union employees. These rates fluctuated across the year, but turnover has been significant, particularly for staff and union employees. All dollars arising from vacancies are available for one time allocation, whether to support temporary and adjunct hiring, or for other needs vetted by the Provost and CFO.

Operating expenses increased over the COVID suppressed 2021 level by $47.5 million, a 9.6% jump year over year. Compared to 2020, expenditures rose $27 million. Unfortunately, neither FY20 or FY21 is a good comparator as both years had COVID related reductions in salaries, benefits and travel, and COVID-specific expenditures related to testing, tracking, and enhanced custodial cleaning protocols of facilities.

Management's Financial Review - Executive Summary (Unaudited)

Fiscal year 2022 saw increases across all functional classifications with salary and fringe up $15.7 million, services and supplies up $11.1 million and utilities and maintenance up $1.1 million. The salary and fringe increase includes full year resumption of restored salaries that were temporarily reduced for nine months in the 2021 fiscal year, as well as a reduced retirement match. Other reasons for the annual change are a cost-of-living increase that was effective in April 2021 for employees earning less than $90,000 and a bonus allocation that was completed in December 2021 to restore the salaries reduced in the prior year and to serve as a retention bonus.

Auxiliary enterprises, particularly housing and the meal plans, are recovering from COVID impacts in 2020 and 2021. The Newman Center for the Performing Arts experienced increased arts programming and ticket sales, but Conferencing and Events is operating at about a tenth of the revenues generated prior to COVID. Total auxiliary revenues increased by $11.6 million from 2021, a 26.7% change.

Cash and Liquidity: Working capital, consisting of cash and short-term investments held by the operating fund, increased to $249.5 million as of June 30, 2022. This is equal to 173 days of average operating expenses. According to EAB, an industry leader in Higher Education benchmarking and research, this is well above the recommended metric of 90 to 120 days of working capital liquidity. Management and the Board of Trustees recognize the need to evaluate additional investment opportunities to enhance the return on this increase in working capital and are determining new strategies to maximize earnings in the short term. The University's rating agencies view unrestricted (quasi) endowment investments that can be liquidated within one year as an additional source of liquidity. The endowment includes $360.6 million of investments that can be liquidated within one year, providing an additional 79 days of operating expense and resulting in a modified days cash on hand figure of 252 days, indicating a very strong liquidity position for the University of Denver.

Fundraising: For the second year in a row, University Advancement experienced the largest fundraising year ever during fiscal year 2022. Using Advancement's Report of Private Support methodology to quantify private fundraising activity, the University raised $106.3 million dollars during the year. This figure is reduced to $88.2 million when reporting in accordance with Generally Accepted Accounting Principles (GAAP). The reconciliation of Advancement to GAAP private support totals includes, but is not limited to, the discounting of pledges in accordance with GAAP and the exclusion of testamentary agreements and philanthropic grant gifts, again in accordance with GAAP. Endowment gifts and commitments of $27.6 million include an update to an estate gift recognized in FY21. Lead gifts for the Kennedy Mountain Campus enabled DU to purchase a 724-acre site in Larimer County adjacent to the Roosevelt National Forest. Previously owned and operated by the Girl Scouts of Colorado, the campus includes 25,000 square feet of existing housing, a dining hall, health and recreation centers, miles of existing trails and a high ropes course. The campus is initially developed to be a first-year experience with outdoor and alternative orientation programming.

Debt and Construction: Following on the success of fundraising described above, DU managed the conversion of the Kennedy Mountain Campus from a summer camp to a more robust residential experience initially targeting first year students. This initial upfit, at a total cost of $10 million, was completed during the summer of 2022 for occupancy beginning in September. The scope included paving 2.5 miles of existing roadway, addressing ADA compliance, refreshing paint, furniture and finishings for all existing facilities, restroom retrofits, conversion of cabins to support 32 students each, as well as minor repairs, renovations, and code compliance updates.

Management's Financial Review - Executive Summary (Unaudited)

Although the University's Campus Framework Plan was completed in 2017, the need to align the physical campus plan with the Chancellor's strategic imperatives and experiences coming out of the pandemic, the University engaged in an update to the campus master plan. This refresh was approved by the Board of

Trustees in September 2022 and focuses on three geographic areas of the campus including the core campus, a health and wellness nexus and an innovation space beginning with a new teaching and instructional lab facility to support science, technology, engineering, and math education. This STEM Horizons facility is in early programmatic and financial planning and likely includes renovation of contiguous science buildings.

Despite having an approved resolution in hand for the 2013 series bonds, DU did not engage in any new or refunded debt issuance in the 2022 fiscal year as escalating interest rates precluded savings. Discussions are underway with internal and external partners for a future debt issuance for the STEM Horizon's facility. The University's bonds payable decreased by $5.8 million from $214.5 million to $208.7 million during the fiscal year. Principal and interest payments on the University outstanding debt totaled $14.9 million. Interest paid during the year totaled $9.1 million, including interest only payments on the series 2007A and 2017A bonds. Longer term, principal will be retired on the series 2013 and taxable series 2017B bonds in FY30 at which time the retirement of principal will begin on the series 2017A bonds.

In 2021 the University refunded the series 2014 A&B bonds with a direct bank placement to support budget needs and to reduce debt service in fiscal year 2021 and subsequent years. The direct bank placement included a 10-year term at 1.42%. As a result of the refunding the University's maximum annual debt service (MADS) of $20.2 million will occur in fiscal year 2025.

Endowment: The University's endowment investments ended the year down from last year's record high over $1.0 billion. The fair market value of the endowment investments at FY22 year-end was $990.4 million, a reduction of $49.6 million following the tremendous gain of $253.3 million experienced last year over 2020. Endowment investments managed by Investure, the University's Outsourced Chief Investment Officer (OCIO), returned -5.2% for FY22. The University approached its targeted maximum private equity asset allocation goal of 40.0% during the year, with approximately 39.7% of the endowment assets invested in this asset class. The University retains positions outside of Investure managed funds in two individual private equity funds, Accolade Partners VIII and Proem Investment Onshore LP, the first through a direct buy-in and the second as a gift. The investments in these closely held private equity assets totaled $5.7 million and $877 thousand respectively at fiscal year-end. The endowment value was bolstered by gifts of $43.2 million, and reinvested endowment income and other transfers to the endowment of $3.0 million. Spending distributions to operations were $41.0 million, which included at the $38.8 million of regular quarterly distributions and an additional $2.2 million of one-time distributions. Investment losses totaled $54.6 million. Approximately 93.6% of spending distributions to operations were directly allocated to functions that support the University's academic mission in the form of scholarships, fellowships, academic programs, faculty chairs and professorships with the remaining 6.4% supporting administrative functions and other institutional initiatives.

As of June 30, 2022, of the University's $990.4 million endowment value approximately $44.7 million, or 4.5%, was invested in buildings and real estate. In accordance with an internal investment policy the University will obtain a fair market value for these assets every 3 to 5 years. The value of these assets was updated in FY21 through independent appraisal with the prior update occurring in FY18.

Management's Financial Review - Statistics (Unaudited)

						5 years Increase / (Decrease)	
STUDENTS (HEAD COUNT)	FY22	FY21	FY20	FY 19	FY 18	Amount	Percent
Undergraduate	5,867	5,699	5,774	5,801	5,765	102	2%
Graduate and professional	8,263	8,157	7,157	6,151	5,669	2,594	46%
Pre-collegiate	376	427	466	503	534	(158)	-30%
Total fall enrollment	14,506	14,283	13,397	12,455	11,968	2,538	21%
Undergraduate admissions							
Applied	22,695	22,723	21,028	20,475	19,904	2,791	14%
Accepted	14,441	13,785	12,345	11,563	11,554	2,887	25%
Enrolled	1,621	1,380	1,353	1,477	1,504	117	8%
Selectivity	63.6%	60.7%	58.7%	56.5%	58.0%	NA	NA
Yield	11.2%	10.0%	11.0%	12.8%	13.0%	NA	NA
Degrees conferred							
Baccalaureate	1,337	1,407	1,308	1,357	1,332	5	0%
Master's	2,838	2,389	2,053	1,939	1,957	881	45%
JD	244	233	224	238	245	-1	0%
Doctoral	143	163	165	151	156	-13	-8%
Total degrees conferred	4,562	4,192	3,750	3,685	3,690	872	24%
Undergraduate six-year graduation rate	75.7%	75.5%	76.7%	77.2%	75.1%	NA	NA
Undergraduate tuition	$ 53,640	$ 52,596	$ 51,336	$ 49,392	$ 47,520	$ 6,120	13%
% increase over prior year	2.0%	2.5%	3.9%	3.9%	4.9%	NA	NA
FACULTY AND STAFF							
Full-time faculty	780	742	751	748	737	43	6%
Full-time staff	1,675	1,685	1,721	1,635	1,553	122	8%
Part-time faculty	828	771	693	624	557	271	49%
Part-time staff	135	140	153	145	148	-13	-9%
Total faculty and Staff	3,418	3,338	3,318	3,152	2,995	423	14%
GRANTS AND CONTRACTS							
Federal	$ 25,277,558	$ 21,698,841	$ 21,448,157	$ 21,414,888	$ 20,189,304	$ 5,088,254	25%
State	5,297,241	5,976,842	5,326,205	4,814,003	3,802,219	1,495,022	39%
Private	5,884,985	7,215,415	8,712,976	4,636,031	3,252,372	2,632,613	81%
Indirect cost recovery	10,215,693	8,574,032	9,167,952	8,505,978	7,178,801	3,036,892	42%
HEERF (1)	12,232,909	7,105,908	4,626,268	NA	NA	NA	NA
Total grants and contracts	$ 46,675,476	$ 50,571,038	$ 49,281,558	$ 39,370,900	$ 34,422,696	$ 12,252,780	36%
ENDOWMENT							
Market value (2)	$ 990,340,196	$1,039,711,673	$ 772,073,079	$ 786,425,334	$ 761,952,224	$228,387,972	30%
Endowment return	-5.2%	37.3%	1.8%	4.7%	8.7%	NA	NA
Full time equivalent (FTE) student	10,631	10,416	10,068	9,669	9,441	1,190	13%
Endowment per student	$ 93,156	$ 99,819	$ 76,686	$ 81,335	$ 80,707	$ 12,449	15%

Source data as of the fall end of term provided by Institutional Research at University of Denver.

(1) Higher Education Emergency Relief Fund (I, II, III)

(2) Endowment market value does not include pledges.

Management's Financial Review - Financial Overview (Unaudited)

Financial Position

Summary of Financial Position

as of June 30, in Millions

		2022		2021		Increase (Decrease) Amount	Percent
ASSETS							
Cash and cash equivalents	$	177.3	$	127.5	$	49.8	39%
Investments		1,090.9		1,147.8		(56.9)	-5%
Accounts receivable		38.4		32.4		6.0	19%
Pledges receivable		77.9		86.5		(8.6)	-10%
Inventories, prepaid expenses and other assets		11.8		10.2		1.6	16%
Loans to students		5.0		7.2		(2.2)	-31%
Deposits with bond trustees		1.3		4.8		(3.5)	-73%
Right to use asset under operating leases		3.2		-		3.2	N/A
Property, plant and equipment, net		773.7		771.6		2.1	0%
Total assets	**$**	**2,179.5**	**$**	**2,188.0**	**$**	**(8.5)**	**0%**
LIABILITIES							
Accounts payable and accrued liabilities	$	92.6	$	90.8	$	1.8	2%
Deferred revenues		30.1		31.3		(1.2)	-4%
Other liabilities		3.9		4.0		(0.1)	-3%
Annuity obligations		7.7		8.8		(1.1)	-13%
Operating lease liabilities		3.2		-		3.2	N/A
Long-term debt		221.1		227.6		(6.5)	-3%
U.S. government grants refundable		6.7		8.4		(1.7)	-20%
Total liabilities		**365.3**		**370.9**		**(5.6)**	**-2%**
NET ASSETS							
Without donor restrictions		952.7		951.6		1.1	0%
With donor restrictions		861.5		865.5		(4.0)	0%
Total net assets		**1,814.2**		**1,817.1**		**(2.9)**	**0%**
Total liabilities and net assets	**$**	**2,179.5**	**$**	**2,188.0**	**$**	**(8.5)**	**0%**

The University's net asset base decreased by $2.9 million during FY22 to $1.81 billion. Increases in net assets from the operational activity of $70.1 million were offset by non-operating reductions in net assets of $73.0 million. Non-operating activity includes reductions to endowment net assets of $67.9 million, including endowment gifts, distributions, and investment losses. An additional $5.1 million in net asset reductions was the result of investment losses from split-interest agreements and donor-advised fund grants. Over the past five years, the University's net assets grew at a compounded annual growth rate of 5.6% while during the same period the compounded annual growth rate of the endowment was 7.3%.

Endowment investment losses of -5.2% offset strong operating results during FY22. A review of the University's financial statements and notes reveals the following changes to endowment net assets: 1) the endowment distributed $41.0 million to operations for spending across the campus, 2) endowment gifts, including pledge commitments to be paid in future years, were $27.6 million, 3) investment losses were $54.6 million, and 4) other endowment additions were $6.7 million, resulting in a total decrease in endowment net assets of $61.3 million. Endowment net assets include pledges designated for endowment. As such, an increase in endowment net assets occurs when endowment pledges are made and an increase in endowment investments occurs when payments on endowment pledges are received. Changes to endowment investments are detailed in the Executive Summary endowment section whereas the changes to endowment net assets are described above.

Management's Financial Review - Financial Overview (Unaudited)

Increase in Net Assets from Operations

Operating Statement

as of June 30, in Millions

	2022	2021	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Operating revenue				
Tuition & fees (net)	$ 371.8	$ 367.1	$ 4.7	1%
Auxillary services	43.3	31.8	11.5	36%
Subtotal	415.1	398.9	16.2	4%
Grants and contracts	58.9	50.6	8.3	16%
Private gifts for operations	60.6	27.5	33.1	120%
Endowment distributions	41.0	36.9	4.1	11%
Other operating revenues	39.0	28.3	10.7	38%
Total operating revenue	**$ 614.6**	**$ 542.2**	**$ 72.4**	**13%**
Operating expenses				
Salaries, wages, and benefits	$ 332.1	$ 313.2	$ 18.9	6%
Services and supplies	129.8	118.6	11.2	9%
Other operating expenses	82.7	65.2	17.5	27%
Total operating expenses	**$ 544.6**	**$ 497.0**	**$ 47.6**	**10%**
Change in net assets from operations	**$ 70.0**	**$ 45.2**	**$ 24.8**	**55%**
% Change in net assets from operations	11.4%	8.3%	3.1%	

The University's FY22 increase in net assets from operating activity of $70.1 million was $24.9 million more than the FY21 increase of $45.2 million and $63.2 million more than the FY20 increase. Operating revenues increased $72.5 million year-over-year, a 13.4% increase. Revenue growth was driven by continued strong enrollments and a return to normalcy of residence and dining operations. An increase in gifts for operations, including large gifts for the Kennedy Mountain Campus, contributed to overall operating revenue growth.

Operating expenditures increased $47.6 million, or 9.6%, during FY22, as compensation austerity measures enacted in FY21 were relaxed. These included the reinstatement of the 8% retirement match, a salary bonus pool for employees in lieu of salary increases, and a COLA for lower wage earners. Auxiliary enterprise and "other operating revenue" activities continued to rebound to pre-pandemic levels, driving revenue growth and the associated expenditures to deliver these services and activities.

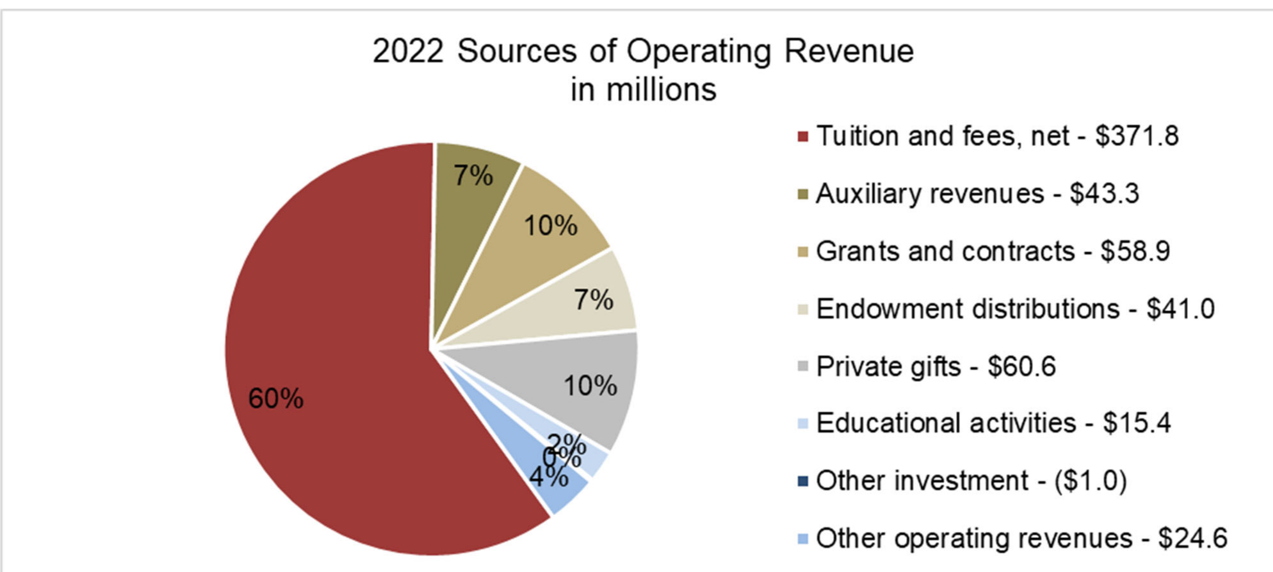
Management's Financial Review - Financial Overview (Unaudited)

Net Tuition & Auxiliary Revenue

2022 *in Millions*	Total	Undergraduate (5,867 Students)	Graduate and Professional (8,263 Students)	Other * (376 Students)
Tuition	$ 588.2	$ 301.6	$ 274.3	$ 12.3
Fees **	4.8	-	-	-
Unfunded scholarships-institutional	(195.8)	(126.8)	(65.8)	(3.2)
Funded scholarships-non-institutional	(25.4)	(18.5)	(6.9)	-
Tution & fees, net	$ 371.8	$ 156.3	$ 201.6	$ 9.1
Room & board **	$ 36.9			
Scholarships for room and board**	(1.1)			
Health & counseling **	5.4			
Newman Center/Conference & Events **	1.7			
Other **	0.4			
Auxiliary services, net	$ 43.3			
Total	$ 415.1			

*Other Includes Pre-Collegiate, non-credit and interterm tuition
** Combined UG & GR

The University's operating revenues are largely dependent on tuition & fees, comprising 60.5% of total operating revenues in FY22, versus 67.7% during FY21, even though net tuition & fees increased $4.8M year-over-year. The decrease, as a percent, is largely attributable to the significant loss of auxiliary revenues during the height of the COVID-19 pandemic. Total student charges, which include net tuition & fees and sales & services of auxiliary enterprises, comprised 67.5% and 73.6% of total operating revenues for FY22 and FY21, respectively. This decrease as a percentage reflects the loss of other operating (athletics) and grant & contract revenues during the pandemic and the significant increase in private gifts from $27.5M in FY21 to $60.6M in FY22.

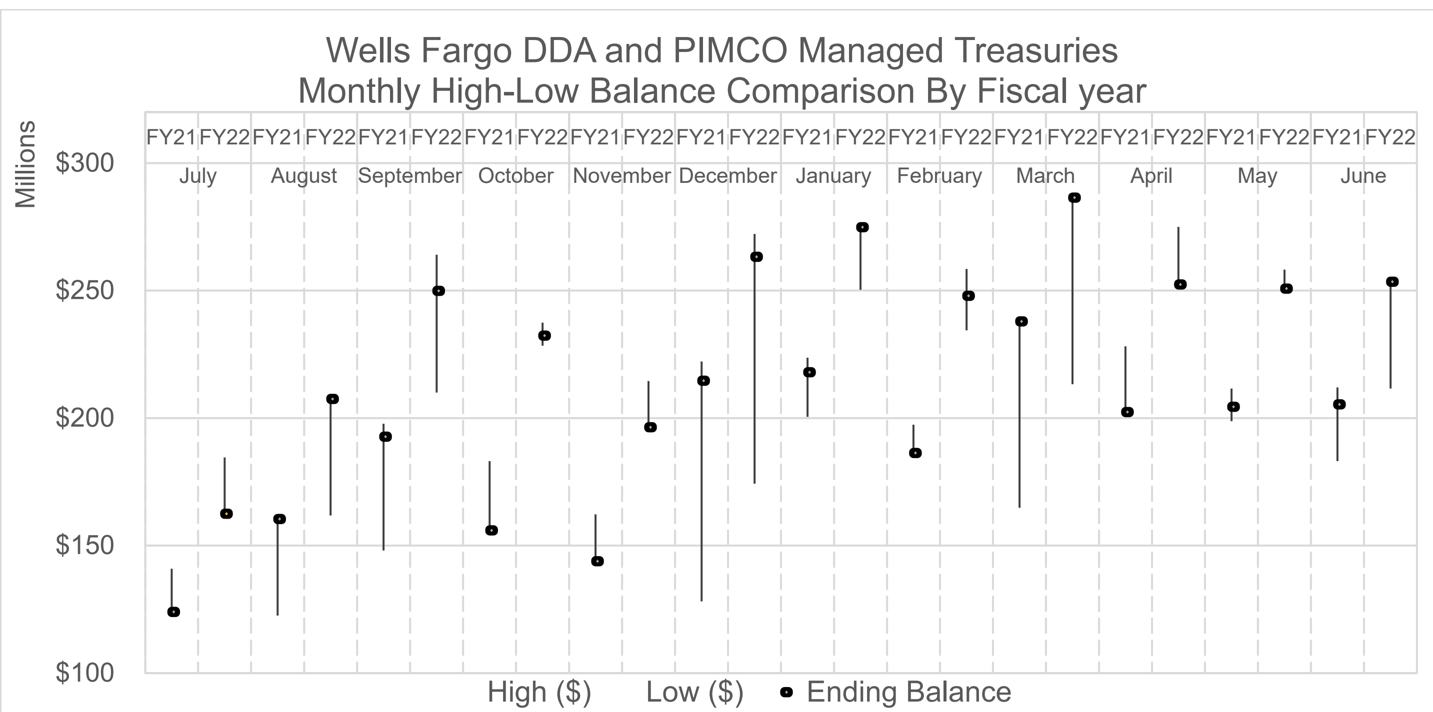


Cash and Liquidity

The University's working capital, or operating funds, consist of cash and short-term investments that are managed separately from investments of endowment, bond funds, and funds held by others. Working capital increases result from positive operations and are the primary source of liquidity for the University. Working capital increased $48.3 million as of June 30, 2022, to $249.5 million. The increase is largely attributed to operating results, primarily expenditure savings when compared to budget and extraordinary gifts related to the Kennedy Mountain Campus, which were not deployed at the end of the fiscal year. This is equal to 173 days cash on hand, exceeding the EAB recommended metric of 90 to 120 days.

On June 30, 2022, 66.4% of the University's working capital was held in cash at the University's corporate commercial bank, Wells Fargo. The remaining working capital funds were primarily invested through PIMCO in a short-term portfolio restricted to U.S. Treasuries and government agency instruments. Returns after fees on the short-term portfolio-managed investments were -0.63% for FY22 compared to 0.33% in FY21, primarily due to increases in prevailing interest rates in the second half of the FY22 fiscal year. It should be noted the return after fees represents the mark-to-market method of measuring the fair value of an asset under current market conditions. Given the University's hold-to-maturity strategy with the short-term investments' portfolio, actual returns will be based on the original terms of the security.

The seasonality of high and low working capital cash and investment balances is predictably aligned with the collection of student tuition and fees each quarter. Generally, working capital balances are largest at the start of the academic quarters and lowest at the end of each quarter, before significant collections related to the next quarter are made. While there is a large seasonality to collections, disbursements are generally even throughout the fiscal year. The highest levels of working capital cash and investments are experienced just before the start of the winter and spring quarters. There is a less pronounced high point before the fall quarter since the fall quarter collections follow the summer when working capital balances are historically at their lowest point.



In addition to working capital, the University analyzes unrestricted (quasi) endowment investments that are viewed as a source of liquidity by the University's rating agencies. Endowment investments that can be liquidated within one-year total $360.6 million as of June 30, 2022. The liquidity related to the unrestricted endowment provides an additional 79 days of operating expense, resulting in a modified days cash on hand of 252 days covered by working capital and unrestricted endowment. The University of Denver's strong liquidity position as compared against the EAB recommendation has prompted an analysis of additional alternative investments to maximize short-term returns of working capital balances.

Operating Expenses

as of June 30, in Millions

	2022	2021	Increase / (Decrease) Amount	Percent
Salaries, wages, and benefits	$ 332.1	$ 313.2	$ 18.9	6%
Service, supplies, and other	212.5	183.8	28.7	16%
Total	**$ 544.6**	**$ 497.0**	**$ 47.6**	**10%**
Less depreciation and disposal	**(19.6)**	**(18.4)**	**(1.2)**	**7%**
Cash operating expenses	**$ 525.0**	**$ 478.6**	**$ 46.4**	**10%**

Operating expenses increased $47.6 million in FY22 from FY21 levels, compared to a $20.6 million decrease from FY20 to FY21. As referenced earlier, FY21 was a unique year financially, with large expenditure decreases as the result of 1) a hiring pause, 2) a tiered salary reduction plan, 3) a reduction in the employer retirement match, and 4) a delay in filling vacant positions. Conversely, FY22 expenses increased as the result of 1) a bonus plan, 2) a return to salary levels for employees who absorbed a reduction in salary, 3) the reinstatement of the employer's 8% retirement match, 4) a COLA increase for lower wage earners, and 5) the ramp-up of auxiliaries and other operating expenditures – namely athletic events.

Contribution Revenue

The University reports contribution revenue within the financial statements based on Generally Accepted Accounting Principles (GAAP). The objective under GAAP differs from the Annual Private Support reporting by the University's Advancement office, as detailed in the following table.

GAAP to Advancement Private Support Reconciliation

July 1, 2021 - June 30, 2022, in Millions

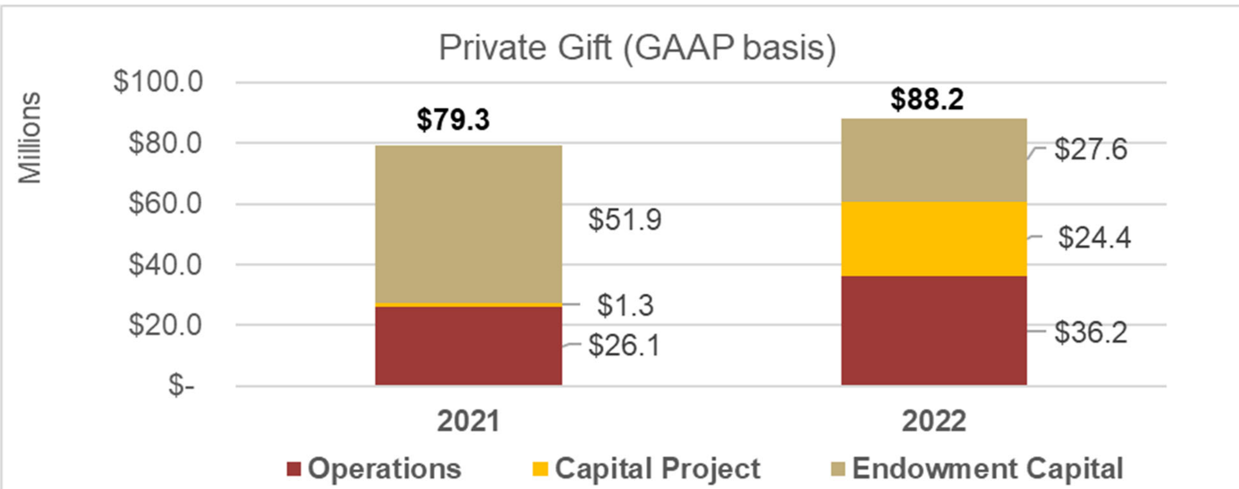
GAAP contribution revenue	$ 88.2
New testamentary agreement (TA)	8.1
Gifts-in-kind	5.1
Philanthropic grant gifts	2.9
Change in pledge discount	(2.4)
Change in donor designation on existing pledge	3.7
Other type of gifts and pledges	0.7
Subtotal	$ 18.1
Advancement Private Support	$ 106.3

Management's Financial Review - Financial Overview (Unaudited)

On a GAAP basis, in FY22, the University recorded $88.2 million in contribution revenue, an increase of $8.9 million from FY21. The FY22 contributions consist of $36.2 million for operations, $24.4 million in capital project gifts, and $27.6 million in permanent endowment gifts. The FY22 gift total represents the significant donations for the Kennedy Mountain Campus, including those earmarked as follows:

- James C. Kennedy Mountain Campus gift - $25M for capital improvements and operations
- Andy and Barbara Taylor Upper Camp at Kennedy Mountain Campus gift - $20M
    - $10M for operations through 2030
    - $10M endowed for operations thereafter

The increase in contribution revenue was also driven by an updated valuation for the estate of Joy S. Burns, resulting in a $6.5 million increase in the value of this gift.



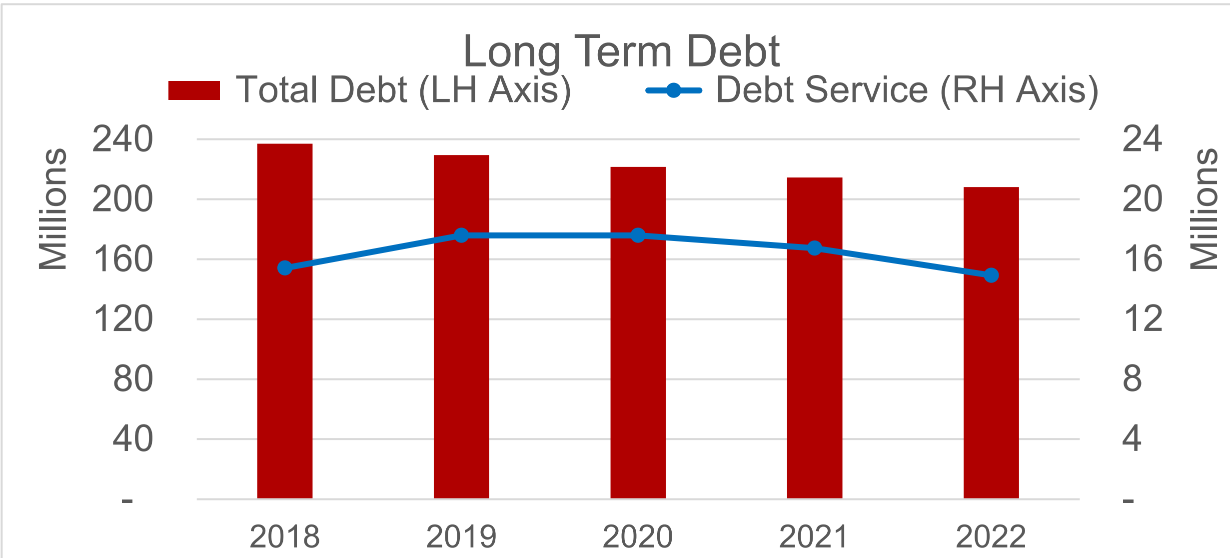
Debt

As of June 30, 2022, the University has five debt issues outstanding with a total principal balance of $208.7 million, a decrease of $5.8 million from June 30, 2021, because of scheduled principal payments made during the fiscal year. The University did not issue new debt or refund existing debt during FY22.

For the purposes of calculating financial leverage, spendable cash and investments are total cash and investments plus deposits with bond trustees less permanently restricted net assets. Deposits with bond trustees, and the drawdown of these funds during construction, will usually result in the financial leverage ratio declining over time. The ratio increased, however, from 2.56 in FY20 to 3.91 in FY21 as stronger-than-expected operations resulted in significant increases in spendable cash and investments.

In FY22, the financial leverage ratio declined, but only slightly to 3.81%. The decline is attributable to the decrease in debt service principle referenced above, a $2.5 million decrease in short-term investments, a decrease in deposits with bond trustees of $3.5 million, and most significant decreases of $56.9 million and $30 million in long-term investments and permanently restricted net assets respectively. These decreases were offset by an increase in cash and cash equivalents of $49.8 million, continuing an upward trend in this asset category.

The debt service coverage ratio measures net income available to pay debt service by comparing a modified operating margin to maximum annual debt service (MADS). As a result of a direct bank placement refunding in FY21, MADS increased slightly to $20.2 million, which will occur in FY25. Under the existing debt structure, the University's annual debt service will not decrease significantly until fiscal year 2028. Until that time, changes in the debt service coverage ratio will be directly related to the level of modified operating margins. The debt service coverage ratio decreased from 4.0 in FY21 to 3.5 during FY22 as a result of the reduction in the modified operating margin. DU debt covenants reference the need for a minimum debt service ratio of 1.15 for additional borrowing of parity debt. The University far exceeds this threshold. As accumulated fund balances are expended, this covenant must be considered in capital project planning.



Endowment

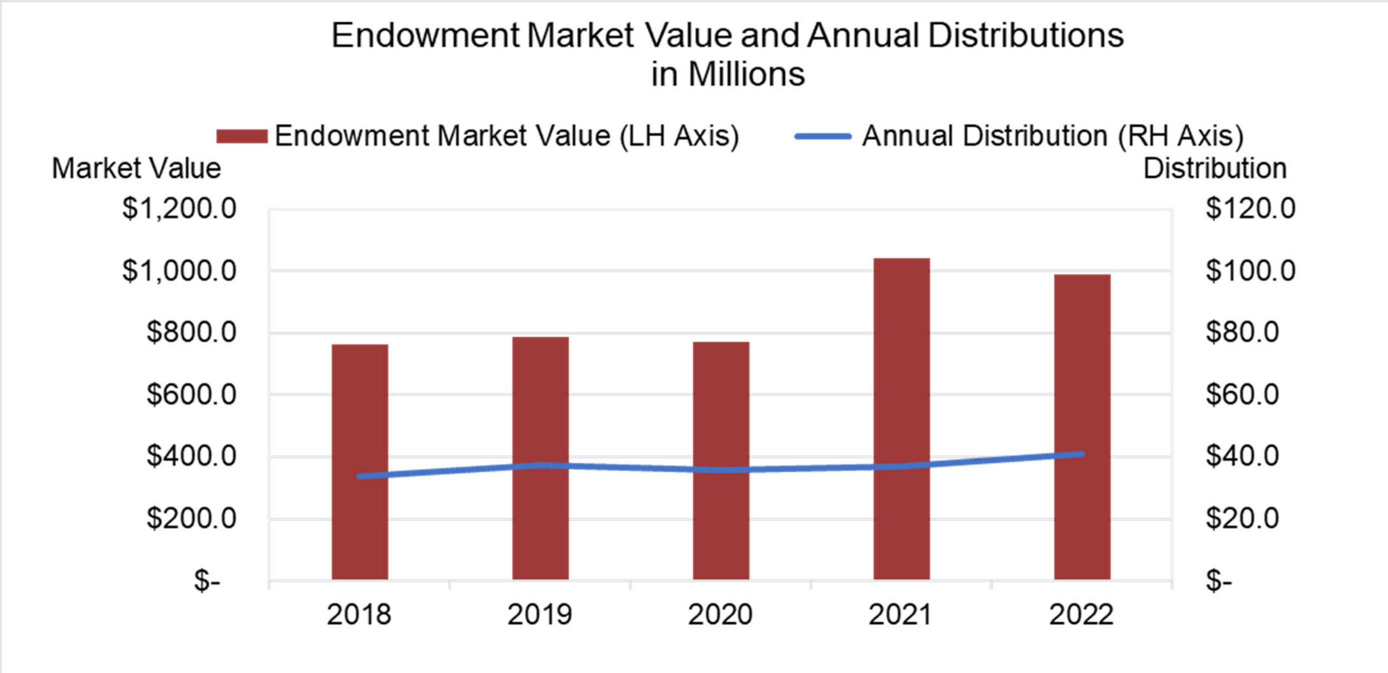
During FY22, the fair market value of the endowment investments, which does not include endowment pledge receivables, decreased from $1,040.0 million to $990.4 million, a reduction of $49.6 million. Endowment gifts received, including payments on endowment pledges of $43.2 million and other transfers to the endowment of $2.1 million, were offset by investment losses of $56.1 million and distributions to operations for spending of $38.8 million.

For fiscal year 2022, the University of Denver's endowment investments managed by its outsourced-chief investment office (OCIO), Investure, LLC, returned a -5.2%. Approximately 93.6% of the FY22 spending distributions to operations were allocated to directly support the University's academic mission in the form of scholarships, fellowships, academic programs, faculty chairs, and professorships, with the remaining 6.4% supporting administrative functions and other institutional initiatives. The University and Investure made significant strides in bolstering investments in Private Equities, with the allocation to this asset class now approaching its target maximum of 40%.

Endowment Asset Allocation

As of June 30, 2022 (% of portfolio)

	Allocation	Target	Maximum
Global equity	20.9%	30.0%	60.0%
Alternative equity	21.5%	30.0%	40.0%
Private equity	39.7%	30.0%	40.0%
Fixed income	6.1%	10.0%	10.0%
Other	11.8%		
	100.0%		



The Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the State of Colorado, went into effect on September 1, 2008, and provides a framework for investment decisions and endowment expenditures. The act applies only to true endowment funds.

Under UPMIFA, the University considers preservation of purchasing power, general economic conditions and the possible effect of inflation and deflation, among other factors, when determining prudent spending from endowment funds. To evaluate these factors, the University compares the investment return after spending that has been maintained in the fund to the inflation-adjusted value of the historic dollar amount of the gift. The University uses several inflationary indices for this comparison.

The comparison of the current value of the gift to the inflation-adjusted value is highly sensitive to the date of the original investment. For this reason, the University analyzes the value of individual endowments, and the endowment as a whole, to the indices referenced below in separate "vintages".

A vintage includes all of the gifts that were bought into the University's consolidated endowment investment pool during a calendar quarter. There have been 55 calendar quarters since the adoption of UPMIFA through the end of FY22. Each vintage has a value at the end of FY22 that is the result of the accumulated investment returns and spending distributions since the calendar quarter when the vintage was added to the investment pool. This value is compared to inflation-adjusted values of the vintage amount, over the same period, using several inflationary indexes.

As shown in the table below, 50 of the 55 vintages have values greater than the inflation-adjusted value when using the Higher Education Price Index (HEPI). The total value of all vintages at the end of FY22 exceeds the inflation-adjusted value of all vintages (using HEPI) by $26.6 million.

When comparing to the Consumer Price Index (CPI) 50 of the 55 vintages also have values greater than the inflation-adjusted value. The total value of all vintages at the end of FY22 exceeds the inflation-adjusted value of all vintages (using CPI) by $32.1 million. Finally, 26 of the 55 vintages have values greater than the inflation-adjusted value when using the Consumer Price Index + 1% (CPI + 1). The total value of all vintages at the end of FY22 is less than the inflation-adjusted value of those vintages (using CPI + 1) by $16 million.

Management's Financial Review - Financial Overview (Unaudited)

This analysis can be used to analyze whether the historic investment returns, and spending decisions are preserving the purchasing power of donors' endowment gifts and to inform decision-making regarding investment allocations and future spending allocation rates from the endowment. Given the number of endowments which are not preserving purchasing power when compared to inflationary indices, future heightened attention must be placed on the spending distribution rate.

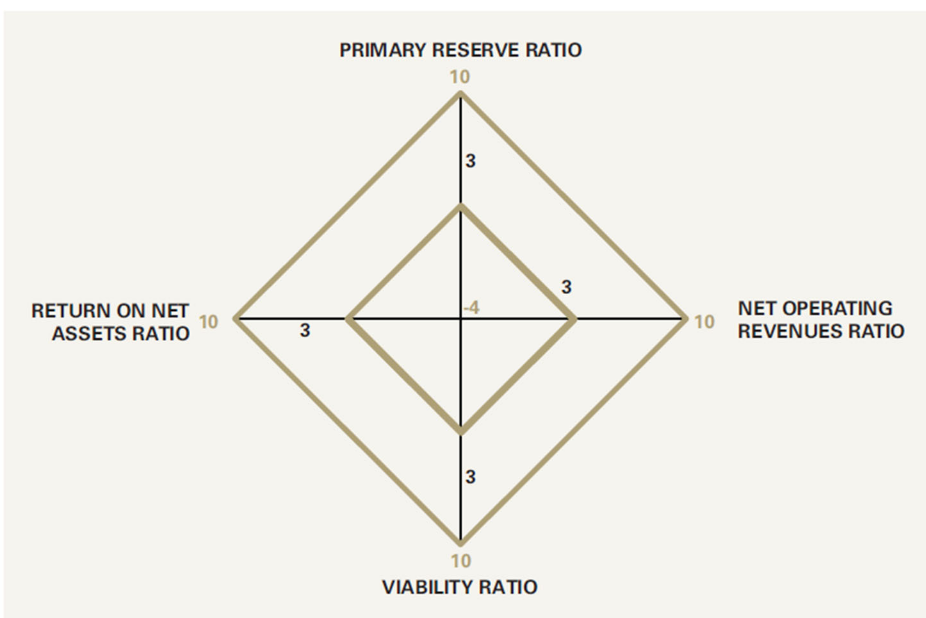
	UPMIFA		
	HEPI	**CPI**	**CPI + 1**
Spread - Index vs. Market (In Millions)**:**	26.6	32.1	(16.0)
Positive Vintages:	50 out of 55	50 out of 55	26 out of 55

Management's Financial Review – Composite Financial Index (Unaudited)

The University calculates and analyzes the Composite Financial Index (CFI) as described in Strategic Financial Analysis for Higher Education, Seventh Edition. The CFI uses the four ratios shown in the charts that follow to calculate a composite score which may be used to assess an institution's total financial health. The calculation of the ratios in the charts incorporate the fiscal year financial results and financial position as of June 30, 2021, and 2022.

The primary reserve ratio measures an institution's financial health by comparing accumulated reserves to operating demands. The viability ratio compares these same reserves to facilities-related debt in order to measure an institution's ability to repay debt from reserves only. The return on net assets ratio uses a one-year look to show the extent of overall net asset growth (or decline). And the net operating revenue ratio, also focusing on a one-year look, measures an institution's ability to conduct activities while relying on the current year's operating revenues, and to accumulate additional reserves. It is best for the financial health of the University for these ratios to be as high as possible although variations from year to year are expected. Additionally, ratios that are too high could indicate that the University is not planning adequately for the future by investing reserves in initiatives that will bolster net revenues.

The four ratios used to calculate the (CFI) are shown graphically below. Re-authorization of spending during FY22 that was constrained during FY21 is expected to result in lower returns on net assets and net operating revenues ratios. However, substantial reserves, accumulated over earlier fiscal periods and especially in FY21, and a relatively low debt balance will result in the University retaining strong primary reserve and viability ratios. Anticipated use of one-time dollars in the FY23 budget will bolster academic and research programs, thereby increasing the University's value proposition. Investments in these programs is expected to yield future revenue and returns which will improve the net operating revenues and the return on net assets ratios in future fiscal periods.



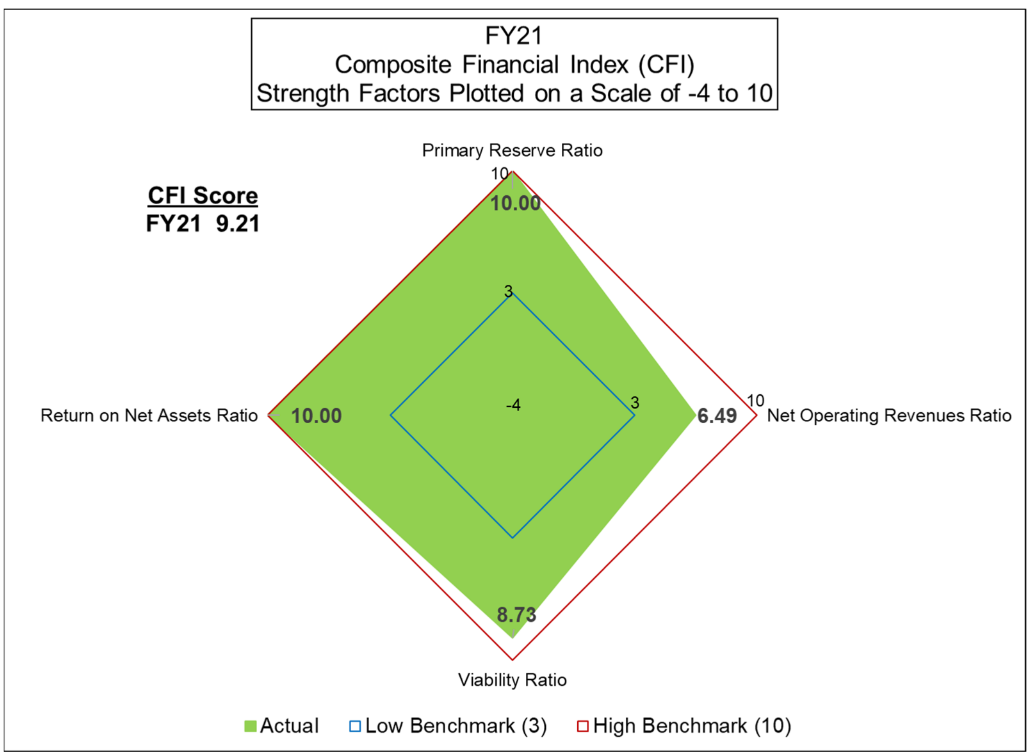
Source: Prager, Sealy & Co., LLC. *Strategic Financial Analysis for Higher Education, 7th Edition*

The following tables depict the calculation of the four ratios for FY21 and FY22 and highlight an overall deterioration in all four ratios for FY22, which will be discussed more fully after the tables and charts.

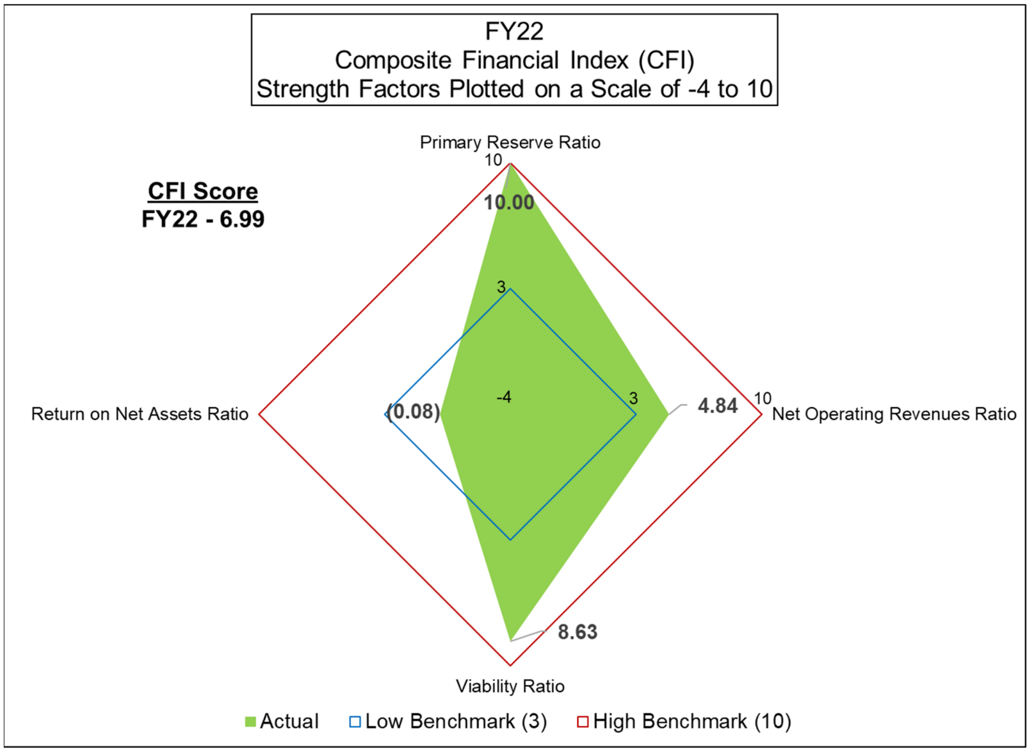
Management's Financial Review – Composite Financial Index (Unaudited)

Formulas		FY21 Financial Elements	Ratio	Strength Factor	Strength Scores	Weight Factor	Composite
Primary Reserve Ratio	Expendable Net Assets / Total Expenses	828,702,447 / 497,048,209	1.67	0.133	*10.00*	0.35	*3.50*
Viability Ratio	Expendable Net Assets / Long-term Debt	828,702,447 / 227,614,127	3.64	0.417	*8.73*	0.35	*3.06*
Return on Net Assets Ratio	Change in Net Assets / Beginning Net Assets	349,865,610 / 1,467,220,523	23.85%	2.00%	*10.00*	0.20	*2.00*
Net Operating Revenues Ratio	Operating Surplus or Deficit / Operating Revenues	23,665,384 / 520,713,593	4.54%	0.70%	*6.49*	0.10	*0.65*
						CFI Score:	9.21

Formulas		FY22 Financial Elements	Ratio	Strength Factor	Strength Scores	Weight Factor	Composite
Primary Reserve Ratio	Expendable Net Assets / Total Expenses	795,481,390 / 544,564,670	1.46	0.133	*10.00*	0.35	*3.50*
Viability Ratio	Expendable Net Assets / Long-term Debt	795,481,390 / 221,052,236	3.60	0.417	*8.63*	0.35	*3.02*
Return on Net Assets Ratio	Change in Net Assets / Beginning Net Assets	(2,897,279) / 1,817,086,133	-0.16%	2.00%	*-0.08*	0.20	*-0.02*
Net Operating Revenues Ratio	Operating Surplus or Deficit / Operating Revenues	19,091,694 / 563,656,364	3.39%	0.70%	*4.84*	0.10	*0.48*
						CFI Score:	6.99



Management's Financial Review – Composite Financial Index (Unaudited)

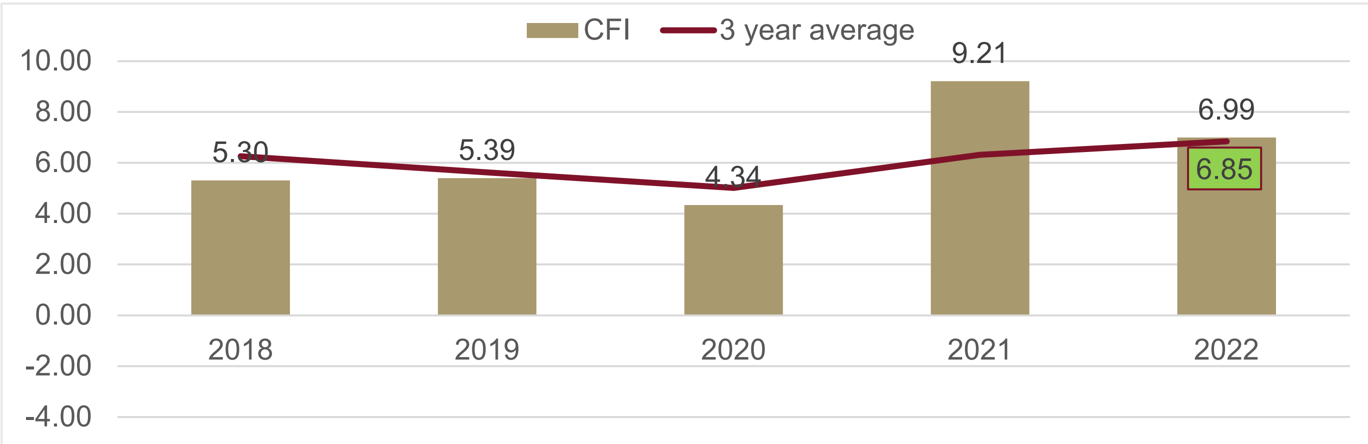


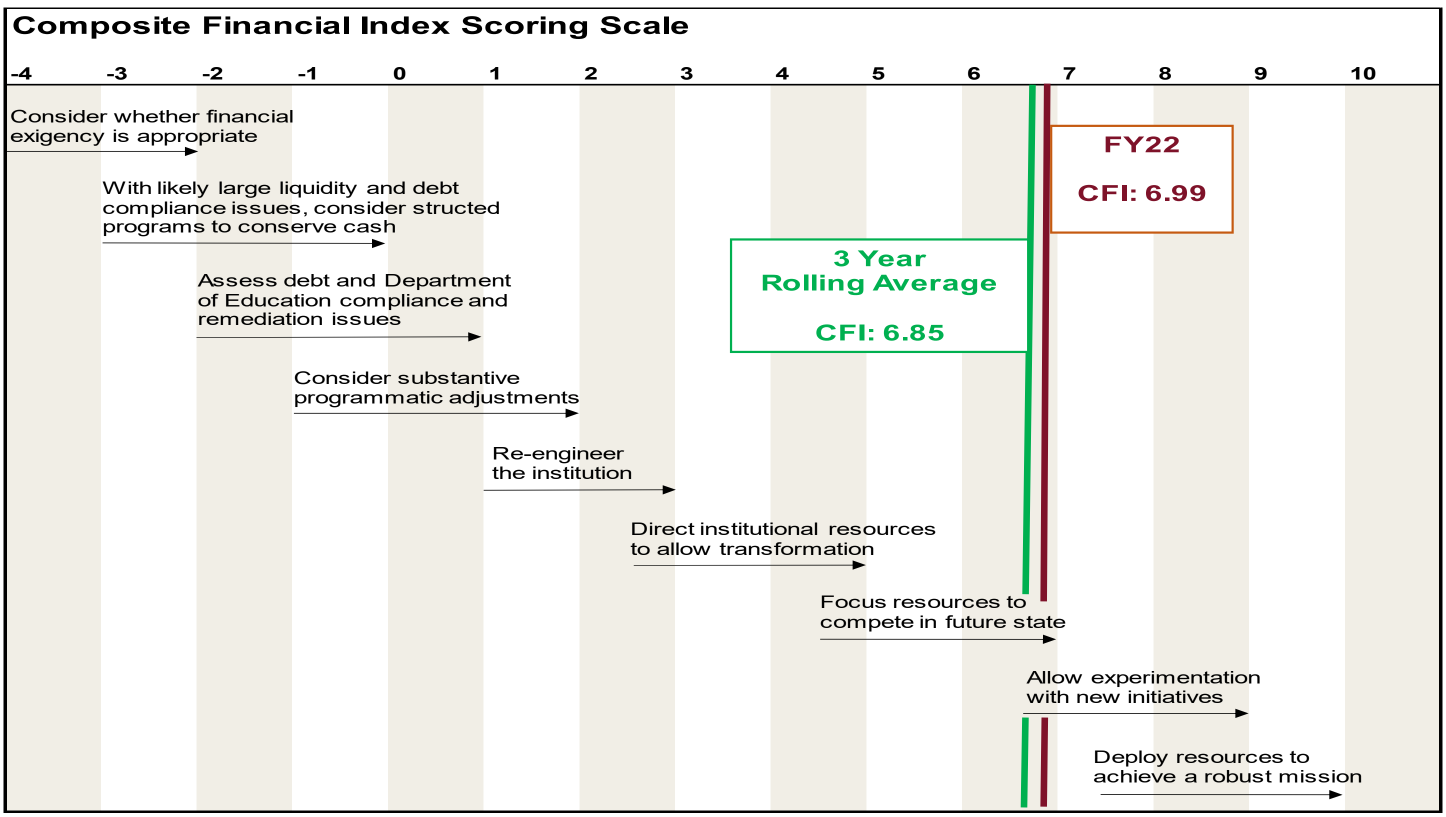
The FY22 CFI score, based on a scale from -4.0 to 10.0, of 6.99 depicts an institution that should focus resources to compete in a future state while allowing experimentation for new initiatives. The strength of the Primary Reserve and Viability ratios speak to the University's strong balance sheet, while the Net Operating Revenues ratios reflect solid operations during FY22, and in particular undergraduate enrollments and expenditure control. As the following table depicts, the composite scores associated with three of the four indices profile maximum or strong ratios while the return on net assets ratio remains a challenge similar to prior years.

	Ratio	Strength/Composite Score	Ratio Profile
Are resources sufficient and flexible enough to support DU's strategic mission?	Primary Reserve Ratio	10.00 / 3.50	Max
Are resources, including debt, managed strategically to advance the mission?	Viability Ratio	8.63 / 3.02	Strong
Do institutional asset performance and management support the strategic direction?	Return on Net Assets Ratio	(0.08) / (0.02)	Weak
Do financial operating results indicate that DU is living within available resources?	Net Operating Revenues Ratio	4.84 / 0.48	Strong

Management's Financial Review – Composite Financial Index (Unaudited)

As the chart below shows, using a three-year average, the University's FY22 CFI score is 6.85. A rolling three-year average calculation of the CFI may be used to mitigate significant fluctuations in the annual calculation during periods of investment return volatility. The appropriateness of the three-year average is reinforced given the significant volatility of operations during the COVID pandemic in FY20 and FY21.





Source: Prager, Sealy & Co., LLC. *Strategic Financial Analysis for Higher Education, 7th Edition*

Similar to the FY22 CFI score, the three-year average CFI indicates DU should focus resources to compete in a future state while allowing experimentation with new initiatives. The ratios confirm the University of Denver has a strong balance sheet but will be stressed by annual operations as recurring budget resources continue to be restrained despite significant one-time resources. This strong foundation, balanced with steady annual operations, will allow for the investment of reserves in initiatives that support the Chancellor's Five Strategic Imperatives and the 4D experience.

Management’s Financial Review - Opportunities and Challenges (Unaudited)

The University of Denver completed a successful 2022 fiscal year emerging from COVID limitations. The University continues sound financial operations within its financial means evidenced by ending FY22 with a positive operating margin for the 31st consecutive year. This operating margin exceeds that of the prior five years and demonstrates considerable financial planning and tremendous success in fundraising.

The Board of Trustees approved the disposition of the operating margin to support strategic needs including a faculty and staff bonus, funding for facilities contemplated in the master plan update, start-up packages for new science faculty and covering possible shortfalls in graduate enrollments and athletic department expenditures in FY23.

The Chair of the Board of Trustees changed at the start of the new fiscal year and is now led by John Miller, a two-time DU alumnus, a DU parent, and a member of the Board since 2008. To this leadership role John brings a passion for the University of Denver and keen business and community focus. As part of this leadership transition, six new task forces have been formed to address emerging strategic issues including:

- Alumni Engagement
- Enterprise Risk Management
- Native American and Indigenous Initiatives
- North End Capital Development
- Student Engagement, Persistence and Outcomes
- Undergraduate Financial Aid and Admissions

University Advancement exceeded the FY22 $75 million goal and raised $106.3 million during the year in preparation for the launch of the next capital campaign. In developing the case for support, Advancement is highlighting the institution’s purpose – to be a private university dedicated to the public good. Through focus on the 4-Dimensional Student Experience, a holistic approach to education that fosters formal and informal engagements in and out of the classroom as well as highlighting the successful launch of the Kennedy Mountain Campus and the achievement of reaching R1 Carnegie status, Advancement is setting campaign priorities that foster interdisciplinary engagement, prioritize access and achievement, and empower faculty excellence.

The transformative potential of the Kennedy Mountain Campus cannot be underestimated. The University received two key gifts last year including the $26.0 million naming gift to purchase and upfit the campus and an additional $20 million gift, split between operating and endowment. The campus, located in Larimer County, Colorado now provides an invigorating, immersive mountain environment for a transformational “4D Experience” for students. Focused on instilling a conservation mindset and lifelong appreciation of and respect for the natural world, the campus is 724 acres adjacent to the Roosevelt National Forest and includes 25,000 square feet of existing facilities, including winterized and seasonal student housing cabins, a dining hall, health and recreation centers, ropes courses and existing trails.

This “4D experience” is one pillar of the Chancellor’s Five Strategic Imperatives centered on four dimensions grounded by intellectual growth and academics, but enhanced through character development, the pursuit of lives of purpose and the promotion of wellbeing. In addition to creating a unique, global, holistic 4D experience, the strategic imperatives define goals to advance the University to ensure a bold, enduring future for the next generation through financial, reputational, and operational practices in order to:

- Cultivate an exceptionally diverse, inclusive, equitable and welcoming community
- Define and model a global, engaged research university, and
- Ensure academic excellence with a signature portfolio of academic programs and a relentless pursuit of quality

Management’s Financial Review - Opportunities and Challenges (Unaudited)

In concert with Advancement, the Marketing & Communications department advanced the goal of positioning the University of Denver with a unified, authentic, and resonant voice to strategically advance the DU brand. This is evidenced by successfully increasing both earned and social media engagements across the year and the distribution of the “For the Difference” marketing campaign to raise DU’s visibility with prospective students, alumni, thought leaders and broader communities. Following many rounds of campus engagement, late in the fiscal year Marketing and Communications launched a refreshed brand image that is now being implemented across the campus.

DU manages financial activities centrally through a partnership between Business and Financial Affairs and the Provost’s Office that engages a network of business officers across operating units. This approach combines elements of unit-level decision making with centralized steering of financial performance to support current and future year planning. Transparency in the formulation of the operating budget began during the COVID pandemic when budget scenario planning included the University’s fully implemented University Budget Advisory Committee (UBAC), which fosters community engagement in the strategic budgeting process. UBAC is comprised of faculty, staff, deans, and student representatives and is co-chaired by the Provost and the Senior Vice Chancellor for Business and Financial Affairs. In support of shared governance, the vice chairs are the chair of the Faculty Senate Finance committee and the Senior Vice Provost for Budget, Planning, and Administration. UBAC provides advice and recommendations to maintain a transparent, informative, and participatory budgeting process. While the University has produced recurring operating margins and has achieved substantial reserves and one-time resources, careful planning to ensure future revenue generation and managing financial ratios and expectations is paramount. The financial dilemma of a well-resourced balance sheet coupled with escalating operating needs to support strategic plans and the current inflationary environment is a conflicted reality.

Undergraduate student enrollment for fall 2022 is strong with projected end of term enrollment totaling 5,820, up 3.8% year-over-year, representing the highest undergraduate enrollment at the University. Total enrollment is challenged by softening across graduate programs where projections for the fall quarter are down by 3%. While some segments of enrollment remain strong, careful attention is taken with the analysis of the discount rate and retention activity, prompting the Provost to articulate a greater focus on improving undergraduate retention, persistence, and graduation rates.

The University’s undergraduate discount rate declined from 52.5% to 50% in Fall 2022 and is projected to be 51.5% for Fall 2022 for the first-time, first-year entering class. For the full undergraduate population, the discount has remained consistent at 45% for three years. For the 2024 budget year in development, the modeled discount rate is similar to the budgeted rate for the current year. The University implemented a 3.0% undergraduate tuition increase for FY23, a modest increase intended to keep the University of Denver affordable to students and their families, yet this change was determined before the impact of inflation was known. In September 2022, the Board of Trustees approved a 5.0% undergraduate tuition increase for FY24 and an overall 5.29% change in tuition, fees, and room & board rates. Moderate tuition and fee increases, coupled with discount rates at comparable levels, will be required to implement employee merit pay and manage inflation across the enterprise particularly in insurance premiums, library acquisitions, and utilities. This must occur simultaneously with providing funding for student life and academic support to enhance the student experience.

On the graduate enrollment side, changes to the perceived need and long-term value of advanced degrees continues to push DU to refine its portfolio of certificate programs and differential tuition and fee rates. Affordable tuition and fees that align with job prospects and salaries, prudent financial planning and offering degree programs that are valued by students and employers will enhance the University’s value proposition and ensure steady enrollments. The University of Denver continues to excel in undergraduate education with faculty providing excellent instruction across modalities while also growing the externally funded research base of the University.

Management's Financial Review - Opportunities and Challenges (Unaudited)

In December 2021, the University was designated Research "R1", very high research activity status with the Carnegie Classification of Institutions. This follows nearly eight years of double-digit growth in annual research expenditures from external sponsors and three years of consistent success with some of the most prestigious early career funding mechanisms. The strategy to achieve "R1 Our Way" focused on a diverse set of sponsors, elevating all types of external awards, acknowledging research contributions regardless of external funding, and leaning into the teacher-scholar-practitioner model. Strategic plan investments in both research support systems and enhanced teacher training and development were made during FY22 and continue in FY23. Success came from building on existing strengths and developing a balanced portfolio spanning the majority of academic units, changing an existing culture such that 1 of 4 faculty hold externally funded grants or contracts, resulting in a university research enterprise that is robust and growing.

New capital planning efforts include developing plans to implement the approved refresh of the Campus Framework Plan – the campus master plan. While the original plan was only completed in 2017, changes in senior administration, the emergence of the five strategic imperatives, the strategic focus on the student experience and STEM fields and the impact of COVID on University finances suggested that the plan needed to be repositioned as a five-year plan focused on immediate needs. Planning is underway for projects within the Innovation Neighborhood along the southern edge of campus and Athletics has completed a planning effort focused on the expansion of the Hamilton Gymnasium within the Ritchie Wellness Center. A revised look at possibilities within the North End parcel adjacent to University Boulevard is underway and may include a third-party development opportunity. This space is expected to accommodate a potential welcome center, athletic performance venue(s), and academic programming and research support. Additionally, the development will review housing and mixed-use possibilities to bolster the goal for a vibrant campus, build diversified revenue streams, and create the required infrastructure improvements to meet the carbon neutrality goals of the University. Deferred maintenance needs will continue to be analyzed and restated in the annual update to the Integrated Facilities Plan, with a full-scale renovation of the historic Mary Reed building currently being contemplated. Strategic property acquisition is an ongoing goal with review of adjacent available properties occurring at any time in the fiscal year.

The University, similar to most public and private higher education institutions, remains challenged by the labor market demands and the unprecedented employee turnover now dubbed "the great resignation". Overall compensation issues, including merit and pay equity as well as remote work opportunities, require additional funding and creative consideration to support the workforce required to continually advance DU. Personnel vacancies and turnover remain high, but positions continue to be filled though stressed by the local, regional, and national labor markets. Work is underway to realign the job family architecture across staff positions and to enhance the employee value proposition through changes to onboarding and an enhanced focus on benefits.

The University welcomed three new individuals into executive management leadership positions during the last fiscal year, notably the Executive Vice Chancellor for Legal Affair and General Counsel, Elizabeth Bullock, the Vice Chancellor for Human Resources, Jeff Banks, and the Vice Chancellor for Athletics and Ritchie Center Operations, Josh Berlo. All of these capable administrators are new to DU. Additionally, a new cabinet-level Associate Vice Chancellor, Stuart Halsall, was hired for the Kennedy Mountain Campus and Wellness & Recreation. Stu brings more than 20 years of DU experience to this new role. Within the academic leadership, two new deans were appointed including Michelle Knight-Manuel, Dean of the Morgridge College of Education and Torrey Wilson, Dean of the Graduate School of Professional Psychology.

The University of Denver faces challenges familiar to higher education institutions across the United States but is fortunate to experience consistent enrollment levels, largely the result of offering a diverse set of undergraduate and graduate academic programs, cultivating a multi-regional student draw, and providing student quality well above national averages. Additionally, as evidenced by the University's proactive and successful approach to COVID mitigation, the University has demonstrated the ability to plan and execute complex strategic initiatives. DU will build upon its academic strength, solid financial metrics, research success with new Carnegie R1 status and fundraising accomplishments of the previous fiscal year. The University entered the new year with a strong financial foundation with resources identified to continue an upwards trajectory in FY23 and beyond.

INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of Denver
Denver, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of University of Denver (the University), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in this report. The other information comprises Management's Financial Review but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Board of Trustees
University of Denver

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022, 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 results 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

CliftonLarsonAllen LLP

Denver, Colorado
November 14, 2022

UNIVERSITY OF DENVER

Statement of Financial Position

At June 30, 2022 and 2021

Assets		**2022**	**2021**
Cash and cash equivalents	$	177,304,388	127,461,729
Short term investments		84,054,403	86,532,340
Accounts receivable, net		38,349,461	32,437,072
Pledges receivable, net		77,899,212	86,461,678
Inventories, prepaid expenses, and other assets		11,749,977	10,245,715
Long term investments		1,006,862,105	1,061,232,572
Loans to students, net		5,036,420	7,237,479
Deposits with bond trustees		1,289,052	4,815,609
Right to use asset under operating leases		3,235,299	—
Property, plant, and equipment, net of accumulated depreciation		773,702,182	771,577,310
Total assets	$	2,179,482,499	2,188,001,504
Liabilities and Net Assets			
Accounts payable and accrued liabilities	$	92,586,148	90,832,386
Deferred revenues		30,121,362	31,305,266
Other liabilities		3,863,804	4,018,341
Annuity obligations		7,745,813	8,798,350
Operating lease liabilities		3,235,299	—
Long-term debt		221,052,236	227,614,127
U.S. government grants refundable		6,688,983	8,346,901
Total liabilities		365,293,645	370,915,371
Net assets:			
Without donor restrictions:			
Undesignated		32,655,176	9,187,693
Board-designated endowments		290,996,219	319,579,102
Designated student loans		1,697,933	1,720,127
Other designated		85,493,608	81,909,583
Net investment in plant		541,866,742	537,027,832
Donor advised funds		—	2,151,387
Total without donor restrictions		952,709,678	951,575,724
With donor restrictions			
Gifts and distributed endowment income		96,359,228	64,514,434
Student loans		2,100,981	2,111,078
Annuity life income		11,468,341	14,585,962
Endowment subject to future appropriations		288,501,844	352,800,058
Perpetual endowment		463,048,782	431,498,877
Total with donor restrictions		861,479,176	865,510,409
Total net assets		1,814,188,854	1,817,086,133
Total liabilities and net assets	$	2,179,482,499	2,188,001,504

See accompanying notes to the financial statements

UNIVERSITY OF DENVER

Statement of Activities

Year ended June 30, 2022

	2022		
	Without donor restrictions	**With donor restrictions**	**Total**
Operating activity			
Operating revenues and other support:			
Tuition and fees, net	$ 371,822,661	—	371,822,661
Private gifts	1,486,476	59,163,165	60,649,641
Grants and contracts	58,908,385	—	58,908,385
Endowment investment return appropriated for operations	11,332,898	29,626,231	40,959,129
Other investment income	1,279,743	174,207	1,453,950
Net realized and unrealized gains (losses) on other investment	(1,049,524)	(1,374,896)	(2,424,420)
Sales and services of educational activities	15,351,340	—	15,351,340
Sales and services of auxiliary enterprise	43,332,145	—	43,332,145
Other sources of operating revenue	24,581,164	—	24,581,164
Net assets released from restrictions	36,611,076	(36,611,076)	—
Total operating revenue	563,656,364	50,977,631	614,633,995
Operating expenses:			
Salaries and wages	272,754,069	—	272,754,069
Fringe benefits	59,296,864	—	59,296,864
Services and supplies	129,768,671	—	129,768,671
Ultilities and maintenance	15,326,315	—	15,326,315
Depreciation	19,546,212	—	19,546,212
Interest on indebtedness	8,312,600	—	8,312,600
Other operating expenses	39,559,939	—	39,559,939
Total operating expenses	544,564,670	—	544,564,670
Increase (decrease) in net assets from operating activity	19,091,694	50,977,631	70,069,325
Non-operating activity			
Private gifts for endowment	—	27,615,938	27,615,938
Endowment investment return after amounts appropriated for operations	(27,750,408)	(67,765,989)	(95,516,397)
Donor advised fund grants	(2,144,350)	—	(2,144,350)
Change in value of split-interest agreements	—	(2,921,795)	(2,921,795)
Net assets released from restrictions	12,938,011	(12,938,011)	—
Reclassification of restricted net assets	(1,000,993)	1,000,993	—
Increase (decrease) in net assets from non-operating activity	(17,957,740)	(55,008,864)	(72,966,604)
Change in net assets	1,133,954	(4,031,233)	(2,897,279)
Net assets at beginning of year	951,575,724	865,510,409	1,817,086,133
Net assets at end of year	$ 952,709,678	861,479,176	1,814,188,854

See accompanying notes to the financial statements

UNIVERSITY OF DENVER

Statement of Activities

Year ended June 30, 2021

	2021		
	Without donor restrictions	**With donor restrictions**	**Total**
Operating activity			
Operating revenues and other support:			
Tuition and fees, net	$ 367,052,070	—	367,052,070
Private gifts	1,891,785	25,642,403	27,534,188
Grants and contracts	50,571,037	—	50,571,037
Endowment investment return appropriated for operations	10,417,806	26,505,246	36,923,053
Other investment income	989,356	200,156	1,189,512
Net realized and unrealized gains (losses) on other investment	(392,893)	4,434,358	4,041,465
Sales and services of educational activities	10,514,942	—	10,514,942
Sales and services of auxiliary enterprise	31,763,189	—	31,763,189
Other sources of operating revenue	12,624,091	—	12,624,091
Net assets released from restrictions	35,282,210	(35,282,210)	—
Total operating revenue	520,713,593	21,499,953	542,213,547
Operating expenses:			
Salaries and wages	257,091,922	—	257,091,922
Fringe benefits	56,073,557	—	56,073,557
Services and supplies	118,636,380	—	118,636,380
Ultilities and maintenance	12,537,061	—	12,537,061
Depreciation	18,429,664	—	18,429,664
Interest on indebtedness	8,092,896	—	8,092,896
Other operating expenses	26,186,729	—	26,186,729
Total operating expenses	497,048,209	—	497,048,209
Increase (decrease) in net assets from operating activity	23,665,384	21,499,953	45,165,338
Non-operating activity			
Private gifts for endowment	—	51,805,581	51,805,581
Endowment investment return after amounts appropriated for operations	74,425,259	176,188,715	250,613,973
Donor advised fund grants	(1,165,000)	—	(1,165,000)
Change in value of split-interest agreements	—	3,445,718	3,445,718
Net assets released from restrictions	1,929,591	(1,929,591)	—
Reclassification of restricted net assets	(467,687)	467,687	—
Increase (decrease) in net assets from non-operating activity	74,722,163	229,978,110	304,700,272
Change in net assets	98,387,547	251,478,063	349,865,610
Net assets at beginning of year	853,188,177	614,032,346	1,467,220,523
Net assets at end of year	$ 951,575,724	865,510,409	1,817,086,133

See accompanying notes to the financial statements

UNIVERSITY OF DENVER

Statements of Cash Flows

Years ended June 30, 2022 and 2021

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	(2,897,279)	349,865,610
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation of property, plant, and equipment		19,546,212	18,429,664
Disposal of property, plant, and equipment		97,147	29,869
Amortization of premium and cost of issuance		(771,891)	(770,770)
(Increase) decrease in accounts receivable		(5,912,389)	1,843,622
(Increase) decrease in pledges receivable		8,562,466	(45,626,551)
Pledge receivable satisfied with other financial assets		(8,883,116)	—
(Increase) in inventories, prepaid expenses, and other assets		(1,504,262)	(188,337)
Increase in accounts payable and accrued liabilities		1,337,859	1,830,925
(Decrease) in deferred revenues		(1,183,904)	(2,288,132)
(Decrease) increase in other liabilities		(154,537)	2,849,259
Actuarial adjustment for annuity obligation		(1,032,744)	830,598
Contributions restricted for long term investment		(27,975,900)	(14,348,882)
Net realized and unrealized (gains) losses on investments		59,151,306	(289,551,752)
Net cash provided (used) by operating activities		38,378,967	22,905,123
Cash flows from investing activities:			
Proceeds from sale of investments		543,184,649	537,893,364
Purchases of investments		(536,624,228)	(522,444,844)
Purchases of property, plant, and equipment		(21,352,328)	(31,638,362)
Repayment of Perkins and University loans to students		2,201,059	1,978,968
Decrease in deposits with bond trustees		3,526,557	36,997,375
Net cash provided (used) in investing activities		(9,064,290)	22,786,501
Cash flows from financing activities:			
Proceeds from contributions restricted for long term investment		27,975,900	14,348,882
Payments of bonds payable		(5,790,000)	(7,040,000)
(Decrease) in refundable government loan funds, net		(1,657,918)	(2,249,879)
Net cash provided (used) in financing activities		20,527,982	5,059,003
Net increase (decrease) in cash and cash equivalents		49,842,659	50,750,627
Cash and cash equivalents at beginning of year		127,461,729	76,711,102
Cash and cash equivalents at end of year	$	177,304,388	127,461,729

See accompanying notes to the financial statements

(1) Summary of Significant Accounting Policies

(a) Nature of the Entity

The University of Denver 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. In 2020, the University and the Colorado Seminary merged, forming the surviving entity, the University of Denver. An amended charter and articles of incorporation are in place with the State of Colorado. The University offers both undergraduate and graduate programs. Enrollment currently stands at approximately 14,100 students, of which approximately 5,900 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 action 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 September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The standard clarifies the presentation and disclosure of contributed nonfinancial assets by requiring disclosure of the type of nonfinancial assets received and how nonfinancial assets are used by exempt organizations. The standard does not change accounting for or recognition of contributions of nonfinancial assets.

The University adopted ASU 2020-07 in fiscal year 2022 with no significant impact to the financial statements or note disclosures.

(d) Cash and Cash Equivalents

The University controls cash for all activities through one operating account.

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

(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 sponsored program grants and contracts. An allowance for uncollectability is provided based on specific review of outstanding balances.

The following table shows the University's accounts receivable balances and allowances for uncollectible accounts as of June 30, 2022 and June 30, 2021:

	2022	2021
Student accounts receivable	$ 27,294,275	$ 24,973,619
Allowance for uncollectible accounts	(2,995,362)	(2,529,190)
Student accounts receivable, net	24,298,913	22,444,429
Sponsored programs accounts receivable	8,161,311	7,001,047
Allowance for uncollectible accounts	(226,705)	(241,847)
Sponsored programs accounts receivable, net	7,934,606	6,759,200
Financial aid accounts receivables	2,316,790	589,546
Other accounts receivable	3,799,152	2,643,897
Total accounts receivable, net	$ 38,349,461	$ 32,437,072

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

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

(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 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 uncollectability. All contributions are available for unrestricted use unless specifically restricted by the donor.

Donor-restricted contributions, other than grants and contracts with governments and similar agencies, whose restrictions are met in the same reporting period are initially reported as revenue with donor restrictions, which increases net assets with donor restrictions, then reclassed (or released from restrictions), simultaneously increasing net assets without donor restrictions and decreasing net assets with donor restrictions. Grants and contracts with governments and similar agencies, whose conditions and restrictions have been met in the same reporting period, are initially reported as revenue without donor restrictions which increases net assets without donor restrictions. Conditional promises to give are recognized as revenue when the conditions on which they depend are substantially met.

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

(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 historically 10 to 80 years for buildings and improvements, although the facilities funded with series 2017 A&B bonds are depreciated at a reduced useful life of 50 years.

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

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

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

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

(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.

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. Institutional scholarships are the unfunded discount from the University's stated tuition and fee charges which is applied to the accounts of qualifying students. 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, 2022 and 2021:

	2022	2021
Undergraduate tuition	$ 301,614,643	$ 290,293,216
Graduate tuition	274,270,451	265,631,690
Other tuition	12,340,174	11,067,546
Student fees	4,770,296	4,660,600
Tuition and fees	592,995,564	571,653,052
Less: institutional scholarships	(195,786,238)	(180,830,787)
Less: noninstitutional scholarships	(25,386,665)	(23,770,195)
Net tuition and fees	$ 371,822,661	$ 367,052,070

Summer session tuition and fee revenue that is not earned as of year-end is deferred and reported as Deferred Revenues on the Statement of Financial Position. Deferred tuition and fee revenue is recognized as revenue in the following fiscal year.

The following tables include a roll forward of Deferred Tuition and Fee Revenue balances for the years ended June 30, 2022 and 2021:

Balance at June 30, 2021	$ 31,305,266
Tuition and fee revenue recognized	(31,305,266)
Revenue deferred for future performance obligations	30,121,362
Balance at June 30, 2022	$ 30,121,362

Balance at June 30, 2020	$ 33,593,398
Tuition and fee revenue recognized	(33,593,398)
Revenue deferred for future performance obligations	31,305,266
Balance at June 30, 2021	$ 31,305,266

(l) Grants and Contracts Revenue

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

The following table shows the University's grants and contracts revenue from governmental and non-governmental sources for the fiscal years ended June 30, 2022 and June 30,2021:

	2022	2021
Governmental sources of grants and contracts		
Federal sponsored programs	$ 28,555,641	$ 23,806,608
Other governmental sponsored programs	4,305,198	4,261,854
Federal and state student financial assistance	5,379,654	5,895,684
Higher Education Emergency Relief Fund	12,232,909	7,105,908
Total governmental sources of grants and contracts	50,473,402	41,070,054
Non-governmental sponsored programs	8,434,983	9,500,983
Total grants and contracts	$ 58,908,385	$ 50,571,037

Facilities and administrative 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 facilities and administrative costs rate with the Office of Naval Research. Facilities and administrative costs recovered included in federal sponsored programs in the chart above were approximately $6,719,000 and $5,581,000 during fiscal years ended June 30, 2022 and 2021, respectively. Facilities and administrative costs recovered on all other grants and contracts are based on rates negotiated with respective sponsors. Facilities and administrative costs recovered from other governmental sponsored programs and non-governmental sponsored programs were approximately $3,497,000 and $2,993,000 during fiscal years ended June 30, 2022 and 2021, respectively.

During 2022, the University received $12,232,909 in funding from the American Rescue Plan Act (ARPA). Of this amount, $6,129,883 was made directly available for students as emergency aid grants. The remaining amount, or $6,103,026, was used to offset costs incurred by the University to manage the ongoing impact of the coronavirus on campus. All funding received from the ARPA was fully utilized by the University by June 30, 2022.

During 2021, the University received $7,105,908 in funding from the Federal Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). As required by law, an amount equal to fifty percent of the Federal Coronavirus Aid, Relief and Economic Security (CARES) Act award, or $2,313,135, was made directly available for students under the Emergency Financial Aid Grants to Students. The remaining amount, or $4,792,773, was used to offset the reimbursement of room and board and fee refunds to students in the Spring quarter of the 2020 fiscal year. All funding received from the CRRSAA was fully utilized by the University by June 30, 2021.

Contracts and grant revenue from the American Rescue Plan Act (ARPA) and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) are shown in the table above as Higher Education Emergency Relief Fund (HEERF).

(m) Sales and Services of Auxiliary Enterprise

Sales and services of auxiliary enterprise revenue consist 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:

	2022	2021
Housing	$ 22,212,573	$ 16,761,447
Meal plans	13,702,545	9,341,725
Health and counseling services	5,415,220	5,379,666
Conferencing and events	241,398	2,070
Performing arts events	1,405,624	21,292
Other sales and services of auxilary enterprises	354,785	256,989
Total sales and services of auxiliary enterprises	$ 43,332,145	$ 31,763,189

During fiscal year 2021, auxiliary facilities including housing and dining operated throughout the year contributing to an increase in auxiliary revenues over the previous year. However, de-densification measures necessitated by the continuing pandemic did not allow for a return to full operations and effected fiscal year 2021 auxiliary revenues. The operations of Conferencing and Events and the Newman Performing Arts Center were essentially paused for the entire fiscal year ended June 30, 2021. During fiscal year 2022, housing and dining facilities returned to full operations. Conferencing and Events and the Newman Performing Arts Center continued to operate at less than full operations during the year ended June 30, 2022.

(n) Compensated Absences

Eligible University employees earn paid vacation each month based upon their years of service with the University. Vacation time accrues and vests proportionately between July 1 and June 30 of the current year and employees can carry a maximum of 22 days to the next fiscal year. An accrual has been made for earned vacation time in the amount of $5,075,000 and $5,524,000 as of June 30, 2022 and 2021, respectively, and is included in accounts payable and accrued liabilities in the accompanying statements of financial position.

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

(o) 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 9.9%. Annuity obligations are adjusted annually for these factors.

(p) 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, 2022 and 2021.

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, 2022 and 2021.

(q) 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, 2022 and 2021, the University matched commitments to the matching program in the amount of approximately $1,001,000 and $492,000, respectively. Remaining funds available for use of the various gift matching programs totaled approximately $2,323,000 of which $1,817,000 is committed to the receipt of future pledge payments as of June 30, 2022, and approximately $3,209,000 of which $1,395,000 was committed to the receipt of future pledge payments as of June 30, 2021.

(r) 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.

(s) Endowment Funds

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

(t) 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, 2022 and through November 14, 2022

(u) Reclassifications

Certain 2021 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:

	2022	2021
Financial Assets:		
Cash and cash equivalents - operating	$ 165,604,539	$ 114,752,941
Short-term investments - operating	83,709,403	86,187,340
Long-term investment - operating	210,101	236,612
Working capital	249,524,043	201,176,893
Accounts receiveable, net	38,349,461	32,437,072
Pledges receiveable-operating due within one year	17,619,973	8,244,335
Board-designated endowments	290,996,219	319,579,102
Financial assets available at year end	596,489,696	561,437,402
Liquidity resources		
Estimated endowment distribution in the following year	40,463,000	36,528,000
	$ 636,952,696	$ 597,965,402

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

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

(3) Short- and Long-Term Investments

Investments at June 30 consist of the following:

	2022		
	Cost	Unrealized gain (loss)	Market value
Short-term investments:			
U.S. government securities	$ 72,892,187	(582,975)	72,309,212
Mutual funds	9,401,948	1,760,491	11,162,439
Real estate	475,000	(130,000)	345,000
Other	237,752	—	237,752
	83,006,887	1,047,516	84,054,403
Long-term investment:			
Trustee cash and cash equivalents for endowments and annuities	3,100,078	—	3,100,078
U.S. Government Securities	71,998,110	(5,195,157)	66,802,953
Alternative Investments	172,992,973	101,179,647	274,172,620
Global Equities	119,989,846	89,822,330	209,812,176
Mutual Funds	28,354,093	677,548	29,031,641
Real Estate	23,913,281	43,781,065	67,694,346
Private Equities	219,331,109	126,609,794	345,940,903
Beneficial Trust Interest	8,686,919	1,480,365	10,167,284
Other	140,104	—	140,104
	648,506,513	358,355,592	1,006,862,105
Total all funds	$ 731,513,400	359,403,108	1,090,916,508

	2021		
	Cost	Unrealized gain (loss)	Market value
Short-term investments:			
U.S. government securities	$ 72,724,225	47,738	72,771,963
Mutual funds	9,703,451	3,474,174	13,177,625
Real estate	475,000	(130,000)	345,000
Other	237,752	—	237,752
	83,140,428	3,391,912	86,532,340
Long-term investment:			
Trustee cash and cash equivalents for endowments and annuities	7,463,622	—	7,463,622
U.S. Government Securities	70,235,277	(953,437)	69,281,840
Alternative Investments	186,054,567	160,723,224	346,777,791
Global Equities	166,865,387	150,594,501	317,459,888
Mutual Funds	26,267,624	4,561,561	30,829,185
Real Estate	22,248,936	43,781,065	66,030,001
Private Equities	142,138,504	68,893,914	211,032,418
Beneficial Trust Interest	8,370,680	3,770,535	12,141,215
Other	216,612	—	216,612
	629,861,209	431,371,363	1,061,232,572
Total all funds	$ 713,001,637	434,763,275	1,147,764,912

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, 2022, the pool had 143,133,025 shares outstanding, with a fair value of approximately $930,809,843. 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 2022 was $0.26 per share, which represented spending of realized and unrealized gains. At June 30, 2021, the pool had 137,829,677 shares outstanding, with a fair value of approximately $982,678,406. The distribution for spending in 2021 was $0.25 per share, which represented spending of realized and unrealized gains.

The investment pool consisted of 1,400 and 1,357 individual endowments at June 30, 2022 and 2021, respectively.

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, 2022 and 2021:

	2022	
	Number of agreements	**Market Value**
Perpetual trusts held by third party	2	$ 7,924,817
Charitable Remainder Trusts:		
University named trustee	16	13,780,348
Third-party named trustee	4	2,242,466
Charitable Annuity Agreements	45	3,347,030
	67	$ 27,294,661

	2021	
	Number of agreements	**Market Value**
Perpetual trusts held by third party	2	$ 9,636,420
Charitable Remainder Trusts:		
University named trustee	17	16,870,036
Third-party named trustee	4	2,504,794
Charitable Annuity Agreements	47	4,196,350
	70	$ 33,207,600

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 the 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 2022 and 2021 was approximately $66,000 and $9,000, respectively.

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

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

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

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

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

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest 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, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, investments in other funds, and less liquid mortgage securities (backed by either commercial or residential real estate).

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

(b) Fair Value Hierarchy Table

The following tables summarize the University's short- and long-term investments in the fair value hierarchy as of June 30, 2022 and 2021, as well as the 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 represent 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.

Private equity investments in the fair value tables below as of June 30, 2022 and 2021 are liquidated in accordance with the respective fund legal documents. The timing of the liquidation of these funds as of June 30, 2022 and 2021 is unknown.

	June 30, 2022				
Investment/liquidity	**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
U.S. government securities:					
Daily	$ 138,882,164	—	—	—	138,882,164
Monthly	—	230,000	—	—	230,000
Total	138,882,164	230,000	—	—	139,112,164
Alternative investments:					
Quarterly	—	—	—	212,725,164	212,725,164
Illiquid	—	—	—	61,447,457	61,447,457
Total	—	—	—	274,172,621	274,172,621
Mutual funds:					
Daily	40,194,080	—	—	—	40,194,080
Total	40,194,080	—	—	—	40,194,080
Global equities:					
Daily	2,417,055	—	—	—	2,417,055
Monthly		—	—	206,839,953	206,839,953
Quarterly	555,168	—	—	—	555,168
Total	2,972,223	—	—	206,839,953	209,812,176
Trustee cash and cash equivalents:					
Daily	3,100,078	—	—	—	3,100,078
Total	3,100,078	—	—	—	3,100,078
Real estate:					
Semiannually	—	68,039,347	—	—	68,039,347
Total	—	68,039,347	—	—	68,039,347
Private equities:					
Illiquid	—	—	7,107,116	338,833,787	345,940,903
Total	—	—	7,107,116	338,833,787	345,940,903
Beneficial trust interest:					
Locked-up 1	—	10,167,284	—	—	10,167,284
Total	—	10,167,284	—	—	10,167,284
Other:					
Daily	240,103	—	—	—	240,103
Illiquid	137,752	—	—	—	137,752
Total	377,855	—	—	—	377,855
Grand total	$ 185,526,400	78,436,631	7,107,116	819,846,361	1,090,916,508

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

	June 30, 2021				
Investment/liquidity	**Level 1**	**Level 2**	**Level 3**	**NAV**	**Total**
U.S. government securities:					
Daily	$ 141,823,803	—	—	—	141,823,803
Monthly	—	230,000	—	—	230,000
Total	141,823,803	230,000	—	—	142,053,803
Alternative investments:					
Quarterly	—	—	—	259,933,017	259,933,017
Illiquid	—	—	—	86,844,774	86,844,774
Total	—	—	—	346,777,791	346,777,791
Mutual funds:					
Daily	44,006,810	—	—	—	44,006,810
Total	44,006,810	—	—	—	44,006,810
Global equities:					
Daily	3,819,522	—	—	—	3,819,522
Monthly	—	—	—	313,025,350	313,025,350
Quarterly	615,016	—	—	—	615,016
Total	4,434,538	—	—	313,025,350	317,459,888
Trustee cash and cash equivalents:					
Daily	7,463,622	—	—	—	7,463,622
Total	7,463,622	—	—	—	7,463,622
Real estate:					
Semiannually	—	66,375,001	—	—	66,375,001
Total	—	66,375,001	—	—	66,375,001
Private equities:					
Illiquid	—	—	—	211,032,418	211,032,418
Total	—	—	—	211,032,418	211,032,418
Beneficial trust interest:					
Locked-up 1	—	12,141,215	—	—	12,141,215
Total	—	12,141,215	—	—	12,141,215
Other:					
Daily	316,612	—	—	—	316,612
Illiquid	137,752	—	—	—	137,752
Total	454,364	—	—	—	454,364
Grand total	$ 198,183,137	78,746,216	—	870,835,559	1,147,764,912

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

The following table sets forth a summary of certain changes in the fair value of University's Level 3 assets for the year ended June 30:

	2022	2021
Donated	$ 7,107,116	—
Purchases	—	—
Sales	—	—
Transfers In	—	—
Transfers Out	—	—

The following table represents the University's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs used for the valuation as of June 30:

Instrument	Fair Value 2022	Fair Value 2021	Principal Valuation Technique	Unobservable Inputs
Donated equity in closely held corporation	$ 7,107,116	—	Subject company transaction method	Recent equity transaction

(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 1,400 and 1,357 individual funds as of June 30, 2022 and 2021, respectively. The endowments were established for a variety of purposes, including both donor-restricted endowment funds (true endowment) and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

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

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2022:			
Donor-restricted			
Perpetual endowment	$ —	463,048,782	463,048,782
Subject to future appropriations	—	288,501,844	288,501,844
Board-designated endowment funds	290,996,219	—	290,996,219
	$ 290,996,219	751,550,626	1,042,546,845

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2021:			
Donor-restricted			
Perpetual endowment	$ —	431,498,877	431,498,877
Subject to future appropriations	—	352,800,058	352,800,058
Board-designated endowment funds	319,579,102	—	319,579,102
	$ 319,579,102	784,298,935	1,103,878,037

The changes in endowment net assets for the years ended June 30, 2022 and 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	$ 319,579,102	784,298,935	1,103,878,037
Investment return:			
Investment income	320,080	1,849,538	2,169,618
Net realized and unrealized gains	(16,737,590)	(39,989,296)	(56,726,886)
Total investment return	(16,417,510)	(38,139,758)	(54,557,268)
Private gifts	10,772	27,541,031	27,551,803
Appropriation of endowment assets for expenditures	(11,332,898)	(29,626,231)	(40,959,129)
Present value adjustment	—	10,806	10,806
Reinvested income	157,746	1,861,600	2,019,346
Transfer to restricted endowments	—	4,603,250	4,603,250
Reclassification of restricted net assets	(1,000,993)	1,000,993	—
Changes	(28,582,883)	(32,748,309)	(61,331,192)
Endowment net assets, June 30, 2022	$ 290,996,219	751,550,626	1,042,546,845

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	$ 245,218,576	553,079,906	798,298,482
Investment return:			
Investment income	306,040	1,720,699	2,026,739
Net realized and unrealized gains	84,542,644	200,967,643	285,510,287
Total investment return	84,848,684	202,688,342	287,537,026
Private gifts	100,293	51,835,135	51,935,428
Appropriation of endowment assets for expenditures	(10,417,806)	(26,505,246)	(36,923,052)
Present value adjustment	—	(5,433)	(5,433)
Reinvested income	321,030	2,136,499	2,457,529
Transfer to restricted endowments	—	578,057	578,057
Reclassification of restricted net assets	(491,675)	491,675	—
Changes	74,360,526	231,219,029	305,579,555
Endowment net assets, June 30, 2021	$ 319,579,102	784,298,935	1,103,878,037

(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 55 funds considered underwater with a deficiency of approximately $2,128,000 at June 30, 2022. There were no underwater endowment funds at June 30, 2021. The deficiency is recorded as net unrealized losses on endowment in the change 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 a portion of the University's Consolidated Endowment Fund. The University has authorized Investure, LLC to act as the University's attorney-in-fact to enter into, make, execute and perform agreements or other undertakings on behalf of the University in connection with each investment. The University, through Investure, LLC's management, targets a diversified asset allocation. Investure, LLC's long-term investment allocation guidelines include the following targets and maximum allocations by investment: global equity target of 30% and maximum allocation of 60%, alternative equity target of 30% and maximum allocation of 40%, private equity target of 30% and maximum allocation of 40%, fixed income target of 10% with no maximum allocation.

In addition to investments managed by Investure, the University holds an alternative investment and real estate investments in the Consolidated Endowment Fund which are not managed by Investure. The overall asset allocation of the Consolidated Endowment Fund is considered when investment allocation guidelines and targets are assessed. In addition to the investments held in the Consolidated Endowment Fund, the University holds investments in separate endowment funds. The investment objectives of the individual separate endowment funds may differ from the objectives of the Consolidated Endowment Fund and have asset allocation guidelines and targets specific to those funds.

(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, 2022, and 2021, 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:

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	$ 50,393,435	$ 54,750,654
One to five years	22,766,992	24,178,054
Greater than five years	28,491,200	34,188,744
	101,651,627	113,117,452
Less allowance for uncollectible pledges	(7,794,708)	(7,702,603)
Less present value discount (4.75% - 6.50%)	(15,957,707)	(18,953,171)
Net pledges receivable	$ 77,899,212	$ 86,461,678

Included in pledges receivable is the present value of approximately $31,264,000 and $46,538,000 as of June 30, 2022 and 2021, respectively, in pledges from current and former members of the board of trustees. For the years ended June 30, 2022 and 2021, the University did not conduct any additional transactions with members of the board of trustees that were not negotiated at arm's length.

(7) Property, Plant, and Equipment

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

	2022	2021
Land	$ 12,490,316	9,174,417
Land improvements	35,523,499	35,523,354
Buildings and improvements	911,162,226	897,877,763
Equipment	64,307,280	65,047,564
Library books	9,469,924	9,414,020
Construction in progress	6,126,918	3,410,853
	1,039,080,163	1,020,447,971
Less accumulated depreciation	(265,377,981)	(248,870,661)
	$ 773,702,182	771,577,310

The University had approximately $19,546,000 and $18,430,000 of depreciation expense for the years ended June 30, 2022 and 2021, respectively. During the year ended June 30, 2022 and 2021, the University capitalized interest incurred to the cost of buildings and improvements of approximately $0 and $702,000, respectively.

The University monitors asset retirement obligations in accordance with the provisions of FASB ASC Topic 410-20, *Asset Retirement and Environmental Obligations*. Under FASB ASC Topic 410-20, costs related to the legal obligation to perform certain activities in connection with the retirement, disposal, or abandonment of assets are required to be accrued. The University has identified asbestos abatement as a conditional retirement obligation. For the years ended June 30, 2022 and 2021, respectively, an asset retirement obligation of approximately $9,052,000 and $8,686,000 is included in accounts payable and accrued liabilities.

(8) Long-Term Debt

Bonds payable at June 30 consist of the following:

	2022	2021
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2021	$ 13,550,000	15,985,000
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	21,310,000	22,980,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2013	14,460,000	16,145,000
Colorado Educational and Cultural Facilities Authority Refunding Revenue Bonds, Series 2007	39,920,000	39,920,000
	208,720,000	214,510,000
Unamortized bond premium	13,326,512	14,155,787
Unamortized bond cost of issuance	(994,276)	(1,051,660)
Total long-term debt	221,052,236	227,614,127
Less current installments	11,615,000	5,790,000
Long-term debt, excluding current installment	$ 209,437,236	221,824,127

The University had approximately $8,313,000 and $8,093,000 of interest expense net of amortization of bond premium and deferred cost of issuance for the years ended June 30, 2022 and 2021, respectively. Amortization of bond premium and deferred cost of issuance was approximately $772,000 and $771,000 for the years ended June 30, 2022 and 2021, respectively. During the year ended June 30, 2022 and 2021, the University capitalized interest incurred to the cost of buildings and improvements of approximately $0 and $702,000, respectively. The interest of approximately $9,130,000 and $9,542,000 was paid in cash during the years ended June 30, 2022 and 2021, respectively.

(a) Issuance of Series 2021 Bonds

In February 2021, the Colorado Educational and Cultural Facilities Authority (the Authority) issued $18,500,000 of University of Denver Revenue Bonds, Series 2021. The proceeds from the sale of the 2021 bonds were used to (1) refund $11,310,000 aggregate principal amount of the Authority's Revenue Bonds Series 2014A, (2) refund $7,040,000 aggregate principal amount of the Authority's Revenue Bonds Series 2014b, and (3) pay certain costs associated with the issuance of the 2021 Bonds.

The bond agreement provides for principal payments of $2,515,000 in 2021, decreasing to $1,710,000 in 2031. Interest is payable semiannually at a fixed rate of 1.420%.

(b) 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%.

(c) 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%.

(d) Issuance of Series 2007 Bonds

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

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

(e) Aggregate Annual Maturities of Bonds Payable

At June 30, 2022, the aggregate annual maturities of bonds payable for the five succeeding years and thereafter are as follows:

2023	5,995,000
2024	11,030,000
2025	11,795,000
2026	11,180,000
2027	11,615,000
Thereafter	157,105,000
	$ 208,720,000

(f) Restrictive Bond Covenants

The University is required by bond covenants to maintain expendable resources (as defined by the Loan Agreements) of at least 75% of the outstanding principal of its long-term debt. The Loan Agreements require the calculation of a debt service coverage ratio (as defined by the Loan Agreements) annually. A debt service coverage ratio of less than 1.15 may limit the ability of the University to borrow additional amounts. 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.

(g) 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.

(9) Leases

The University leases facilities, equipment, and vehicles under operating lease agreements. The present value of the future minimum lease payments is reported on the Statement of Financial Position as a Right to Use (ROU) asset under operating leases and as an Operating lease liability.

Minimum annual lease payments are shown in the table below as of June 30, 2022:

2023	1,157,595
2024	1,082,853
2025	1,113,444
2026	52,893
2027	27,251
Thereafter	—
Total minimum lease payments	3,434,036
Present Value Discount (2.98%)	(198,737)
	$ 3,235,299

During the year ended June 30, 2022, payments related to the lease agreements were approximately $1,087,000 and are reported in services and supplies on the statement of activities. The weighted-average remaining lease term as of June 30, 2022 was 2.6 years. The University elected to use a risk-free rate of return for the calculation of the operating lease liability for all leases. The University recognizes lease expense for short-term leases on a straight-line basis over the lease term. There was no lease short-term lease expense for the year-ended June 30, 2022 and no amount for short-term leases is included in right-to-use asset under operating leases or operating lease liability.

(10) Retirement Plan

The University of Denver Retirement Plan (the Plan) covers all employees of the University except nonresident aliens and students. The Plan is a contributory tax-deferred annuity retirement plan under Section 403(b) of the Internal Revenue Code (the Code). Participating employees may elect to defer up to 90% of their base pay, limited by the Code to $20,500 per employee per year. The Code allows participants who have attained age 50 before the end of the Plan year to make catch-up contributions up to an additional $6,500. Administrators, faculty members, and staff-appointed employees are eligible to participate in employer-provided contribution matching after one year of service. Prior to July 1, 2020, eligible employees who contributed at least 4% of their base pay received an employer-matching contribution of 8%. Effective July 1, 2020, the Plan was amended to add a provision for a fully discretionary matching contribution. Eligible employees who contributed at least 4% of their base pay received a matching contribution of 4% for the period July 1, 2020 through March 31, 2021. Eligible employees who contributed at least 4% of their base pay received a matching contribution of 8% for periods after April 1, 2021. Participants have a fully vested interest in the total contributions immediately. Accounts of each employee are invested at the employee's discretion. Under the Retirement Plan, the University contributed approximately $14,244,000 and $9,425,000 for the years ended June 30, 2022 and 2021, respectively, which were charged to operations expenses.

(11) Postretirement Benefits Other than Pensions

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

The University sponsors a defined-benefit healthcare plan (the Healthcare Plan) that provides postretirement medical benefits to full-time employees who have worked 10 years and attained age 55 while in service with the University if hired prior to January 1, 1992, or full-time employees who have worked 20 years and attained age 55 while in service with the University if hired after December 31, 1991. Participants receive $60 per month toward the cost of their postretirement medical costs. At June 30, 2022, the Healthcare Plan covered 238 retirees with an additional 2,561 active employees potentially eligible for coverage. At June 30, 2021, the Healthcare Plan covered 230 retirees with an additional 2,422 active employees potentially eligible for coverage. The Healthcare Plan is noncontributory.

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

		2022	2021
Acrued postretirement benefit obligation (APBO), beginning of year	$	2,935,218	3,153,830
Service cost		80,934	83,074
Interest cost		71,079	69,404
Actuarial loss (gain)		(383,118)	(209,090)
Benefits paid		(167,760)	(162,000)
APBO (all unfunded), end of year	$	2,536,353	2,935,218

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

		2022	2021
Service cost	$	80,934	83,074
Interest cost		71,079	69,404
Amortization of prior service cost		11,125	11,125
Recognized net actuarial gain		(4,321)	—
Net periodic postretirement benefit cost	$	158,817	178,130

An accrual has been made for the APBO and is included in accounts payable and accrued liabilities in the accompanying statements of financial position. The weighted average discount rate used in determining the APBO was 4.33% and 2.49% for June 30, 2022 and 2021, 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 $167,760 and $162,000 for the years ended June 30, 2022 and 2021, respectively, which were charged to operating expenses.

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

2023	$ 181,000
2024	188,000
2025	187,000
2026	184,000
2027	180,000
2028-2032	840,000
Total	$ 1,760,000

For the years ended June 30, 2022 and 2021, all medical premiums were greater than the amount subsidized by the University. Therefore, a healthcare trend was not used as all retirees receiving the subsidy received the full $60.

The measurement date for the Healthcare Plan was June 30, 2022.

(12) Loans to Students

Student loans made through Perkins constitute substantially all of the student loans outstanding at June 30, 2022 and 2021. 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 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, the allowance for possible loan losses of these funds was $153,000.

(13) Expenses

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

The table below shows the composition of the expenses of the University for the year ended June 30, 2022 by functional category and natural class:

	Instruction	Research	Public service	Academic support	Student services	Institutional support	Auxiliary enterprises	Total
Salaries and wages	126,762,206	12,709,141	9,201,078	49,596,511	26,866,400	37,850,192	9,768,541	272,754,069
Fringe benefits	28,364,379	2,282,257	1,879,117	11,377,788	6,159,130	6,734,231	2,499,962	59,296,864
Services, supplies, and other	45,628,228	10,435,953	12,293,193	37,504,042	22,921,647	21,868,240	18,677,307	169,328,610
Utilities and maintenance	2,758,198	537,692	70,524	2,337,185	2,173,620	1,109,605	6,339,491	15,326,315
Depreciation	7,557,430	160,038	1,457	174,848	2,380,237	1,975,184	7,297,018	19,546,212
Interest on indebtedness	489,497	–	–	351,078	653,141	26,820	6,792,064	8,312,600
Total	211,559,938	26,125,081	23,445,369	101,341,452	61,154,175	69,564,272	51,374,383	544,564,670

The table below shows the composition of the expenses of the University for the year ended June 30, 2021 by functional category and natural class:

	Instruction	Research	Public service	Academic support	Student services	Institutional support	Auxiliary enterprises	Total
Salaries and wages	122,728,442	11,387,343	8,137,633	48,047,352	23,432,072	34,416,184	8,942,896	257,091,922
Fringe benefits	26,326,329	1,990,617	1,592,619	10,534,302	5,261,508	8,223,642	2,144,540	56,073,557
Services, supplies, and other	38,448,921	9,972,157	16,005,631	31,453,181	14,965,849	15,221,723	18,755,647	144,823,109
Utilities and maintenance	2,316,413	443,160	59,226	1,962,257	1,875,574	670,713	5,209,718	12,537,061
Depreciation	7,163,100	350,550	801	526,504	3,129,476	2,017,643	5,241,590	18,429,664
Interest on indebtedness	493,364	–	–	353,852	637,983	27,032	6,580,665	8,092,896
Total	197,476,569	24,143,827	25,795,910	92,877,448	49,302,462	60,576,937	46,875,056	497,048,209

The University had fundraising expenses of approximately $17,588,000 and $15,380,000 in 2022 and 2021, respectively, which were recognized in institutional support in the accompanying statements of activities.

(14) Line of Credit

The University of Denver has a revolving line of credit agreement with a financial institution for its operational needs in the amount of $50 million, amended and restated as of March 30, 2022. There were no outstanding balances on the line of credit as of June 30, 2022 and June 30, 2021.

(15) Commitments and Contingencies

At June 30, 2022 and 2021, the University had outstanding commitments totaling approximately $2,273,000 and $2,295,000, respectively, for contracts related to various construction projects on campus.

During the 2022 fiscal year, the University invested approximately $80,858,000 in 24 long-term partnerships, 22 of which were formed prior to the 2022 fiscal year, bringing its cumulative contributions to the partnerships to approximately $366,316,000. Under the terms of the partnership agreements, the University and other investors are committed to funding additional investments. As of June 30, 2022, the University's remaining commitments to 20 partnerships total approximately $196,653,000. Commitments to investment partnerships are generally applicable until an event of dissolution, as determined by the general partner.

During the 2021 fiscal year, the University invested approximately $59,396,000 in 21 long-term partnerships, 21 of which were formed prior to the 2021 fiscal year, bringing its cumulative contributions to the partnerships to approximately $288,212,000. Under the terms of the partnership agreements, the University and other investors are committed to funding additional investments. As of June 30, 2021, the University's remaining commitments to 19 partnerships total approximately $268,655,000. Commitments to investment partnerships are generally applicable until an event of dissolution, as determined by the general partner.

(16) Risks and Uncertainties

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.